

WEEKLY ECONOMIC UPDATE

June 4, 2018

WEEKLY QUOTE

“The mystery of life isn’t a problem to solve, but a reality to experience.”

- Frank Herbert

WEEKLY TIP

All business owners should work on a formal succession plan long before the endgame for their company begins. A solid succession plan addresses tax, legal, and financial issues central to business ownership transfer.

WEEKLY RIDDLE

You can put me on a table and cut me, but you will never eat me. What am I?

Last week’s riddle:

Kelsey is 16, and she just learned how to drive. She was on the other side of the road yesterday morning, but did not get a ticket even though a police car saw her. Why?

Last week’s answer:

She was not driving when she was on the other side of the road.

HIRING, HOUSEHOLD SPENDING STRENGTHEN

Net job growth surprised to the upside in May: companies added 223,000 more workers than they laid off or fired. At 3.8%, the unemployment rate is now where the Federal Reserve thought it would be at the end of 2018, and it is also at its lowest level since April 2000. Underemployment, as measured by the Department of Labor’s U-6 jobless rate, fell 0.2% in May to a 17-year-low of 7.6%. Year-over-year wage growth was measured at 2.7% in this latest labor market snapshot. In another sign of a strong economy, the Department of Commerce said that consumer spending grew by a noteworthy 0.6% in April, with consumer incomes rising 0.3%.^{1,2}

CONSUMER CONFIDENCE REBOUNDS

The Conference Board’s closely watched consumer confidence index improved to 128.0 in May, rising 2.4 points from its April mark. Analysts polled by MarketWatch expected a reading of 127.5.²

FACTORY SECTOR CONTINUES TO BOOM

Growth picked up in U.S. manufacturing last month, according to the Institute for Supply Management’s May purchasing manager index. At an impressive reading of 58.7, the PMI was 1.4 points better than it was in April and matched its average reading over the past 12 months. The index has not been below 56.5 for a year. Any reading above 50.0 indicates expansion.³

WALL STREET SHRUGS AT NEW IMPORT TAXES

The Trump administration is following through on its pledge to impose tariffs on metals imported from Mexico, Canada, and the European Union – and all those trading partners are responding in kind. Incipient trade war or not, investors felt confident last week – confident enough to send the Nasdaq Composite another 1.62% higher in four days. The S&P 500 added 0.49% in those four sessions, but the Dow Jones Industrial Average fell 0.48% last week. Their respective Friday settlements: Dow, 24,635.21; Nasdaq, 7,554.33; S&P, 2,734.62.^{4,5}

THIS WEEK: On Monday, Apple kicks off its weeklong 2018 developer conference, and Dell Technologies and Palo Alto Networks announce earnings. The ISM service sector PMI appears Tuesday. Wednesday, Thor Industries reports quarterly results. On Thursday, Wall Street reviews the latest initial jobless claims data and earnings from Broadcom and J.M. Smucker. Friday, nothing major is scheduled.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-0.34	+16.51	+12.60	+9.70
NASDAQ	+9.43	+20.93	+23.72	+20.32
S&P 500	+2.28	+12.53	+13.54	+9.74
REAL YIELD	6/1 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.80%	0.40%	-0.05%	1.51%

Sources: wsj.com, bigcharts.com, treasury.gov - 6/1/18^{5,6,7,8}

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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