

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

Presented by Fulcrum Financial Group, 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 2017.¹

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.²

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.”³

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.^{4,5}

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^{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.

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.

Sarah Carlson may be reached at 509-747-2075 or scarlson@fulcrumfinancialgroup.com
fulcrumfinancialgroup.com

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CITATIONS:

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- 2 - 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 [1/24/19]
- 4 - 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 [1/25/19]
- 6 - investopedia.com/markets [1/25/19]
- 7 - 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 [1/25/19]