

*In this week's recap: more downward pressure on equities, retiree incomes get a boost, yearly inflation declines, and consumer sentiment misses expectations.*

# Weekly Economic Update

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*Presented by Fulcrum Financial Group, October 15, 2018*

## UNCERTAINTY BREEDS SELLING, FOLLOWED BY A RELIEF RALLY

On Friday, Wall Street rebounded from a disquieting slump that saw the blue chips take an almost 1,400 point dive. The S&P 500 gained 1.42% to snap a 6-session losing streak, the Nasdaq Composite rose 2.29% to fight back from a correction (a drop of at least 10% or more for an index or stock from its recent high), and the Dow rose 1.15%. A new earnings season may take investors' minds off the insecurities they have felt recently about bond yields, tariffs, and interest rate hikes. Those uncertainties weighed on equities again this past week: the Dow fell 4.19% to 25,339.99; the S&P, 4.10% to 2,767.13; the Nasdaq, 4.86% to 7,496.89. Small caps had it worse than the big three last week: the Russell 2000 lost 5.23%.<sup>1,2</sup>

## INFLATION SOFTENED LAST MONTH

Advancing only 0.1% for September, the headline Consumer Price Index showed a yearly gain of 2.3%, quite a contrast from the 2.9% increase measured in July. The core CPI also advanced 0.1%, and its 12-month gain was unchanged at 2.2%. If further deceleration in the annual inflation rate occurs, that might give the Federal Reserve some pause.<sup>3</sup>

## A LITTLE LESS CONFIDENCE ON MAIN STREET

The latest University of Michigan consumer sentiment index fell short of the heights forecast by economists surveyed by Briefing.com. They expected a preliminary October reading of 100.0. Instead, the index fell to 99.0, 1.1 points below its final September mark.<sup>4</sup>

## SOCIAL SECURITY BENEFITS WILL GROW 2.8% IN 2019

Retirees will soon see a boost in their Social Security payments. Thursday, the Social Security Administration announced that retirement benefits will receive their largest cost-of-living adjustment (COLA) since 2012 next year. The improvement will lift the average monthly

payment to an individual from \$1,422 to \$1,461. The mean monthly payment to a retired couple will rise from \$2,381 to \$2,448.<sup>5</sup>

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#### TIP OF THE WEEK



*Looking for **more money to save or invest**? You may find it by **eating out less**. If you spend \$300 a month eating out, you could lower that to \$100 a month and free up \$2,400 a year to put into a retirement account or emergency fund.*

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#### THIS WEEK

On Monday, Bank of America reports Q3 results and the Census Bureau releases its latest monthly retail sales snapshot. | BlackRock, Comerica, CSX, Del Taco, Domino's, J.B. Hunt, IBM, Infosys, Johnson & Johnson, Morgan Stanley, Netflix, UnitedHealth, and W.W. Grainger all announce earnings Tuesday. | Minutes from the Federal Reserve's September policy meeting surface Wednesday, along with data on September housing starts and building permits and earnings from Abbott Labs, Alcoa, Kaiser Aluminum, Kinder Morgan, Northern Trust, Union Bank, U.S. Bank, United Rentals, and Winnebago. | American Express, Bank of New York Mellon, BB&T, Blackstone Group, Celanese, E\*Trade, KeyCorp, Novartis, Nucor, PayPal, Philip Morris, Snap-On, Sonoco, Textron, Travelers Companies, and WD40 present earnings Thursday, when the latest initial jobless claims figures also appear. | Friday, Honeywell, Manpower, Procter & Gamble, Schlumberger, State Street, SunTrust, VF Corporation, and Volvo offer earnings news, and September existing home sales data emerges from the National Association of Realtors.

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#### QUOTE OF THE WEEK



*“The most important thing in life is to learn how to give out love and how to let it come in.”*

MITCH ALBOM

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% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	2.51	10.94	13.26	16.99
NASDAQ	8.60	13.73	19.54	30.65
S&P 500	3.50	8.48	12.49	17.58

REAL YIELD	10/12 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.03	0.44	0.50	2.97

Sources: wsj.com, bigcharts.com, treasury.gov - 10/12/18<sup>2,6,7,8</sup>

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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## THE WEEKLY RIDDLE



*It gives you information and control, and without it, no work can be done – yet it costs you nothing. What is it?*

LAST WEEK'S RIDDLE: They can pass through state after state, all while never moving. What are they?

ANSWER: Interstate highways.

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**Know someone who could use information like this?**

Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

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## Sarah Carlson

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CITATIONS:

- 1 - [thetstreet.com/markets/stocks-on-wall-street-rebound-friday-14742963](http://thetstreet.com/markets/stocks-on-wall-street-rebound-friday-14742963) [10/12/18]
- 2 - [markets.wsj.com/us](http://markets.wsj.com/us) [10/12/18]
- 3 - [marketwatch.com/story/housing-costs-nudge-inflation-higher-in-september-cpi-shows-2018-10-11](http://marketwatch.com/story/housing-costs-nudge-inflation-higher-in-september-cpi-shows-2018-10-11) [10/11/18]
- 4 - [briefing.com/investor/calendars/economic/2018/10/08-12](http://briefing.com/investor/calendars/economic/2018/10/08-12) [10/12/18]
- 5 - [kiplinger.com/article/retirement/T051-C001-S001-social-security-benefits-to-increase-in-2019.html](http://kiplinger.com/article/retirement/T051-C001-S001-social-security-benefits-to-increase-in-2019.html) [10/11/18]
- 6 - [bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=10%2F12%2F17&x=0&y=0](http://bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=10%2F12%2F17&x=0&y=0) [10/12/18]
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- 7 - [treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield](http://treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield) [10/12/18]
- 8 - [treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll](http://treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll) [10/12/18]