

WEEKLY ECONOMIC UPDATE

June 20, 2016

WEEKLY QUOTE

“What we anticipate seldom occurs; what we least expected generally happens.”

- Benjamin Disraeli

WEEKLY TIP

When you own a small business, paying estimated taxes is a given. If you are a new business owner, think about creating a dedicated bank account to which you can direct a monthly amount for that purpose.

WEEKLY RIDDLE

What goes with you wherever you go, often demands an answer, and never asks you a question?

Last week's riddle:

At the sound of it, you may dream, dance, laugh, weep or even stamp your feet. What is it?

Last week's answer:

Music.

RETAIL SALES RISE ANOTHER HALF-PERCENT

This healthy May increase follows the 1.3% gain recorded by the Department of Commerce for April, and offers more evidence that the economy has rebounded from a sluggish first quarter. Core retail sales (minus auto and gasoline purchases) were up 0.4% last month.¹

INFLATION CONTINUES TO FIRM

According to the Bureau of Labor Statistics, consumer prices rose 0.2% in May while producer prices advanced 0.4%. While a drop in food prices tempered the gain in the Consumer Price Index, the core CPI (which strips out energy and food costs) was up 2.2% in a year, exceeding the Federal Reserve's annualized inflation target. The May wholesale inflation jump still left the Producer Price Index up just 0.8% year-over-year; plunging energy costs have held the PPI in check.^{1,2}

CONSTRUCTION ACTIVITY MODERATES IN MAY

Building permits and housing starts both increased 4.9% in April, but Census Bureau data reveals no such leaps last month. Groundbreaking declined 0.3% in May, while the issuance of permits increased by 0.7%.¹

INVESTORS ANXIOUSLY AWAIT U.K. VOTE

As expected, the Federal Reserve refrained from an interest rate move last week; Wall Street was more concerned about the potential of a Brexit. The S&P 500 fell 1.19% in five days to 2,071.22, and the other major indices fell with it. The Nasdaq gave back 1.92% on its way to a Friday close of 4,800.34, while the Dow slipped 1.07% on the week to 17,675.16. Gold is on a 3-week winning streak: it settled at \$1,294.80 on the COMEX Friday, rising 1.5% in five days. WTI crude fell 2.2% for the week, closing Friday at \$47.98 on the NYMEX.³

THIS WEEK: Nothing major is scheduled for Monday. Tuesday, Federal Reserve chair Janet Yellen begins two days of testimony in the Senate on monetary policy; earnings news emerges from Adobe Systems, CarMax, Carnival, FedEx, KB Home, La-Z-Boy, and Lennar. Wednesday, Wall Street looks at May existing home sales numbers and earnings from Barnes & Noble, Bed Bath & Beyond, Red Hat, and Winnebago. On Thursday, the United Kingdom holds its referendum on whether or not to stay in the European Union; investors will also consider May new home sales figures, the federal government's latest initial jobless claims report, and quarterly results from Sonic. Friday offers the final June University of Michigan consumer sentiment index, a Census Bureau report on May hard goods orders and earnings from Finish Line.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+1.44	-1.45	+9.45	+6.05
NASDAQ	-4.14	-5.22	+16.69	+12.54
S&P 500	+1.33	-1.39	+12.58	+6.55
REAL YIELD	6/17 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.20%	0.42%	0.75%	2.54%

Sources: wsj.com, bigcharts.com, treasury.gov - 6/17/16^{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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~Jeff@LundstromGroup.com 800.627.6722 ~

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