

WEEKLY ECONOMIC UPDATE

June 22, 2015

WEEKLY QUOTE

“Integrity without knowledge is weak and useless, and knowledge without integrity is dangerous and dreadful.”

- Samuel Johnson

WEEKLY TIP

June is a time to assess your 2015 financial objectives. In terms of debt reduction, retirement saving and portfolio performance, are you on pace toward your yearly goals?

WEEKLY RIDDLE

What falls yet does not make noise?

Last week's riddle:

I am the beginning of sorrow, and the end of sickness. You cannot express happiness without me, yet I am always in risk. I am never in danger, though. What am I?

Last week's answer:

The letter S.

WILL THE FED MAKE A MOVE IN THE FALL?

The Federal Reserve left interest rates alone last week, but its median federal funds rate forecast for the end of 2015 is now at 0.625%. That would seem to suggest multiple adjustments to the key interest rate in the last half of this year, but Fed chair Janet Yellen noted last week that the central bank is looking for “more decisive evidence that a moderate pace of economic growth will be sustained” before making any move. The Fed now projects 2015 GDP at only 1.8-2.0%, down from a range of 2.3-2.7% this spring. Futures markets point to the Fed raising interest rates from historic lows in December, though many economists think the incremental tightening will start in September.¹

CPI UP 0.4% IN MAY, BUT INFLATION STILL MUTED

Gas prices soared 10.4% last month, prompting a notable rise in the headline Consumer Price Index. The Federal Reserve might not be too concerned with that one-month advance, however. The core CPI (which strips out energy and food prices) was up only 0.1% for May and just 1.7% year-over-year.²

HOUSING STARTS DOWN, BUILDING PERMITS UP

These volatile indicators moved in drastically opposite directions in May. According to the Census Bureau, building permits rose 11.8% last month to an 8-year peak while groundbreaking declined 11.1%. Starts were up 5.1% and permits up 25.4% from May 2014.³

STOCKS ADVANCE

Rising 1.30% to 5,117.00, the NASDAQ Composite outpaced the S&P 500 and Dow Jones Industrial Average last week. The blue chips added 0.65% in five days to reach 18,015.95 and the S&P 500 rose 0.76% for the week to a Friday settlement of 2,109.99.⁴

THIS WEEK: On Monday, the National Association of Realtors presents May existing home sales figures and Sonic and Carnival announce Q2 results. Tuesday, May durable goods and new home sales reports arrive. The final estimate of Q1 GDP appears on Wednesday along with earnings from Nike, Lennar, Winnebago, Steelcase, Bed Bath & Beyond and Monsanto. Thursday, Wall Street evaluates May personal spending numbers, a new initial claims report and earnings from Accenture and Barnes & Noble. Friday brings the University of Michigan's final June consumer sentiment index.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+1.08	+6.47	+14.48	+6.98
NASDAQ	+8.04	+17.38	+24.31	+14.51
S&P 500	+2.48	+7.68	+17.76	+7.35
REAL YIELD	6/19 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.40%	0.39%	1.25%	1.74%

Sources: wsj.com, bigcharts.com, treasury.gov - 6/19/15^{5,6,7,8}

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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