

In this week's recap: impressive hiring, healthy service and factory sectors, the Fed's view of the present and near future, and gains for equities.



Weekly Economic Update

July 9, 2018

ANOTHER STRONG MONTH FOR THE LABOR MARKET

Employers hired 213,000 more workers than they laid off in June, according to the Department of Labor. Analysts surveyed by Bloomberg had forecast a gain of 195,000. In the second quarter, net monthly job growth averaged 211,000. As the labor force participation rate increased 0.2% last month, so did the headline jobless rate: it rose 0.2% to 4.0%, moving north for the first time in almost a year. The U-6 rate, which includes underemployed Americans, also increased 0.2% to 7.8%. Annualized wage growth remained at 2.7%.¹

BOTH ISM INDICES IMPROVED IN JUNE

The Institute for Supply Management's twin purchasing manager indices came in at or near 60, last month. ISM's manufacturing gauge rose to 60.2 from the previous reading of 58.7; its service sector index increased 0.5% to 59.1. MarketWatch projected both PMIs at 58.3 for June.²

FED MNUTES SHOW OPTIMISM, CONCERNS

Minutes from the Federal Open Market Committee's June policy meeting were released Thursday, and noted that the economy's expansion is "progressing smoothly" and at "a solid rate." Policymakers also had some downside risks on their minds, noting the "possible adverse effects of tariffs and other proposed trade restrictions" and "political and economic developments in Europe." Some FOMC members were concerned that rapid growth could breed "heightened inflationary pressures" and "financial imbalances" that might eventually provoke "a significant economic downturn."³

TARIFFS TAKE EFFECT, BUT INVESTORS FOCUS ON FUNDAMENTALS

Strong jobs and manufacturing data helped to give the major indices a lift last week. In three-and-a-half trading days, the Nasdaq Composite advanced 2.37% to 7,688.39. Gaining 1.52%, the S&P 500 closed at 2,759.82, Friday; the Dow Jones Industrial Average rose 0.76% on the week to 24,456.48. Additionally, the Russell 2000 small-cap index improved 3.10% across the week to 1,694.05.⁴

TIP OF THE WEEK



When was the last time you checked the beneficiary designations on your IRA, your life insurance policy, or your brokerage account? If you have not looked at them in a few years, review them this week to make sure they are up to date.

THIS WEEK

Nothing major is slated for Monday. | Tuesday, PepsiCo shares Q2 results. | The June Producer Price Index appears Wednesday, plus earnings from Fastenal. | Investors will pay attention to the June Consumer Price Index and the latest initial unemployment claims figures on Thursday. | Friday, a new earnings season begins: Citigroup, JPMorgan Chase, PNC Financial Services Group, and Wells Fargo announce Q2 results, and in addition, the University of Michigan offers its initial July consumer sentiment index.

QUOTE OF THE WEEK



"The end is nothing. The road is all."

WILLA CATHER

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-1.06	14.71	12.32	11.77
NASDAQ	11.37	26.26	24.19	24.27
S&P 500	3.22	14.53	13.82	12.04

REAL YIELD (%)	7/6 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.70	0.61	0.66	1.43

Sources: wsj.com, bigcharts.com, treasury.gov - 7/6/18^{4,5,6,7}

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.

THE WEEKLY RIDDLE



Regina is about to meet her cousin Lydia for the first time. Regina has no idea what she looks like. She arrives at Lydia's house at night. The door opens, and she sees a mail carrier, a UPS driver, and a police officer watching television. She immediately hugs Lydia. How does she know which one of the three is her cousin?

LAST WEEK'S RIDDLE: You see them every day, but never together. They appear everywhere, but never at the same time. What are they?

ANSWER: Day and night.

Richard J. Falck, CFP®, CLU, ChFC
509 Professional Drive · P.O. Box 530 Northfield, MN 55057
Phone ~ 507-645-2993 · Toll Free ~ 800-601-6638
www.falckfinancial.com · rfalck@falckfinancial.com

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Advisory Services offered through First Heartland Consultants, Inc.
1839 Lake St. Louis Blvd., Lake St. Louis, Missouri 63367. (636) 625-0900
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