



*Richon Planning Presents:*

# WEEKLY ECONOMIC UPDATE

March 26, 2018

## WEEKLY QUOTE

“Knowledge is the eye of desire and can become the pilot of the soul.”

- Will Durant

## WEEKLY TIP

If it feels like your federal student loan debt is holding you back from saving enough for the future, think about switching to an income-based repayment plan, which could cap your loan payments at no more than 10% of your income and free up more money you could contribute to retirement accounts.

## WEEKLY RIDDLE

There are 43 hikers walking toward a desert peak. On the way, 6 decide to hike another peak, 12 head back, and 25 make it to the peak. What happens to the rest of them?

## Last week's riddle:

It has two rings. It moves upon request. If a mixture is not right, it

## TRADE WAR POSSIBILITY WEIGHS ON STOCKS

Last week, the U.S. imposed excise taxes on steel and aluminum imported from select countries and announced that up to \$60 billion of Chinese imports would also soon face tariffs. These protectionist moves weakened bullish sentiment on Wall Street. The S&P 500 fell steadily Thursday and Friday and had its worst week since 2016, slipping 5.95% to 2,588.26; the Dow Industrials sank 5.67% on the week to 23,533.20. The Nasdaq Composite settled at 6,992.67, down 6.54% for the week.<sup>1,2</sup>

## FED MAKES ITS FIRST INTEREST RATE MOVE OF 2018

After Federal Reserve officials voted to increase the target range on the federal funds rate by 0.25% to the 1.50-1.75% level Thursday, their dot-plot forecast showed no change in the pace of tightening planned for this year. Three hikes are projected for 2019 and two more in 2020. In succession, the increases envisioned for 2018-20 could leave rates near 3.4% by the final quarter of 2020.<sup>3</sup>

## EXISTING HOME SALES INCREASE

New National Association of Realtors data shows that the sales pace improved 3.0% in February. That left resales 1.1% higher, year-over-year. The same cannot be said for new home purchases: they fell 0.6% last month according to the Census Bureau, leaving the seasonally adjusted annual sales rate at its weakest level since October.<sup>4,5</sup>

## MEANWHILE, OIL SURGES

WTI crude staged a major rally last week, jumping up 5.6% to close Friday at \$65.74 a barrel on the NYMEX. With equities under pressure, gold also gained more allure: prices rose 0.8% across five days to \$1,352.90 on the COMEX.<sup>2,6</sup>

**THIS WEEK:** Monday, Paychex and Red Hat report earnings. On Tuesday, the Conference Board presents its March consumer confidence index; the Street also considers earnings from Lululemon Athletica, Restoration Hardware, Shoe Carnival, and Sonic. Wednesday, investors await the third Q4 GDP estimate, the February pending home sales index from the NAR, and earnings announcements from BlackBerry, GameStop, Hudson's Bay Co., and Walgreens Boots Alliance. February personal spending numbers, the final March University of Michigan consumer sentiment index, and Q4 results from Constellation Brands appear Thursday. Nothing major is scheduled for Friday.

| % CHANGE | Y-T-D | 1-YR CHG | 5-YR AVG | 10-YR AVG |
|----------|-------|----------|----------|-----------|
| DJIA     | -4.80 | +13.93   | +12.43   | +8.75     |
| NASDAQ   | +1.29 | +20.20   | +23.10   | +20.05    |
| S&P 500  | -3.19 | +10.33   | +13.25   | +9.17     |

|                                                                                                                                                                                                                                                                                                                |                   |                  |                 |                  |                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------|-----------------|------------------|-------------------|
| simply sits and rests.<br>What is it?<br><br><b>Last week's answer:</b><br>A piston.                                                                                                                                                                                                                           | <b>REAL YIELD</b> | <b>3/23 RATE</b> | <b>1 YR AGO</b> | <b>5 YRS AGO</b> | <b>10 YRS AGO</b> |
|                                                                                                                                                                                                                                                                                                                | 10 YR TIPS        | 0.75%            | 0.46%           | -0.60%           | 1.24%             |
| Sources: wsj.com, bigcharts.com, treasury.gov - 3/23/18 <sup>1,2,7,8,9</sup><br>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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