

Presents:

# WEEKLY ECONOMIC UPDATE

August 10, 2015

## WEEKLY QUOTE

“The greatest good you can do for another is not just share your riches, but to reveal to him his own.”

- Benjamin Disraeli

## WEEKLY TIP

Encourage your children to start off on the right financial footing: tell them to save 10% of what they make.

## WEEKLY RIDDLE

There is a 7-letter word that starts with BR and ends in G, and if you put an E in it, you get an 8-letter word that sounds the same yet has a different meaning. Name these two words.

## Last week's riddle:

Simply talk about it, and you will break it. What is it?

## Last week's answer:

Silence.

## A GREEN LIGHT FOR A RATE HIKE?

According to the latest Labor Department report, employers hired 215,000 new workers in July – 77,000 of them in professional, business, education, and health care occupations. The jobless rate held steady at 5.3% while the U-6 rate (unemployment + underemployment) ticked down to 10.4%. Monthly hiring totals have averaged 235,000 since May compared to 195,000 in Q1, and even with continued lackluster wage growth, some analysts see a stronger argument for the Federal Reserve to adjust short-term interest rates next month.<sup>1</sup>

## PERSONAL SPENDING IMPROVED 0.2% IN JUNE

This minor gain followed the 0.7% increase measured by the Commerce Department for May. Personal wages, however, rose 0.4% in June. A consensus MarketWatch forecast had both indicators advancing 0.3%.<sup>2</sup>

## ISM SERVICE SECTOR PMI REACHES HISTORIC PEAK

With 15 of 18 service fields reporting growth, the Institute for Supply Management's non-manufacturing PMI rose 4.3 points to reach 60.3 in July, the highest mark in its 7-year history. ISM's factory PMI lost 0.8 points in July, slipping to 52.7. Better news emerged from the manufacturing sector, however: the Commerce Department noted a 1.8% gain for factory orders in June.<sup>2,3</sup>

## A DOWN WEEK FOR STOCKS

The July employment report did little to ease concerns that the Fed might raise interest rates in September. That factor and some earnings disappointments sent the major indices south last week. Across August 3-7, the DJIA lost 1.79% to fall to 17,373.38. The S&P 500 slipped 1.25% in that time span to settle at 2,077.57 while the Nasdaq fell 1.65% to 5,043.54. Oil's grim summer continued as futures lost 6.33% on the NYMEX for the week on the way to a Friday close of \$43.81. Gold declined 0.28% for the week, settling Friday at \$1,091.80 on the COMEX.<sup>4,5</sup>

**THIS WEEK:** Dean Foods, Live Nation, Shake Shack, and Take-Two Interactive report earnings Monday. Tuesday, the Street eyes Q2 results from Fossil, Red Robin, and Symantec. On Wednesday, earnings arrive from News Corp., Alibaba, Aramark, Cisco, and Macy's. Thursday, July retail sales figures and a new initial jobless claims report complement earnings from Advance Auto Parts, Applied Materials, Dillard's, El Pollo Loco, Kohl's, Nordstrom, and Tribune Media. The initial August University of Michigan consumer sentiment index and the July Producer Price Index appear Friday, along with a report on July industrial output, and Q2 results from JCPenney.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-2.52	+6.14	+12.62	+6.49
NASDAQ	+6.49	+16.35	+24.08	+13.30
S&P 500	+0.91	+8.80	+17.05	+6.99
REAL YIELD	8/7 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.52%	0.19%	1.04%	2.02%

Sources: wsj.com, bigcharts.com, treasury.gov - 8/7/15<sup>6,7,8,9</sup>

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.**

- 1 - [marketwatch.com/story/us-creates-215000-jobs-in-july-setting-stage-for-rate-hikes-2015-08-07](http://marketwatch.com/story/us-creates-215000-jobs-in-july-setting-stage-for-rate-hikes-2015-08-07) [8/7/15]
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- 3 - [usnews.com/news/business/articles/2015/08/05/growth-at-us-services-firms-surges-to-record-in-july](http://usnews.com/news/business/articles/2015/08/05/growth-at-us-services-firms-surges-to-record-in-july) [8/5/15]
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