

WEEKLY ECONOMIC UPDATE

May 8, 2017

WEEKLY QUOTE

“All opinions are not equal. Some are a very great deal more robust, sophisticated and well supported in logic and argument than others.”

- Douglas Adams

WEEKLY TIP

Avoid tapping your retirement accounts to help pay college costs for a child or grandchild. If you make this move, you risk damaging your own financial future in your effort to smooth theirs.

WEEKLY RIDDLE

It is worn on the road, it is nearly always dirty, and it only comes in one color. What is it?

Last week's riddle:

I have hands, my hands move, but you will never hear me clap. What am I?

Last week's answer:

A clock.

NEW DATA SHOWS MORE HIRING, LESS SPENDING

Unemployment hit a 10-year low in April as payrolls swelled with 211,000 net new jobs, a rebound from the meager gains of March. The Department of Labor's monthly report showed the headline jobless rate declining 0.1% to 4.4%; the U-6 rate measuring underemployment was at 8.6%, falling 0.3%. The latest consumer spending report from the Department of Commerce was less impressive. Personal spending was flat in March, with personal incomes up 0.2%.^{1,2}

ISM PMIS WENT OPPOSITE WAYS IN APRIL

America's factory sector grew at a slower rate last month than it did during March, while the country's service sector picked up its pace of expansion. The Institute for Supply Management's April purchasing manager index dipped to 54.8 from its previous 57.2 mark; ISM's non-manufacturing PMI rose 2.3 points in April to 57.5.²

FEDERAL RESERVE LEAVES RATES ALONE

As expected, the central bank left the benchmark interest rate in the 0.75-1.00% target range last week. The Federal Open Market Committee felt that the poor economic growth of the first quarter was likely “transitory,” and in its view, economic activity should “expand at a moderate pace” with “gradual” monetary policy adjustments. On May 5, Fed futures traders put the odds of a June rate hike at 79%.^{3,4}

BLUE CHIPS TOP 21,000

The Dow Jones Industrial Average reached another milestone Friday, settling at 21,006.94 after rising 0.32% on the week. Slightly better 5-day performances were posted by the Nasdaq Composite (+0.88% to 6,100.76) and the S&P 500 (+0.63 to 2,399.29). Small caps lost 0.25% for the week – the Russell 2000 closed at 1,397.00 Friday. During the past five market days, the CBOE VIX retreated 2.31% to 10.57.⁵

THIS WEEK: Investors will keep an eye on France's national election Monday, and review earnings from Sysco and Tyson Foods. On Tuesday, earnings roll in from Allergan, Discovery Communications, and Valeant Pharmaceuticals. Wednesday features earnings from Dillard's, NetEase, Snap, Sotheby's, Spectra Energy, Symantec, Wendy's, and Whole Foods. Thursday offers the federal government's latest reading on wholesale inflation, a new initial jobless claims report, and earnings from Kohl's, Macy's, and Nordstrom. April retail sales and consumer inflation data appear Friday, plus the University of Michigan's initial May consumer sentiment index and earnings news from JCPenney.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+6.30	+18.95	+12.22	+5.84
NASDAQ	+13.33	+29.33	+21.27	+13.72
S&P 500	+7.17	+17.00	+15.05	+5.94
REAL YIELD	5/5 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.50%	0.13%	-0.30%	2.24%

Sources: wsj.com, bigcharts.com, treasury.gov - 5/5/17^{6,7,8,9}

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends. 10-year TIPS real yield = projected return at maturity given expected inflation.

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