In this week's recap: consumer optimism increases, the retail sales pace slows, inflation pressure weakens, and Wall Street sees wide-ranging gains.

Weekly Economic Update

September 17, 2018

CONSUMER SENTIMENT EXCEEDS EXPECTATIONS

In its initial September edition, the University of Michigan's monthly consumer sentiment index rose 4.6 points to 100.8, a 6-month high. Economists polled by Bloomberg had forecast a reading of 96.6. Fifty-six percent of households responding to the survey said that they had made recent financial gains; the all-time high for the survey is 57%, recorded in both March 2018 and February 1998. The index's future expectations gauge reached a 14-year peak of 91.1.[1]

RETAIL SALES ALMOST FLAT IN AUGUST

The 0.1% August advance was the smallest monthly gain since February. Core retail purchases (which exclude the automotive, food, and home improvement categories) rose by the same amount. The Department of Commerce did revise the July numbers upward: the overall retail sales increase in that month went to 0.7%; the core retail sales gain, to 0.8%.[2]

ANNUALIZED INFLATION DECREASES

August's Consumer Price Index shows 12-month inflation at 2.7%, down from 2.9%. Yearly core inflation retreated similarly, lessening from 2.4% to 2.2% last month. The headline CPI rose 0.2% in August; the core CPI, 0.1%. Both the headline and core Producer Price Index declined 0.1% in August, significantly reducing their annualized gains. Twelve-month wholesale inflation shrank 0.5% to 2.8%, while yearly core wholesale inflation retreated to 2.3% from 2.7%.[3]

A POSITIVE FIVE DAYS FOR EQUITIES

All three major stock indices advanced last week. The Dow Industrials gained 0.92% to reach 26,154.67 at Friday's close. Settling at 8,010.04 Friday, the Nasdaq Composite was up 1.36% for the week. The S&P 500 improved 1.16% to 2,904.98. The main barometer of Wall Street volatility, the CBOE VIX, fell 18.88% for the week to 12.07.[4]

TIP OF THE WEEK

If you recently received a promotion or raise, you need not spend more money simply because you have it. Counter the temptation to buy this or that with the question "Do I really need this?" Living within your means could leave you with more money to save and invest for the future.

THIS WEEK

FedEx announces earnings Monday. | AutoZone, Cracker Barrel, and General Mills present earnings Tuesday. | On Wednesday, the Census Bureau provides a snapshot of August residential construction activity, and Red Hat reports quarterly results. | Investors consider August existing home sales numbers, a new initial jobless claims report, and earnings from Darden Restaurants, Micron Technology, Steelcase, and Thor Industries on Thursday. | Nothing major is slated for Friday.

QUOTE OF THE WEEK

"The greatest pleasure in life is doing what people say you cannot do."

WALTER BAGEHOT

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	5.81	17.80	14.02	13.96
NASDAQ	16.03	24.59	23.04	26.74
S&P 500	8.65	16.40	14.42	14.36

REAL YIELD	9/14 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.89	0.35	0.80	1.70

Sources: wsj.com, bigcharts.com, treasury.gov - 9/14/18[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

It takes a crew of eight workers four hours to dig a 30' hole in the ground. How long would it take them to dig half a hole?

LAST WEEK'S RIDDLE: What is long and narrow, yet can look far and wide?

ANSWER: A telescope.

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CITATIONS:

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