

WEEKLY ECONOMIC UPDATE

January 25, 2016

WEEKLY QUOTE

“Always be nice to people on the way up, because you’ll meet the same people on the way down.”

- Wilson Mizner

WEEKLY TIP

If you are in your forties and behind on your retirement planning, resist the temptation to direct more money into your child’s college fund than your retirement accounts.

WEEKLY RIDDLE

The more of them you will have, the longer you will live – but as you have more and more of them, the less you have left. What are they?

Last week’s riddle:

I weigh nothing, but you can see me. Put me in a box, and the box will become lighter. What am I?

Last week’s answer:

A hole.

OIL REBOUND DRIVES STOCKS HIGHER

Thanks to frosty weather hitting the Northeast and a round of short covering, WTI crude settled at \$32.19 on the NYMEX Friday – up 9% for the day and 9.4% for the week. Oil’s surge (and hopes of quantitative easing overseas) bolstered stocks: across four days, the Dow gained 0.66% to 16,093.51, the S&P 500 1.41% to 1,906.90, and the Nasdaq 2.29% to 4,591.18.¹

EXISTING HOME SALES PACE IMPROVES 14.7%

This December jump in resales was partly due to November transactions being delayed by new closing rules. Regardless, 2015 was a good year for homebuying – existing home sales rose 7.7%, according to the National Association of Realtors.²

WEAK ENERGY PRICES HELP TO CURB INFLATION

Falling oil prices, rents, and food costs factored into the 0.1% December retreat of the Consumer Price Index (the core CPI rose 0.1%). The headline CPI advanced 0.7% in 2015 – the smallest annual increase in the past 50 years.³

BUILDER ACTIVITY TAILS OFF IN DECEMBER

The Census Bureau reported a 3.9% dip in building permits in December. Housing starts also declined 2.5% last month, but they were up 10.3% year-over-year.³

THIS WEEK: Monday, investors review earnings from Amgen, D.R. Horton, Halliburton, Kimberly-Clark, and McDonald’s. On Tuesday, a new Conference Board consumer confidence index arrives, plus the November S&P/Case-Shiller home price index and earnings from 3M, Apple, AT&T, Capital One, Chubb, Coach, Corning, Freeport-McMoRan, Grainger, Parker-Hannifin, Procter & Gamble, and U.S. Steel. December new home sales numbers and a Federal Reserve policy statement appear Wednesday, along with earnings from Ameriprise Financial, Anthem, Biogen, Boeing, Broadcom, Citrix, Dolby Labs, Discover, eBay, Facebook, General Dynamics, Hanesbrands, Norfolk Southern, PayPal, Qualcomm, SanDisk, Texas Instruments, and United Rentals. Thursday brings data on pending home sales and hard goods orders, initial claims numbers, and earnings from Abbott Labs, Airgas, Alibaba, Altria, Amazon, Bristol-Myers Squibb, Caterpillar, Celgene, Electronic Arts, Eli Lilly, Ford Motor Co., Harley-Davidson, JetBlue, Microsoft, Northrup Grumman, PulteGroup, Raytheon, Sherwin-Williams, Time Warner Cable, Under Armour, Stanley Black & Decker, Valero Energy, VISA, and Western Digital. The first estimate of Q4 GDP appears Friday, plus the University of Michigan’s final January consumer sentiment index and earnings from American Airlines, Chevron, Colgate-Palmolive, Honeywell International, MasterCard, Phillips 66, Praxair, Whirlpool, and Xerox.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-7.64	-9.66	+7.11	+5.09
NASDAQ	-8.31	-3.35	+14.14	+10.43
S&P 500	-6.70	-7.57	+9.72	+5.12
REAL YIELD	1/22 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.72%	0.29%	1.20%	1.94%

Sources: wsj.com, bigcharts.com, treasury.gov - 1/22/16^{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.

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Citations.

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