

*In this week's recap: inflation moderates, oil prices head south, and equities have a tough week.*

# Weekly Economic Update

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*Presented by Pat Baxter, December 17, 2018*

## AS FUEL GROWS CHEAPER, INFLATION BECOMES TAMER

Last week, the latest Consumer Price Index arrived, showing no move for headline inflation in November and a 0.2% core inflation increase. That precisely matched the consensus forecast of economists polled by Reuters. What held the headline CPI in check last month? You can credit a sudden drop in gas prices, which fell 4.2%. Annualized inflation declined to 2.2%. Overall producer prices only rose 0.1% last month, compared to an October ascent of 0.6%.<sup>1,2</sup>

## A MIDDLING ADVANCE FOR RETAIL SALES

During October, American households boosted their retail spending by 1.1% (originally reported by the Department of Commerce as a gain of 0.8%), but November presented a different story. Sales rose last month, but only by 0.2%. The gain remained at 0.2% with auto buying removed.<sup>2</sup>

## OIL HEADS 2.6% LOWER

That was the weekly loss for light sweet crude, influenced by two factors: increasing dollar strength and concerning economic data from China, which made traders wonder if the P.R.C.'s demand for crude could lessen. Oil settled at \$51.20 Friday on the NYMEX.<sup>3</sup>

## STOCKS HEAD LOWER

Bothered by anxieties about global growth, bulls lost some of their appetite for risk last week. Across five trading days, the S&P 500 ceded 1.26%; the Dow Jones Industrial Average, 1.18%; the Nasdaq Composite, 0.84%. That left them at the following settlements on Friday: S&P, 2,599.95; DJIA, 24,100.51; COMP, 6,910.66. The small-cap Russell 2000 index had it worse, falling 2.57% to 1,410.81 over five days. While all this happened, volatility actually declined, at least according to the CBOE VIX; the leading gauge of Wall Street instability retreated 6.89% for the week to 21.63.<sup>4</sup>

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## TIP OF THE WEEK



*A simple tip to keep **credit card spending** under control: only use a card for purchases you know you can pay off within **one month**.*

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## THIS WEEK

Oracle and Red Hat share quarterly results on Monday. | On Tuesday, the Census Bureau offers a snapshot of November residential construction activity, and Darden Restaurants, FedEx, Jabil, Micron Technology, Navistar, Steelcase, and Worthington Industries present earnings. | Wednesday, the Federal Reserve releases its latest policy statement, followed by a press conference with Fed chair Jerome Powell; in addition, investors will consider October existing home sales numbers and earnings from General Mills, Paychex, Rite Aid, and Winnebago. | On Thursday, earnings roll in from Accenture, BlackBerry, Conagra Brands, Nike, and Walgreens Boots Alliance, and the Department of Labor issues a new initial claims report. | Friday, Wall Street reviews November consumer spending and capital goods orders data, the federal government's third estimate of Q3 growth, and earnings from CarMax.

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## QUOTE OF THE WEEK



***"Laughter is an instant vacation."***

*MILTON BERLE*

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% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-2.50	-1.67	10.59	18.14
NASDAQ	0.11	0.79	14.54	35.82
S&P 500	-2.76	-1.96	9.29	19.93

REAL YIELD	12/14 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.07	0.48	0.72	2.43

Sources: wsj.com, bigcharts.com, treasury.gov - 12/14/18<sup>4,5,6,7</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.

## THE WEEKLY RIDDLE



*Dave says that the small city he lives in has a municipal building with more than a hundred stories. What building is this?*

*LAST WEEK'S RIDDLE: Take a word with four letters. Take away one, and what remains will be better ... better than zero, anyway. What word is this?*

*ANSWER: Gone.*

«representativename» may be reached at «representativephone» or «representativeemail»  
«representativewebsite»

### Know someone who could use information like this?

Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

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- 1 - [cnbc.com/2018/12/12/us-consumer-price-index-november-2018.html](http://cnbc.com/2018/12/12/us-consumer-price-index-november-2018.html) [12/12/18]
- 2 - [briefing.com/investor/calendars/economic/2018/12/10-14](http://briefing.com/investor/calendars/economic/2018/12/10-14) [12/14/18]
- 3 - [marketwatch.com/story/oil-falls-as-stock-weakness-and-dollar-strength-dull-impact-of-bullish-supply-data-2018-12-14](http://marketwatch.com/story/oil-falls-as-stock-weakness-and-dollar-strength-dull-impact-of-bullish-supply-data-2018-12-14) [12/14/18]
- 4 - [markets.wsj.com/](http://markets.wsj.com/) [12/14/18]
- 5 - [bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=12%2F14%2F17&x=0&y=0](http://bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=12%2F14%2F17&x=0&y=0) [12/14/18]
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- 7 - [treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll](http://treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll) [12/14/18]