

WEEKLY ECONOMIC UPDATE

October 16, 2017

WEEKLY QUOTE

“The ordinary acts we practice every day at home are of more importance to the soul than their simplicity might suggest.”

- Thomas Moore

WEEKLY TIP

If you are past 50 and you worry that your retirement savings are insufficient, the best financial response may be to work longer. Even working part time for a few more years could lessen the need to draw down your retirement money.

WEEKLY RIDDLE

A Saab travels along an avenue at 50mph; a Subaru, at 30mph. The Subaru passes by the Saab, without speeding up to do so. How is this possible?

Last week's riddle:

Christine wants to know how far she can hike into a rugged badlands that is 6 miles wide. How far can she possibly go into the badlands?

Last week's answer:

3 miles. If she hikes in any further, she will actually begin to hike out.

RETAIL SALES, SENTIMENT NUMBERS IMPRESS

Two economic indicators stood out last week. Retail purchases rose 1.6% during September as households and businesses replaced cars and trucks damaged in hurricanes. This was the best monthly advance recorded by the Department of Commerce since March 2015, and the gain was 1.0% even with auto buying removed. The University of Michigan's initial October consumer sentiment index displayed a reading of 101.1, which was nearly a 14-year high. Economists polled by Briefing.com had forecast just a half-point improvement to 95.6.^{1,2}

GAS PRICES DRIVE UP INFLATION

A 13.1% spike in retail gasoline costs accounted for 75% of the 0.5% September increase in the Consumer Price Index. Not since January has the CPI risen so much in a month. Still, the core CPI was up just 0.2%. In yearly terms, headline inflation now stands at 2.2%; core inflation, at 1.7%.³

SOCIAL SECURITY BENEFITS TO INCREASE 2% IN 2018

Friday, the Social Security Administration announced the largest cost-of-living adjustment to retirement benefits since 2012. Next year, Social Security payments will get a 2.0% boost, meaning the average retired Social Security recipient will receive \$27.40 more per month.⁴

MINOR ADVANCES BY MAJOR INDICES

From October 9-13, that was the story on Wall Street. The Dow 30 rose 0.43% to 22,871.72, the Nasdaq Composite added 0.24% to 6,605.80, and the S&P 500 gained 0.15% to 2,553.17. The CBOE VIX ended the week down at 9.66.⁵

THIS WEEK: Netflix presents Q3 results on Monday. On Tuesday, Comerica, CSX, Goldman Sachs, W.W. Grainger, Harley-Davidson, Johnson & Johnson, and UnitedHealth offer earnings news. Earnings emerge from Abbott Labs, Alcoa, American Express, and U.S. Bancorp Wednesday, and Wall Street will also review September housing starts and building permits and a new Federal Reserve Beige Book. On Thursday, BB&T, KeyCorp, Philip Morris International, Quest Diagnostics, Travelers Companies, and Verizon join the earnings parade, and a new initial claims report surfaces. September existing home sales numbers appear Friday, plus earnings from BHGE, Daimler AG, General Electric, Schlumberger, and SunTrust Bank; also, Fed chair Janet Yellen speaks on monetary policy Friday night in Washington, D.C.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+15.73	+26.37	+14.32	+6.23
NASDAQ	+22.71	+26.71	+23.40	+13.54
S&P 500	+14.04	+19.72	+15.74	+6.35
REAL YIELD	10/13 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.43%	0.12%	-0.78%	2.36%

Sources: wsj.com, bigcharts.com, treasury.gov - 10/13/17^{5,6,7,8}

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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