



Frank DeMaio Presents:

# WEEKLY ECONOMIC UPDATE

February 12, 2018

## WEEKLY QUOTE

“Understanding human needs is half the job of meeting them.”

- Adlai Stevenson

## WEEKLY TIP

Risk and reward go hand in hand when investing. For that reason, it is crucial to define your risk tolerance limits. When investors lose their tolerance, they can make emotional decisions they may later regret.

## WEEKLY RIDDLE

Cheryl was driving a black car. Its lights were off, and there was no moonlight. A cat walked into the middle of the road. How did she know to stop?

**Last week's riddle:**  
No matter the time of day, it can open what you can't. If not for it, on your front porch you would stand. What is it?

**Last week's answer:**  
A key.

## WALL STREET SEES ITS FIRST CORRECTION SINCE 2016

On Friday, the S&P 500 settled at 2,619.55, down 5.16% for the week. Thursday, it entered correction territory just nine days after its January 26 record close. The Dow Jones Industrial Average made even bigger headlines last week by taking two 1,000-point drops within four days, the second occurring Thursday.<sup>1,2</sup>

Last Monday, U.S. equities took their largest single-session fall in more than six years as higher interest rates for bonds and inflation concerns strengthened selling pressure. To add to the anxiety, two of the financial industry's top 'roboadvisor' websites crashed during Monday's rout, frustrating individual investors. The Dow retreated 5.21% for the week to 24,190.90, while the Nasdaq Composite slid 5.06% to 6,874.49.<sup>1,3</sup>

## SERVICE SECTOR GREW RAPIDLY IN JANUARY

At a mark of 59.9, the Institute for Supply Management's latest purchasing manager index for the service sector bettered the forecast of analysts polled by Briefing.com, who expected a small climb to 56.7. The index was at 56.0 for December.<sup>4</sup>

## EARNINGS LOOK STRONG

FactSet's latest analysis of corporate profits shows a 14% Q4 earnings growth rate and a Q4 sales growth rate of 8.0% for the S&P 500. Through Friday, 65% of S&P 500 companies had reported quarterly results.<sup>5</sup>

## A RETREAT FOR CRUDE

Oil also had a poor week, descending 9.6% in five trading days to a Friday NYMEX settlement price of \$59.20. It rebounded Friday from an intraday low of \$58.07.<sup>6</sup>

**THIS WEEK:** Heineken and Loews Corp. announce earnings on Monday. Baidu, Blue Apron, Denny's, Kemper, MetLife, PepsiCo, Under Armour, Voya Financial, and Weibo present results Tuesday. Investors review January's Consumer Price Index and retail sales report Wednesday, along with earnings news from Agilent Technologies, Applied Materials, Cisco, Credit Suisse, Hilton Worldwide Holdings, Hyatt Hotels, Marathon Oil, Marriott, Molson Coors, TripAdvisor, and Wyndham Worldwide. On Thursday, the earnings parade includes Avon, CBS, Nestlé, Shake Shack, Sonoco, and Waste Management; reports on initial jobless claims and January wholesale inflation also surface. The University of Michigan's initial February consumer sentiment index arrives Friday, plus data on January construction activity and industrial production and earnings from Campbell Soup, Coca-Cola, Deere & Co., Enbridge, J.M. Smucker, Kraft Heinz, Ryder Systems, and Vulcan Materials.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-2.14	+19.92	+14.58	+9.86
NASDAQ	-0.42	+20.28	+23.05	+19.83
S&P 500	-2.02	+13.51	+14.51	+9.68
REAL YIELD	2/9 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.78%	0.41%	-0.57%	1.36%

Sources: wsj.com, bigcharts.com, treasury.gov - 2/9/18<sup>1,7,8,9</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.

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## Citations.

- 1 - [markets.wsj.com/us](https://markets.wsj.com/us) [2/9/18]
- 2 - [seattletimes.com/business/us-stocks-snap-higher-a-day-after-entering-a-correction/](https://seattletimes.com/business/us-stocks-snap-higher-a-day-after-entering-a-correction/) [2/9/18]
- 3 - [businessinsider.com/betterment-and-wealthfront-crash-during-market-bloodbath-2018-2](https://businessinsider.com/betterment-and-wealthfront-crash-during-market-bloodbath-2018-2) [2/5/18]
- 4 - [briefing.com/investor/calendars/economic/2018/02/05-09](https://briefing.com/investor/calendars/economic/2018/02/05-09) [2/9/18]
- 5 - [insight.factset.com/sp-500-companies-with-more-global-exposure-reporting-higher-earnings-growth-in-q4](https://insight.factset.com/sp-500-companies-with-more-global-exposure-reporting-higher-earnings-growth-in-q4) [2/9/18]
- 6 - [cnbc.com/2018/02/09/oil-falls-below-60-for-first-time-in-2018-on-pace-for-big-weekly-drop.html](https://cnbc.com/2018/02/09/oil-falls-below-60-for-first-time-in-2018-on-pace-for-big-weekly-drop.html) [2/9/18]
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