



# ECONOMIC OUTLOOK NEWSLETTER

SEPTEMBER 2016

## IN OUR ECONOMIC ANALYSIS,

we look at the three components of a healthy economy: full employment, stable prices, and economic growth. We track three economic indicators to gauge the health of the economy, more specifically, to gauge whether the economy is getting better or getting worse:

- **Unemployment numbers to monitor employment**
- **The Consumer Price Index (CPI) - to monitor prices / inflation**
- **Manufacturing Output - to track economic growth**

We provide the monthly updated data for you (quarterly for manufacturing output), as well as a brief commentary on each.

If you would like to discuss how this data might affect your investment portfolio or your long-term plans, please feel free to contact us to arrange a time to meet either in person or via phone call. We welcome the opportunity to sit down and strategize with you.

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# CONSUMER PRICE INDEX

## SEPTEMBER 2016

### Consumer Price Index - All Urban Consumers

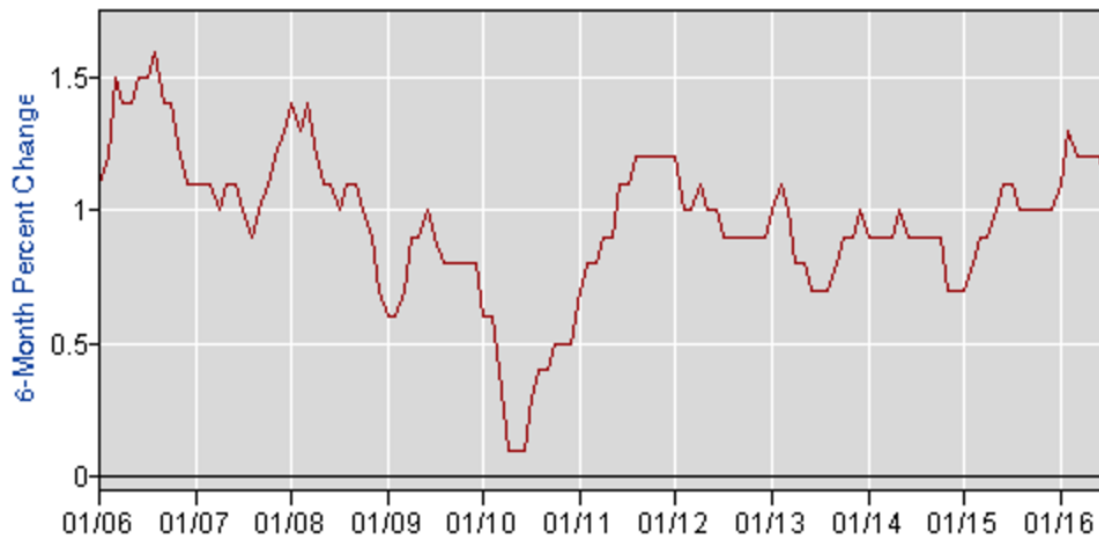
#### 6-Month Percent Change

Seasonally Adjusted\*

**Area:** U.S. city average

**Item:** All items less food and energy

\*Seasonal adjustments provide a clearer view of nonseasonal changes in data that would otherwise be overshadowed by the seasonal differences.



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	1.1	1.2	1.5	1.4	1.4	1.5	1.5	1.6	1.4	1.4	1.2	1.1
2007	1.1	1.1	1.1	1.0	1.1	1.1	1.0	0.9	1.0	1.1	1.2	1.3
2008	1.4	1.3	1.4	1.2	1.1	1.1	1.0	1.1	1.1	1.0	0.9	0.7
2009	0.6	0.6	0.7	0.9	0.9	1.0	0.9	0.8	0.8	0.8	0.8	0.8
2010	0.6	0.6	0.4	0.1	0.1	0.1	0.3	0.4	0.4	0.5	0.5	0.5
2011	0.7	0.8	0.8	0.9	0.9	1.1	1.1	1.2	1.2	1.2	1.2	1.2
2012	1.2	1.0	1.0	1.1	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9
2013	1.0	1.1	1.0	0.8	0.8	0.7	0.7	0.7	0.8	0.9	0.9	1.0
2014	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.7	0.7
2015	0.7	0.8	0.9	0.9	1.0	1.1	1.1	1.0	1.0	1.0	1.0	1.0
2016	1.1	1.3	1.2	1.2	1.2	1.2	1.0					

The 6-month CPI reading for August came in at 1.0%, right in the middle of the consistently low range it has been in for the last 5 years. Since 2011, the six-month CPI has moderated between 0.7 and 1.2, which is almost Goldilocks territory for inflation: not too hot, not too cold. With that kind of reading, it is not going to be inflationary fears that nudge Fed Chair Janet Yellen to initiate the next rate increase. We will continue to monitor the inflation indicator closely. The next reporting date is October 18, 2016.

