

WEEKLY ECONOMIC UPDATE

November 7, 2016

WEEKLY QUOTE

"Little by little, one travels far."

- J.R.R. Tolkien

WEEKLY TIP

Remember that you can gift up to \$14,000 to as many people as you wish in 2016. This year, gift tax only applies after lifetime gifts exceed \$5.45 million.

WEEKLY 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 riddle: There is one question that nobody can possibly answer "yes" to with 100% honesty. What is that question?

Last week's answer: "Are you dead?"

NEW DATA SHOWS BRIGHTER JOBS PICTURE

Unemployment fell to 4.9% in October as firms added 161,000 net new workers, but that was just one positive from the Department of Labor's latest summary of the U.S. employment situation. Year-over-year wage growth reached 2.8%, the best number seen since June 2009, as average hourly pay rose ten cents last month. The U-6 rate (underemployment + unemployment) fell 0.2% to 9.5%. In addition, hiring totals across August and September were revised higher by 44,000.¹

CONSUMER SPENDING ROSE IN SEPTEMBER

The ninth month of 2016 saw gains of 0.5% in personal spending and 0.3% in personal incomes, the Commerce Department reported last week. Adjusted for inflation, consumer spending advanced 0.3% for September, as opposed to retreating 0.2% in August.²

MORE EXPANSION AMONG SERVICE & FACTORY FIRMS

The Institute for Supply Management's twin barometers of the U.S. manufacturing and non-manufacturing sectors were both comfortably above the 50-mark showing growth in October. ISM's factory purchasing managers index came in at 51.9, up 0.4 points; its service sector PMI declined 2.3 points to 54.8.³

STOCKS PULL BACK

The Federal Reserve left interest rates alone last week, just as many analysts predicted – but investors were more concerned with the upcoming presidential election and earnings, and those anxieties certainly impeded the bulls. Across five days, the Dow Jones Industrial Average fell 1.50% to 17,888.28; the S&P 500, 1.94% to 2,085.18; and the Nasdaq Composite, 2.77% to 5,046.37.⁴

THIS WEEK: Earnings from AMC Entertainment, Dean Foods, Hertz Global, Marriott International, MGM Resorts, Priceline, Rosetta Stone, and Scripps Networks arrive Monday. Tuesday is Election Day, with CVS Health, D.R. Horton, and TripAdvisor joining the fall earnings parade. Wednesday, Wall Street looks at earnings from AmeriGas, Clear Channel Outdoor, Coty, Energizer, Green Dot, Magellan Health, NetEsse, Norwegian Cruise Line, Popeye's, Viacom, and Wendy's. A new initial claims report comes out Thursday, plus earnings from Kohl's, Macy's, Michael Kors, Nordstrom, ~~Waldi~~, Ralph Lauren, Sigma Labs, and Walt Disney Co. This Friday is Veterans Day: the stock market is open, the bond market is closed, November's initial University of Michigan consumer sentiment index appears, and J.C. Penney and Weibo release Q3 results.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+2.66	+0.12	+9.86	+4.92
NASDAQ	+0.78	-1.87	+17.57	+11.65
S&P 500	+2.02	-0.81	+13.28	+5.28
REAL YIELD	11/4 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.11%	0.68%	-0.06%	2.40%

Sources: wsj.com, bigcharts.com, treasury.gov - 11/4/16^{5,6,7}

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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