

*In this week's recap: the Fed hikes, consumers feel optimistic, personal income and new home sales improve, and the major indices have a mixed week.*

# Weekly Economic Update

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*Presented by David H. Smith, October 1, 2018*

## FEDERAL RESERVE MAKES ITS THIRD RATE HIKE OF 2018

The central bank set the target range for the federal funds rate at 2.00-2.25% last week, in a move that economists and investors widely expected. One development was unexpected: the Fed removed the word “accommodative” from its latest policy statement, a hint that it may be on the verge of altering its monetary policy outlook. The Fed dot-plot still shows one more interest rate hike for 2018 and three hikes in 2019.<sup>1</sup>

## HOUSEHOLDS SEE A VERY STRONG ECONOMY

Both marquee U.S. consumer confidence indices finished September in good shape. The Conference Board's index reached an 18-year peak of 138.4, rising 3.7 points from its August mark. The University of Michigan's gauge declined 0.7 points to a still-impressive reading of 100.1.<sup>2,3</sup>

## A PERSONAL SPENDING MISS; A NEW HOME SALES GAIN

Looking at other economic indicators in a data-heavy week, consumer spending rose 0.3% in August, falling short of the 0.4% gain forecast by economists polled by Briefing.com. While reporting that advance, the Commerce Department also announced an improvement of 0.3% for personal incomes in August. The National Association of Realtors said that its pending home sales index declined 1.8% in the eighth month of the year; in better real estate news, the Census Bureau found new home buying up 3.5% in August, measuring a 12.7% yearly increase in the pace of new home sales.<sup>3,4</sup>

## NASDAQ ADVANCES FOR THE WEEK, BUT S&P AND DOW RETREAT

The S&P 500 finished the month at 2,913.98, losing 0.54% during a relatively calm week on Wall Street, which also saw the Dow Jones Industrial Average head 1.07% lower to 26,458.31. In

contrast, the Nasdaq Composite gained 0.74% on the week to wrap up September at 8,046.35. Across the month, the S&P rose 0.43%, and the Dow, 1.90%, while the Nasdaq declined 0.78%. The small-cap Russell 2000 sank 2.62% in September, settling Friday at 1,695.10.<sup>5</sup>

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#### TIP OF THE WEEK



*When you inherit real estate, you immediately face some financial questions. Do you want to sell the property, rent it out, or keep it? What would each choice mean, tax-wise? Can you handle payments on an outstanding mortgage and maintenance costs? Talking to tax or real estate professionals is essential.*

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#### THIS WEEK

Monday, the Institute for Supply Management presents its September manufacturing PMI. | Paychex and PepsiCo announce earnings Tuesday morning; just before the closing bell, Fed chairman Jerome Powell delivers a speech on the U.S. inflation and employment outlook in Boston. | On Wednesday, ADP's latest payrolls report appears along with the latest ISM service sector PMI and earnings from Lennar. | The September Challenger job-cut report and a new weekly initial jobless claims snapshot arrive Thursday, plus earnings from Constellation Brands and Costco. | The Department of Labor issues its September employment report on Friday.

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#### QUOTE OF THE WEEK



*“A pound of **pluck** is worth a ton of **luck**.”*

JAMES GARFIELD

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% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	7.04	18.22	14.68	15.53
NASDAQ	16.56	24.68	22.56	30.56
S&P 500	8.99	16.09	14.45	16.34

REAL YIELD	9/28 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.91	0.44	0.46	2.03

Sources: wsj.com, bigcharts.com, treasury.gov - 9/28/18<sup>5,6,7,8</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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THE WEEKLY RIDDLE



*What can be **broken**, but should not be **forgotten**?*

*LAST WEEK'S RIDDLE: You go into the forest and get it, you sit down to find it, and then you go home, just wanting to get it out. What is it?*

*ANSWER: A splinter.*

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- 2 - [conference-board.org/data/consumerconfidence.cfm](https://www.conference-board.org/data/consumerconfidence.cfm) [9/25/18]
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