**Source:**

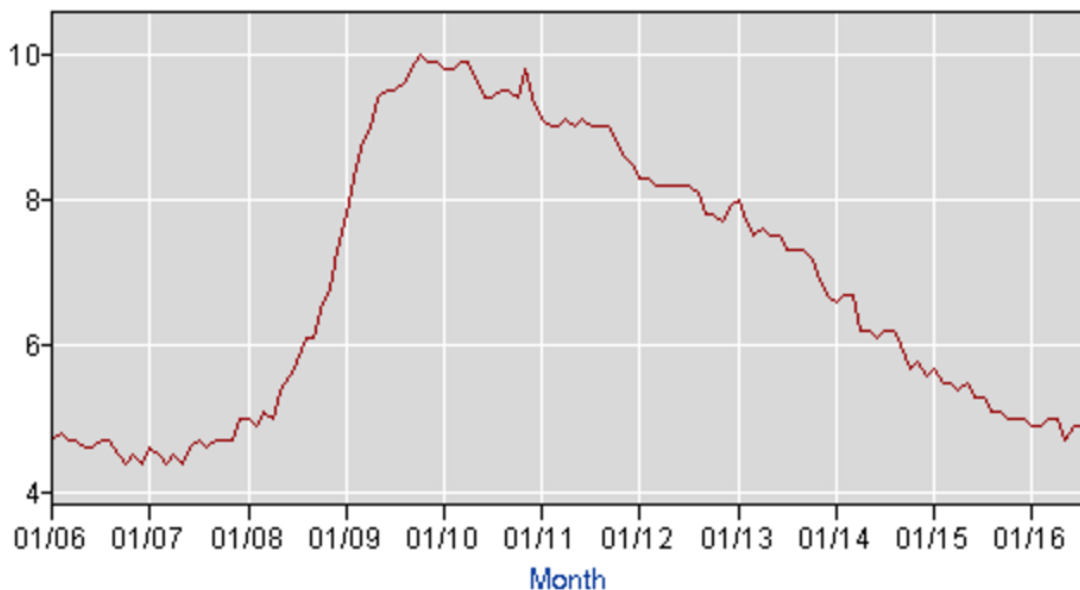
<http://data.bls.gov/timeseries/CUSR0000SAOLIE>

# UNEMPLOYMENT

## SEPTEMBER 2016

### Labor Force Statistics from the Current Population Survey

**Series Id:** LNS14000000  
**Seasonally Adjusted**  
**Series title:** (Seas) Unemployment Rate  
**Labor force status:** Unemployment rate  
**Type of data:** Percent or rate  
**Age:** 16 years and over



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	4.7	4.8	4.7	4.7	4.6	4.6	4.7	4.7	4.5	4.4	4.5	4.4
2007	4.6	4.5	4.4	4.5	4.4	4.6	4.7	4.6	4.7	4.7	4.7	5.0
2008	5.0	4.9	5.1	5.0	5.4	5.6	5.8	6.1	6.1	6.5	6.8	7.3
2009	7.8	8.3	8.7	9.0	9.4	9.5	9.5	9.6	9.8	10.0	9.9	9.9
2010	9.8	9.8	9.9	9.9	9.6	9.4	9.4	9.5	9.5	9.4	9.8	9.3
2011	9.1	9.0	9.0	9.1	9.0	9.1	9.0	9.0	9.0	8.8	8.6	8.5
2012	8.3	8.3	8.2	8.2	8.2	8.2	8.2	8.1	7.8	7.8	7.7	7.9
2013	8.0	7.7	7.5	7.6	7.5	7.5	7.3	7.3	7.3	7.2	6.9	6.7
2014	6.6	6.7	6.7	6.2	6.2	6.1	6.2	6.2	6.0	5.7	5.8	5.6
2015	5.7	5.5	5.5	5.4	5.5	5.3	5.3	5.1	5.1	5.0	5.0	5.0
2016	4.9	4.9	5.0	5.0	4.7	4.9	4.9	4.9				

