

In this week's recap: the Fed hikes, consumers feel optimistic, personal income and new home sales improve, and the major indices have a mixed week.

Weekly Economic Update

Presented by Rebecca S. Gaylor

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FEDERAL RESERVE MAKES ITS THIRD RATE HIKE OF 2018

The central bank set the target range for the federal funds rate at 2.00-2.25% last week, in a move that economists and investors widely expected. One development was unexpected: the Fed removed the word “accommodative” from its latest policy statement, a hint that it may be on the verge of altering its monetary policy outlook. The Fed dot-plot still shows one more interest rate hike for 2018 and three hikes in 2019.¹

HOUSEHOLDS SEE A VERY STRONG ECONOMY

Both marquee U.S. consumer confidence indices finished September in good shape. The Conference Board's index reached an 18-year peak of 138.4, rising 3.7 points from its August mark. The University of Michigan's gauge declined 0.7 points to a still-impressive reading of 100.1.^{2,3}

A PERSONAL SPENDING MISS; A NEW HOME SALES GAIN

Looking at other economic indicators in a data-heavy week, consumer spending rose 0.3% in August, falling short of the 0.4% gain forecast by economists polled by Briefing.com. While reporting that advance, the Commerce Department also announced an improvement of 0.3% for personal incomes in August. The National Association of Realtors said that its pending home sales index declined 1.8% in the eighth month of the year; in better real estate news, the Census Bureau found new home buying up 3.5% in August, measuring a 12.7% yearly increase in the pace of new home sales.^{3,4}

NASDAQ ADVANCES FOR THE WEEK, BUT S&P AND DOW RETREAT

The S&P 500 finished the month at 2,913.98, losing 0.54% during a relatively calm week on Wall Street, which also saw the Dow Jones Industrial Average head 1.07% lower to 26,458.31. In

contrast, the Nasdaq Composite gained 0.74% on the week to wrap up September at 8,046.35. Across the month, the S&P rose 0.43%, and the Dow, 1.90%, while the Nasdaq declined 0.78%. The small-cap Russell 2000 sank 2.62% in September, settling Friday at 1,695.10.⁵

TIP OF THE WEEK



When you inherit real estate, you immediately face some financial questions. Do you want to sell the property, rent it out, or keep it? What would each choice mean, tax-wise? Can you handle payments on an outstanding mortgage and maintenance costs? Talking to tax or real estate professionals is essential.

THIS WEEK

Monday, the Institute for Supply Management presents its September manufacturing PMI. | Paychex and PepsiCo announce earnings Tuesday morning; just before the closing bell, Fed chairman Jerome Powell delivers a speech on the U.S. inflation and employment outlook in Boston. | On Wednesday, ADP's latest payrolls report appears along with the latest ISM service sector PMI and earnings from Lennar. | The September Challenger job-cut report and a new weekly initial jobless claims snapshot arrive Thursday, plus earnings from Constellation Brands and Costco. | The Department of Labor issues its September employment report on Friday.

QUOTE OF THE WEEK



*“A pound of **pluck** is worth a ton of **luck**.”*

JAMES GARFIELD

| % CHANGE | Y-T-D | 1-YR CHG | 5-YR AVG | 10-YR AVG |
|----------|-------|----------|----------|-----------|
| DJIA | 7.04 | 18.22 | 14.68 | 15.53 |
| NASDAQ | 16.56 | 24.68 | 22.56 | 30.56 |
| S&P 500 | 8.99 | 16.09 | 14.45 | 16.34 |

| REAL YIELD | 9/28 RATE | 1 YR AGO | 5 YRS AGO | 10 YRS AGO |
|------------|-----------|----------|-----------|------------|
| 10 YR TIPS | 0.91 | 0.44 | 0.46 | 2.03 |

Sources: wsj.com, bigcharts.com, treasury.gov - 9/28/18^{5,6,7,8}

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



*What can be **broken**, but should not be **forgotten**?*

LAST WEEK'S RIDDLE: You go into the forest and get it, you sit down to find it, and then you go home, just wanting to get it out. What is it?

ANSWER: A splinter.

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