Weekly Update
Energy Prices Go Down the Rabbit Hole
As of April 14, 2017

INVESTMENT MANAGEMENT INC.

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The Economy

- Sharp dips in energy and communications prices caused the consumer-price index to unexpectedly decline by 0.3% in March, bringing year-over-year growth to 2.4%. Lower prices point to softening demand for consumer goods, which, if continued, could mean a decreased probability of additional interest-rate hikes by the Federal Reserve. Producer prices were also affected by energy-price weakness, slipping in March for the first time in seven months — yet still managed to gain 2.3% year over year, the largest annual increase in five years.
- Retail sales fell by 0.2% in March and were revised lower by 0.4% to a 0.3% loss for February. Economists blamed bad weather and delayed tax refunds on the two consecutive declines. Vehicle sales suffered most, falling by 1.2% for the third straight month. Core retail sales, which exclude autos, gas, building materials and food services, grew by 0.5%. Anemic retail sales indicate reduced consumer spending, which accounts for 70% of the U.S. economy.
- Import prices retreated in March for the first time in four months (by 0.2%), mostly due to a 3.6% slide in petroleum, yet advanced by 4.2% in the one-year period. Export prices inched 0.2% higher in March and by 3.6% year over year; agricultural export prices significantly contributed, expanding by 0.9% in the month and by 5.3% in the annual period.
- The Department of Labor reported that job openings surged by 2.1% in February and by 3.2% year over year, to the highest level since July 2016. However, hiring fell by 2% in the month and 2.4% year-over-year, as employers struggled to find qualified workers.
- Initial jobless claims decreased by 1,000 to 234,000 in the week ending April 8. The four-week moving average (considered a more reliable gauge of unemployment) dropped by 3,000 to 247,250. Continuing claims moved lower by 7,000 to 2.028 million for the week ending April 1.
- The University of Michigan's April consumer sentiment reading strengthened after a tepid February and March. Expectations among consumers improved, signaling an optimistic jobs outlook, while the current assessment hit a 17-year high.
- Industrial production in the eurozone slid by 0.3% in February, mainly on dropping energy-prices; non-durable consumer goods also detracted, while small gains in intermediate and capital goods mitigated some of the decline.
- U.K. consumer prices advanced by 0.4% in March, led by food and clothing. The year-over-year rate held steady at 2.3%, above the Bank of England's 2% target for the second consecutive month. Producer prices were slightly stronger than expected.
- Consumer prices in China fell by 0.3% in March, mainly within food, yet rose by 0.9% year over year. Producer prices grew by 0.3% for the month and by 7.6% in the year over year — but the annual reading was 0.2% slower than that of the previous month, the first such decline since mid-2015.
- Producer prices in Japan were higher in March, by 0.2% for the month and 1.4% year-over-year. This was the highest annual reading since late 2014 — primarily due to gains in petroleum and coal prices but also within electric power, gas and water.

U.S. Economic Calendar

- April 17: Housing Market Index
- April 18: Housing Starts, Industrial Production
- April 19: Mortgage Applications
- April 21: PMI Composite Flash, Existing Home Sales

Stocks

- Global equities were mostly negative this week, with the exception of emerging markets.
- U.S. equity sectors were also mostly lower. Financials and materials lagged, while utilities and consumer staples gained. Value stocks modestly underperformed growth stocks and large-company stocks beat small-company stocks.

Bonds

- Global bonds were generally positive this week. Global government bonds outperformed, followed by global corporate bonds. Global high-yield bonds lagged.
- U.S. Treasury yields were lower this week, as investors looked to Treasurys as a safe haven in light of increased equity volatility.

The Numbers as of April 14, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.6%	5.4%	10.1%	444.7
MSCI EAFE ($)	0.0%	5.7%	5.8%	1779.9
MSCI Emerging Mkts ($)	0.1%	11.7%	13.9%	962.9
US & Canadian Equities				
Dow Jones Industrials ($)	-1.0%	3.5%	14.1%	20453.3
S&P 500 ($)	-1.1%	4.0%	11.8%	2329.0
NASDAQ ($)	-1.2%	7.8%	17.4%	5805.2
S&P/ TSX Composite (C$)	-0.8%	1.6%	13.7%	15535.5
UK & European Equities				
FTSE All-Share (£)	0.1%	3.6%	15.2%	4012.3
MSCI Europe ex UK (€)	-0.7%	5.6%	11.8%	1278.2
Asian Equities				
Topix (¥)	-2.1%	-3.9%	6.4%	1459.1
Hong Kong Hang Seng ($)	0.0%	10.3%	13.7%	24261.7
MSCI Asia Pac. Ex-Japan ($)	0.5%	12.9%	14.4%	481.5
Latin American Equities				
MSCI EMF Latin America ($)	-1.6%	11.3%	17.4%	2605.6
Mexican Bolsa (peso)	-0.8%	7.3%	7.8%	48955.8
Brazilian Bovespa (real)	-2.7%	4.3%	19.9%	62826.3
Commodities ($)				
West Texas Intermediate Spot	1.8%	-1.0%	28.1%	53.2
Gold Spot Price	2.0%	11.5%	4.9%	1285.7
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.8%	2.7%	-1.4%	463.4
JPMorgan Emerging Mkt Bond	0.5%	4.9%	8.4%	775.3
10-Year Yield Change (basis points*)				
US Treasury	-15	-21	45	2.24%
UK Gilt	-3	-19	-41	1.04%
German Bund	-4	-2	2	0.19%
Japan Govt Bond	-5	-4	10	0.01%
Canada Govt Bond	-10	-23	20	1.49%
Currency Returns**				
US$ per euro	0.3%	1.0%	-5.7%	1.062
Yen per US$	-2.2%	-7.1%	-0.7%	108.63
US$ per £	1.3%	1.5%	-11.5%	1.253
C$ per US$	-0.6%	-0.9%	3.7%	1.332

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

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