

# WEEKLY ECONOMIC UPDATE

March 21, 2016

## WEEKLY QUOTE

“If your success is not on your own terms, if it looks good to the world but does not feel good in your heart, it is not success at all.”

- Anna Quindlen

## WEEKLY TIP

When shopping for business insurance, ask any trade or professional organizations you belong to if they can provide discounted coverage. If you are not a member of such an organization, you may want to join for that reason.

## WEEKLY RIDDLE

Why is B the coolest letter within the alphabet?

### Last week's riddle:

What mathematical symbol can be put between 5 and 9 to get a number bigger than 5 and smaller than 9?

### Last week's answer:

A decimal point: 5.9.

## FEDERAL RESERVE SENDS A DOVISH SIGNAL

The Federal Open Market Committee voted 9-1 to leave interest rates unchanged last week, and it also scaled back its rate hike expectations for 2016. The central bank's latest dot-plot projects just two interest rate increases by the end of the year with a median forecast of 0.9% for the federal funds rate as 2017 begins. Fed policymakers now estimate economic growth of 2.2% in 2016, with inflation at 1.2% as the fourth quarter ends.<sup>1</sup>

## CORE PRICES UP MORE THAN 2% IN 12 MONTHS

The core Consumer Price Index measured 2.3% annualized inflation in February as a result of its 0.3% monthly increase. Headline consumer prices retreated 0.2% last month, slimming the year-over-year gain in headline CPI to 1.0%. As for the Producer Price Index, it fell 0.2% in February with the core PPI unchanged.<sup>2</sup>

## THE LATEST ON SALES, SENTIMENT & STARTS

According to the Commerce Department, retail sales tailed off 0.1% in February. (The decline was the same minus auto sales.) The University of Michigan's March consumer sentiment index also retreated; its 90.0 initial March reading was 1.7 points below its final February mark. Census Bureau figures showed housing starts increasing 5.2% last month, although building permits decreased 3.1%.<sup>2</sup>

## DOW, S&P TURN POSITIVE FOR 2016

Wall Street rallied last week with help from recent, accommodative policy statements issued by the Fed, the Bank of Japan, and the European Central Bank. March 14-18 saw the Dow Jones Industrial Average rise 2.26% to 17,602.30; the Nasdaq Composite, 0.99% to 4,795.65; and the S&P 500, 1.35% to 2,049.58. Elsewhere in New York, light sweet crude settled at \$39.44 on Friday, gold at \$1,254.30.<sup>3</sup>

**THIS WEEK:** Monday offers the February existing home sales report from the National Association of Realtors and earnings from Carnival. Krispy Kreme, Nike, Red Hat, and Steelcase post earnings Tuesday. Wednesday, February new home sales figures complement earnings announcements from Fred's, General Mills, KB Home, and Oxford Industries. Reports on initial jobless claims and February durable goods orders arrive Thursday, plus earnings from Accenture, Finish Line, GameStop, and Winnebago. March 25 is Good Friday; while the federal government will issue its final estimate of Q4 GDP, the NYSE and NASDAQ will be closed.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+1.02	-2.62	+9.69	+5.61
NASDAQ	-4.23	-3.76	+16.28	+10.79
S&P 500	+0.28	-2.38	+12.04	+5.68
REAL YIELD	3/18 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.27%	0.23%	0.85%	2.16%

Sources: wsj.com, bigcharts.com, treasury.gov - 3/18/16<sup>4,5,6,7</sup>

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 - [marketwatch.com/story/federal-reserve-sees-just-two-rate-hikes-in-2016-2016-03-16](http://marketwatch.com/story/federal-reserve-sees-just-two-rate-hikes-in-2016-2016-03-16) [3/16/16]
- 2 - [tradingeconomics.com/united-states/calendar](http://tradingeconomics.com/united-states/calendar) [3/18/16]
- 3 - [cnbc.com/2016/03/18/us-markets.html](http://cnbc.com/2016/03/18/us-markets.html) [3/18/16]
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