

WEEKLY ECONOMIC UPDATE

December 19, 2016

WEEKLY QUOTE

“The heads of strong old age are beautiful beyond all grace of youth.”

- *Robinson Jeffers*

WEEKLY TIP

Need some business capital? Be aware that most banks and credit unions will want you to put 20% down as a condition of a loan. Lenders will probably also ask to see up to three years of your firm's financial records.

WEEKLY RIDDLE

So gentle it soothes the skin, so forceful it cracks rocks, so light it serves as a mirror to the clouds. What could it be?

Last week's riddle:

I have roads but no cars, forests but no trees, and cities but no people. What am I?

Last week's answer:

A map.

FED RAISES RATES, PLOTS THREE 2017 HIKES

Federal Reserve policymakers unanimously chose to raise the benchmark interest rate by a quarter point last week. That was expected; less expected was the central bank's adjustment to its 2017 dot-plot. Fed officials now see three rate hikes next year instead of two. The move to the new target range of 0.50-0.75% sent the dollar and bond yields higher Wednesday – the yield on the 2-year note quickly touched a peak unseen since August 2009. Stocks suffered only moderate losses after the announcement. Federal Open Market Committee members now forecast economic growth of 2.1% in 2017 and 2.0% in 2018.¹

RETAIL SALES TICK UP, PRODUCER PRICES RISE

Economists, polled by Briefing.com, had expected a 0.4% October advance for retail purchases; the gain was only 0.1% instead, and 0.2% minus car and truck sales. The Producer Price Index rose 0.4% last month after a flat October; the core PPI also posted a 0.4% increase. Inflation pressure remained steady for the consumer: both the headline and core Consumer Price Index advanced 0.2% in November.²

HOUSING STARTS FALL FROM 9-YEAR PEAK

Groundbreaking declined 18.7% last month as winter arrived, with single-family starts down 4.1%. The Census Bureau also reported a 4.7% November decline in building permits.³

DOW ADVANCES, WHILE NASDAQ, S&P 500 RETREAT

A relatively calm trading week ended with the Dow Jones Industrial Average at 19,843.41, 0.44% higher than it had closed the previous Friday. Both the S&P 500 and Nasdaq Composite saw small weekly losses; the Nasdaq descended 0.13% to 5,437.16, while the S&P declined 0.06% to 2,258.07. Over on the NYMEX, light sweet crude settled at \$51.94 a barrel Friday; gold at \$1,135.60 an ounce.⁴

THIS WEEK: Lennar announces Q4 results Monday. CarMax, Darden Restaurants, FedEx, General Mills, Nike, Steelcase, and Valspar all report earnings on Tuesday. Wednesday, investors assess the latest existing home sales numbers and earnings from Accenture, Bed Bath & Beyond, Finish Line, Micron Technology, Red Hat, and Winnebago. Thursday offers new initial claims data, reports on November consumer spending and durable goods orders, the November core PCE price index, the last estimate of Q3 GDP, and earnings from Cintas. Friday brings November new home sales figures and the final University of Michigan consumer sentiment index of 2016.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+13.88	+11.80	+13.44	+5.94
NASDAQ	+8.58	+7.22	+22.55	+12.13
S&P 500	+10.48	+8.92	+17.03	+5.82
REAL YIELD	12/16 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.74%	0.84%	-0.05%	2.29%

Sources: wsj.com, bigcharts.com, treasury.gov - 12/16/16^{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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