

*In this week's recap: home sales slip, the Fed may be discussing an end date for its balance sheet reduction, leading indicators flash weaker signals, and equities continue to climb.*



# Weekly Economic Update

---

January 28, 2019

## HOME SALES QUICKLY FALTER

Seldom do existing home sales fall 6.4% in a month, but that was what happened in December. National Association of Realtors economist Laurence Yun called the drop a reflection of “consumer search processes and contract signing activity in previous months when mortgage rates were higher than today,” and noted that the housing market could be poised for a spring rebound. Year-over-year, the NAR noted, resales were down 10.3%. The median existing home sale price was \$253,600 last month, up 2.9% from December 2017.<sup>1</sup>

## IS A SUNSET COMING FOR THE FED'S BALANCE SHEET RUNOFF?

On Friday, the *Wall Street Journal* stated that Federal Reserve policymakers are reportedly considering an end date for the unwinding of the central bank's huge bond portfolio. Investors will, no doubt, scrutinize the Federal Open Market Committee's January 30 monetary policy statement for any intimations about this. In gradually shrinking its balance sheet over the last 15 months, the Fed has affected the level of liquidity within the financial markets.<sup>2</sup>

## LEADING INDICATORS RETREAT

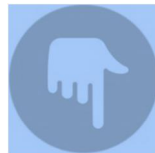
The Conference Board's monthly index of leading indicators descended a tenth of a point in December. A month earlier, the gauge rose 0.2%. In a note accompanying the release of the data, the CB said this might be a hint that the economy may “decelerate towards 2% growth by the end of 2019.”<sup>3</sup>

## A SHORT AND POSITIVE WEEK ON WALL STREET

All three major U.S. equity benchmarks posted slight gains this past 4-day trading week, adding to the extended rally that began after Christmas. At Friday's close, the S&P 500 was up 7.20% month-over-month, and the Dow Jones Industrial Average was on a 5-week winning streak. Friday's sudden agreement between President Trump and Democratic congressional leaders to end the partial federal government shutdown was but one positive factor influencing stocks. Some key earnings announcements surprised to the upside: China's government said that it would inject \$37 billion worth of liquidity into its money markets, and investors heard that the Fed might be thinking of wrapping up the unwinding of its balance sheet sooner rather than later.<sup>4,5</sup>

---

### TIP OF THE WEEK



*At most businesses, sales and revenue ebb and flow across the year. Some astute short-term budgeting may help your business better manage the lean times. Start with a list of your essential, month-to-month costs, and see if you can plan to reduce any extra costs during the slow months.*

---

### THIS WEEK

The Internal Revenue Service begins accepting 2018 individual tax returns on Monday; on Wall Street, investors respond to Q4 results from Caterpillar, Celanese, and Whirlpool. | Tuesday, the Conference Board releases its January consumer confidence index, and 3M, AMD, Allergan, Amgen, Apple, Biogen, Corning, eBay, Harley-Davidson, Lockheed Martin, Nucor, Pfizer, Pulte Group, Regis Corp., Rockwell Automation, Verizon, and Xerox announce earnings. | The Federal Reserve issues its latest policy statement on Wednesday, with a press conference afterward; ADP presents its January payrolls report, the NAR offers its latest pending home sales index, and the earnings roll call includes Alibaba, Ally Financial, Ameriprise Financial, Anthem, AT&T, Avery Dennison, Boeing, Facebook, General Dynamics, McDonalds, Microsoft, Mondelez International, PayPal, Qualcomm, Royal Caribbean, Siemens, Sirius XM, Tesla, U.S. Steel, and Visa. | On Thursday, December consumer spending numbers are out along with earnings from Aflac, Altria Group, Amazon, Celgene, Charter Communications, ConocoPhillips, DowDuPont, GE, Mastercard, Nokia, Northrop Grumman, Parker Hannifin, Raytheon, Royal Dutch Shell, Sherwin-Williams,

Sprint, Symantec, UPS, and Valero Energy. | Friday, Wall Street interprets January jobs data, the final January University of Michigan consumer sentiment index, ISM’s newest manufacturing PMI, and earnings from Aon, Chevron, Cigna, ExxonMobil, Honda, Honeywell International, Merck, Sony, and Weyerhaeuser.

