Weekly Update

Powell Perks Up Equity Markets

January 11, 2019

BPU INVESTMENT MANAGEMENT INC.

Member FINRA/SIPC,
a registered investment advisor

The Economy

- U.S. equity markets marched higher this week, partially recouping losses from prior weeks of heightened volatility and marking five consecutive days of gains. Economists said Federal Reserve (Fed) Chairman Jerome Powell's more dovish tone helped boost markets.
- Consumer prices moderated by 0.1% in December, marking the first decline in nine months. A steep decline in gasoline prices weighed on the reading. Analysts suggested the recent sharp drop in oil prices due to oversupply and slowing economic growth has kept overall inflation in check. However, underlying inflation pressures for the month remained firm, with the cost of rental housing and healthcare rising steadily. The Consumer Price Index is used as a gauge for the cost of living.
- The Institute for Supply Management's services purchasing managers' index (PMI) narrowed from 60.7 to 57.6 in December. A reduction in business activity translated to slower production; however, the reading remained in expansion territory. Economists noted that a deceleration in business activity was not unexpected, given an unsustainably strong growth rate in recent months.
- The Department of Labor reported that job openings (a measure of labor demand) eased from 7.09 to 6.88 million in November. The reading, which continued to exceed the number of those employed, indicated that employers continue to look for qualified workers. Hiring inched lower for the month, to 5.7 million. The quits rate decreased from 3.51 to 3.40 million; the Fed uses this reading as a barometer for wage inflation.
- Consumer credit growth increased at a faster-than-expected pace to $22.1 billion in November. Revolving credit (which includes credit cards) decelerated from the prior month, but still rose by $4.8 billion. Non-revolving debt (which includes student loans and vehicle loans) climbed by a sharp $17.4 billion. Overall, total consumer borrowing has continued to grow, but at a slower rate in the past year.
- Mortgage-purchase applications rebounded by 17.0% in the week ending January 4, while refinancing activity (which can be sensitive to even small rate changes) jumped by 35.0%. The average interest rate on a 30-year fixed-rate mortgage fell further to 4.74%, its lowest level in three months, sparking the recent flurry in refinancing activity.
- Initial jobless claims moved lower by 15,000 to 216,000 in the week ending January 5. The more stable four-week moving average expanded by 3,000 to 221,750. Continuing claims dropped by 28,000 to 1.72 million.
- Retail sales in the eurozone grew by 0.6% in November, beating analysts' expectations.
- Producer prices in China slowed in December, sinking to 0.9% from 2.7% in November. The contraction was primarily driven by moderation in the price of production materials, fuel and power.
- Industrial production in the U.K. slid by 0.4% in November, missing analysts' expectations. Eight of the 13 subsectors recorded declines in output; metals, the largest detractor, slipped 3.6%.

U.S. Economic Calendar

- January 15: Producer Prices
- January 16: Mortgage Applications, Retail Sales, Import and Export Prices
- January 17: Jobless Claims, Housing Starts
- January 18: Consumer Sentiment, Industrial Production

Stocks

- Global equity markets were positive this week; developed markets led emerging markets.
- U.S. equity sector performance was positive across the board. Industrials and consumer discretionary led, while consumer staples and utilities lagged. Growth stocks beat value stocks, and small-cap stocks outperformed large-cap stocks.

Bonds

- Global bond markets were mostly positive this week. High-yield bonds led, followed by global corporate bonds and global government bonds.
- The 10-year Treasury bond yield heightened to 2.70%.

The Numbers as of January 11, 2019	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	2.9%	3.9%	-10.7%	473.2
MSCI EAFE ($)	2.9%	3.9%	-15.4%	1787.0
MSCI Emerging Mkts ($)	3.5%	3.4%	-16.6%	998.7
US & Canadian Equities				
Dow Jones Industrials ($)	2.3%	2.8%	-6.3%	23976.2
S&P 500 ($)	2.5%	3.5%	-6.2%	2595.0
NASDAQ ($)	3.5%	5.1%	-3.3%	6971.4
S&P/ TSX Composite (C$)	3.6%	4.3%	-8.3%	14942.9
UK & European Equities				
FTSE All-Share (£)	1.7%	3.3%	-10.8%	3797.1
MSCI Europe ex UK (€)	1.8%	3.5%	-12.6%	1207.0
Asian Equities				
Topix (¥)	4.0%	2.4%	-19.0%	1529.7
Hong Kong Hang Seng ($)	4.1%	3.2%	-14.3%	26667.3
MSCI Asia Pac. Ex-Japan ($)	3.7%	2.6%	-16.4%	489.5
Latin American Equities				
MSCI EMF Latin America ($)	3.5%	10.4%	-4.3%	2833.2
Mexican Bolsa (peso)	2.4%	4.4%	-10.9%	43487.2
Brazilian Bovespa (real)	2.0%	6.6%	18.0%	93658.3
Commodities ($)				
West Texas Intermediate Spot	7.6%	13.6%	-19.1%	51.6
Gold Spot Price	0.5%	0.7%	-2.4%	1290.3
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.2%	0.6%	-0.5%	481.8
JPMorgan Emerging Mkt Bond	0.6%	1.6%	-2.8%	783.4
10-Year Yield Change (basis points*)				
US Treasury	3	1	16	2.70%
UK Gilt	1	1	-2	1.29%
German Bund	3	0	-34	0.24%
Japan Govt Bond	6	1	-6	0.02%
Canada Govt Bond	3	-1	-21	1.96%
Currency Returns**				
US$ per euro	0.6%	0.0%	-4.7%	1.146
Yen per US$	0.0%	-1.1%	-2.5%	108.53
US$ per £	1.0%	0.7%	-5.1%	1.285
C$ per US$	-0.8%	-2.7%	6.0%	1.327

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.

Index Definitions:

S&P 500 Index: The S&P 500 Index is a capitalization-weighted index made up of 500 widely held large-cap U.S. stocks.

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
Member FINRA/SIPC & an SEC registered investment advisor

SIMC is not an affiliate of BPU investment Management, Inc.

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.