

WEEKLY ECONOMIC UPDATE

July 4, 2016

WEEKLY QUOTE

“Not the power to remember, but its very opposite, the power to forget, is a necessary condition for our existence.”

- *Sholem Asch*

WEEKLY TIP

How large should an emergency fund be? Large enough to cover at least three months of expenses in cash. In fact, building your emergency fund to twice that size is a worthy goal.

WEEKLY RIDDLE

How can you make a sofa, a motorcycle, and a tent liquid?

Last week's riddle:

When is L greater than XL?

Last week's answer:

When it is a Roman numeral.

SOLID GAINS IN CONSUMER SPENDING, CONFIDENCE

Personal spending rose 0.4% in May, according to the Department of Commerce, complemented by a 0.2% advance for personal incomes. April's consumer spending increase was revised up to 1.1%. The Conference Board's monthly consumer confidence index also improved in June, heading north 5.6 points to a reading of 98.0.¹

BEST ISM MANUFACTURING PMI IN 16 MONTHS

The factory purchasing manager index, maintained by the Institute for Supply Management, reached 53.2 in June, a gain of 1.9 points to its highest reading since February 2015. As recently as February of this year, the PMI was below the 50 level, demarcating growth from contraction. In other news concerning economic output, the federal government revised Q1 GDP up 0.3% to a final estimate of 1.1% last week.^{1,2}

HOUSING CONTRACT ACTIVITY SLOWS

The National Association of Realtors reported a dip in pending home sales: they declined 3.7% in May. Turning to other housing news, the 20-city composite Case-Shiller home price index showed a 5.4% annualized gain in its April edition, ticking down from 5.5% in March.¹

STOCKS REBOUND IMPRESSIVELY

Recovering in the wake of the Brexit vote, Wall Street had its best week of 2016. In fact, the S&P 500 recorded its best week since last November, adding 3.22% in five trading days to take the index positive year-over-year. The Dow Jones Industrial Average advanced 3.15% for the week; the Nasdaq Composite, 3.28%. The big three settled Friday as follows: DJIA, 17,949.37; NASDAQ, 4,862.57; S&P, 2,102.95. Gold futures closed Friday at \$1,339.00 on the COMEX. Light sweet crude ended the trading week at \$48.99 on the NYMEX.³

THIS WEEK: Monday is Independence Day: Wall Street is closed for trading. Nothing major is slated for Tuesday. ISM's service sector PMI arrives Wednesday, along with minutes from the June Federal Reserve policy meeting and earnings from Walgreens Boots Alliance. Thursday, the June Challenger job-cut report and June ADP employment report both appear; plus, earnings from Barracuda Networks, PepsiCo, and WD-40. Friday, the Department of Labor issues its latest jobs report.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+3.01	+1.08	+8.53	+6.10
NASDAQ	-2.89	-3.00	+14.53	+12.39
S&P 500	+2.89	+1.23	+11.40	+6.56
REAL YIELD	7/1 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.03%	0.48%	0.75%	2.54%

Sources: wsj.com, bigcharts.com, treasury.gov - 7/1/16^{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.

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Citations.

- 1 - investing.com/economic-calendar/ [7/1/16]
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