Weekly Update
Fed Greenlights Final Rate Hike of 2017

As of December 15, 2017

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The Economy

- This week, the Federal Reserve (Fed) raised its target federal funds rate (the overnight lending rate it charges banks to borrow money) by 0.25% for the third time this year, citing continued confidence in the economy and a strong job market. The central bank also indicated the possibility of up to three more hikes in 2018. Such increases by the Fed can have a downstream effect of pushing credit-card and loan rates higher.
- Consumer prices grew by 0.4% in October and 2.2% year over year; clothing and medical-care costs mitigated the effects of climbing energy prices. The more closely followed core rate (which excludes food and energy) eased to 1.7%. Producer prices rose by 0.4% for the month, as energy expenses gained and trade-service prices declined.
- Import prices increased by 0.7% in November, driven by higher energy costs, while nonfuel prices were unchanged. Year-over-year growth climbed by 3.1%, as a weak U.S. dollar continued to support underlying inflation. Export prices advanced by 0.5% in November, bringing the year-over-year gain to 3.1%.
- Retail sales expanded by 0.8% in November, beating expectations, as consumer spending rebounded. The report cited strength in e-commerce sales ahead of the holiday season, as well as gains in restaurants and apparel.
- Job openings (a measure of labor demand) remained at a historically strong level in October despite falling from 6.12 to 6.00 million, according to the Department of Labor's Job Openings and Labor Turnover Survey. Hires climbed by 232,000 to 5.55 million, but continued to lag the number of available jobs; employers still struggled to find qualified staff at competitive wages.
- Initial jobless claims fell by 11,000 to 225,000 in the week ending December 9, the fourth straight weekly decline. The more-stable four-week moving average fell by 6,750 to 234,750. Continuing claims fell by 27,000 to 1.89 million in the week ending December 2. Economists expect the historically tight labor market to eventually boost wage growth as companies pursue skilled workers.
- The European Central Bank (ECB) left interest rates unchanged in December and reaffirmed that its asset-purchase program would be reduced in January to €30 billion per month through at least September 2018 (and longer, if necessary). ECB President Mario Draghi emphasized the need for rates to remain steady in the near term as inflation undershoots the central bank's target.
- The Bank of England left interest rates at 0.50% in a unanimous vote by the members of the rate-setting Monetary Policy Committee. The central bank also maintained its asset-purchase program, upholding its conservative stance until the economic outlook stabilizes.

U.S. Economic Calendar

- December 19: Housing Starts
- December 20: Mortgage Applications, Existing Home Sales
- December 21: GDP, Jobless Claims, Philadelphia Fed, Leading Indicators
- December 22: Durable Goods Order, Personal Income and Outlays, New Home Sales, Consumer Sentiment

Stocks

- Global equities were higher this week. Emerging markets outpaced developed markets.
- Most U.S. equity sectors were positive. Telecommunications and information technology led, while utilities and materials underperformed. Growth stocks had the edge over value stocks and large-company stocks beat small-company stocks.

Bonds

- Global bond markets rose this week. Global government bonds outperformed, followed by corporate bonds. High-yield bonds lagged.
- The Treasury yield curve flattened further this week, as analysts continued to report short-term expectations of economic growth coupled with a subdued outlook for inflation.

The Numbers as of December 15, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	0.3%	19.8%	19.7%	505.5
MSCI EAFE ($)	0.6%	19.7%	21.2%	2016.5
MSCI Emerging Mkts ($)	0.9%	30.0%	30.6%	1121.2
US & Canadian Equities				
Dow Jones Industrials ($)	1.3%	24.7%	24.2%	24651.7
S&P 500 ($)	0.9%	19.5%	18.3%	2675.8
NASDAQ ($)	1.4%	28.9%	27.1%	6936.6
S&P/ TSX Composite (C$)	-0.3%	5.0%	5.4%	16046.8
UK & European Equities				
FTSE All-Share (£)	1.1%	6.1%	8.2%	4109.0
MSCI Europe ex UK (€)	-0.5%	11.9%	12.7%	1354.6
Asian Equities				
Topix (¥)	-0.6%	18.1%	16.3%	1793.5
Hong Kong Hang Seng ($)	0.7%	31.1%	30.8%	28848.1
MSCI Asia Pac. Ex-Japan ($)	1.2%	30.4%	29.6%	556.2
Latin American Equities				
MSCI EMF Latin America ($)	0.1%	15.6%	20.0%	2706.2
Mexican Bolsa (peso)	1.1%	5.3%	4.8%	48076.4
Brazilian Bovespa (real)	-0.2%	20.6%	24.3%	72607.7
Commodities ($)				
West Texas Intermediate Spot	-0.1%	6.7%	12.6%	57.3
Gold Spot Price	0.5%	8.8%	11.1%	1254.1
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.4%	7.0%	8.5%	482.7
JPMorgan Emerging Mkt Bond	0.2%	9.1%	10.5%	806.1
10-Year Yield Change (basis points*)				
US Treasury	-2	-9	-25	2.35%
UK Gilt	-13	-9	-34	1.15%
German Bund	-1	10	-6	0.30%
Japan Govt Bond	-1	0	-4	0.05%
Canada Govt Bond	-3	11	-1	1.83%
Currency Returns**				
US$ per euro	-0.2%	11.8%	12.9%	1.176
Yen per US$	-0.8%	-3.7%	-4.7%	112.61
US$ per £	-0.5%	8.0%	7.3%	1.333
C$ per US$	0.2%	-4.2%	-3.4%	1.288

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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