Weathering the Storm

Unemployment Rates
Hartley Carlson

Hurricane Katrina has had a major impact on the US economy, causing the first nationwide job loss in two years. Forecasts indicate this loss will continue to slowly increase over the coming months.

The unemployment rate is expected to increase to 5.1% in the next few months from 4.9%, where it has been hovering throughout the summer months. With the loss of so many jobs, we will see a drop in consumer spending over the next few months, especially in regions hit hardest by the storms. Many areas of the retail industry may be forced to lower prices in order to bring consumer spending back to its normal level. Investors in the retail industry should be aware of this market volatility over the next few months, and avert from the purchase of retail stock to avoid losses in this sector.

Oil Prices
Natalie Bystry

As a result of the oil deficit created by the recent hurricanes, it is expected that oil prices will gradually increase over the next quarter. Hurricanes Katrina and Rita caused 1/3 of the U.S. oil and natural gas refineries to shut down due to their destruction.

Oil prices are forecasted to reach $72.15/ barrel by January '06. This would be an increase of $6.58/ barrel from the current oil price of $65.57/ barrel. This increase will affect the cost to heat homes as we approach the colder months, and consumers should be aware that it will cost almost 1/3 more to heat their homes this winter. Investors are advised not to invest in oil at the current time because oil stocks are volatile right now due to recent market fluctuations.

Consumer Price Index
Jessica Pendergraph

The Consumer Price Index (CPI) indicates the general level of consumer prices. CPI has a history of decreasing over the holiday months due to retail discounts. Our forecast indicates that CPI will decline slightly by 0.06% in November and continue with a decrease of 0.046% through the month of December.

It is doubtful that this small decrease in CPI will have any impact on investors or the Fed. With energy prices on the rise, inflation is at the forefront of everyone's mind. Because the current market is volatile, it may be a good time for aggressive investors to invest in bonds or stocks. For the typical low risk investor we suggest choosing stocks based on long-term gains specifically well-established companies with large capital.

Expected Inflation
Patrick Dowling

Inflation is reported at 3.75%, and forecasts indicate inflation should fall to about 3% over the next six months. This current hike in inflation is driven by high energy prices.

In response to high inflation more conservative investors might want to consider metals such as gold and platinum, which are trading at 20 and 25 year highs respectively. Due to uncertainty whether the Federal Reserves will raise interest rates to combat inflation, more aggressive investors should invest in the bond market. Another option for aggressive investors who want to avoid the current volatility of the US market is investing in overseas markets, especially Central and South America, who benefit from US economic setbacks.