Weekly Update

# Retail Sales Surge on Storm-Related Buying

As of October 13, 2017

Member FINRA/SIPC,
a registered investment advisor

**The Economy**

- Retail sales rose by 1.6% in September, the biggest monthly gain since 2015, as consumer spending rebounded. Economists cited increased demand for new autos, home supplies and gasoline following the recent Atlantic hurricanes.
- Job openings, a measure of labor demand, remained at a historically strong level in August despite falling from 6.14 to 6.08 million, according to the Department of Labor's Job Openings and Labor Turnover Survey. Hirings were a steady 5.43 million, but continued to lag significantly the number of available jobs; employers either struggled to find qualified staff or refused to offer competitive wages. A lack of skilled employees (who require higher pay) may provide further impetus for the Federal Reserve (Fed) to keep a December rate hike on the table.
- Federal Open Market Committee members debated inflation and balance-sheet policy in their September meeting. Opinions varied regarding the proper timing of a third interest-rate hike this year; some expressed concern about having adequate time to assess the outlook for economic activity and inflation.
- Consumer prices increased by 0.5% in September and by 2.2% year over year; muted housing and medical care costs mitigated a spike in energy prices. Producer prices rose by 0.4% for the month, as wholesale gasoline prices jumped amid hurricane-related production disruptions. While analysts do not expect the report to affect the near-term outlook for Fed policy, they do believe it could lower the odds of three interest-rate hikes in 2018.
- Initial jobless claims fell by 15,000 to 243,000 in the week ending October 7; claims from hurricane-affected Florida and Texas both declined. The more-stable four-week moving average slid by 9,500 to 257,500. Continuing claims slid by 32,000 to 1.89 million in the week ending September 30. Layoffs are expected to remain low while employers deal with a shortage of available skilled labor.
- The University of Michigan's consumer sentiment index, which measures Americans' financial conditions and attitudes about the economy, swelled to a 13-year high in October. The survey reported sustained strength in both current conditions and future expectations.
- Industrial production in the eurozone rallied sharply by 1.4% in August; gains in capital goods, consumer durables and intermediates led the broad-based improvement.
- U.K. industrial production improved by 0.2% in August, its third consecutive monthly gain. Growth was attributed to a jump in manufacturing output, particularly in high-value repair and maintenance contracts.
- China reported a $28 billion trade surplus in September. Imports grew by more than anticipated; exports also gained, but by less than expected.
- Producer prices in Japan edged 0.2% higher in September but grew by 3.0% year over year, partly driven by prices in electric power, gas and water. Despite the momentum in producer-price expansion, Bank of Japan officials expect only a gradual increase in consumer prices over the intermediate-term.

**U.S. Economic Calendar**

- October 17: Import and Export Prices, Industrial Production
- October 18: Mortgage Applications, Housing Starts
- October 19: Jobless Claims, Philadelphia Fed, Leading Indicators
- October 20: Existing Home Sales

**Stocks**

- Global equities were higher this week. Emerging markets outperformed developed markets.
- U.S. equity sectors were mixed. Consumer staples and utilities were the top performers, while telecommunications and financials lagged. Growth stocks led value stocks and large-company stocks beat small-company stocks.

**Bonds**

- Global bond markets moved higher this week. Global government bonds performed best, followed by corporate bonds and global high-yield bonds.
- U.S. Treasury yields moderated after the Fed released its September policy meeting minutes, and as heightened geopolitical tension drove up investor appetite for safe-haven securities.

| The Numbers as of October 13, 2017 | 1 Week | YTD | 1 Year | Friday's Close |
|---|---|---|---|---|
| **Global Equity Indices** | | | | |
| MSCI ACWI ($) | **0.6%** | **17.1%** | **20.5%** | **493.9** |
| MSCI EAFE ($) | **1.2%** | **18.5%** | **20.6%** | **1995.7** |
| MSCI Emerging Mkts ($) | **1.7%** | **30.1%** | **25.9%** | **1121.6** |
| **US & Canadian Equities** | | | | |
| Dow Jones Industrials ($) | **0.4%** | **15.7%** | **26.4%** | **22871.7** |
| S&P 500 ($) | **0.2%** | **14.0%** | **19.7%** | **2553.2** |
| NASDAQ ($) | **0.2%** | **22.7%** | **26.7%** | **6605.8** |
| S&P/ TSX Composite (C$) | **0.5%** | **3.4%** | **7.9%** | **15807.2** |
| **UK & European Equities** | | | | |
| FTSE All-Share (£) | **0.2%** | **6.8%** | **9.2%** | **4137.1** |
| MSCI Europe ex UK (€) | **0.3%** | **12.2%** | **20.4%** | **1358.9** |
| **Asian Equities** | | | | |
| Topix (¥) | **1.3%** | **12.5%** | **27.3%** | **1708.6** |
| Hong Kong Hang Seng ($) | **0.1%** | **29.4%** | **23.6%** | **28476.4** |
| MSCI Asia Pac. Ex-Japan ($) | **1.7%** | **28.4%** | **23.6%** | **547.9** |
| **Latin American Equities** | | | | |
| MSCI EMF Latin America ($) | **-0.1%** | **26.1%** | **19.6%** | **2950.5** |
| Mexican Bolsa (peso) | **-0.6%** | **9.5%** | **4.7%** | **49981.9** |
| Brazilian Bovespa (real) | **1.2%** | **27.8%** | **26.0%** | **76989.8** |
| **Commodities ($)** | | | | |
| West Texas Intermediate Spot | **4.4%** | **-4.2%** | **2.0%** | **51.5** |
| Gold Spot Price | **2.2%** | **12.9%** | **3.6%** | **1301.2** |
| **Global Bond Indices ($)** | | | | |
| Barclays Global Aggregate ($) | **0.6%** | **6.4%** | **0.8%** | **480.1** |
| JPMorgan Emerging Mkt Bond | **0.3%** | **9.0%** | **5.1%** | **805.6** |
| **10-Year Yield Change (basis points*)** | | | | |
| US Treasury | **-9** | **-17** | **53** | **2.27%** |
| UK Gilt | **0** | **13** | **34** | **1.37%** |
| German Bund | **-6** | **20** | **37** | **0.40%** |
| Japan Govt Bond | **1** | **2** | **12** | **0.06%** |
| Canada Govt Bond | **-9** | **31** | **86** | **2.04%** |
| **Currency Returns**** | | | | |
| US$ per euro | **0.8%** | **12.4%** | **6.9%** | **1.182** |
| Yen per US$ | **-0.7%** | **-4.4%** | **7.9%** | **111.87** |
| US$ per £ | **1.7%** | **7.7%** | **8.4%** | **1.329** |
| C$ per US$ | **-0.4%** | **-7.2%** | **-5.4%** | **1.247** |

**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.**

Newlin Archinal CFP®, CRPC®, AIF®
Vice President
BPU Investment Management, Inc.
One Oxford Centre
301 Grant Street, Suite 3300
Pittsburgh, PA 15219
P: 412.288.9150
F: 412.288.9180
www.bpuinvestments.com
Member FINRA/SIPC & an SEC registered investment advisor

*Index returns are for illustrative purposes only and do not represent actual fund performance.*

*Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.*

*This material is provided by SEI Investments Management Corporation (SIMC) for educational purposes only and is not meant to be investment advice. The reader should consult with his/her financial advisor for more information. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. There are risks involved with investing, including possible loss of principal. SIMC is a wholly owned subsidiary of SEI Investments Company.*