

December 24, 2018

*In this week's recap: the Fed disappoints the markets, more homes move, consumer spending and sentiment look solid, and oil falls.*

## Weekly Economic Update

---

### FED FAILS TO CALM WALL STREET

Federal Reserve policymakers voted unanimously last week to raise the benchmark interest rate by another 0.25%, putting the main overnight lending rate in the 2.25-2.50% range. Investors hoped for a hint of a pause in the Fed's tightening plans, yet no such signal emerged. The central bank's latest dot-plot showed a consensus projection of two hikes rather than three next year, but at the press conference following the rate move, Fed chairman Jerome Powell commented that monetary policy "does not need to be accommodative," and noted that the Fed would continue to thin its balance sheet by up to \$50 billion per month. Stocks dropped significantly in the wake of those statements. During an abysmal week for equities, the Dow Industrials fell 6.87% to 22,445.37; the Nasdaq Composite, 8.36% to 6,332.99; the S&P 500, 7.05% to 2,416.62.<sup>1,2</sup>

### LATEST KEY HOUSING INDICATORS LOOK BETTER

The National Association of Realtors just reported a 1.9% gain for existing home sales in November; that follows a 1.4% October increase. In addition, builders started more projects last month. The Census Bureau said that groundbreaking improved 3.2% in November as the pace of building permits picked up 5.0%.<sup>3</sup>

### ON MAIN STREET, THE DATA IS GOOD

Households boosted their spending by 0.4% in November, according to the Department of Commerce; October's gain was revised to 0.8%. The final December University of Michigan consumer sentiment index (released Friday) showed a reading of 98.3, which was 0.8 points

higher than its preliminary mark for the month. Analysts polled by MarketWatch had projected a final December reading of 97.2.<sup>3,4</sup>

## OIL SETTLES UNDER \$46

WTI crude also had a tough time last week. Futures settled down at \$45.59 on the NYMEX Friday. Oil fell 11% week-over-week, a slide aided by a Baker Hughes report showing a jump in the number of active rigs.<sup>5</sup>

---

### TIP OF THE WEEK



*If you receive an **email** about your taxes from the **Internal Revenue Service**, chances are it is **fake**. As a rule, the I.R.S. does not initially contact people about tax issues over the Internet.*

---

## THIS WEEK

U.S. stock and bond markets wrap up their trading sessions early on Monday, with no significant economic news scheduled. | Tuesday, all U.S. financial markets are closed for the Christmas Day holiday. | The October S&P CoreLogic Case-Shiller Home Price Index appears on Wednesday. | Thursday brings the Conference Board's December consumer confidence index, the November new home sales snapshot from the Census Bureau, and a new initial jobless claims report from the Department of Labor. | The National Association of Realtors presents its November pending home sales index on Friday.

---

### QUOTE OF THE WEEK



*“You can’t help someone **get up a hill** without getting **closer to the top** yourself.”*

NORMAN SCHWARZKOPF

---

MARKET INDEX	Y-T-D CHG	1-MO CHG	1-YR CHG
DJIA	-9.20	-7.58	-9.42
NASDAQ	-8.26	-8.73	-9.08
S&P 500	-9.61	-8.20	-9.98

REAL YIELD	12/21 RATE	1 MO AGO	1 YR AGO
10 YR TIPS	1.02	1.09	0.55

Sources: wsj.com, bigcharts.com, treasury.gov - 12/21/18<sup>2,6,7,8</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.

---

## THE WEEKLY RIDDLE



*It is known for its **aggressive** styling and performance, yet its name contains the name of a **gentle** mammal. What **make of car** is it?*

*LAST WEEK'S RIDDLE: Dave says that the small city he lives in has a municipal building with more than a hundred stories. What building is this?*

*ANSWER: The library.*

---

Roger K. Harris may be reached at 303-698-7772 or [roger@rkentharris.com](mailto:roger@rkentharris.com)  
[www.rkentharris.com](http://www.rkentharris.com)

### **Know someone who could use information like this?**

Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

---

Securities offered through Kestra Investment Services, LLC (Kestra IS), member FINRA/SIPC. Investment Advisory services offered through R. Kent Harris & Associates, LTD. Kestra Investment Services, LLC is not affiliated with R. Kent Harris & Associates, LTD. or any other entity listed.

This material is written and provided by Peter Montoya Inc. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. It is not guaranteed by Kestra Investment Services, LLC for accuracy does not purport to be complete and is not intended to be used as a primary basis for investment decisions. It should also not be construed as advice meeting the particular investment needs of any investor. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Neither R. Kent Harris & Associates, LTD. nor Kestra Investment Services, LLC are affiliated with Peter Montoya Inc.

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. The information herein has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All market indices discussed are unmanaged and are not illustrative of any particular investment. Indices do not incur management fees, costs, or expenses. Investors cannot invest directly in indices. All economic and performance data is historical and not indicative of future results. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 500 (S&P 500) is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the "NYSE") and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability and differences in accounting standards. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. MarketingPro, Inc. is not affiliated with any person or firm that may be providing this information to you. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional.

#### CITATIONS:

1 - [reuters.com/article/us-usa-fed/fed-lifts-rates-now-sees-some-further-hikes-ahead-idUSKBN1OI0DV](https://www.reuters.com/article/us-usa-fed/fed-lifts-rates-now-sees-some-further-hikes-ahead-idUSKBN1OI0DV) [12/19/18]

2 - [markets.wsj.com/](https://markets.wsj.com/) [12/21/18]

3 - [investing.com/economic-calendar/](https://www.investing.com/economic-calendar/) [12/21/18]

- 4 - [marketwatch.com/story/consumer-sentiment-index-rises-to-983-2018-12-21-1091226](https://www.marketwatch.com/story/consumer-sentiment-index-rises-to-983-2018-12-21-1091226) [12/21/18]
- 5 - [marketwatch.com/story/us-oil-futures-settle-at-lowest-since-july-2017-down-over-11-for-the-week-2018-12-21](https://www.marketwatch.com/story/us-oil-futures-settle-at-lowest-since-july-2017-down-over-11-for-the-week-2018-12-21) [12/21/18]
- 6 - [bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=12%2F21%2F17&x=0&y=0](https://bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=12%2F21%2F17&x=0&y=0) [12/21/18]
- 6 - [bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=12%2F21%2F17&x=0&y=0](https://bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=12%2F21%2F17&x=0&y=0) [12/21/18]
- 6 - [bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=12%2F21%2F17&x=0&y=0](https://bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=12%2F21%2F17&x=0&y=0) [12/21/18]
- 7 - [treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield](https://treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield) [12/21/18]
- 8 - [treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll](https://treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll) [12/21/18]