

WEEKLY ECONOMIC UPDATE

January 11, 2016

WEEKLY QUOTE

“No one is useless in this world who lightens the burdens of another.”

- Charles Dickens

WEEKLY TIP

Try to contribute the maximum amount to your IRA(s) as early as you can this year, rather than waiting until the April deadline. By doing so, you give those dollars a little more time to potentially grow and compound.

WEEKLY RIDDLE

A man and a woman wearing very expensive outfits manage, without using wheels or any form of assistance, to push a 6-ton object entirely through their own physical effort. Under what circumstances are they able to do this?

Last week's riddle:

There is an adjective. When you take away the whole from it, some still remains. What adjective is this?

Last week's answer:

Wholesome.

CAN STOCKS REGAIN THEIR FOOTING THIS WEEK?

Investors hope so after a very rough start to 2016. Declining oil prices and disappointing manufacturing data in both the U.S. and China helped trigger a global selloff: the major equity indices in Europe and Asia fell between 5-9% last week with our benchmarks following suit. The Dow Jones Industrial Average lost 6.19% in five days to 16,346.45, paralleled by a 6.13% fall for the S&P 500 to 1,922.03 and a 7.27% descent for the Nasdaq Composite to 4,643.60. The week ended with the S&P 9.8% below its May 2015 peak, and with Wall Street hoping for some stability and a decent Q4 earnings season.^{1,2}

292,000 NEW HIRES IN DECEMBER

The Labor Department's latest employment report affirmed the durability of the U.S. economy. Last month's impressive payroll growth was complemented by upward revisions to hiring totals for October (307,000) and November (252,000). Economists surveyed by the *Wall Street Journal* had expected 210,000 new jobs in December. The U-3 and U-6 jobless rates remained at 5.0% and 9.9% last month. Year-over-year wage growth rose to 2.5%.³

FACTORY SECTOR CONTRACTS FOR ANOTHER MONTH

In December, the Institute for Supply Management's manufacturing PMI remained under 50, slipping 0.4 points lower to a reading of 48.2. ISM's service sector PMI declined 0.6 points last month, but still showed strong sector growth at 55.3.⁴

GOLD PRICES CLIMB, OIL PRICES SLIDE

Rallying in the flight to safety that occurred last week, COMEX gold settled Friday at 1,097.90. The yellow metal gained 3.6% in five trading days. NYMEX crude ended the week at its lowest close since 2005 – just \$33.16, a price resulting from a 10.0% five-day decline.⁵

THIS WEEK: Earnings season starts Monday evening with Q4 results from Alcoa. Nothing major is slated for Tuesday. Wednesday, a new Federal Reserve Beige Book appears, plus Q4 results from SuperValu. Earnings from Intel, JPMorgan Chase, and Rocky Mountain Chocolate Factory arrive Thursday. Friday offers earnings from BlackRock, Citigroup, Fastenal, PNC Financial Services, Wells Fargo, Regions Financial, and U.S. Bancorp, the initial January University of Michigan household sentiment index, the December PPI, and reports on December industrial production and retail sales.

| % CHANGE | Y-T-D | 1-YR CHG | 5-YR AVG | 10-YR AVG |
|------------|----------|----------|-----------|------------|
| DJIA | -6.19 | -8.72 | +8.00 | +4.84 |
| NASDAQ | -7.27 | -1.95 | +14.36 | +10.03 |
| S&P 500 | -6.13 | -6.79 | +10.23 | +4.90 |
| REAL YIELD | 1/8 RATE | 1 YR AGO | 5 YRS AGO | 10 YRS AGO |
| 10 YR TIPS | 0.65% | 0.41% | 0.98% | 2.05% |

Sources: investing.com, bigcharts.com, treasury.gov - 1/8/16^{1,6,7,8}
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.

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Citations.

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