

# Weekly Update

## Markets Streak Higher

### As of February 24, 2017



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#### The Economy

- The Federal Reserve's January meeting minutes showed that the central bank anticipates its next interest-rate hike fairly soon due to the improving economy and possible faster-than-anticipated inflation growth under the Trump administration.
- Preliminary estimates of Markit's February purchasing managers' manufacturing index showed decreasing momentum in orders and production. Domestic orders remained strong. Costs were at a two-and-a-half-year high, while selling prices were flat.
- Mortgage purchase applications slid by 3% for the week ending February 17, while refinancing applications fell by 1% (to the lowest level since January), as mortgage rates continued to climb.
- Existing-home sales surged 3.3% in January to the best rate since February 2007, despite declining stock and rising mortgage rates. Single-family homes led growth, while condo sales were also strong. Median sales prices increased at the fastest pace in a year.
- New-home sales rose to an annualized 555,000 pace in January, below consensus but still solid, as the number of new homes on the market increased to the highest level since mid-2009.
- Initial jobless claims expanded by 5,000 to 244,000 for the week ending February 18, while the four-week moving average of 241,000 was the lowest since July 1973. Continuing claims for the week ending February 11 declined by 17,000 to 2.07 million.
- The University of Michigan's consumer sentiment reading came in at a higher-than-expected 96.3 in February — indicating continued strength despite retracting slightly from the 13-year high reached in January (due to moderating consumer expectations).
- Economic activity in the eurozone reached the highest level in almost six years, with the flash composite Purchasing Managers Index (PMI) for February climbing to 56.0 from 54.4 in the previous month. Manufacturing activity accelerated despite expectations for slower growth, and services growth jumped sharply. Composite PMIs for Germany and France led.
- The British economy grew 0.7% in the fourth quarter and 2.2% year over year — driven by trade and consumer spending, while business investment was weak. Many economists believe that prospects for growth in the U.K. may be hurt by Brexit in the near-term, with openness of trade representing the largest issue. The bill is now being debated in the House of Lords, where some members will likely try to revise the proposal.
- Japan's flash manufacturing PMI reading of 53.5 beat estimates and showed that manufacturing activity in Japan improved at the fastest rate in nearly three years.

#### U.S. Economic Calendar

- February 27: Durable Goods Orders, Pending Home Sales Index
- February 28: GDP, International Trade, Case-Shiller HPI, Chicago PMI, Consumer Confidence
- March 1: Motor Vehicle Sales, Mortgage Applications, Personal Income and Outlays, PMI Manufacturing Index, Beige Book, Construction Spending, ISM Manufacturing
- March 2: Jobless Claims
- March 3: PMI Services Index, ISM Non-Manufacturing Index

#### Stocks

- Global equities were slightly higher this week. Emerging-market equities outpaced developed markets.

- Most U.S. sectors were higher for the week. The utilities and telecommunications sectors outperformed, while financials and energy lagged. Growth stocks marginally outpaced value stocks, as large-company stocks led their small-company counterparts.

#### Bonds

- Global bonds advanced this week. Global government bonds outperformed, followed by corporate bonds, while high-yield bonds lagged.
- U.S. Treasury yields were lower this week. Despite Federal Reserve Chair Janet Yellen's recently hawkish testimony before Congress, the Federal Open Market Committee in its recent meeting notes did not show a commitment to raising rates.

The Numbers as of February 24, 2017	1 Week	YTD	1 Year	Friday's Close
<b>Global Equity Indices</b>				
MSCI ACWI (\$)	0.3%	5.6%	19.4%	445.3
MSCI EAFE (\$)	-0.3%	3.9%	12.6%	1750.5
MSCI Emerging Mkts (\$)	0.5%	9.4%	28.3%	943.5
<b>US &amp; Canadian Equities</b>				
Dow Jones Industrials (\$)	1.0%	5.4%	24.7%	20821.8
S&P 500 (\$)	0.7%	5.7%	21.3%	2367.3
NASDAQ (\$)	0.1%	8.6%	27.6%	5845.3
S&P/TSX Composite (C\$)	-1.9%	1.6%	21.8%	15533.5
<b>UK &amp; European Equities</b>				
FTSE All-Share (£)	-0.7%	1.7%	19.3%	3939.2
MSCI Europe ex UK (€)	-0.2%	1.9%	13.8%	1233.3
<b>Asian Equities</b>				
Topix (¥)	0.4%	2.1%	18.6%	1550.1
Hong Kong Hang Seng (\$)	-0.3%	8.9%	26.9%	23965.7
MSCI Asia Pac. Ex-Japan (\$)	0.4%	9.7%	25.3%	468.0
<b>Latin American Equities</b>				
MSCI EMF Latin America (\$)	-0.3%	11.9%	46.5%	2618.2
Mexican Bolsa (peso)	-0.2%	3.1%	8.3%	47047.7
Brazilian Bovespa (real)	-1.6%	10.7%	59.1%	66662.1
<b>Commodities (\$)</b>				
West Texas Intermediate Spot	0.2%	-0.4%	66.3%	53.5
Gold Spot Price	1.4%	9.0%	1.2%	1256.5
<b>Global Bond Indices (\$)</b>				
Barclays Global Aggregate (\$)	0.6%	1.5%	0.1%	457.9
JPMorgan Emerging Mkt Bond	0.9%	3.5%	12.6%	765.2
<b>10-Year Yield Change (basis points*)</b>				
US Treasury	-10	-13	60	2.31%
UK Gilt	-14	-16	-29	1.08%
German Bund	-12	-2	5	0.18%
Japan Govt Bond	-3	2	14	0.07%
Canada Govt Bond	-10	-11	46	1.61%
<b>Currency Returns**</b>				
US\$ per euro	-0.5%	0.4%	-4.1%	1.056
Yen per US\$	-0.6%	-4.1%	-0.8%	112.12
US\$ per £	0.4%	1.0%	-10.7%	1.246
C\$ per US\$	0.0%	-2.6%	-3.2%	1.309
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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