



WEEKLY ECONOMIC UPDATE

October 17, 2016

WEEKLY QUOTE

“Young is the one that plunges into the future and never looks back.”

- Milan Kundera

WEEKLY TIP

If you are trying to rebuild or ramp up your retirement savings in your forties or fifties, avoid grasping at straws. Extremely speculative, high-risk investments are often hard to understand and may drastically underperform compared to their hype.

WEEKLY RIDDLE

I possess a single eye, yet I cannot see. I could, however, hurt you – even if I don't move. What am I?

Last week's riddle:

I have 6 faces, but I wear no makeup. I often roll around and bump into things. What am I?

Last week's answer:

A die (singular of dice).

RETAIL SALES JUMP 0.6%

This September gain was impressive – minus auto sales, the advance was still 0.5%. In August, both headline and core retail sales fell 0.2%. While consumers bought more last month, they were less confident earlier this month – the University of Michigan's initial October consumer sentiment index fell 3.3 points to 87.9.¹

INTEREST RATES MAY SOON RISE

The minutes from September's Federal Reserve policy meeting affirmed what some investors suspected. One, last month's decision not to raise the federal funds rate was a “close call.” Two, the Federal Open Market Committee expects to make a move “relatively soon.” Last month, 74% of economists responding to a *Wall Street Journal* survey thought the central bank would raise rates in December.²

PRODUCER PRICE INDEX UP 0.3%

A 2.5% advance in energy prices became the biggest factor in September's PPI gain. The headline PPI rose 0.7% in the 12 months ending in September.³

STOCKS PULL BACK AS EARNINGS SEASON BEGINS

During five choppy trading days last week, the Dow Jones Industrial Average retreated 0.56% to 18,138.38; the S&P 500, 0.96% to 2,132.98; and the Nasdaq Composite, 1.48% to 5,214.16. The CBOE Volatility Index closed at 16.00 Friday, up 18.69% for the week.⁴

THIS WEEK: Monday, Wall Street looks at earnings from Bank of America, Celanese, Del Taco, Hasbro, IBM, J.B. Hunt, Lennox International, and Netflix, plus numbers on September industrial output. On Tuesday, BlackRock, Domino's Pizza, Goldman Sachs, Harley-Davidson, Intel, Johnson & Johnson, Philip Morris, Yahoo!, Regions Financial, UnitedHealth, and W.W. Grainger join the earnings parade, and the September CPI arrives. Abbott Labs, American Express, BB&T, Citrix, eBay, Mattel, Halliburton, Morgan Stanley, Northern Trust, Seagate, St. Jude Medical, SuperValu, U.S. Bancorp, and United Rentals all report earnings Wednesday; investors will also consider September data on housing starts and building permits, and a new Federal Reserve Beige Book. Thursday offers earnings from Alaska Air, American Airlines, BoNY Mellon, Dunkin' Brands, E*TRADE, Fifth Third, IMAX, Invacare, Microsoft, Nucor, PayPal, PulteGroup, Quest Diagnostics, Schlumberger, Union Pacific, Verizon, and Walgreens Boots Alliance; reports on initial jobless claims and September existing home sales also appear. Friday, the key earnings reports come from General Electric, Honeywell International, McDonalds, Parker Hannifin, SunTrust, and Whirlpool.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+4.09	+7.17	+11.15	+5.17
NASDAQ	+4.13	+9.02	+19.09	+12.12
S&P 500	+4.36	+6.96	+14.84	+5.62
REAL YIELD	10/14 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.13%	0.50%	0.28%	2.47%

Sources: wsj.com, bigcharts.com, treasury.gov - 10/14/16^{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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