

WEEKLY ECONOMIC UPDATE

June 27, 2016

WEEKLY QUOTE

“Next to trying and winning, the best thing is trying and failing.”

- L.M. Montgomery

WEEKLY TIP

Will you soon be using a credit card outside the U.S.? Call the card issuer before your trip, and let your bank know the exact countries and territories you will be visiting. Otherwise, you may run the risk of having your card suspended on suspicion of fraud.

WEEKLY RIDDLE

When is L greater than XL?

Last week's riddle:

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

Last week's answer:

Your cell phone.

BREXIT VOTE BATTERS GLOBAL MARKETS

The world reacted to the news Thursday night that U.K. voters had decided to leave the European Union. Germany's DAX, France's CAC-40, and Japan's Nikkei 225 respectively ended their Friday trading sessions with losses of 6.82%, 8.04%, and 7.92%. Wall Street was not hit as hard, but the Dow fell 3.39% Friday, while the Nasdaq declined 4.12% and the S&P 500 retreated 3.60%.^{1,2}

A GAIN FOR EXISTING HOME SALES IN MAY

Last month, the pace of residential resales accelerated another 1.8%. According to the National Association of Realtors, the latest annual rate of 5.53 million sales marked a 9-year high. Separately, a Census Bureau report showed a 6.0% drop in new home buying in May.³

CONSUMER SENTIMENT GAUGE DECLINES IN JUNE

Displaying a final June reading of 93.5, the University of Michigan's monthly consumer sentiment index finished the sixth month of the year 1.2 points below its final May mark. A year ago, the index was at 96.1.⁴

STOCKS END ROCKY TRADING WEEK LOWER

Even with global markets plunging on Friday, weekly losses for the major U.S. indices were not extreme. The Nasdaq declined 1.92% across five days, while the Dow and S&P 500 respectively retreated 1.56% and 1.64%. As the dust settled Friday, the Dow closed the week at 17,399.86; the S&P, at 2,037.30; and the Nasdaq, at 4,707.98. Gold jumped \$59.30 Friday to a COMEX close of \$1,322.40. Oil settled at \$47.64 Friday on the NYMEX.^{2,5}

THIS WEEK: Global markets will react further to the Brexit on Monday; stateside, no major news releases are scheduled. Tuesday, an E.U. leadership summit begins in Brussels; the Conference Board presents its June consumer confidence index; the April Case-Shiller home price index appears; the BEA issues its final estimate of Q1 GDP; and Nike reports quarterly results. Wednesday, Federal Reserve chair Janet Yellen, European Central Bank president Mario Draghi, and Bank of England governor Mark Carney take part in a panel discussion at an ECB forum in Portugal; Wall Street will also pay attention to May pending home sales, May personal spending figures, and earnings news from General Mills, Monsanto, and Pier 1. Thursday, a new initial claims report complements earnings from ConAgra Foods, Constellation Brands, Darden Restaurants, and Paychex. Friday, investors consider ISM's June U.S. manufacturing PMI and China's latest factory PMI reading.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-0.14	-3.15	+9.16	+5.83
NASDAQ	-5.98	-8.09	+15.49	+12.19
S&P 500	-0.32	-3.38	+12.12	+6.37
REAL YIELD	6/24 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.15%	0.48%	0.64%	2.64%

Sources: wsj.com, bigcharts.com, treasury.gov - 6/24/16^{2,6,7,8}

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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