

In this week's recap: stocks soar, the USMCA is signed, households spend more, and two housing market indicators fall short.

Weekly Economic Update

Presented by Pat Baxter, December 3, 2018

COMMENTS FROM JEROME POWELL INSPIRE A RALLY

Wall Street liked what it heard from Federal Reserve chairman Jerome Powell last week. While speaking Wednesday to an audience in New York, Powell stated that interest rates “remain just below the broad range of estimates of the level that would be neutral for the economy – that is, neither speeding up nor slowing down growth.” He also noted there was “no preset policy path” for raising interest rates in the near term. These dovish signals helped to send all three major U.S. stock indices 2.3-3.0% higher for the day, and their weekly performances were stellar: across five trading sessions, the Nasdaq Composite gained 5.64%; the Dow Jones Industrial Average, 5.16%; the S&P 500, 4.85%. They settled Friday as follows: Nasdaq, 7,330.54; Dow, 25,538.46; S&P, 2,760.16.^{1,2}

NAFTA REPLACEMENT DEAL TAKES ANOTHER STEP FORWARD

Friday, President Donald Trump, Canadian Prime Minister Justin Trudeau, and Mexican President Enrique Peña Nieto formally signed the United States-Mexico-Canada Agreement (USMCA) at the 2018 G20 summit in Buenos Aires. The legislatures of each nation must now vote to approve the accord. The USMCA may face significant resistance in Congress.³

CONSUMER SPENDING PACE ACCELERATES; CONFIDENCE GAUGE STILL HIGH

In October, personal spending rose 0.6%, while incomes improved 0.5%. (In noting this, the Department of Commerce revised the 0.4% personal spending gain of September down to 0.2%.) The monthly consumer confidence index, maintained by the Conference Board, declined 2.2 points in November to 135.7; that still exceeded the 135.5 consensus forecast from analysts polled by Briefing.com.⁴

NEW HOME SALES AND PENDING HOME SALES DECLINE

Demand for new homes has faded in the last 12 months. The Census Bureau said that sales slipped 8.9% in October, leaving the annualized sales pace 12.0% below where it was in October 2017. Housing contract activity also waned in October: the National Association of Realtors announced a 2.6% dip for pending home sales, which had increased 0.7% during September.^{4,5}

TIP OF THE WEEK



*When you write a **will**, you must name an **executor**: either a friend or relative, or a financial or legal professional. A financial or legal professional who serves as your executor will probably be paid with assets from your estate.*

THIS WEEK

The Institute for Supply Management presents its November manufacturing PMI on Monday. | Tuesday brings some earnings: AutoZone, Bank of Montreal, Dollar General, Hewlett Packard Enterprise, Restoration Hardware, and Toll Brothers. | On Wednesday, Federal Reserve chair Jerome Powell testifies on the U.S. economic outlook in the Senate; the Fed also releases its latest Beige Book, ADP unveils its November employment change report, ISM offers its November service sector PMI, and American Eagle Outfitters, H&R Block, Five Below, Hudson's Bay Co., Korn/Ferry, Land's End, and Lululemon Athletica all share earnings news. | The latest Challenger job-cut numbers are out Thursday, along with a new initial jobless claims report and earnings from Broadcom, Hovnanian Enterprises, Kroger, Michaels Companies, Thor Industries, Toro, and Ulta Beauty. | Friday, the Department of Labor's newest employment report takes center stage.

QUOTE OF THE WEEK



*“Resolve to **be thyself**: and know, that he who finds himself, loses his misery.”*

MATTHEW ARNOLD

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	3.31	5.22	11.75	21.34
NASDAQ	6.19	6.64	16.11	42.43
S&P 500	3.24	4.25	10.57	23.82

REAL YIELD	11/30 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	1.04	0.56	0.60	2.38

Sources: wsj.com, bigcharts.com, treasury.gov - 11/30/18^{2,6,7,8}

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.

THE WEEKLY RIDDLE



It can be open, closed, empty, or full. Sometimes you see one, sometimes two. It can be bare, but never a bear. What is it?

LAST WEEK'S RIDDLE: *What two things will you never eat for dinner?*

ANSWER: *Breakfast and lunch.*

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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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