



Don Akridge 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.<sup>1,2</sup>

## 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.<sup>3,4</sup>

## 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%).<sup>4</sup>

## 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.<sup>5</sup>

**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
<b>REAL YIELD</b>	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 <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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*Don B. Okridge*

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**Ravine One • 245 Town Park Drive | Suite 440 | Kennesaw, GA 30144**  
**Telephone: 770-952-6707 | Fax: 678-391-9355**

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## Citations.

- 1 - [marketwatch.com/story/fomc-lifts-fed-funds-rate-to-175-2-signals-4-hikes-in-2018](http://marketwatch.com/story/fomc-lifts-fed-funds-rate-to-175-2-signals-4-hikes-in-2018) [6/13/18]
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