Weekly Update
Summertime Blues for Import Prices
As of July 21, 2017

BPU INVESTMENT MANAGEMENT INC.

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The Economy

- Import prices eased in June by 0.2%, mostly due to a 2.2% slide in petroleum, yet advanced by 1.5% in the one-year period. The drop matched that of the previous month, which marked the largest decline in 15 months, indicating that U.S. inflation has slowed. Export prices also sank 0.2% lower in June, cutting the year-over-year gain to 0.6%; agricultural export prices significantly lagged, retreating by 1.5% in the month.
- Housing starts rebounded by 8.3% in June after three months of declines, as both single- and multi-family construction increased. Multi-family home starts, which increased by 13.3%, were particularly strong. The better-than-expected report might help allay affordability concerns tied to low housing-market inventory.
- Mortgage-refinance applications rose by 13% in the week ending July 14, as borrowers rushed to refinance even as rates remained steady. Purchasing application activity, which is not as rate-sensitive, gained 1% in the same period.
- Initial jobless claims sank 15,000 to 233,000 in the week ending July 15. The four-week moving average (considered a more reliable measure of unemployment trends) dropped 2,250 to 243,750. Continuing claims climbed 28,000 in the week ending July 1, while the four-week moving average of continuing claims rose 8,750 to 1.955 million. Despite weakening inflation pressures, continued strength in the labor market will likely keep the Federal Reserve on pace to raise interest rates a third time later this year.
- The Philadelphia Fed Survey showed positive, albeit slowing, manufacturing growth in the region in July. Hiring and new orders were both solid.
- The Conference Board's index of leading economic indicators recorded a better-than-expected 0.6% growth in June. The reading showed its sixth straight monthly increase, pointing to continued economic strengthening.
- The European Central Bank (ECB) left interest rates unchanged in June and confirmed that its asset-purchase program will remain at €60 billion per month through year-end. ECB President Mario Draghi emphasized the need for patience and continued monetary stimulus.
- Inflation in the U.K. was unchanged in June, with declines in fuel prices offsetting gains in furniture and household goods. The year-over-year rate dropped by 0.3% from a four-year high of 2.9% in May. Producer prices expanded at their slowest pace since the end of last year, held back by the latest decline in oil prices.
- China's gross domestic product rose by 1.7% in the second 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 0.8% in June and by 7.6% year over year, on solid output growth in manufacturing.
- The Bank of Japan left its short-term interest-rate target and its government-bond purchase rate unchanged, pointing to the country's continued moderate economic recovery.

U.S. Economic Calendar

- July 24: PMI Composite Flash, Existing Home Sales
- July 25: S&P CoreLogic Case-Shiller Home Prices, Consumer Confidence
- July 26: Mortgage Applications, FOMC Meeting Announcement
- July 27: Durable Goods, International Trade, Jobless Claims
- July 28: GDP, Consumer Sentiment

Stocks

- Global equities advanced this week, led by emerging markets.
- U.S. equity sectors were mostly positive. Utilities and information technology did best, energy and industrials lagged. Growth stocks outperformed value stocks and large-company stocks beat small-company stocks.

Bonds

- Global bonds were higher this week. Global government bonds led the overall advance, followed by global corporate and global high-yield bonds.
- U.S. Treasury yields slipped as investors grew vigilant amid growing conflicts within the Republican Party—and as economic data pointed to softer inflation.

The Numbers as of July 21, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	0.8%	13.2%	15.8%	477.7
MSCI EAFE ($)	1.0%	15.1%	16.9%	1937.8
MSCI Emerging Mkts ($)	1.2%	22.9%	21.6%	1059.4
US & Canadian Equities				
Dow Jones Industrials ($)	-0.3%	9.2%	16.5%	21580.1
S&P 500 ($)	0.5%	10.4%	14.2%	2472.5
NASDAQ ($)	1.2%	18.7%	25.9%	6387.8
S&P/ TSX Composite (C$)	0.1%	-0.7%	4.2%	15183.1
UK & European Equities				
FTSE All-Share (£)	1.1%	5.3%	12.3%	4079.6
MSCI Europe ex UK (€)	-0.7%	9.0%	16.9%	1319.3
Asian Equities				
Topix (¥)	0.3%	7.3%	21.7%	1630.0
Hong Kong Hang Seng ($)	1.2%	21.4%	21.4%	26706.1
MSCI Asia Pac. Ex-Japan ($)	1.3%	23.1%	21.0%	525.3
Latin American Equities				
MSCI EMF Latin America ($)	0.8%	16.9%	14.3%	2735.8
Mexican Bolsa (peso)	0.7%	12.9%	8.8%	51545.6
Brazilian Bovespa (real)	-1.1%	7.4%	14.2%	64685.4
Commodities ($)				
West Texas Intermediate Spot	-2.0%	-15.1%	3.8%	45.6
Gold Spot Price	2.1%	8.7%	-5.7%	1253.9
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.9%	5.5%	-0.3%	476.3
JPMorgan Emerging Mkt Bond	0.5%	6.9%	4.5%	790.4
10-Year Yield Change (basis points*)				
US Treasury	-10	-21	68	2.24%
UK Gilt	-14	-6	34	1.17%
German Bund	-9	30	52	0.51%
Japan Govt Bond	-2	2	28	0.07%
Canada Govt Bond	-1	16	78	1.88%
Currency Returns**				
US$ per euro	1.7%	10.9%	5.8%	1.167
Yen per US$	-1.2%	-5.0%	5.0%	111.13
US$ per £	-0.8%	5.3%	-1.8%	1.299
C$ per US$	-0.8%	-6.7%	-4.2%	1.254

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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