

In this week's recap: stocks slump as the 10-year Treasury yield spikes, an ISM index hits a historic peak, job creation weakens, and oil extends its winning streak.

Weekly Economic Update

Presented by David H. Smith, October 8, 2018

10-YEAR TREASURY YIELD HITS A 7-YEAR PEAK

Friday, the yield on the 10-year note reached 3.23%, its highest level since 2011. Its yield rose dramatically last week, influenced by hawkish comments from Federal Reserve chair Jerome Powell and reports showing minimal unemployment and a swiftly expanding business sector. All this strengthened investor perception that the U.S. economy has hit its stride. It also suggested a near future with recurring interest rate hikes, costlier borrowing, and subdued spending. That possibility weighed on equities. For the week, the Nasdaq Composite fell 3.21% to 7,788.45, and the S&P 500, 0.97% to 2,885.57; the Dow Industrials retreated just 0.04% to 26,447.05.^{1,2}

LESS HIRING IN SEPTEMBER

A look at the Department of Labor's latest jobs report reveals good news and bad news. The good news? Unemployment declined further to 3.7%, annualized wage growth improved to 3.4% in the third quarter, and monthly net hiring averaged 190,000 in Q3. The bad news? Payrolls expanded with just 134,000 net new jobs last month, as underemployment ticked up 0.1% to 7.5% and year-over-year wage growth slowed to 2.8%. Some economists feel that Hurricane Florence significantly impacted the September data.³

SERVICE SECTOR EXPANDS AT A HISTORIC PACE

The Institute for Supply Management said its non-manufacturing purchasing manager index rose 3.1 points in September to 61.6. It has never been that high in its decade-long history. ISM's PMI for the factory sector took a slight dip in September, slipping from 61.3 to 59.8 but still showing fast expansion.⁴

OIL MAKES ANOTHER WEEKLY ADVANCE

Crude is on a 4-week winning streak. At Friday's closing bell, the price stood at \$74.34 a barrel on the NYMEX, reflecting a 1.5% rise in five days. Again, worries over upcoming U.S. sanctions against Iran helped to send prices higher. WTI crude settled at \$76.41 Wednesday, which approached a 4-year peak for the commodity.⁵

TIP OF THE WEEK



*Yes, **clipping coupons** can **save you money** at the grocery store – but keep in mind, coupon deals may lead you to buy unneeded items. The cost of the extra purchases could cancel out any coupon savings.*

THIS WEEK

While the U.S. bond market is closed Monday in observance of Columbus Day, U.S. stock exchanges are open for business; no major economic or earnings releases are scheduled. | Nothing major is slated for Tuesday, either. | Wednesday, investors consider the September Producer Price Index and earnings from Fastenal. | On Thursday, the September Consumer Price Index appears, along with the latest initial jobless claims report and earnings news from Delta Air Lines and Walgreens Boots Alliance. | The fall earnings season begins Friday, with announcements from Citigroup, JPMorgan Chase, PNC Financial Services Group, and Wells Fargo; in addition, the University of Michigan's preliminary October consumer sentiment index arrives.

QUOTE OF THE WEEK



“Success is the maximum utilization of the ability that you have.”

ZIG ZIGLAR

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	6.99	16.12	15.09	16.57
NASDAQ	12.82	18.27	20.91	31.81
S&P 500	7.93	13.07	14.14	17.30

REAL YIELD	10/5 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.07	0.49	0.46	2.21

Sources: wsj.com, bigcharts.com, treasury.gov - 10/5/18^{2,6,7,8}

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



*They can **pass through** state after state, all while **never moving**.
What are they?*

LAST WEEK'S RIDDLE: What can be broken, but should not be forgotten?

ANSWER: A promise.

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