QUOTE OF THE WEEK



*“Success is really about being ready for the good opportunities that come before you.”*

ERIC SCHMIDT

MARKET INDEX	CLOSE	WEEK	Y-T-D
DJIA	24,737.20	+0.80	+6.04
NASDAQ	7,164.86	+0.81	+7.98
S&P 500	2,664.76	+0.58	+6.30
TREASURY	CLOSE	WEEK	Y-T-D
10 YEAR NOTE	2.76	-0.03	+0.07

Sources: wsj.com, investopedia.com, treasury.gov - 1/25/19<sup>5,6,7,8</sup>

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.

Weekly and year-to-date market index returns are expressed as percentages. 10-year Treasury note yield = projected return on investment, expressed as a percentage, on the U.S. government’s 10-year bond. Weekly and year-to-date 10-year Treasury note yield differences are expressed in basis points.

THE WEEKLY RIDDLE



*All around you in the day, and you will notice it in the dark. You can see it, but you will never hear it. What is it?*

*LAST WEEK'S RIDDLE: Round like an orange, deep like a cup, set in the earth, and nothing can pull it up.  
What is it?*

*ANSWER: A well.*

---

**Richard J. Falck, CFP®, CLU, ChFC**

**509 Professional Drive · P.O. Box 530 Northfield, MN 55057**

**Phone ~ 507-645-2993 · Toll Free ~ 800-601-6638**

**[www.falckfinancial.com](http://www.falckfinancial.com) · [rfalck@falckfinancial.com](mailto:rfalck@falckfinancial.com)**

---

Securities offered through **First Heartland Capital, Inc.** Member FINRA/SIPC.  
Advisory Services offered through First Heartland Consultants, Inc.  
1839 Lake St. Louis Blvd., Lake St. Louis, Missouri 63367. (636) 625-0900  
Falck Financial Services is not affiliated with First Heartland Capital, Inc.

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. The information herein has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All market indices discussed are unmanaged and are not illustrative of any particular investment. Indices do not incur management fees, costs, or expenses. Investors cannot invest directly in indices. All economic and performance data is historical and not indicative of future results. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 500 (S&P 500) is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the "NYSE") and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability and differences in accounting standards. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. MarketingPro, Inc. is not affiliated with any person or firm that may be providing this information to you. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional.

CITATIONS:

- 1 - [bankingjournal.aba.com/2019/01/existing-home-sales-dipped-6-4-percent-in-december/](http://bankingjournal.aba.com/2019/01/existing-home-sales-dipped-6-4-percent-in-december/) [1/22/19]
- 2 - [cnbc.com/2019/01/25/fed-reportedly-moving-closer-to-ending-balance-sheet-reduction.html](http://cnbc.com/2019/01/25/fed-reportedly-moving-closer-to-ending-balance-sheet-reduction.html) [1/25/19]
- 3 - [reuters.com/article/us-usa-economy-unemployment/us-weekly-jobless-claims-lowest-since-1969-idUSKCN1P1SM](http://reuters.com/article/us-usa-economy-unemployment/us-weekly-jobless-claims-lowest-since-1969-idUSKCN1P1SM) [1/24/19]
- 4 - [marketwatch.com/story/us-stock-futures-point-to-another-upbeat-day-for-wall-street-led-by-techs-2019-01-25](http://marketwatch.com/story/us-stock-futures-point-to-another-upbeat-day-for-wall-street-led-by-techs-2019-01-25) [1/25/19]
- 5 - [markets.wsj.com](http://markets.wsj.com) [1/25/19]
- 6 - [investopedia.com/markets](http://investopedia.com/markets) [1/25/19]
- 7 - [treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield](http://treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield) [1/25/19]
- 8 - [treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldAll](http://treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldAll) [1/25/19]