

# Weekly Update

## Oil Falls, Home Sales Rise, Markets Tread Water

### As of June 23, 2017



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#### The Economy

- Oil stocks plummeted into bear-market territory as the most recent decline moved prices more than 20% below this year's peak.
- New-home sales rose in May by 2.9% to an annualized rate of 610,000, above expectations, despite elevated prices. Analysts attributed the growth to a strong job market and persistently lower-than-expected mortgage rates.
- Existing-home sales rebounded by 1.1% in May to an annualized rate of 5.620 million, driven by condo sales. Single-family-home sales also improved.
- Economic activity moderated in June, with a disappointing preliminary reading of Markit's purchasing managers' composite index (PMI). Individual sector results were mixed: services recorded the healthiest pace of growth in selling prices so far this year; while manufacturing hit a nine-month low as slowing new orders and output cancelled gains in hiring and inventories.
- Initial jobless claims expanded by a moderate 3,000 to 241,000 in the week ending June 17. The four-week moving average (considered a more reliable gauge of unemployment) rose by 1,500 to 244,750. Continuing claims climbed by 8,000 to 1.944 million in the week ending June 10, while the four-week moving average of continuing claims grew by 5,000 to 1.932 million. Despite these increases, jobless claims remained historically low due to strong demand for labor.
- The Conference Board's index of leading economic indicators gained 0.3% in May—the fifth straight monthly increase—pointing to continued strengthening of economic growth.
- Eurozone economic activity expanded in June, but at a weaker pace than the previous month. Initial data from the composite PMI showed improvement in manufacturing, but decelerating growth in the services sector.
- The U.K. made concessions regarding how Brexit negotiations with the European Union would be structured, but pledged to move forward with a full declaration of independence despite political turmoil associated with the ruling party's poor showing in the recent election.
- Index provider MSCI said it would add China A-shares to its Emerging Markets Index in 2018. While a significant step in opening Chinese capital markets to global investors, it will likely be a long time before the addition is meaningful to investors.
- Japanese manufacturing expanded for a tenth consecutive month, but at the slowest rate in six months. Output, new orders and employment all showed weaker growth.

#### U.S. Economic Calendar

- June 26: Durable Goods Orders
- June 27: S&P CoreLogic Case-Shiller HPI, Consumer Confidence
- June 28: Mortgage Applications, International Trade in Goods
- June 29: Gross Domestic Product, Jobless Claims
- June 30: Personal Income, Chicago PMI, Consumer Sentiment

#### Stocks

- Global equities were mixed this week. Emerging markets gained, while developed markets declined.
- U.S. equity sectors were negative, with the exception of healthcare and information technology. Energy and telecommunications were

the weakest. Growth stocks outperformed value stocks and large-company stocks beat small-company stocks.

#### Bonds

- Global bonds fell this week. Global corporate bonds were strongest, followed by global government bonds and global high-yield bonds.
- The U.S. Treasury yield curve flattened after investors interpreted a 10-month low in U.S. crude oil prices as a sign of lower inflation, countering hawkish comments from a Federal Reserve official earlier in the week.

The Numbers as of June 23, 2017	1 Week	YTD	1 Year	Friday's Close
<b>Global Equity Indices</b>				
MSCI ACWI (\$)	0.0%	10.5%	14.3%	466.1
MSCI EAFE (\$)	-0.4%	12.0%	11.8%	1886.0
MSCI Emerging Mkts (\$)	0.6%	17.0%	20.8%	1008.8
<b>US &amp; Canadian Equities</b>				
Dow Jones Industrials (\$)	0.0%	8.3%	18.8%	21394.8
S&P 500 (\$)	0.2%	8.9%	15.4%	2438.3
NASDAQ (\$)	1.8%	16.4%	27.6%	6265.3
S&P/TSX Composite (C\$)	0.9%	0.2%	8.4%	15321.8
<b>UK &amp; European Equities</b>				
FTSE All-Share (£)	-0.5%	4.9%	16.7%	4063.6
MSCI Europe ex UK (€)	0.3%	10.1%	17.3%	1333.3
<b>Asian Equities</b>				
Topix (¥)	1.0%	6.1%	24.1%	1611.3
Hong Kong Hang Seng (\$)	0.2%	16.7%	23.0%	25670.1
MSCI Asia Pac. Ex-Japan (\$)	0.4%	18.1%	21.1%	503.8
<b>Latin American Equities</b>				
MSCI EMF Latin America (\$)	-1.9%	6.2%	12.1%	2484.9
Mexican Bolsa (peso)	-0.4%	7.4%	6.2%	49009.2
Brazilian Bovespa (real)	-0.7%	1.6%	18.7%	61200.1
<b>Commodities (\$)</b>				
West Texas Intermediate Spot	-4.3%	-20.3%	-13.0%	42.8
Gold Spot Price	0.0%	8.9%	-0.6%	1255.1
<b>Global Bond Indices (\$)</b>				
Barclays Global Aggregate (\$)	-0.1%	4.5%	-1.5%	471.8
JPMorgan Emerging Mkt Bond	-0.5%	6.4%	7.1%	786.7
<b>10-Year Yield Change (basis points*)</b>				
US Treasury	-1	-30	40	2.14%
UK Gilt	1	-21	-34	1.03%
German Bund	-2	5	16	0.25%
Japan Govt Bond	0	1	20	0.06%
Canada Govt Bond	-4	-24	19	1.48%
<b>Currency Returns**</b>				
US\$ per euro	0.0%	6.5%	-1.6%	1.120
Yen per US\$	0.4%	-4.9%	4.8%	111.28
US\$ per £	-0.5%	3.1%	-14.5%	1.273
C\$ per US\$	0.4%	-1.3%	4.0%	1.326
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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