

WEEKLY ECONOMIC UPDATE

June 13, 2016

WEEKLY QUOTE

“Early to bed and early to rise makes a man healthy, wealthy, and wise.”
- Ben Franklin

WEEKLY TIP

Millennials should not fall for the myth that you need to carry a lot of consumer debt to build a good credit score. A positive payment history can be established while carrying relatively little debt.

WEEKLY RIDDLE

At the sound of it, you may dream, dance, laugh, weep, or even stamp your feet. What is it?

Last week's riddle:

Three feet have I, yet not a single leg. What am I?

Last week's answer:

A yardstick.

A LITTLE LESS OPTIMISM IN EARLY JUNE

On Friday, the University of Michigan's initial June survey of consumer sentiment showed a slight retreat, with the index coming in at 94.3 versus its final May mark of 94.7. The survey's chief economist, Richard Curtin, noted “consumers rated their current financial situation at the best levels since the 2007 cyclical peak largely due to wage gains” and also had “record low inflation expectations.” On the downside, consumers felt the economy was stronger a year ago.¹

YELLEN OFFERS NO HINT OF SPRING RATE HIKE

Speaking in Philadelphia last week, Federal Reserve chair Janet Yellen said she felt “the current stance of monetary policy is generally appropriate,” adding “at the same time, I continue to think that the federal funds rate will probably need to rise gradually over time to ensure price stability and maximum sustainable employment in the longer run.” Investors interpreted her comments as a sign that the possibility of a June interest rate increase was very remote.²

BORROWING BECOMES CHEAPER FOR HOMEOWNERS

The average interest rate on a conventional home loan fell to 3.60% in Freddie Mac's June 9 Primary Mortgage Market Survey. A week earlier, the average interest rate for a 30-year FRM was at 3.66%; a year ago, it was at 4.04%.³

BREXIT FEARS REIN IN BULLS

Concerns about the United Kingdom leaving the European Union sent bond yields falling worldwide late last week and hampered stocks, ending a 4-week win streak for the S&P 500. The 5-day performances: DJIA, +0.33% to 17,865.34; S&P, -0.15% to 2,096.07; NASDAQ, -0.97% to 4,894.55. Oil settled at \$49.07 on the NYMEX Friday; gold, at a 3-week high of \$1,275.90 on the COMEX.^{4,5}

THIS WEEK: Nothing major is scheduled on Monday. May retail sales figures arrive Tuesday, plus Q1 results from Bob Evans. Wednesday, the Fed concludes a policy meeting (with a press conference to follow); the May Producer Price Index is released; and Jabil Circuit and Progressive present earnings. Thursday, the May Consumer Price Index appears, along with a new initial claims report and earnings from Kroger, Oracle, Red Hat, and Rite Aid. The Census Bureau releases its report on May groundbreaking and building permits on Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+2.53	-0.75	+9.90	+6.40
NASDAQ	-2.25	-3.59	+17.03	+12.92
S&P 500	+2.55	-0.43	+12.98	+6.74
REAL YIELD	6/10 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.12%	0.63%	0.79%	2.45%

Sources: wsj.com, bigcharts.com, treasury.gov - 6/10/16^{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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Citations.

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