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Weekly Economic News & Updates

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THE WEEK ON WALL STREET

U.S. stock indices saw significant ups and downs last week, with traders looking for economic cues from Treasury yields and also developments in the tariff fight between the U.S. and China.

The S&P 500 lost 1.03% on the week; the Dow Jones Industrial Average and Nasdaq Composite respectively declined 1.53% and 0.79%. Overseas shares also retreated: the MSCI EAFE index lost 2.34%.[1,2]

FOMC

For Jerome Powell and the FOMC, trying to figure out what all this means for monetary policy is a little bit tricky, too. The data-driven Fed has had a lot of data to chew on this week and more than a little bit was pretty palatable. The National Federation of Independent Businesses started off the week by pleasantly surprising everyone with an unexpected boost in its optimism index to 104.7 from 103.3. On the same day, we learned that inflation, as measured by the Consumer Price Index, reached a six-month high of 1.8% for the headline rate and 2.2% at its core. Those are the year-over-year measurements. For the month of July, each measure rose by a respectable 0.3%. Also reported by the Bureau of Labor Statistics was a smaller-than-expected rise of 1.3% in inflation-adjusted Average Hourly Earnings. So, should we be happy that inflation moved up a bit like the Fed wants, or should we be sad that it's slowing the growth of our purchasing power? Gee, this ***is*** tricky.

Attention on the Bond Market

Wednesday, the yield of the 2-year Treasury bond briefly exceeded that of the 10-year Treasury bond. When this circumstance occurs, it signals that institutional investors are less confident about the near-term economy. That view is not uniform. Asked whether the U.S. was on the verge of an economic slowdown, former Federal Reserve Chair Janet Yellen told Fox Business "the answer is most likely no," noting that the economy "has enough strength" to avoid one.

The demand for bonds has definitely pushed prices for 10-year and 30-year Treasuries higher, and their yields are now lower (bond yields usually fall as bond prices rise). The 30-year Treasury yield hit a historic low last week.[3,4]

Some China Tariffs Postponed

Last week, the Office of the U.S. Trade Representative announced that about half the Chinese imports slated to be taxed with 10% tariffs starting September 1 would be exempt from such taxes until December 15.

The White House said that the reprieve was made with the upcoming holiday shopping season in mind, so that tariffs might have less impact on both retailers and consumers.[5]

FINAL THOUGHT

Lower interest rates on bonds are now influencing mortgages. According to mortgage reseller Freddie Mac, the average interest rate on a conventional 30-year home loan was just 3.6% last week. That compares to 3.81% roughly a month ago (July 18).[6]

30-year and 15-year fixed rate mortgages are conventional home loans generally featuring a limit of $484,350 ($726,525 in

WEEKLY QUOTE

"Human felicity is produced not so much by ***great pieces*** *of good fortune that seldom happen, as by* ***little advantages*** *that occur* ***every day****."*
BEN FRANKLIN

WEEKLY TIP

If you do any ***freelance work****, keep your freelance budget spending* ***separate*** *from your personal budget spending, for* ***clarity*** *at tax time and for a* ***clearer view*** *of your business expenses.*

WEEKLY RIDDLE

Without ***fingers****, I point; without* ***arms****, I strike; without* ***feet****, I run. What am I?*

Last week's answer:

Yes. Simply by adding the letter G, "one" becomes "gone."

Sources: MarektingPro, Financial Strategies Group, The Baker Group, w sj.com, bigcharts.com, treasury.gov, Randy Baker and Chris Low and Rebecca Kooshak FTN Financial

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high-cost areas) that meet the lending requirements of Fannie Mae and Freddie Mac, but they are not mortgages guaranteed or insured by any government agency. Private mortgage insurance, or PMI, is required for any conventional loan with less than a 20% down payment.