

In this week's recap: home sales lag, retail sales barely improve, new Fed minutes discuss staying the course, and major equity indices advance.

Weekly Economic Update

Presented by David H. Smith, October 22, 2018

HOMES MOVE AT THE SLOWEST PACE IN 3 YEARS

Existing home sales slumped 3.4% in September as the annualized sales rate decelerated to a degree unseen since November 2015. In reporting this, the National Association of Realtors cited the usual factors: climbing mortgage rates, tight inventory, and ascending prices (the median sale price in September was \$258,100, up 4.2% in 12 months). The NAR's chief economist, Lawrence Yun, now projects a 1.6% reduction in resales for 2018; economists at Fannie Mae are forecasting a 2.0% retreat. In other real estate news, the Census Bureau said that housing starts fell 5.3% last month, while building permits declined 0.6%.^{1,2}

AGAIN, RETAIL SALES RISE JUST 0.1%

The Census Bureau said that the overall gain for September matched that of August. With fuel and auto sales factored out, retail sales were flat last month. Core sales retreated 0.1%.²

FED MINUTES NOTE POSSIBILITY OF FURTHER GRADUAL RATE HIKES

The Federal Reserve released minutes from its September policy meeting Thursday, and they relayed the consensus opinion that a "gradual approach" to tightening monetary policy will be warranted if inflation, labor, and GDP readings keep indicating a thriving economy. Policymakers noted that raising rates too quickly could prompt "an abrupt slowing in the economy and inflation moving below the committee's objective." Then again, the minutes also acknowledged "the risk of moving too slowly, which could engender inflation persistently above the objective and possibly contribute to a buildup of financial imbalances."³

A POSITIVE WEEK FOR EQUITIES

All three major Wall Street benchmarks advanced last week. The S&P 500 registered the smallest gain, adding just 0.02% as it reached 2,767.78. Improving 0.41% for the week, the Dow Jones

Industrial Average settled at 25,444.34. Rising 1.64% in five trading days, the Nasdaq Composite ended the week at 7,449.03.⁴

TIP OF THE WEEK



*As a **small business** grows, a **relationship with a good tax professional** becomes vital. A thorough tax professional can help you file correctly and see that you take the deductions to which you are legally entitled.*

THIS WEEK

Monday's earnings calendar lists announcements from Halliburton, Hasbro, Kimberly-Clark, Lennox International, Sify, TD Ameritrade, and Zions Bancorp. | On Tuesday, earnings roll in from 3M, Ameriprise Financial, Avery Dennison, Biogen, Capital One, Caterpillar, Corning, Fifth Third, GATX, Harley-Davidson, JetBlue, Lockheed Martin, McDonald's, NextEra Energy, Pulte Group, Quest Diagnostics, Regions Financial, Six Flags Entertainment, Texas Instruments, and Verizon. | Wall Street considers September new home sales data and a new Beige Book from the Federal Reserve on Wednesday, along with earnings from Aflac, AT&T, Boeing, CoreLogic, Ford Motor Co., Freeport-McMoRan, General Dynamics, Hilton Worldwide Holdings, Ingersoll Rand, Microsoft, Norfolk Southern, Northrop Grumman, O'Reilly Auto Parts, Raymond James, Sirius XM Holdings, Smith Micro, Visa, Whirlpool, and W.R. Grace. | Thursday, investors react to earnings from Alaska Air Group, Ally Financial, Alphabet, Altria Group, Amazon, American Airlines, Anheuser-Busch, Briggs & Stratton, Bristol-Myers, Celgene, Chipotle, Comcast, Conoco-Phillips, Discover, Dunkin' Brands, Expedia, First Solar, Gilead Sciences, GrubHub, Hershey Co., IMAX, Intel, International Paper, Mattel, Merck, Netgear, Nokia, Penske Auto Group, Raytheon, Sherwin-Williams, Snap, Southwest Airlines, Stanley Black & Decker, Stryker, T. Rowe Price, The Hartford, Twitter, Union Pacific, Valero Energy, Verisign, Waste Management, and Western Digital, plus new initial jobless claims numbers, September pending home sales, and a new report on durable goods orders. | The federal government's first estimate of Q3 GDP arrives Friday along with the final September University of Michigan consumer sentiment index and earnings announcements from AON,

Charter Communications, Colgate-Palmolive, Goodyear, Phillips 66, Ryder Systems, and Weyerhaeuser.

QUOTE OF THE WEEK



*“The way you **overcome** shyness is to become so wrapped up in something that you **forget** to be afraid.”*

LADY BIRD JOHNSON

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	2.93	9.85	13.05	17.46
NASDAQ	7.90	12.78	18.06	32.08
S&P 500	3.52	8.03	11.73	18.09

REAL YIELD	10/19 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.09	0.49	0.42	2.76

Sources: wsj.com, bigcharts.com, treasury.gov - 10/19/18^{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.

THE WEEKLY RIDDLE



It is removed from mines outside the U.S., then encased in wood, never to be released. Even so, it is still used by millions. What is it?

LAST WEEK'S RIDDLE: It gives you information and control, and without it, no work can be done – yet it costs you nothing. What is it?

ANSWER: Your brain.

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