

WEEKLY ECONOMIC UPDATE

November 14, 2016

WEEKLY QUOTE

"The best way to have a good idea is to have lots of ideas."

- Linus Pauling

WEEKLY TIP

Given the desire to travel and live well, the first few years of retirement may be expensive ones.

Before and during those years, be mindful of economic and market cycles. They could affect your portfolio, and, by extension, your plans.

WEEKLY RIDDLE

After it rises, it usually loses weight. After it falls, it often becomes heavier.

What is it?

Last week's riddle: Take three letters. Arrange them one way, and you have a noun signifying weight. Arrange them another way, and you have an adverb signifying a negative. What are these three letters?

Last week's answer: N, O and T.

BLUE CHIPS HIT ALL-TIME HIGHS

Donald Trump's unexpected presidential election win did not rattle Wall Street. Instead, bulls saw the prospect of greater federal outlays and less business regulation in the near future. The Dow Jones Industrial Average closed at a new record Friday: 18,847.66. The Dow 30 had its finest week since 2011, gaining 5.36%. As for the S&P 500, it advanced 3.80% in five days to 2,164.45. Settling at 5,237.11 Friday, the Nasdaq Composite rose 3.78% on the week.^{1,2}

FED'S FISCHER: TIME FOR GRADUAL TIGHTENING

Stating that the central bank "appears reasonably close to achieving both inflation and employment components of its mandate," Federal Reserve vice chairman Stanley Fischer noted Friday that "the case for (raising interest rates) gradually is quite strong, keeping in mind that the future is uncertain and that monetary policy is not a preset course." Some analysts believe sizable infrastructure spending under a Trump administration could spur inflation. On Friday, Fed fund futures contracts implied an 81% chance of a hike at the central bank's December meeting.³

CONSUMER SENTIMENT ROSE BEFORE ELECTION

Displaying a reading of 91.6, the University of Michigan's preliminary November household sentiment index climbed 4.4 points off its final October mark. Analysts polled by Bloomberg forecast an initial November reading of 87.9 for the gauge.⁴

CRUDE, GOLD PRICES DECLINE

As Wall Street rallied, key commodities had a tough week. Oil and gold were among them. The yellow metal settled at \$1,227.40 an ounce on the COMEX Friday, leaving it down 3.75% at the end of this second week of the month. Oil ended the week at \$43.12 a barrel on the NYMEX; it has sunk 7.78% so far in November.⁵

THIS WEEK: Advance Auto Parts and Smart & Final present Q3 results Monday. October retail sales numbers arrive Tuesday, plus earnings from Agilent Technologies, Aramark, Beazer Homes, Dick's Sporting Goods, Diebold, and Home Depot. Wednesday, investors consider earnings from Cisco, L Brands, Lowe's, NetApp, and Target, plus the October Producer Price Index. Thursday, Federal Reserve chair Janet Yellen testifies on the economic outlook in Congress, the October Consumer Price Index is released, October groundbreaking and building permit numbers are announced, and America's Car-Mart, Applied Materials, Best Buy, Bon-Ton, Gap, Intuit, J.M. Smucker, Ross Stores, Spectrum Brands, Staples, Stein Mart, Walmart, and Williams-Sonoma offer earnings. Abercrombie & Fitch and Foot Locker announce Q3 results Friday.



% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+8.16	+6.13	+11.69	+5.57
NASDAQ	+4.59	+3.03	+19.90	+11.92
S&P 500	+5.90	+3.97	+14.92	+5.67
REAL YIELD	11/10 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.27%	0.77%	-0.04%	2.25%

Sources: wsj.com, bigcharts.com, treasury.gov - 11/11/16^{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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