

February 13 2017

THE VALENTINE'S DAY INDEX

John J. Canally, Jr., CFA *Chief Economic Strategist, LPL Financial*Shawn Doty *Senior Analyst, LPL Financial*

KEY TAKEAWAYS

Common Valentine's Day gifts saw lower-than-average inflation in 2016.

The cost of a night at home fell for just the third time in the history of our Valentine's Day Index, while the prices of all other gift categories increased.

Jewelry saw the largest cost increase (5.8%), the cost of a night out increased by 2.6%, while the cost of taking a trip increased by just 0.5%.

The impact of economics on everyday life isn't always clear, but the week ahead is different. Tuesday marks the fourth-busiest shopping holiday of the year—Valentine's Day, and the following day sees the release of Consumer Price Index (CPI) data for January 2017. The consensus opinion of economists expects a month-over-month increase of 0.3% and a 2.1% rise year over year. Core inflation, which removes the impact of volatile food and energy prices, is expected to come in at 2.2% year over year. These numbers are important, but of even more near-term importance for those still looking for the right gift is how much more expensive common Valentine's Day gifts have become over the last year. Those who have waited until the last minute to buy are in luck, as we answer that question by taking a look at LPL Research's annual Valentine's Day Index.

THE VALENTINE'S DAY INDEX

Our index tracks the cost of typical Valentine's Day gift categories over time using data from the Consumer Price Index (CPI). To get a clearer idea of price increases in individual gifts, we have separated the index into four common gift categories. Grouping all items together into the Valentine's Day Index [[Index, page 2](#)] shows that Valentine's Day inflation increased by 0.9% in 2016, slower than the 15-year average of 1.95%. The rise was also slower than headline CPI (2.1%) and core inflation (2.2%).

A NIGHT IN

A night at home—including candy, flowers, a home cooked meal, and a bottle of wine or champagne—may be the best bet for value conscious consumers this year. Following seven years of increases, the cost of a night at home decreased by 1.1% in 2016. This is only the third time the price of this gift category has fallen in the history of the index, and it also ranks as the largest single year decline in 16 years. All of the items in this gift basket fell in price, but the cost of food was the biggest driver, falling more than 2%.

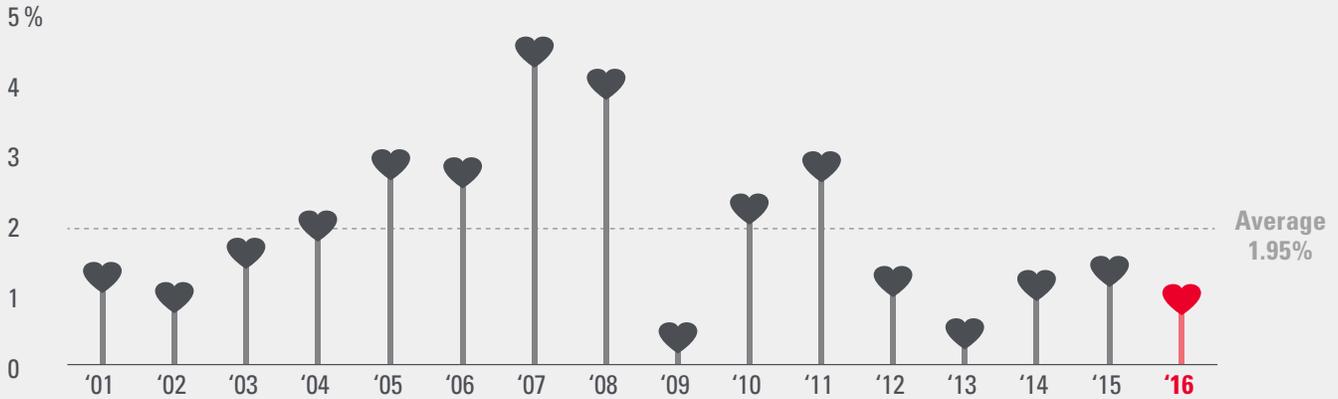
A NIGHT OUT

Dinner and a movie, one of the most common Valentine's Day traditions, saw a price increase of 2.6% in 2016, just below its average increase of 3.1% over the

