

# WEEKLY ECONOMIC UPDATE

May 30, 2016

## WEEKLY QUOTE

“The foolish man seeks happiness in the distance, the wise man grows it under his feet.”

- James Oppenheim

## WEEKLY TIP

In your fifties, make sure to check up on your retirement goals. Does it appear you have viable financial paths to achieve them? Test out different financial scenarios (with professional input) to see if your retirement strategy may need adjusting.

## WEEKLY RIDDLE

I descend softly, fade away gently, change the color of the ground, but I never go up the way I come down. What am I?

## Last week's riddle:

It is a word in the English language, written using only two letters of the alphabet. You can say this word merely by using one letter of the alphabet, and that letter is a vowel. What word is this?

## Last week's answer:

Eye.

## TWO HOUSING INDICATORS HIT MULTIYEAR HIGHS

While monthly real estate indicators are often later revised, the latest numbers for new home buying and pending home sales are impressive, indeed. The Census Bureau reported a 16.6% jump in new home sales in April, putting them at an 8-year peak. Housing contract activity surged 5.1% last month, according to the National Association of Realtors, reaching a level unseen since February 2006. The *Wall Street Journal* had forecast just an 0.7% April gain for the NAR's pending home sales index.<sup>1</sup>

## Q1 GDP REVISED UP; DURABLE GOODS ORDERS UP 3.4%

How much did the economy grow in the first quarter? In the second estimate of the Bureau of Economic Analysis, 0.8%. (The BEA originally estimated 0.5% growth.) Minus transportation orders, the Department of Commerce still found hard goods orders advancing 0.4% in April.<sup>2</sup>

## HOUSEHOLD SENTIMENT INDEX RISES IN MAY

The University of Michigan's consumer sentiment index lost 1.1 points from its preliminary May reading to post a final May mark of 94.7. Still, that was far better than its final April reading of 89.0.<sup>2,3</sup>

## BULLS RUN FREELY

Federal Reserve Chair Janet Yellen's Friday remark that an interest rate hike could be appropriate in the coming months took very little momentum out of the market last week. From May 23-27, the Dow rose 2.13% to 17,873.22; the S&P 500, 2.28% to 2,099.06; and the Nasdaq, 3.44% to 4,933.50 (the Nasdaq had its best week in more than three months). Oil ended the trading week at \$49.33; gold, at \$1,216.70.<sup>3</sup>

**THIS WEEK:** Monday is Memorial Day, so U.S. financial markets will be closed. Tuesday offers the April personal spending report, the April core PCE price index, the March S&P/Case-Shiller home price index, and earnings from TiVo. On Wednesday, the latest manufacturing PMIs from China and the European Union appear, plus the May manufacturing PMI from the Institute for Supply Management and a new Beige Book from the Federal Reserve; earnings news will come from Cracker Barrel, Land's End, and Michael Kors. Earnings from Broadcom, Five Below, Hovnanian, and Navistar are out Thursday, plus a new initial claims report. In addition to the Department of Labor's May employment report, Friday also presents the May ISM service sector PMI, the May factory orders report and earnings from Sears Hometown.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+2.57	-1.60	+8.73	+5.85
NASDAQ	-1.48	-3.39	+15.28	+12.32
S&P 500	+2.70	-1.15	+11.54	+6.40
REAL YIELD	5/27 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.27%	0.34%	0.79%	2.44%

Sources: wsj.com, bigcharts.com, treasury.gov - 5/27/16<sup>4,5,6,7</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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## Citations.

- 1 - [constructiondive.com/news/pending-home-sales-wallopp-expectations-climb-to-10-year-high/419905/](http://constructiondive.com/news/pending-home-sales-wallopp-expectations-climb-to-10-year-high/419905/) [5/26/16]
- 2 - [investing.com/economic-calendar/](http://investing.com/economic-calendar/) [5/27/16]
- 3 - [cnbc.com/2016/05/27/us-markets.html](http://cnbc.com/2016/05/27/us-markets.html) [5/27/16]
- 4 - [markets.wsj.com/us](http://markets.wsj.com/us) [5/27/16]
- 5 - [bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=5%2F27%2F15&x=0&y=0](http://bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=5%2F27%2F15&x=0&y=0) [5/27/16]
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