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SANS FRONTIÈRES

L'économie US par Rafic Vartan

Market update for the week ending October 13 2018

CRUDE OIL **71.51** GOLD **1.221.60** SILVER **14.63** EUR/USD **1.16**

Stocks have largest weekly loss since March – Stock markets ended higher on Friday after 6 straight losing sessions to end the week with the largest weekly loss in 7 months. Investors feared rising interest rates, trade war concerns with China, and rising international pressures after the International Monetary Fund reduced its growth expectations for next year. Friday a report showed that inflation grew less than expected, which calmed investors. The consumer price index (CPI) rose just 0.1% for the month in September, and 2.3% from one year ago. That was below expectations of 0.2%, and 2.4%. Next week third quarter earnings are going to begin to be reported. Analysts expect those to be up over 20% from last year. The Dow Jones Industrial Average closed the week at 25,339.99, down from 26,447.05 last week. It is up 2.5% year to date. The S&P 500 closed the week at 2,767.13, down from 2,885.57 last week. It's up 3.5% year to date. The NASDAQ closed the week at 7,496.89, down from 7,788.45 last week. It's up 8.6% year to date.

Treasury Bond Yields lower this week – Bond yields dropped this week after reaching multi year highs last week. The 10-year Treasury bond closed the week yielding 3.15%, down from 3.23% last week. The 30 year Treasury bond yield ended the week at 3.32%, down from 3.40% last week. We watch Treasury bond yields because mortgage rates follow bond yields.

Mortgage rates at highest level in 8 years – The October 11, 2018 Freddie Mac Primary Mortgage Survey reported that the 30 year fixed mortgage rate average was 4.90%, up sharply from 4.71% last week. The 15 year fixed was 4.29%, up from 4.15% last week. The 5 year ARM was 4.07%, up from 4.01% last week. Bond yields dropped later in the week. Next week mortgage rates will be slightly lower.

Tax benefits of owning a home. Do you know them all? – The joys of homeownership are many: Your own house is a place to make sweet memories, build a financial nest egg, and whittle down your tax bill. Yes, it's true. Your home can save you a bundle every year!

1. ***Your mortgage interest*** – This is the biggie tax benefit of owning a home. The ability to deduct the mortgage interest you pay over the course of a year. And the more recent your mortgage, the greater your tax savings.

2. ***Your property taxes –*** Your property taxes are deductible on your tax return. And that could be hefty saving. You can also pay property taxes early and write off the entire expense if you’re staring down a large tax bill for any given year. Just note that you must claim the deduction in the year you wrote the check.
3. ***Private mortgage insurance –*** If you put less than 20% down on your home, odds are you’re paying private mortgage insurance, or PMI, which costs from 0.3% to 1.15% of your home loan. But Uncle Sam’s willing to give you a tax break here by allowing you to deduct this amount from your income, too.
4. ***Energy-efficiency upgrades –*** Don’t miss out on tax credits for any “green” updates you’ve done to your home in the past year. The Renewable Energy Efficiency Property Credit allows you to claim a credit for up to 30% of the cost of equipment you purchased that uses renewable energy sources (solar panels). Other home upgrades like new HVAC systems, energy-efficient windows, and storm doors can also earn a tax credit of up to $500. For example, if you installed central air conditioning, you can claim a $300 credit.
5. ***A home office –*** If you work from home, your office space and expenses can be deducted from your income, too. You can take a $5-per-square-foot deduction for up to 300 square feet of office space, which amounts to a maximum deduction of $1,500. Understand, however, that there are strict rules on what constitutes a dedicated, fully deductible home office space. Your accountant can lead you through it.
6. ***Home improvements to age in place –*** Many older homeowners plan to stay put and age in place. And if that entails renovations such as wheelchair ramps or grab bars in slippery bathrooms, the cost of these improvements for you, a spouse, or dependent results in a nice tax break. You can deduct the amount by which the cost of the improvements exceeds the increase in your home’s value.
7. ***Interest on a home equity line of credit –*** If you’ve tapped into your home equity by taking out a home equity line of credit, or HELOC, the interest you pay on the loan is also deductible provided you use this money to pay for home improvements or repairs.