Weekly Update
Strong Employment, Wimpy Wage Growth

As of December 8, 2017

Member FINRA/SIPC, a registered investment advisor

The Economy

- The U.S. economy added 228,000 jobs in November—better than economists' expectations, but less than the previous month's strong gain. The unemployment rate held at 4.1%, its lowest level since December 2000. Wage growth remained historically low, rising by only 2.5% year over year.
- Revised non-farm productivity was flat at 3% in the third quarter. Output climbed by 4.1%, while unit labor costs retreated by 0.2%.
- Initial jobless claims slid by 2,000 to 236,000, their third straight weekly decline, in the week ending December 2. The less-volatile four-week moving average fell by 750 to 241,500. Continuing claims fell 52,000 to 1.91 million in the week ending November 25. Economists believe the historically tight labor market will begin to push wage growth higher as companies seek talented workers.
- The trade deficit widened by 8.6% to $48.7 billion in October, a nine-month high, from a revised $44.9 billion in September. Imports rose by 1.6%, driven by higher oil prices; exports were unchanged as overseas demand for consumer and capital goods lagged. A higher trade deficit detracts from economic growth.
- Outstanding consumer credit (which measures non-mortgage debt) increased by 6.5% in October, the fastest pace in 11 months, after expanding by a revised 6.1% in September. Revolving credit reached a one-year high, offering confidence in near-term consumer spending—but also suggesting a possible lack of sustainability as debt burdens increase.
- The preliminary December estimate of the University of Michigan's consumer sentiment index came in lower than November's reading (particularly within consumer expectations), but reached a 17-year high in current conditions, a positive for holiday-related consumer spending.
- Mortgage-purchase applications climbed 2% (their fifth consecutive gain) in the week ending November 24 as mortgage rates fell. Refinancing activity (which is sensitive to even small rate changes) jumped by 9% in the same period. The report showed accelerating strength in the housing market.
- Eurozone producer prices expanded by 0.4% in October, driven by higher costs for energy and intermediate goods. Year-over-year prices grew by 2.5%. Producer-price changes typically correlate with movements in consumer inflation.
- China reported a $40 billion trade surplus in November. Both imports and exports appreciated from the levels reported for October.
- Revised data showed that Japan's third-quarter gross domestic product expanded by 0.6%—the seventh consecutive quarterly gain, beating the preliminary estimate. Private non-residential investment was strong, while household consumption detracted.

U.S. Economic Calendar

- December 11: Job Openings and Labor Turnover Survey (JOLTS)
- December 12: Producer Prices
- December 13: Mortgage Applications, FOMC Meeting Announcement
- December 14: Jobless Claims, Retail Sales, Import and Export Prices
- December 15: Industrial Production

Stocks

- Global equities were lower this week. Emerging markets lagged developed markets.
- Most U.S. equity sectors were positive. Financials and industrials led, while utilities and energy underperformed. Growth stocks had the edge over value stocks and large-company stocks beat small-company stocks.

Bonds

- Global bond markets fell this week. Global government bonds lagged, followed by corporate bonds. High-yield bonds outperformed.
- The Treasury yield curve flattened to a 10-year low, as analysts reported that expectations of tax reform passage could boost economic growth in the short term, but would be unlikely to trigger any change to a subdued outlook for inflation.

The Numbers as of December 8, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.4%	18.9%	18.5%	501.4
MSCI EAFE ($)	-0.3%	18.6%	19.3%	1997.8
MSCI Emerging Mkts ($)	-1.4%	27.6%	25.2%	1100.5
US & Canadian Equities				
Dow Jones Industrials ($)	0.4%	23.1%	24.0%	24329.2
S&P 500 ($)	0.4%	18.4%	18.0%	2651.5
NASDAQ ($)	-0.1%	27.1%	26.3%	6840.1
S&P/ TSX Composite (C$)	0.4%	5.4%	5.3%	16105.5
UK & European Equities				
FTSE All-Share (£)	1.1%	4.9%	8.0%	4063.7
MSCI Europe ex UK (€)	0.9%	11.8%	14.9%	1353.5
Asian Equities				
Topix (¥)	0.4%	18.8%	19.2%	1803.7
Hong Kong Hang Seng ($)	-1.5%	30.2%	25.3%	28639.9
MSCI Asia Pac. Ex-Japan ($)	-1.4%	27.6%	23.9%	544.6
Latin American Equities				
MSCI EMF Latin America ($)	-1.4%	15.0%	15.9%	2692.9
Mexican Bolsa (peso)	0.6%	4.2%	2.6%	47571.5
Brazilian Bovespa (real)	0.6%	20.8%	19.9%	72731.8
Commodities ($)				
West Texas Intermediate Spot	-1.7%	6.8%	12.8%	57.4
Gold Spot Price	-2.8%	8.2%	6.5%	1247.6
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.2%	6.8%	6.4%	482.0
JPMorgan Emerging Mkt Bond	0.1%	8.9%	9.5%	804.6
10-Year Yield Change (basis points*)				
US Treasury	2	-7	-3	2.38%
UK Gilt	5	4	-10	1.28%
German Bund	0	10	-8	0.31%
Japan Govt Bond	2	1	0	0.05%
Canada Govt Bond	-5	14	20	1.86%
Currency Returns**				
US$ per euro	-1.1%	11.9%	10.9%	1.177
Yen per US$	1.2%	-3.0%	-0.5%	113.49
US$ per £	-0.6%	8.5%	6.4%	1.339
C$ per US$	1.4%	-4.3%	-2.5%	1.286

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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