

*In this week's recap: a first-rate Q3 GDP reading, mixed housing indicators, slightly weaker household sentiment, and a significant retreat for equities.*

# Weekly Economic Update

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*Presented by David H. Smith, October 29, 2018*

## FIRST ESTIMATE OF Q3 GDP: 3.5%

A 4.0% gain in consumer spending and a 3.3% advance in government spending helped strengthen the economy in the three months ending in September. Bureau of Economic Analysis data shows that the past two quarters represent the best 6-month period for U.S. growth since 2014. It appears likely that the economy will expand more than 3% this year; if that happens, 2018 will enter the history books as the best year for the economy since 2005.<sup>1</sup>

## NEW HOME SALES SLUMP, BUT PENDING HOME SALES IMPROVE

According to the Census Bureau, new home buying decreased 5.5% last month, even as the number of new homes on the market hit a nine-and-a-half-year high. The median sale price of \$320,000 was 3.5% lower than it was in September 2017. Pending home sales surprised to the upside in September: they rose 0.5%. Economists polled by Briefing.com expected the National Association of Realtors to announce a housing contract activity decline of 0.3%.<sup>2,3</sup>

## A SLIGHT DIP FOR CONSUMER SENTIMENT

Friday, the final University of Michigan consumer sentiment index for October appeared, bearing a reading of 98.6. This was 0.4 points below its preliminary October mark, but little cause for concern.<sup>3</sup>

## MORE TURBULENCE ON WALL STREET

Investors would love to see the major indices recapture some of their October losses, and perhaps that will happen as the month ends. The Dow Industrials, S&P 500, and Nasdaq Composite all retreated significantly last week after five days of sizable ups and downs, as anxieties about reduced profit margins and rising interest rates lingered. The blue chips gave

back 2.97% to settle at 24,688.31 Friday. Losing 3.78% for the week, the Nasdaq fell to 7,167.21 at Friday's closing bell; across the same stretch, the S&P 500 slipped 3.94% to 2,658.69.<sup>4</sup>

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#### TIP OF THE WEEK



*If you have **adult children** living with you, it is perfectly fine to ask them to shoulder some **financial responsibility** in your household. Ask them to **regularly pay one expense a month** (such as the electric bill) or have them **pay rent**.*

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#### THIS WEEK

Monday, the Department of Commerce presents its snapshot of September personal spending, and the September PCE price index appears; investors will also consider earnings from Akamai, Blackbaud, Bloomin' Brands, Booz Allen Hamilton, Embraer, Mondelez, Nautilus, Transocean, U.S. Auto Parts, and Wingstop. | Tuesday, Wall Street reviews earnings from Aetna, Allergan PLC, Amgen, Anadarko Petroleum, AutoNation, Baidu, Baker Hughes, Big 5 Sporting Goods, BP, Brinker International, Coca-Cola, Container Store, Cummins, Curtiss Wright, Denny's, Eaton, eBay, Edison International, Electronic Arts, Extra Space Storage, Facebook, Fiat Chrysler, Fresh Del Monte Produce, GE, Genworth Financial, Herbalife, Honda Motor Co., Huntsman, Hyatt Hotels, Mastercard, MGM Resorts, Pfizer, Public Storage, Regis Corp., Sony, Under Armour, Voya Financial, Vulcan Materials, Waddell & Reed, WestJet, and Wyndham Hotels & Resorts; the latest Conference Board consumer confidence index and Case-Shiller home price index also arrive. | On Wednesday, the corporations announcing earnings include Air Canada, Allstate, AIG, Anthem, Chesapeake Energy, Clorox, Diebold Nixdorf, Estee Lauder, Express Scripts, Fitbit, Garmin, General Motors, GlaxoSmithKline, Kellogg, Molson Coors, Sprint, Taylor Morrison, Yum! Brands, and Zynga, and ADP releases its September payrolls report. | The October ISM manufacturing PMI comes out Thursday, along with the September Challenger job-cut report, the latest initial unemployment claims numbers, and earnings from AMC Networks, Apple, Arcelor Mittal, Avon, CBRE Group, CBS, Cigna, Cirrus Logic, DowDuPont, Exelon, Fluor, GoPro, Hanesbrands, Kraft Heinz, Live Nation, Marathon Petroleum, MetLife, Motorola Solutions, Pitney Bowes, RE/MAX Holdings, Royal Dutch Shell, Shake

Shack, Spotify, Starbucks, Symantec, U.S. Steel, Wayfair, and WW. | Friday, the Department of Labor issues its October employment report, and Alibaba, Chevron, Duke Energy, Enbridge, Exxon Mobil, Seagate Technology, and Willis Towers Watson offer earnings news.

QUOTE OF THE WEEK



*“Education is the **ability** to listen to almost anything without losing your temper or your self-confidence.”*

ROBERT FROST

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% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-0.13	5.50	11.71	20.20
NASDAQ	3.82	9.31	16.35	37.59
S&P 500	-0.56	3.84	10.22	21.32

  

REAL YIELD	10/26 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.02	0.57	0.35	3.02

Sources: wsj.com, bigcharts.com, treasury.gov - 10/26/18<sup>4,5,6,7</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



*In a thousand years, you will never find it. In a minute, you will notice it once. In a moment, you will see it twice. What is it?*

*LAST WEEK'S 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?*

*ANSWER: Graphite (pencil lead).*

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