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The Economy

- The U.S. trade deficit decreased by 3.2% in December to a better-than-expected \$44.3 billion, boosted by exports of services and capital goods; although the total 2016 deficit grew to \$502.25 billion, its highest amount since 2012. The trade deficit is a result of Americans' higher consumption and lower production relative to the rest of the world; in order to reduce the gap, Americans must increase production or decrease consumption — a difficult feat in an improving economy, as consumer spending drives imports.
- December's consumer-credit growth came in well below estimates. Revolving credit, which is mostly made up of credit card outlays, grew by \$2.3 billion in December — the smallest increase since February 2016. Non-revolving credit such as student borrowing and auto-loans climbed by \$11.8 billion, in line with recent months.
- Mortgage purchase applications rose by a seasonally adjusted 2% and refinancing applications also advanced by 2% for the week ending February 3. Both readings fell short of last year's levels, given rising mortgage rates.
- According to the Department of Labor, job openings remained essentially flat in December from the previous month, while hiring rose by 0.8% for the fourth straight month. Openings over the past year were up 4.2%; however, hiring has fallen over the same period, as employers continued to have trouble finding qualified workers.
- Initial jobless claims decreased by 12,000 to 234,000 for the week ending February 4, approaching a 43-year low last seen in November 2016. The four-week moving average (which smooths out volatility in the weekly reading) fell by 3,750 to 244,250, its lowest level since November 1973.
- Import prices grew by 0.4% in January, led by petroleum, which jumped 5.2% during the month. Year-over-year import prices advanced by 3.7% — the highest annual growth since March 2012. Meanwhile, export prices inched up by 0.1% for the month and by 2.3% year over year, which was the best annual growth since January 2012.
- U.K. industrial production grew by 1.1% in December, led by pharmaceutical manufacturing and metal production, which offset a decline in coke and petroleum. Year-over-year industrial production grew by 4.3%, its best gain since January 2011. Meanwhile, the U.K.'s global-trade deficit narrowed in December as exports (namely, machinery and transport equipment) rose for their third consecutive month and overtook the 1.4% increase in imports.
- Producer prices in Japan rose by 0.6% for the month and by 0.5% year over year in January — the first positive annual reading since early 2015. Petroleum and coal prices drove most of the increase; although iron, steel, chemicals and related products also contributed to growth.
- China's trade surplus rose to a six-month high of \$51.35 billion in January. Imports expanded by 16.7% and exports climbed 7.9% year over year.

U.S. Economic Calendar

- February 14: Producer Prices
- February 15: Business Inventories, Consumer Prices, Industrial Production, Mortgage Applications, Retail Sales
- February 16: Housing Starts, Jobless Claims, Philly Fed
- February 17: Leading Indicators

Stocks

- Global equities advanced this week. Emerging-market equities led developed markets by a small margin.
- U.S. sectors were mostly higher for the week. Industrials and consumer discretionary outperformed while energy and materials lagged. Growth stocks outperformed value stocks and large-company stocks marginally outperformed their small-company counterparts.

Bonds

- Global bond markets were mixed this week. High-yield bonds outperformed, followed by corporate bonds, while global government bonds lagged.
- U.S. Treasury yields fell this week as the Brexit push overseas increased demand for safety.

The Numbers as of February 10, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI (\$)	0.6%	4.1%	24.2%	439.0
MSCI EAFE (\$)	0.0%	3.4%	16.4%	1741.3
MSCI Emerging Mkts (\$)	1.2%	7.9%	30.4%	930.2
US & Canadian Equities				
Dow Jones Industrials (\$)	1.0%	2.6%	29.4%	20269.4
S&P 500 (\$)	0.8%	3.5%	26.6%	2316.1
NASDAQ (\$)	1.2%	6.5%	34.4%	5734.1
S&P/TSX Composite (C\$)	1.6%	2.9%	30.1%	15729.1
UK & European Equities				
FTSE All-Share (£)	1.1%	2.0%	29.7%	3950.4
MSCI Europe ex UK (€)	0.3%	1.2%	20.9%	1224.8
Asian Equities				
Topix (¥)	2.1%	1.8%	22.3%	1546.6
Hong Kong Hang Seng (\$)	1.9%	7.2%	27.1%	23575.0
MSCI Asia Pac. Ex-Japan (\$)	1.5%	8.0%	26.3%	461.0
Latin American Equities				
MSCI EMF Latin America (\$)	1.3%	11.1%	55.4%	2599.5
Mexican Bolsa (peso)	1.2%	4.7%	12.8%	47797.0
Brazilian Bovespa (real)	1.8%	9.8%	68.2%	66124.5
Commodities (\$)				
West Texas Intermediate Spot	0.1%	0.3%	105.5%	53.9
Gold Spot Price	1.1%	6.9%	-1.2%	1232.7
Global Bond Indices (\$)				
Barclays Global Aggregate (\$)	-0.3%	0.7%	-1.3%	454.7
JPMorgan Emerging Mkt Bond	0.6%	2.8%	14.5%	759.8
10-Year Yield Change (basis points*)				
US Treasury	-6	-4	75	2.41%
UK Gilt	-10	2	-5	1.25%
German Bund	-9	11	13	0.32%
Japan Govt Bond	-1	5	7	0.09%
Canada Govt Bond	-7	-2	67	1.70%
Currency Returns**				
US\$ per euro	-1.3%	1.2%	-6.0%	1.064
Yen per US\$	0.5%	-3.2%	0.7%	113.22
US\$ per £	0.1%	1.2%	-13.7%	1.249
C\$ per US\$	0.5%	-2.7%	-6.1%	1.308

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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