

WEEKLY ECONOMIC UPDATE

June 25, 2018

WEEKLY QUOTE

“Silent gratitude isn’t very much use to anyone.”

- Gertrude Stein

WEEKLY TIP

Business owners can risk neglecting their retirement planning as they get caught up in the daily activity of their companies. Be sure to look into a SEP IRA, SIMPLE IRA, Solo 401(k), or other retirement plans if you are growing a small business.

WEEKLY RIDDLE

You have three coins that add up to \$0.31. Two of them are not quarters. What kind of coins do you have?

Last week’s riddle:

It inhibits sight, makes the air colder, and it will come back for you before the day is done. What is it?

Last week’s answer:
Night.

TARIFF TALK INTENSIFIES

Major economic powers proposed additional import taxes last week, as investors wondered if a global trade war was now underway. Monday evening, President Trump stated that he had instructed U.S. Trade Representative Robert Lighthizer to identify another \$200 billion of Chinese products to subject to a new 10% import duty. Shortly before the trading week began, the European Union proclaimed it would place import taxes on \$3.3 billion of U.S. products, in retaliation to recently imposed metals tariffs. Friday, President Trump mulled imposing a 20% tax on autos arriving from the E.U. unless it lifts such import duties.^{1,2}

EXISTING HOME SALES WEAKEN SLIGHTLY

A National Association of Realtors report says that sales tapered off 0.4% in May. While the inventory of homes listed grew 2.8% in the fifth month of the year, the median price of an existing home hit an all-time peak of \$264,800. The sales pace was 3.0% slower than in May 2017.³

HOUSING STARTS RISE, BUT PERMITS FALL

While home sales were nearly flat last month, groundbreaking increased 5.0% according to the Census Bureau. Its latest report on U.S. residential construction also noted a 4.6% drop in building permits, far exceeding the decline seen in April.⁴

BLUE CHIPS SHED 2%

To be precise, the Dow Jones Industrial Average lost 2.03% last week, sinking to 24,580.89 at Friday’s close even with a 119-point Friday gain. Faring better, the Nasdaq Composite retreated 0.69% to 7,692.82 in the same time frame, while the S&P 500 declined 0.89% to 2,754.88.⁵

THIS WEEK: Investors react to May new home sales data and Q2 earnings from Carnival on Monday. The Conference Board’s June consumer confidence index appears Tuesday, along with the latest S&P CoreLogic Case-Shiller home price index and earnings from Lennar and Sonic. On Wednesday, Wall Street considers the NAR’s May index of housing contract activity, May durable goods orders, and earnings from Bed Bath & Beyond, General Mills, Paychex, and Rite Aid. Thursday, the third estimate of Q1 economic growth arrives, along with the latest initial claims figures and earnings announcements from Accenture, ConAgra Brands, KB Home, Nike, and Walgreens Boots Alliance. May personal spending data, the May PCE price index, and the final June University of Michigan consumer sentiment index emerge Friday, plus earnings from Constellation Brands.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-0.56	+14.88	+13.22	+10.76
NASDAQ	+11.44	+23.35	+25.83	+22.25
S&P 500	+3.04	+13.16	+14.60	+10.90
REAL YIELD	6/22 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.78%	0.46%	0.59%	1.75%

Sources: wsj.com, bigcharts.com, treasury.gov - 6/22/18^{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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