

WEEKLY ECONOMIC UPDATE

September 18, 2017

WEEKLY QUOTE

“People need to be reminded more often than they need to be instructed.”

- Samuel Johnson

WEEKLY TIP

Did you just get a raise or a promotion? Beware of lifestyle creep – the tendency to spend more when you make more. Be sure to direct appropriate amounts of your increased income into savings and investments.

WEEKLY RIDDLE

Take three letters, arrange them one way, and you have a word for “conflict.” Arrange them another way, and you have a word for “uncooked.” What are the three letters?

Last week’s riddle:

I walk and run on all fours, and I laugh while stalking my prey, but I seldom go in for the kill. What animal am I?

Last week’s answer:

A hyena.

INFLATION SPIKED IN AUGUST

Economists had long assumed consumer prices would rise abruptly at some point, and they certainly did last month. The Consumer Price Index increased 0.4% in August, its biggest one-month advance since its 0.6% gain in January. Higher gas prices were a major influence: they rose 6.3% for August. Core inflation was up 0.2% after four straight 0.1% monthly gains. Yearly consumer inflation is now at 1.9%. Wholesale inflation, as measured by the Producer Price Index, rose 0.2% in August to an annualized pace of 2.4%.^{1,2}

RETAIL SALES STAGE A LATE-SUMMER RETREAT

Americans cut back on retail purchases during August. Retail sales declined 0.2%, a disappointment after the 0.3% July gain. The silver lining: the core number, minus gasoline and auto buying, rose 0.2%.²

CONSUMER SENTIMENT INDEX DIPS SLIGHTLY

The University of Michigan’s twice-monthly barometer of the American consumer’s mood fell 1.5 points in its initial September edition. At a mark of 95.3, the index was still 4.5% above where it was a year earlier. While the index’s current conditions component hit its highest level in nearly 17 years, 9% of survey respondents believed that Hurricanes Irma and Harvey had hurt the overall economy.³

A MILESTONE FOR THE S&P 500

Recording its highest close ever, the broad equities benchmark settled at 2,500.23 Friday, capping off a 5-day gain of 1.58% and attaining its third round-number highpoint of 2017. The Nasdaq Composite advanced 1.39% for the week to 6,448.47. Setting the pace for the big three, the Dow Jones Industrial Average added 2.16% last week to close Friday at 22,268.34. The Russell 2000 had an even better week, rising 2.31% to 1,431.71; the CBOE VIX again neared historic lows, dropping 16.09% in five days to 10.17.^{4,5}

THIS WEEK: On Monday, Steelcase shares quarterly results. Earnings calls Tuesday include announcements from Adobe Systems, AutoZone, Bed Bath & Beyond, and FedEx, and investors will also look at the Census Bureau’s August report on new residential construction. Wednesday, the Federal Reserve could reveal plans for unwinding its balance sheet as it wraps up a monetary policy meeting; Wall Street will also consider August existing home sales numbers and Q3 results from General Mills. A new initial unemployment claims report arrives Thursday. CarMax and Finish Line present earnings Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+12.68	+22.27	+12.76	+6.57
NASDAQ	+19.79	+22.84	+20.51	+14.78
S&P 500	+11.68	+16.44	+14.11	+6.85
REAL YIELD	9/15 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.35%	0.22%	-0.76%	2.20%

Sources: wsj.com, bigcharts.com, treasury.gov - 9/15/17^{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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