

WEEKLY ECONOMIC UPDATE

December 26, 2016

WEEKLY QUOTE

“There are some things you learn best in calm, and some in storm.”

- Willa Cather

WEEKLY TIP

If you are older than 50 with substantial retirement savings, you might want to look at your asset allocation in terms of how little you are willing to lose. If your asset allocation is more or less the way it was several years ago, it may be time to revisit it.

WEEKLY RIDDLE

What time of day is spelled the same forwards and backwards?

Last week's riddle:

So gentle it soothes the skin, so forceful it cracks rocks, so light it serves as a mirror to the clouds. What could it be?

Last week's answer:

Water.

HOUSEHOLD SPENDING SLOWS IN NOVEMBER

Last month, consumer spending increased 0.2%, while consumer incomes were flat. November was the first month in nine in which household incomes failed to rise, and the consumer spending advance was half that of October. Even so, with consumer confidence indices and other economic indicators becoming stronger, the November figures may represent an anomaly. Another Department of Commerce report revised third-quarter growth up to 3.5%.¹

CONSUMER OPTIMISM AT A 13-YEAR PEAK

The University of Michigan's last consumer sentiment index of 2016 came in at 98.2, 4.4 points above its final November mark. It has not been that high since January 2004. Economists polled by Thomson Reuters expected an advance to 98.0.²

HOME SALES RISE AS TEMPERATURES DROP

Resales were up 0.7% last month, according to the National Association of Realtors. The Census Bureau recorded a 5.2% November gain in new home buying. In October, new home sales fell 1.4%, while existing home sales improved 1.5%.³

CORE PCE PRICE INDEX SHOWS 1.6% YEARLY ADVANCE

The Federal Reserve's preferred inflation meter was flat in November after ticking up 0.1% in October. The annualized gain was thereby reduced 0.2% to a number well under the central bank's 2.0% target.^{1,3}

SMALL WEEKLY GAINS FOR STOCKS

Across the last five trading days, the S&P 500, Dow Jones Industrial Average, and Nasdaq Composite all gained a little ground. The blue chips rose another 0.46% to 19,933.81; the S&P, another 0.25% to 2,263.79. As for the Nasdaq, the tech benchmark gained 0.47% to settle at 5,462.69 Friday. More consequential, perhaps, was the descent of the CBOE VIX. The “fear index,” gauging market volatility, ended the week at a remarkably low 11.44, falling 6.23% in five days.⁴

THIS WEEK: U.S. stock and bond markets will be closed Monday in observance of the Christmas Day holiday. Tuesday, the Conference Board releases its last consumer confidence index of 2016 and the October S&P/Case-Shiller 20-city home price index appears. The NAR issues its November pending home sales report on Wednesday. Investors consider the latest initial unemployment claims figures on Thursday. Nothing major is slated for Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+14.40	+13.24	+12.43	+6.15
NASDAQ	+9.09	+8.26	+21.72	+12.75
S&P 500	+10.76	+9.66	+15.78	+6.05
REAL YIELD	12/23 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.58%	0.76%	-0.04%	2.35%

Sources: wsj.com, bigcharts.com, treasury.gov - 12/23/16^{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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