

WEEKLY ECONOMIC UPDATE

October 5, 2015

WEEKLY QUOTE

“Character is much easier kept than recovered.”

- Thomas Paine

WEEKLY TIP

Maintain an emergency fund in retirement. It can help you in a crisis. It can be tapped if income taxes from your RMDs turn out to be higher than anticipated. It could also help you avoid drawing down your tax-advantaged accounts to meet unplanned expenses.

WEEKLY RIDDLE

What wintry thing flies as it is born, lies when alive, and runs when dead?

Last week's riddle:

Take a letter out of it, and it stays put and the same; remove all the letters from it and it still stays put and stays the same. What is it?

Last week's answer:

A mailbox.

142,000 NEW JOBS CREATED IN SEPTEMBER

Is a global slowdown impacting the U.S. economy? The latest Labor Department jobs report seemed to say yes. Hiring last month fell far short of the 200,000 total projected by economists in a MarketWatch survey. Moreover, job gains across July and August were revised down by 59,000. There was some good news – the U-6 (underemployment) rate declined 0.3% to 10.0%. The headline jobless rate stayed at 5.1%. After the report's release, just 2% of futures investors on the Chicago Mercantile Exchange felt the Federal Reserve would raise interest rates in October; only 29% thought the Fed would do so in December.^{1,2}

CONSUMER SPENDING, CONFIDENCE BOTH RISE

Good news from the Commerce Department – August brought an 0.4% rise in personal spending and an 0.3% rise in personal wages. A day later, another encouraging number arrived from Main Street – the Conference Board's consumer confidence index rose 1.5 points in September to 103.0.²

ISM MANUFACTURING PMI SINKS TO 50.2

As 50 is the Institute for Supply Management's line between sector growth and contraction, the September reading for this globally watched factory index was troubling. In another disconcerting development, the Commerce Department said factory orders declined 1.7% in August.²

PENDING HOME SALES INDEX SLIPS

The National Association of Realtors announced a 1.4% reduction in the number of home sale contracts in September. That followed a 0.5% increase in August. July's edition of the S&P/Case-Shiller home price index showed an overall 5.0% yearly advance, ticking up from 4.9% in the June edition.²

INVESTORS SEE LESS CAUSE FOR FED TO TIGHTEN

The subpar job report spurred a rally, and so the S&P 500 ended up 1.04% higher for the week, closing Friday at 1,951.36. The Dow and Nasdaq settled Friday at 16,472.37 and 4,707.78 after respective weekly gains of 0.97% and 0.45%.³

THIS WEEK: ISM's service sector PMI appears Monday, along with quarterly results from The Container Store. PepsiCo and Yum! Brands report earnings on Tuesday. Wednesday offers earnings from Constellation Brands and Monsanto. Minutes from the Federal Reserve's September policy meeting arrive Thursday, along with initial jobless claims numbers and earnings from Alcoa, Domino's and Ruby Tuesday. Nothing major is slated for Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-7.58	-1.96	+10.42	+5.64
NASDAQ	-0.60	+6.27	+19.72	+11.84
S&P 500	-5.22	+0.27	+14.05	+5.90
REAL YIELD	10/2 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.51%	0.49%	0.75%	1.84%

Sources: wsj.com, bigcharts.com, treasury.gov - 10/2/15^{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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