

Weekly Update

Durable Goods Orders Disappoint

As of August 25, 2017



Member FINRA/SIPC,
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The Economy

- Durable goods orders fell by a disappointing 6.8% in July, while the previous month's reading was revised downward to a gain of 6.4% from 6.5%. Commercial aircraft orders plummeted during the month, offsetting growth in core capital goods (a key gauge for business investment).
- New-home sales slowed in July by 9.4% to an annualized rate of 571,000, below expectations, despite an increase in supply. Analysts attributed the drop to affordability as the high costs of land and labor remained an issue for builders.
- Existing-home sales unexpectedly eased by 1.3% in July to an annualized rate of 5.44 million, driven lower by weak wage growth that hasn't kept up with price appreciation in the housing market.
- Economic activity improved in August; preliminary readings of Markit's purchasing managers' composite index (PMI) reached a seven-month high, pointing to solid growth with signs of underlying acceleration. Services came in above expectations, with strength in new orders and hiring mitigating slower growth in the manufacturing sector.
- Initial jobless claims rose by 2,000 to 234,000 in the week ending August 19. The four-week moving average (considered a more reliable measure of unemployment trends) fell by 2,750 to 237,750, the lowest level in three months. Continuing claims were unchanged in the week ending August 12, while the four-week moving average of continuing claims slid by 2,750 to 1.96 million. The ever-tightening labor market could prompt the Federal Reserve to announce its plan for balance-sheet reduction.
- Mortgage-purchase applications fell by 2% in the week ending August 18 as high prices posed a concern for buyers even though mortgage rates remained at their lowest levels since the presidential election. Refinancing activity, which is highly rate-sensitive, gained 0.3% in the same period.
- Eurozone economic activity expanded in July, but the pace of growth was unchanged from the previous month. Initial data from the composite PMI showed accelerating gains in the manufacturing sector that were the highest in over six years, offset by slowing growth in services.
- The U.K. economy expanded by 0.3% during the second quarter and by 1.7% year over year, indicating modest growth despite weak readings in consumer spending, exports and business investment.
- China's housing price index increased by 9.7 year over year in July, indicating softer growth from the previous month after recent efforts by the Chinese government to slow growth in the housing market.
- Japan's consumer price index (CPI) grew by 0.4% year over year in July, although headline CPI remained well below the Bank of Japan's 2% inflation target.

U.S. Economic Calendar

- August 28: International Trade
- August 29: S&P Corelogic Case-Shiller HPI, Consumer Confidence
- August 30: Mortgage Applications, GDP
- August 31: Jobless Claims, Personal Income and Outlays
- September 1: Employment Situation, PMI Manufacturing, Construction Spending, Consumer Sentiment

Stocks

- Global equities advanced this week, led by emerging markets.
- U.S. equity sectors were mostly positive. Telecommunications and materials led while consumer staples and industrials lagged. Value stocks outperformed growth stocks and small-company stocks beat large-company stocks.

Bonds

- Global bond markets were higher this week. Global high-yield bonds were positive, followed by global corporate bonds and global government bonds.
- U.S. Treasury yields were marginally lower after Federal Reserve Chair Janet Yellen made no new revelations on inflation or interest rates at the Jackson Hole Fed Conference.

The Numbers as of August 25, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI (\$)	0.7%	12.3%	13.2%	473.8
MSCI EAFE (\$)	0.1%	14.0%	12.8%	1919.5
MSCI Emerging Mkts (\$)	2.2%	25.5%	20.5%	1082.5
US & Canadian Equities				
Dow Jones Industrials (\$)	0.6%	10.4%	18.2%	21813.7
S&P 500 (\$)	0.7%	9.1%	12.5%	2443.1
NASDAQ (\$)	0.8%	16.4%	20.2%	6265.6
S&P/TSX Composite (C\$)	0.7%	-1.5%	2.9%	15058.2
UK & European Equities				
FTSE All-Share (£)	0.9%	4.7%	9.1%	4054.6
MSCI Europe ex UK (€)	0.2%	7.5%	14.3%	1301.0
Asian Equities				
Topix (¥)	0.0%	5.2%	22.4%	1597.0
Hong Kong Hang Seng (\$)	3.0%	26.6%	22.1%	27848.2
MSCI Asia Pac. Ex-Japan (\$)	1.4%	24.3%	18.6%	530.3
Latin American Equities				
MSCI EMF Latin America (\$)	3.3%	23.5%	19.2%	2889.7
Mexican Bolsa (peso)	0.5%	12.5%	7.6%	51346.4
Brazilian Bovespa (real)	3.4%	17.9%	23.0%	71017.2
Commodities (\$)				
West Texas Intermediate Spot	-1.8%	-11.4%	1.5%	47.6
Gold Spot Price	0.5%	12.1%	-2.2%	1292.7
Global Bond Indices (\$)				
Barclays Global Aggregate (\$)	0.1%	6.8%	-1.2%	482.2
JPMorgan Emerging Mkt Bond	0.4%	8.1%	4.0%	798.9
10-Year Yield Change (basis points*)				
US Treasury	-2	-28	60	2.17%
UK Gilt	-4	-18	48	1.05%
German Bund	-4	17	45	0.38%
Japan Govt Bond	-1	-3	10	0.02%
Canada Govt Bond	0	15	81	1.87%
Currency Returns**				
US\$ per euro	1.4%	13.3%	5.6%	1.192
Yen per US\$	0.1%	-6.6%	8.7%	109.29
US\$ per £	0.0%	4.3%	-2.4%	1.287
C\$ per US\$	-0.8%	-7.1%	-3.4%	1.248
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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