

WEEKLY ECONOMIC UPDATE

September 26, 2016

WEEKLY QUOTE

“Learning is not attained by chance. It must be sought for with ardor and attended to with diligence.”

- Abigail Adams

WEEKLY TIP

By tracking a company's typical month-to-month sales cycle, a business owner can identify when to put money into reserve to see a business through leaner months on the way to boom times.

WEEKLY RIDDLE

How can you take three toothpicks and make them into the number nine?

Last week's riddle:

I am soft and seldom upright. I lose a head in the morning, but I get it back at night. What am I?

Last week's answer:

A pillow.

FED WAITS TO RAISE INTEREST RATES

Federal Reserve officials decided against a rate hike last week, but two details in the central bank's latest policy statement suggested an upward move was near. One, the Federal Open Market Committee voted 7-3 against raising the federal funds rate – an unusually close margin. Two, the Fed's new dot-plot forecast showed consensus for a rate increase before the end of 2016. “Our decision [to wait] does not reflect a lack of confidence in the economy,” Fed chair Janet Yellen told the media after the announcement. “We're generally pleased with how the U.S. economy is doing.”¹

FEWER HOUSING STARTS, LESS HOMEBUYING

August saw existing home sales dip 0.9%; as the National Association of Realtors delivered that news, it also revised its July sales calculation to a decline of 3.4%. A Census Bureau report showed housing starts falling 5.8% last month, and building permits decreasing 0.4% following an 0.8% retreat in July.²

OIL GAINS FOR WEEK, EVEN WITH 4% FRIDAY FALL

WTI crude settled Friday at \$44.48 on the NYMEX, even after the price slipped 4% in one trading day. The worst daily drop for the commodity since July 13 did not stop crude from posting a 2% weekly gain.³

TURBULENCE, BUT ALSO AN ADVANCE

Stocks pushed through volatility and gained ground last week. Across five trading days, the Dow Jones Industrial Average rose 0.76%; the Nasdaq Composite, 1.17%; and the S&P 500, 1.19%. The three indices closed, as follows, Friday: Dow, 18,261.45; Nasdaq, 5,305.75; S&P, 2,164.69. Incidentally, the Dow Jones Utility Average ended the week at +20.15% YTD.⁴

THIS WEEK: Monday brings August new home sales data, earnings from Carnival and Thor Industries, and the first presidential debate. The Conference Board's September consumer confidence index and the July Case-Shiller home price index arrive Tuesday, plus quarterly results from Cintas and Nike. On Wednesday, Fed chair Janet Yellen testifies on bank supervision and regulation before the House Financial Services Committee, the latest durable goods orders report appears, and Paychex and Pier 1 present quarterly results. Thursday, Janet Yellen speaks at a Kansas City Fed conference, NAR issues its August pending home sales report, the final number on Q2 GDP comes out of Washington, and new initial claims figures appear, along with earnings from ConAgra Foods, Costco, and PepsiCo. August personal spending data and the final September consumer sentiment index from the University of Michigan take the spotlight Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+4.80	+12.17	+13.91	+5.87
NASDAQ	+5.96	+11.64	+22.73	+13.91
S&P 500	+5.91	+11.65	+18.10	+6.46
REAL YIELD	9/23 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.05%	0.64%	0.10%	2.27%

Sources: wsj.com, bigcharts.com, treasury.gov - 9/23/16^{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.

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