

WEEKLY ECONOMIC UPDATE

September 28, 2015

WEEKLY QUOTE

“Sometimes life is going to hit you in the head with a brick. Don’t lose faith.”

- Steve Jobs

WEEKLY TIP

How many of us think about saving first, spending second? Most households save or invest whatever is left after monthly expenses. Would our savings (and wealth) grow faster if we saw things the other way around?

WEEKLY 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 riddle:
Brittany carried a load of wood in a wheelbarrow, yet the wood was neither straight nor crooked. How could this be?

Last week’s answer:
She was carrying a load of sawdust.

A BIT MORE OPTIMISM AS SEPTEMBER ENDS

The University of Michigan’s consumer sentiment index advanced slightly in the past couple of weeks, rising to a final September mark of 87.2 from its initial reading of 85.7. Regardless, this was the index’s poorest final monthly reading since October 2014. It did surpass the expectations of analysts polled by Bloomberg, who expected a final number of 86.5.¹

DIFFERENT DIRECTIONS FOR AUGUST HOME SALES

New home buying increased 5.7% during the month of August, and the sales pace was the strongest measured by the Census Bureau since February 2008. This put new home sales up 21.6% year-over-year. On the other hand, National Association of Realtors data showed resales slumping 4.8% last month.²

DURABLE GOODS ORDERS RETREAT 2.0%

The August reduction matched the consensus forecast at Briefing.com. Beneath the headline number, core durable goods orders (excluding the transportation category) were flat in August.³

Q2 GDP REVISED UP TO 3.9%

This is 0.2% better than the previous estimate from the Bureau of Economic Analysis. Household consumption grew at a 3.6% annual pace in Q2 – double what it was in Q1. Residential construction grew at a 9.3% pace in the quarter, business investment at a 5.2% rate.¹

A DOWN WEEK FOR EQUITIES

Last week saw the major U.S. indices pull back. On Friday, the Dow Jones Industrial Average settled at 16314.67, the S&P 500 at 1,931.34 and the Nasdaq Composite at 4,686.50. On the week, the Dow lost 0.43%, the S&P 1.36%, and the Nasdaq 2.92%.⁴

THIS WEEK: August consumer spending figures arrive Monday along with NAR’s latest pending home sales index. Tuesday, the July Case-Shiller home price index and the Conference Board’s September consumer confidence index appear, along with earnings from Barracuda Networks, Costco, and Diamond Foods. Wednesday brings ADP’s September job-change report and quarterly results from Paychex; also, Federal Reserve chair Janet Yellen speaks at a banking conference in St. Louis. On Thursday, Wall Street will watch September’s ISM factory PMI, the September Challenger job-cut report and the latest initial jobless claims figures. The Labor Department issues its September employment report Friday.

| % CHANGE | Y-T-D | 1-YR CHG | 5-YR AVG | 10-YR AVG |
|------------|-----------|----------|-----------|------------|
| DJIA | -8.46 | -3.72 | +10.04 | +5.62 |
| NASDAQ | -1.05 | +4.92 | +19.36 | +12.09 |
| S&P 500 | -6.20 | -1.76 | +13.63 | +5.89 |
| REAL YIELD | 9/25 RATE | 1 YR AGO | 5 YRS AGO | 10 YRS AGO |
| 10 YR TIPS | 0.71% | 0.50% | 0.81% | 1.78% |

Sources: wsj.com, bigcharts.com, treasury.gov - 9/25/15^{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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