



Frank DeMaio Presents:

WEEKLY ECONOMIC UPDATE

June 18, 2018

WEEKLY QUOTE

“Where there is friendship, there is our natural soil.”

- Voltaire

WEEKLY TIP

When a lender permits a borrower to defer a college loan, the borrower may still have to pay interest on the remaining loan balance. The lender, not the borrower, will decide when the loan payments need to restart.

WEEKLY RIDDLE

It inhibits sight, makes the air colder, and it will come back for you before the day is done. What is it?

Last week's riddle:

I am plain, thin, and lonely, but you use me all the time. I can appear with one keystroke or just one movement when you write. What am I?

Last week's answer:

The number 1.

FED, NEW TARIFFS GET WALL STREET'S ATTENTION

As expected, the Federal Reserve adjusted the target range on the federal funds rate to 1.75%-2.00% on Wednesday. The central bank's latest dot-plot projection, however, raised some eyebrows: it showed four interest rate increases planned for 2018 instead of three. The median forecast of Fed officials puts the benchmark interest rate at 2.4% at the end of this year, on the way to a peak of 3.4% in 2020. Friday morning, the Trump administration announced new 25% tariffs on at least \$34 billion of Chinese imports. Hours later, China retaliated, declaring that it would levy 25% import taxes on a minimum of \$34 billion of goods from America. The U.S. and China both plan to implement their new tariffs on July 6.^{1,2}

YEARLY INFLATION REACHES 2.8%

The latest Consumer Price Index shows the highest 12-month inflation reading in six years; the core CPI (which leaves out food and fuel costs) rose 2.2% in the year ending in May. Both the headline and core CPI were up 0.2% last month. Wholesale inflation, as measured by the Producer Price Index, increased 0.5% in May.^{3,4}

AN IMPRESSIVE ADVANCE FOR RETAIL SALES

According to the Department of Commerce, the May gain was 0.8% (0.9% with car and truck buying factored out). This follows an April improvement of 0.4% (revised up from 0.3%).⁴

A MIXED WEEK FOR THE MAJOR INDICES

Once again, the Nasdaq Composite outran the Dow Jones Industrial Average and S&P 500. Last week, the tech benchmark added 1.32% to settle at 7,746.38 at Friday's closing bell. The S&P 500 ended up flat for the week (+0.01%) at 2,779.42. At Friday's close, the Dow Jones Industrial Average had slipped 0.89% in five days to 25,090.48.⁵

THIS WEEK: Nothing major is slated for Monday. Wall Street considers earnings from FedEx, La-Z-Boy, and Oracle on Tuesday, along with the latest Census Bureau snapshot of housing construction activity. Federal Reserve Chairman Jerome Powell discusses monetary policy at a European Central Bank forum on Wednesday morning; investors will also eye earnings from Micron Technology, Steelcase, and Winnebago, and a National Association of Realtors report on existing home sales. Thursday, the Conference Board issues its May leading indicators index, a new initial jobless claims report arrives, and Barnes & Noble, Darden Restaurants, Kroger, and Red Hat present earnings. Friday, Blackberry, and CarMax offer Q1 results.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+1.50	+17.47	+13.30	+10.45
NASDAQ	+12.21	+25.64	+25.25	+21.30
S&P 500	+3.96	+14.26	+14.17	+10.43
REAL YIELD	6/15 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.81%	0.49%	0.09%	1.76%

Sources: wsj.com, bigcharts.com, treasury.gov - 6/15/18^{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.

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Citations.

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