

WEEKLY ECONOMIC UPDATE

December 25, 2017

WEEKLY QUOTE

“Do what you can, with what you have, where you are.”

- *Teddy Roosevelt*

WEEKLY TIP

Under 30? Now is the time to consider automating your saving and investing, so you can take advantage of the potential benefits of compounding. Many baby boomers and Gen Xers wish they had started investing in their twenties.

WEEKLY RIDDLE

Emily takes a picture at an art museum in Michigan. Why is she subsequently told not to leave the museum?

Last week's riddle:

Had by some and treasured by all, it is found inside and outside and makes many fall. Can you name what it is?

Last week's answer:

Beauty.

LANDMARK FEDERAL TAX CHANGES SLATED FOR 2018

Congress passed the Tax Cuts & Jobs Act last week, and President Trump signed the bill into law on Friday. The new legislation authorizes major changes to the Internal Revenue Code. On January 1, 2018, the corporate tax rate will be reduced to 21%, most pass-through businesses will be allowed to claim a 20% deduction on earnings, the estate tax exemption will double, the individual standard deduction will rise to \$12,000, and personal exemptions will disappear. At the start of 2019, the health insurance requirement for individuals set by the Affordable Care Act is scheduled for repeal. Most of the reforms are slated to sunset at the end of 2025.¹

HOME SALES STRENGTHEN

The National Association of Realtors reported a 5.6% rise in residential resales in November, complementing last month's 17.5% gain in new home buying announced by the Census Bureau. In a separate report, the Bureau found housing starts up 3.3% for November, with building permits down 1.4%.²

CONSUMER SPENDING JUMPS 0.6% IN NOVEMBER

Beside this noteworthy gain, the Department of Commerce also documented a 0.3% rise in personal income last month. Turning to consumer sentiment, the University of Michigan's final December index declined 0.9 points from its preliminary reading to 95.9. In further consumer-linked news, the Bureau of Economic Analysis issued its last estimate of Q3 Gross Domestic Product (GDP), reducing it 0.1% to 3.2%.²

SMALL GAINS ON WALL STREET

As last week's performance of the S&P 500 demonstrated, tax reform was already priced into U.S. equities. The benchmark advanced but 0.28% across five days, settling Friday at 2,683.34. In quiet trading, the Nasdaq Composite gained 0.34% for the week while the Dow Jones Industrial Average rose 0.42%. The Nasdaq finished the week at 6,959.96; the Dow, at 24,754.06. Bitcoin took a 27% intraday dive Friday, falling to \$11,833 before recovering to \$14,241 by Wall Street's closing bell.^{3,4}

THIS WEEK: U.S. financial markets are closed on Christmas Day. Trading resumes Tuesday, which is also the release date for the October S&P/Case-Shiller home price index. Wednesday, the Conference Board's latest consumer confidence snapshot arrives, along with the NAR's November pending home sales index. A new initial jobless claims report surfaces Thursday. Friday, nothing major is scheduled.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+25.26	+24.27	+17.53	+8.40
NASDAQ	+29.29	+27.77	+26.08	+15.85
S&P 500	+19.85	+18.68	+17.53	+8.08
REAL YIELD	12/22 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.54%	0.60%	-0.71%	1.84%

Sources: wsj.com, bigcharts.com, treasury.gov - 12/22/17^{3,5,6,7}

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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