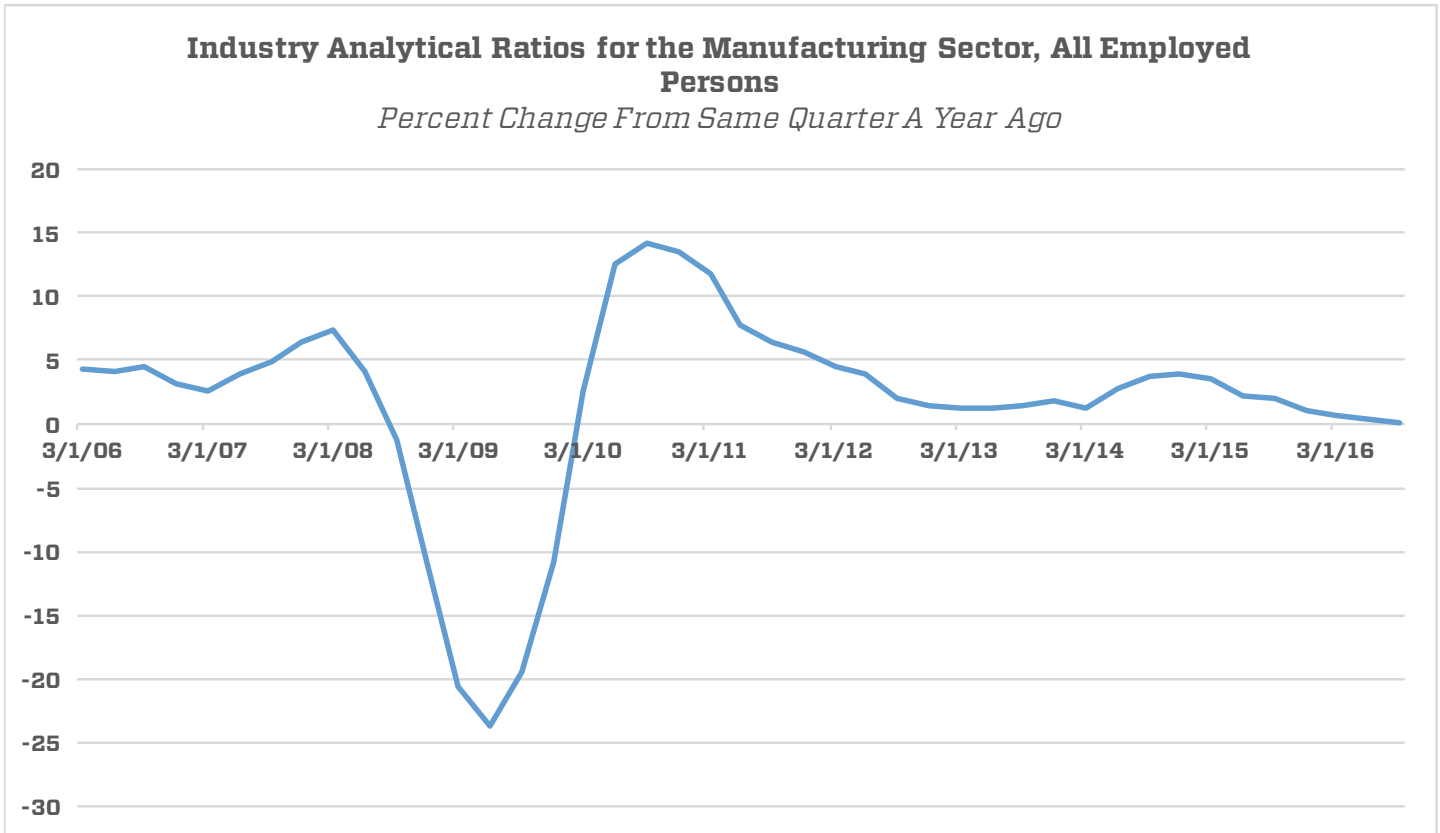
The unemployment rate held steady at 4.9% in August, also in the middle of the range it has held since last August, between 4.7 and 5.1%. The employment situation, like inflation, also appears to be in the Goldilocks territory: not too cold, not too hot. This confirms the notion that there is currently no need for any drastic moves by the Fed. We will continue to track the unemployment numbers closely. The next reporting date is October 7, 2016.

**Source:**

<http://data.bls.gov/timeseries/LNS14000000>

# MANUFACTURING OUTPUT

## SEPTEMBER 2016



Year	Qtr1	Qtr2	Qtr3	Qtr4
2007	2.5	3.9	4.8	6.4
2008	7.3	4.2	-1.3	-10.7
2009	-20.6	-23.7	-19.5	-10.8
2010	2.5	12.5	14.2	13.6
2011	11.8	7.7	6.4	5.6
2012	4.6	3.9	2.1	1.5
2013	1.2	1.2	1.5	1.9
2014	1.3	2.8	3.7	3.9
2015	3.5	2.3	2	1.1
2016	0.7	0.03		

Second quarter manufacturing numbers were the weakest 2nd quarter numbers since 2009, up just 0.3% from the same period a year ago. It was the sixth consecutive quarter of a declining trend. We were hoping that labor productivity would start to turn around as energy prices recovered from their lows in February. This does not appear to have been the case. Without any meaningful productivity increases, we are unlikely to see strong upward pressure on wages. There is no compelling reason for Yellen to rush to raise rates yet, based on the relevant economic data. We will have to wait to see what the Third Quarter preliminary numbers tell us on November 3, 2016.

To summarize, the labor market looks healthy, and prices are stable, but manufacturing output is soft. On a related note, it appears the stock market rally that began in 2009 is showing signs of tiring, at least for now. A near-term top seems to have formed in mid-August. We favor selling on strength rather than buying on weakness in this environment. Now would be a good

time to review your portfolio allocation. Please call us at (951)-698-7509 today to schedule a complimentary review.

**Sources:**

<http://data.bls.gov/timeseries/PRS30006042>