

# WEEKLY ECONOMIC UPDATE

December 29, 2014

## WEEKLY QUOTE

“It is equally offensive to speed a guest who would like to stay and to detain one who is anxious to leave.”

- Homer

## WEEKLY TIP

The start of the year is a nice time to calculate your net worth. Compile a list of the assets you own and their value; then subtract liabilities (your debts) to figure it out. You may be surprised to learn how wealthy you are.

## WEEKLY RIDDLE

It can be measured even though it lacks length, width or height. What is it?

## Last week's riddle:

All about but unseen, can be captured but can't be held, has no throat but can be heard. What is it?

## Last week's answer:

The wind.

## THE ECONOMY IS BOOMING

Looking at two vital indicators, it becomes hard to draw any other conclusion. In its final estimate, the Commerce Department put Q3 growth at 5.0% – the best quarterly GDP since Q3 2003, following a 4.6% expansion in Q2. Consumer spending was up 3.2% in the third quarter, business investment up 8.9%. Speaking of personal spending, the latest Commerce Department figure on that was also impressive – a November gain of 0.6%, complemented by a gain of 0.4% in personal income. Growth and household spending may not be quite as notable in December or Q4, but the recovery is definitely in full swing.<sup>1,2</sup>

## GREAT GROWTH DOESN'T SPUR FALL HOMEBUYING

Existing home sales fell for only the second time in eight months in November, and the decline was sharp: the National Association of Realtors announced a 6.1% slip. New home purchases fell 1.6% last month according to the Census Bureau, marking their first down month since July.<sup>3</sup>

## CONSUMER SENTIMENT HOLDS STEADY

At 93.6, the University of Michigan's last consumer sentiment index reading of 2014 was a tiny bit below expectations. Economists polled by MarketWatch had forecast the final December index to come in at 93.8, unchanged from a month earlier.<sup>2</sup>

## THE DOW TAKES IT TO ANOTHER LEVEL

It cleared 18,000 during an abbreviated market week, settling Friday at 18,053.71 thanks to a 1.55% gain across 3½ trading days. Weekly advances also came for the Nasdaq (1.23% to 4,806.86) and S&P 500 (0.88% to 2,088.77). By Friday afternoon, oil prices had sunk under \$55 in after-hours trading on the NYMEX; crude lost 3.51% on the week. Gold rallied Friday to trim its 5-day loss to 0.23%; on the COMEX, the yellow metal was at \$1,194.40 at week's end.<sup>4</sup>

**THIS WEEK:** Nothing major is scheduled on Monday. Tuesday, the Conference Board's final consumer confidence index of 2014 arrives along with the October edition of the Case-Shiller home price index. On Wednesday, investors will parse the latest initial claims figures and the November pending home sales report from the NAR; U.S. bond markets should close at 2:00pm EST, but the NYSE and NASDAQ will each have a full trading day. Wall Street closes Thursday for New Year's Day, along with most foreign financial markets; China, however, will present its December factory PMI. Friday sees the release of ISM's December manufacturing PMI and two key foreign PMIs tracking the Chinese service sector and eurozone manufacturing.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+8.91	+9.55	+14.32	+6.76
NASDAQ	+15.09	+15.35	+22.06	+12.31
S&P 500	+13.01	+13.40	+17.08	+7.34
REAL YIELD	12/26 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.58%	0.80%	1.50%	1.62%

Sources: online.wsj.com, bigcharts.com, treasury.gov - 12/26/14<sup>5,6,7,8</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 - [tinyurl.com/mg2sl49](http://tinyurl.com/mg2sl49) [12/23/14]
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