

WEEKLY ECONOMIC UPDATE

May 23, 2016

WEEKLY QUOTE

“Live in such a way that you would not be ashamed to sell your parrot to the town gossip.”

- Will Rogers

WEEKLY TIP

Retiring with a strong cash position is nice. One idea that could make yours stronger: direct more of your regular retirement plan contributions into capital preservation options in the years leading up to your envisioned retirement date.

WEEKLY RIDDLE

It is a word in the English language, written using only two letters of the alphabet. You can say this word merely by using one letter of the alphabet, and that letter is a vowel. What word is this?

Last week's riddle:

You can make it, play it, crack it and tell it. What is it?

Last week's answer:

A joke.

WILL THE FED MAKE A MOVE IN JUNE?

In April, the Consumer Price Index advanced 0.4% – its largest monthly gain since February 2013. While a 10% leap in gasoline prices contributed to that rise, this and other recent signals of economic vigor may be influencing the Federal Reserve. Last week, minutes from the central bank's April policy meeting showed Fed officials broadly agreeing that an interest rate hike could be appropriate next month if economic indicators strengthened and inflation accelerated. The CPI rose 1.1% in the year ending in April, but the yearly gain for the core CPI was 2.1%.^{1,2}

A MODEST GAIN IN EXISTING HOME SALES

The National Association of Realtors announced a 1.7% increase in homebuying in April, which left sales up 6.0% year-over-year. The median sale price last month was \$232,500; 6.3% improved from a year ago. NAR also reported a 3.6% decline in existing home inventory across the past 12 months.³

STARTS, PERMITS, INDUSTRIAL OUTPUT ALL RISE

Homebuilders and factories boosted their activity in April. Housing starts increased 6.6% last month, according to Department of Commerce data; building permits were up 2.6%. The Federal Reserve announced a 0.7% gain in industrial production for April, the largest monthly improvement in more than a year.¹

A MIXED WEEK FOR THE MAJOR INDICES

Concerns about the Fed raising rates did not hamper the NASDAQ, which advanced 1.10% in five days to 4,769.56. The S&P 500 added 0.28% the week, moving north to 2,052.32. Suffering a 0.20% loss for the week, the Dow closed Friday at 17,500.94. Gold settled Friday at \$1,252.90; oil at \$47.75.⁴

THIS WEEK: On Monday, America's Car-Mart and Big Lots report Q1 results. Tuesday, the Census Bureau's April new home sales report complements earnings from AutoZone, Best Buy, DSW, Hewlett Packard Enterprise, Intuit, Toll Bros., and Valspar. Wednesday's earnings parade includes results from Costco, Express, GUESS?, HP, Lions Gate Entertainment, NetApp, Popeye's, and Tiffany & Co. The NAR April pending home sales index, a report on April durable goods orders, and a new initial claims report arrive Thursday; plus, earnings from Abercrombie & Fitch, Burlington Stores, Chico's, Dollar General, Fred's, GameStop, and Sears Holdings. On Friday, Wall Street looks at the University of Michigan's final May consumer sentiment index and the federal government's second estimate of Q1 growth.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+0.44	-4.29	+7.97	+5.70
NASDAQ	-4.75	-5.96	+14.03	+11.74
S&P 500	+0.41	-3.46	+10.79	+6.20
REAL YIELD	5/20 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.29%	0.38%	0.85%	2.43%

Sources: wsj.com, bigcharts.com, treasury.gov - 5/20/16^{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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