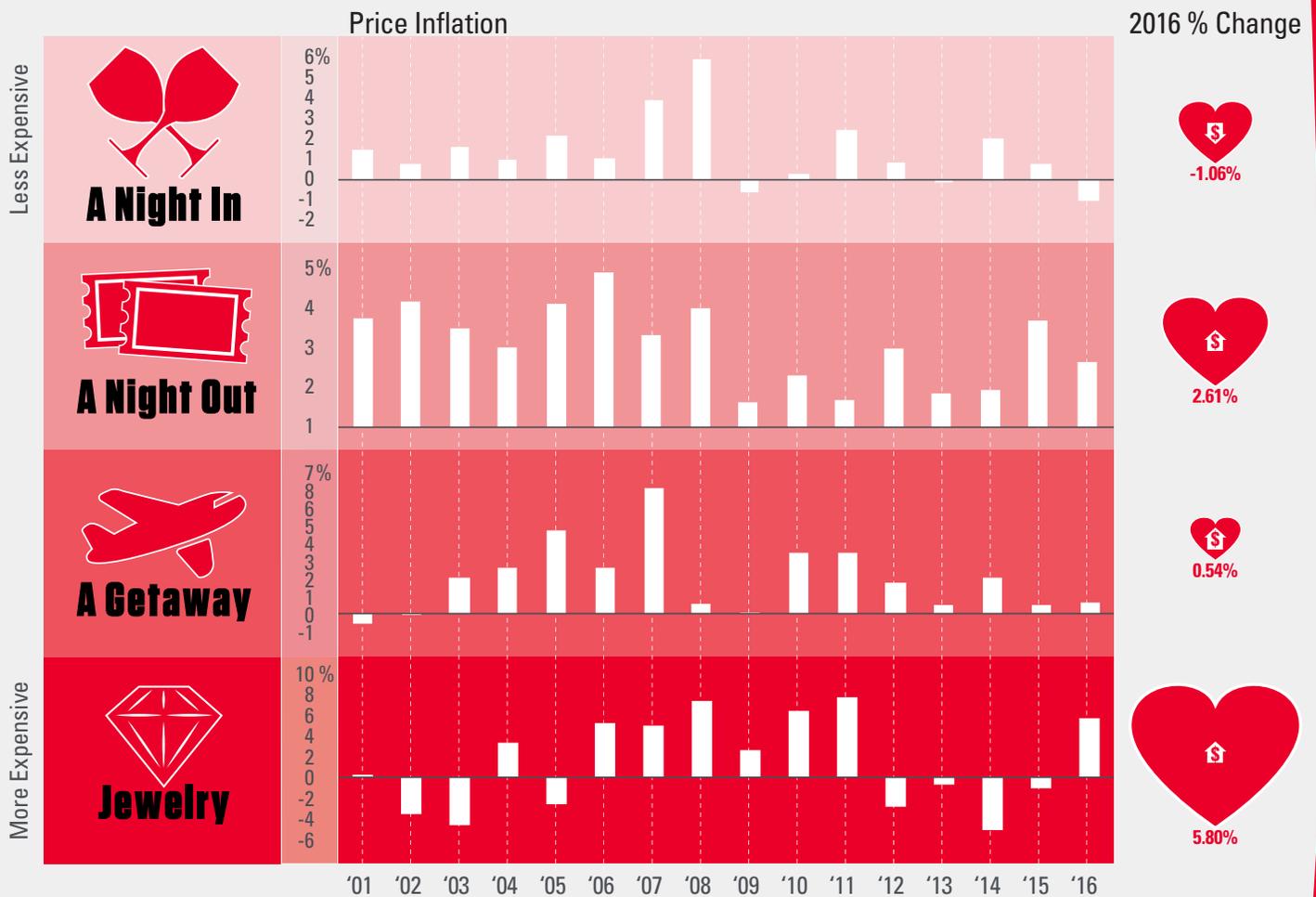


Prices for Common Valentine's Day Gifts Rose at a Below Average Pace in 2016

Valentine's Day Index (Price Inflation)



The overall index has 10 items that are equal weighted (10% each). Those 10 items are then used to create the sub-indexes. For example, four items (out of the 10) comprise the 'Night In' gift basket (weighted 25% each).



Source: LPL Research, Bureau of Labor Statistics 02/08/17

Based on Consumer Price Index data. Indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.



previous 15 years. This gift idea includes dinner at a restaurant, movie tickets, and child care. The cost of child care has seen the largest increases in price over the entire history of the index, increasing a cumulative 79% since 2001, or about 3.7% per year. This year's 2.9% gain was smaller than average, but still the largest gain of any item in this gift basket.

A GETAWAY

Taking a trip was also a relative bargain in 2016's version of the index; and though prices rose a little faster this year, this gift idea remains a potential winner. Prices—which include dining out, lodging, and airline fares—increased by just 0.5% year over year. For those looking to spend more, a trip is definitely a better deal than jewelry, with airline fares down 4.7%, seeing the largest year-over-year drop in price relative to any other gift in the index.

JEWELRY

Jewelry, always a popular Valentine's Day gift, was one of the better values in last year's Valentine's

Day Index given that it had fallen in price for the past four consecutive years. Those who wanted to wait another year before spending the big dollars that jewelry commands are likely to be disappointed, given that prices increased by 5.8% year over year. This makes jewelry the item with the largest jump in price in this year's index.

CONCLUSION

LPL Research's Valentine's Day Index can help last-minute shoppers (including perhaps a few here at LPL Research) determine which gift idea represents the best value this year. A night at home became cheaper during 2016, which has only happened two other times in the 16-year history of the Valentine's Day Index, making it a better deal than dinner and a movie this year. For those looking to spend a little more, taking a trip still offers a reasonable value relative to other gift ideas. But those looking for a deal on jewelry may have missed their opportunity, as prices increased by 5.8% in 2016, breaking a streak of four consecutive years of falling prices. ■

IMPORTANT DISCLOSURES

Past performance is no guarantee of future results. All indexes are unmanaged and cannot be invested into directly.

The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for any individual security.

The economic forecasts set forth in the presentation may not develop as predicted.

Because of their narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

This research material has been prepared by LPL Financial LLC.

To the extent you are receiving investment advice from a separately registered independent investment advisor, please note that LPL Financial LLC is not an affiliate of and makes no representation with respect to such entity.

Not FDIC or NCUA/NCUSIF Insured | No Bank or Credit Union Guarantee | May Lose Value | Not Guaranteed by Any Government Agency | Not a Bank/Credit Union Deposit

RES 5794 0217 | Tracking #1-581472 (Exp. 01/18)