

Weekly Update

Economic Activity Slows Slightly

As of April 21, 2017



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The Economy

- Manufacturing and services growth during April slowed to a seven month-low, according to preliminary readings of Markit's purchasing managers' index (PMI). Orders waned within both sectors, while hiring within services was particularly weak.
- Housing starts dropped by a worse-than-expected 6.8% in March to the lowest level since November, due to adverse weather, labor shortages and rising materials prices. Permits, however, grew by 3.6% for the month — a possible indication of a future bounce-back for homebuilders.
- Existing-home sales surged by 4.4% in March to the best rate since February 2007, driven by condo sales. Single-family-home sales were also strong.
- The Philadelphia Fed Survey showed slower, but continued manufacturing growth in the region during April. New orders decelerated most significantly, while employment expanded.
- Industrial production rose by a better-than-expected 0.5% in March. Utilities gained a record 8.6%, but manufacturing fell by 0.4% after severe storms struck the Northeast. Motor vehicles and parts production, which shrank by 3%, also disappointed.
- Initial jobless claims increased by 10,000 to 244,000 in the week ending April 15. The four-week moving average (considered a more reliable gauge of unemployment) dropped by 4,250 to 243,000. Continuing claims moved lower by 2,000 to 2.024 million for the week ending April 8, reaching a 17-year low.
- The Conference Board's index of leading economic indicators recorded a better-than-expected 0.4% in March — the third straight monthly increase — pointing to continued economic strengthening.
- Mortgage purchase applications fell by 3.0% in the week ending April 14, despite mortgage rates falling to their lowest levels in five months. Refinancing applications rose by a slight 0.2%, but remain down 41.5% year over year.
- U.K. retail sales slid by 1.8% in April as rising inflation caused consumers to rein in spending. Non-food sales, excluding auto fuel, narrowed by 2.4%. Almost all sectors declined for the month, with only non-specialized stores showing gains.
- Industrial production in the eurozone was unchanged in April. Sustained strength in manufacturing due to new orders offset a slight drop in services, where new-business growth decelerated.
- China's gross domestic product rose by 1.3% in the first quarter and by 6.9% year over year. A combination of construction, retail sales and industrial production helped drive growth. Industrial production also edged up by 0.83% in March and by 7.6% year over year, on solid output growth in manufacturing.
- Japanese manufacturing improved in April, according to preliminary PMI estimates, remaining at a level consistent with expansion for the eighth consecutive month. Output and new orders increased, while hiring within the sector nearly reached a three-year high.

U.S. Economic Calendar

- April 25: S&P CoreLogic Case-Shiller Home Prices, Consumer Confidence
- April 26: Mortgage Purchase Applications
- April 27: Durable Goods Orders, International Trade
- April 28: GDP, Chicago PMI, Consumer Sentiment

Stocks

- Global equities were mostly positive this week, with the exception of emerging markets.
- U.S. equity sectors were also mostly positive. Industrials and consumer discretionary outperformed, while energy and telecommunications lagged. Value stocks modestly underperformed growth stocks and small-company stocks beat large-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 rebounded from five-month lows to finish the week close to unchanged.

| The Numbers as of April 21, 2017 | 1 Week | YTD | 1 Year | Friday's Close |
|---|--------|-------|--------|-------------------|
| Global Equity Indices | | | | |
| MSCI ACWI (\$) | 0.7% | 6.0% | 9.6% | 447.4 |
| MSCI EAFE (\$) | 0.3% | 5.9% | 3.9% | 1783.7 |
| MSCI Emerging Mkts (\$) | -0.2% | 11.2% | 12.3% | 958.4 |
| US & Canadian Equities | | | | |
| Dow Jones Industrials (\$) | 0.5% | 4.0% | 14.3% | 20547.8 |
| S&P 500 (\$) | 1.0% | 5.0% | 12.4% | 2351.2 |
| NASDAQ (\$) | 1.8% | 9.8% | 19.5% | 5910.5 |
| S&P/ TSX Composite (C\$) | 0.5% | 2.1% | 12.5% | 15610.0 |
| UK & European Equities | | | | |
| FTSE All-Share (£) | -2.5% | 1.0% | 12.1% | 3912.6 |
| MSCI Europe ex UK (€) | -0.3% | 5.3% | 9.3% | 1274.5 |
| Asian Equities | | | | |
| Topix (¥) | 2.0% | -2.0% | 6.8% | 1488.6 |
| Hong Kong Hang Seng (\$) | -0.9% | 9.3% | 11.2% | 24042.0 |
| MSCI Asia Pac. Ex-Japan (\$) | -0.9% | 11.7% | 11.5% | 476.4 |
| Latin American Equities | | | | |
| MSCI EMF Latin America (\$) | 0.1% | 11.5% | 16.3% | 2609.3 |
| Mexican Bolsa (peso) | 0.0% | 7.2% | 7.4% | 48940.3 |
| Brazilian Bovespa (real) | 1.5% | 5.9% | 18.9% | 63760.6 |
| Commodities (\$) | | | | |
| West Texas Intermediate Spot | -7.4% | -8.3% | 16.7% | 49.3 |
| Gold Spot Price | 0.0% | 11.6% | 2.8% | 1286.7 |
| Global Bond Indices (\$) | | | | |
| Barclays Global Aggregate (\$) | 0.4% | 3.1% | -1.0% | 465.2 |
| JPMorgan Emerging Mkt Bond | 0.2% | 5.1% | 8.1% | 776.8 |
| 10-Year Yield Change (basis points*) | | | | |
| US Treasury | 0 | -21 | 37 | 2.24% |
| UK Gilt | -1 | -20 | -56 | 1.03% |
| German Bund | 7 | 5 | 1 | 0.25% |
| Japan Govt Bond | 1 | -3 | 13 | 0.02% |
| Canada Govt Bond | -3 | -26 | 1 | 1.46% |
| Currency Returns** | | | | |
| US\$ per euro | 0.8% | 1.8% | -5.2% | 1.070 |
| Yen per US\$ | 0.4% | -6.7% | -0.3% | 109.12 |
| US\$ per £ | 2.2% | 3.7% | -10.6% | 1.280 |
| C\$ per US\$ | 1.4% | 0.5% | 6.1% | 1.351 |

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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