

# WEEKLY ECONOMIC UPDATE

August 31, 2015

## WEEKLY QUOTE

“Remember that there is nothing stable in human affairs; therefore avoid undue elation in prosperity, or undue depression in adversity.”

- Socrates

## WEEKLY TIP

Ideally, a college student should have just one credit card with a reasonable interest rate, a good rewards program, and no annual fee.

## WEEKLY RIDDLE

What force and strength cannot get through, it with gentle touch can do. People in many halls would stand were it not in their hand. What is it?

### Last week's riddle:

I am a port city in Canada, a state in southeast Australia, a big lake in Africa, and a renowned queen. What is my name?

### Last week's answer:

Victoria.

## STOCKS CORRECT, THEN REBOUND

After the record 1,000-point plunge the Dow Jones Industrial Average took Monday morning, all three major U.S. benchmarks ended up falling below correction levels – but then an impressive recovery began. Bargain-hunters, an interest rate cut by China’s central bank, and a surge in gasoline and oil prices helped turn things around, and the big three all managed weekly gains. The S&P 500 rose 0.89% for the week to 1,988.87, the Nasdaq advanced 0.32% to 4,828.33, and the Dow added 1.10% to reach 16,643.01. WTI crude had its best week since 2009, climbing 11.8% to a NYMEX close of \$45.22 Friday.<sup>1,2</sup>

## GOOD NEWS FROM MAIN STREET

Personal spending improved 0.3% in July, matching the June increase. Commerce Department data also showed personal incomes rising 0.4% for a fourth straight month. The Conference Board’s consumer confidence index jumped 10.5 points to a 101.5 reading for August; the University of Michigan’s final August consumer sentiment index declined just a point from its initial reading to 91.9.<sup>2,3</sup>

## ASSORTED GAINS IN THE HOUSING SECTOR

New home buying increased 5.4% in July, the Commerce Department stated last week; the median new home price was up 2.0% year-over-year. Existing home prices (as measured by the 20-city S&P/Case-Shiller home price index) were up 5.0% annually through June. The National Association of Realtors noted a 0.5% rise for its pending home sales index in July, taking its annual advance to 7.4%.<sup>4,5</sup>

## Q2 GROWTH REVISED TO 3.7%

The BEA’s second estimate of Q2 GDP was 1.4% higher than its first, reflecting reassessments of government and personal spending, business investment and inventories. Orders for capital goods also surprised to the upside last week: they rose 2.0% overall in July, 0.6% minus transportation orders.<sup>3,5</sup>

**THIS WEEK:** On Monday, China releases its official factory and service sector PMIs for August. ISM issues its August manufacturing PMI on Tuesday, which is also when Bob Evans, Dollar Tree, and H&R Block report earnings. On Wednesday, Wall Street looks at ADP’s August employment change report, July factory orders data, a new Federal Reserve Beige Book, and Q2 results from Five Below and Navistar. Thursday, ISM’s August service sector PMI and the latest Challenger job cuts report accompany new initial claims figures and earnings from Campbell Soup, Lands’ End, and VeriFone. The August Labor Department jobs report arrives Friday.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-6.62	-2.56	+12.79	+5.91
NASDAQ	+1.95	+5.94	+24.84	+12.59
S&P 500	-3.40	-0.39	+17.36	+6.41
REAL YIELD	8/28 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.58%	0.23%	1.05%	1.79%

Sources: wsj.com, bigcharts.com, treasury.gov - 8/28/15<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.

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