

# Weekly Update

## Opportunities Knocked by Weak Wage Growth

### As of August 11, 2017



Member FINRA/SIPC,  
a registered investment advisor

#### The Economy

- Job openings surged by 8.1% in June, according to the Department of Labor's Job Openings and Labor Turnover Survey; yet hiring fell by 1.9%, as employers struggled to find qualified staff. The report suggests that higher wages, a driver of inflation, might be necessary to fill openings that require skilled employees.
- Consumer prices inched up by 0.1% in July and by 1.7% in the year over year. Weakness in new-vehicle prices, communications and lodging contributed to the muted monthly report. Inflation continued to linger below the Federal Reserve's (Fed) 2% target, which could cause the central bank to further delay future interest-rate increases. Producer prices also eased by 0.1% in July, the biggest monthly drop in almost a year, due to lower energy and services costs.
- Initial jobless claims rose by 3,000 to 244,000 in the week ending August 5. The four-week moving average (considered a more reliable gauge of unemployment) dropped by 1,000 to 241,000. Continuing claims fell by 16,000 for the week ending July 29, while the four-week moving average of continuing claims was unchanged at 1.965 million. Sustained tightness in the labor market could push the Fed to communicate its plans for balance-sheet reduction at its next policy meeting in September.
- Mortgage-purchase applications rose by 1% in the week ending August 4, as borrowers took advantage of decreased mortgage rates. Refinancing activity, which is highly rate-sensitive, gained 5% in the same period.
- Non-farm productivity grew by 0.9% in the second quarter, modestly exceeding expectations. Output climbed by 3.4%, while labor costs inched 0.6% higher. The soft productivity figures continued to provide a headwind for economic growth.
- Outstanding consumer credit (which measures non-mortgage debt) increased by 3.9% in June after expanding by 5.8% in May. Revolving credit reached a new high, a possible signal that households are taking on increasing amounts of credit-card debt to cover necessities.
- Investor confidence within the eurozone remained steady in August, according to the Sentix eurozone investor sentiment index, as a strong reading for current conditions mitigated growing concerns about the U.S. economy.
- The trade deficit in the U.K. widened to £12.7 billion in June from £11.3 billion in May. Imports rose by 1.6%, while exports dropped by 2.8%, despite a weakened pound that has made British goods cheaper abroad.
- Consumer prices in China increased by 1.4% from a year ago in July, falling short of estimates. Producer prices held steady at 5.5% in the year over year.
- Producer prices in Japan were higher in July, by 0.3% for the month and 2.6% year over year. This was the highest annual reading since late 2014—primarily on strength in petroleum and coal, but also within electric power, gas and water.

#### U.S. Economic Calendar

- August 15: Retail Sales, Import and Export Prices
- August 16: Mortgage Applications, FOMC Minutes
- August 17: Jobless Claims, Philadelphia Fed, Industrial Production
- August 18: Consumer Sentiment

#### Stocks

- Global equities retreated this week, led by developed markets.
- U.S. equity sectors were mostly lower. Consumer staples was the only sector that advanced, while energy and financials lagged. Growth stocks outperformed value stocks and large-company stocks beat small-company stocks.

#### Bonds

- Global bond markets were higher on the week. Global government bonds outperformed, followed by global corporate bonds, while global high-yield bonds lagged.
- U.S. Treasury yields fell as investors looked to safety amid escalating tensions between the U.S. and North Korea.

| The Numbers as of<br>August 11, 2017  | 1 Week | YTD   | 1 Year | Friday's<br>Close |
|---|--------|-------|--------|-------------------|
| <b>Global Equity Indices</b>  |        |       |        |                   |
| MSCI ACWI (\$)  | -1.4%  | 12.0% | 12.3%  | 472.6             |
| MSCI EAFE (\$)  | -1.0%  | 14.5% | 12.8%  | 1927.4            |
| MSCI Emerging Mkts (\$)   | -1.0%  | 22.5% | 16.4%  | 1056.2            |
| <b>US &amp; Canadian Equities</b>   |        |       |        |                   |
| Dow Jones Industrials (\$)  | -1.1%  | 10.6% | 17.4%  | 21858.3           |
| S&P 500 (\$)  | -1.4%  | 9.0%  | 11.7%  | 2441.3            |
| NASDAQ (\$)   | -1.5%  | 16.2% | 19.7%  | 6256.6            |
| S&P/TSX Composite (C\$)   | -1.5%  | -1.6% | 1.6%   | 15036.7           |
| <b>UK &amp; European Equities</b>   |        |       |        |                   |
| FTSE All-Share (£)  | -2.5%  | 3.5%  | 6.7%   | 4010.3            |
| MSCI Europe ex UK (€)   | -1.8%  | 7.3%  | 12.3%  | 1299.1            |
| <b>Asian Equities</b>   |        |       |        |                   |
| Topix (¥)   | -0.9%  | 6.5%  | 23.0%  | 1617.3            |
| Hong Kong Hang Seng (\$)  | -2.5%  | 22.2% | 19.1%  | 26883.5           |
| MSCI Asia Pac. Ex-Japan (\$)  | -0.9%  | 22.8% | 16.9%  | 523.8             |
| <b>Latin American Equities</b>  |        |       |        |                   |
| MSCI EMF Latin America (\$)   | -0.8%  | 17.7% | 9.6%   | 2754.9            |
| Mexican Bolsa (peso)  | -1.3%  | 11.0% | 4.8%   | 50647.4           |
| Brazilian Bovespa (real)  | 0.8%   | 12.0% | 15.7%  | 67445.8           |
| <b>Commodities (\$)</b>   |        |       |        |                   |
| West Texas Intermediate Spot  | -1.5%  | -9.1% | 12.3%  | 48.8              |
| Gold Spot Price   | 2.4%   | 11.6% | -4.4%  | 1287.1            |
| <b>Global Bond Indices (\$)</b>   |        |       |        |                   |
| Barclays Global Aggregate (\$)  | 0.4%   | 6.6%  | -1.0%  | 481.0             |
| JPMorgan Emerging Mkt Bond  | -0.2%  | 7.1%  | 3.5%   | 791.9             |
| <b>10-Year Yield Change (basis points*)</b>   |        |       |        |                   |
| US Treasury   | -7     | -26   | 63     | 2.19%             |
| UK Gilt   | -11    | -17   | 53     | 1.06%             |
| German Bund   | -9     | 18    | 47     | 0.38%             |
| Japan Govt Bond   | 0      | 2     | 16     | 0.06%             |
| Canada Govt Bond  | -7     | 13    | 82     | 1.85%             |
| <b>Currency Returns**</b>   |        |       |        |                   |
| US\$ per euro   | 0.4%   | 12.4% | 6.2%   | 1.183             |
| Yen per US\$  | -1.4%  | -6.7% | 7.0%   | 109.10            |
| US\$ per £  | -0.2%  | 5.5%  | 0.5%   | 1.302             |
| C\$ per US\$  | 0.3%   | -5.7% | -2.4%  | 1.268             |
| 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](http://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.*