

WEEKLY ECONOMIC UPDATE

February 27, 2017

WEEKLY QUOTE

“Anyone who takes himself too seriously always runs the risk of looking ridiculous; anyone who can consistently laugh at himself does not.”

- Vaclav Havel

WEEKLY TIP

Becoming parents heightens the need for an emergency fund. New parents should try to save the equivalent of 3-6 months of income in either bank accounts or conservative, liquid investments.

WEEKLY RIDDLE

They may be sharp and flat, but they may soothe you rather than hurt you. What are they?

Last week's riddle:

Picture three trees. Whatever happens to the third tree must happen to the first tree, and anything that happens to the second tree must be replicated on the third. What happens if the second tree is cut down?

Last week's answer:

All the trees are cut down.

A LITTLE LESS OPTIMISM AMONG CONSUMERS

February's final University of Michigan consumer sentiment index came in at 96.3, down from its January mark of 98.5, but well above the 91.7 reading of a year earlier. Despite the descent, the index just had its best three months since early 2004.¹

FED MINUTES SUGGEST RATE MOVE MAY BE NEAR

At the last Federal Reserve policy meeting, “many participants” in the Federal Open Market Committee felt it “might be appropriate to raise the federal funds rate again fairly soon” if inflation and hiring data are strong enough. Even with that language appearing in the latest FOMC minutes, the CME Group's FedWatch Tool forecasts just a 22% chance of a quarter-point hike when the FOMC convenes in March.^{2,3}

HOME SALES IMPROVED AT START OF 2017

According to reports from the Census Bureau and National Association of Realtors, new home sales advanced 3.7% in January, while existing home sales rose 3.3%. Tight inventory notwithstanding, new home purchases were up 5.5% from January 2016; resales were up 3.8% year-over-year.⁴

DOW EXTENDS ITS NOTEWORTHY WIN STREAK

Friday, the Dow Jones Industrial Average recorded its eleventh straight daily gain. The last time that happened? 1992. For the week, it rose 0.95% to 20,821.76. The Nasdaq Composite improved 0.11% in four trading days to 5,845.31; the S&P 500, 0.69% to 2,367.34. The S&P and Dow ended the week at all-time highs.^{5,6}

THIS WEEK: Monday offers reports on January durable goods orders and pending home sales, and earnings from Frontier Communications, Hertz Global Holdings, Horizon Pharma, and Priceline Group. The Conference Board's February consumer confidence index appears Tuesday, plus the second estimate of Q4 GDP and earnings news from Acadia Pharmaceuticals, AutoZone, Big 5, Domino's, La Quinta Holdings, Palo Alto Networks, Ross Stores, SeaWorld Entertainment, Sempra Energy, Target, and Universal Health Services. On Wednesday, investors consider the latest ISM factory PMI, January's PCE price index, January consumer spending, a new Federal Reserve Beige Book, and earnings from American Eagle Outfitters, Best Buy, Broadcom, Dollar Tree, Icahn Enterprises, Lowe's, Monster Beverage, Office Depot, and Shake Shack. Thursday brings a new Challenger job-cut report, new initial claims numbers, and earnings from Abercrombie & Fitch, Autodesk, Barnes & Noble, Costco, Kroger, Staples, and Wingstop. Friday, Fed chair Janet Yellen speaks on the economic outlook in Chicago, ISM issues its latest non-manufacturing PMI, and Big Lots reports Q4 results. (The Department of Labor's February jobs report arrives on March 10.)

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+5.36	+26.31	+12.08	+6.46
NASDAQ	+8.59	+28.68	+19.45	+13.24
S&P 500	+5.74	+22.67	+14.67	+6.31
REAL YIELD	2/24 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.31%	0.39%	-0.29%	2.30%

Sources: wsj.com, bigcharts.com, treasury.gov - 2/24/17^{7,8,9,10}

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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