Weekly Update
Wages Gain Ground
As of February 2, 2018

Member FINRA/SIPC,
a registered investment advisor

The Economy

- The U.S. economy added 200,000 jobs in January—beating economists' expectations and outpacing the previous month's gain. The unemployment rate held at 4.1%, the lowest level since December 2000. Hourly wage growth improved by 2.9% year over year, the strongest annual gain in nine years.
- The Federal Reserve (Fed) left interest rates unchanged in a unanimous vote, despite moderate economic expansion and a solid labor market. The central bank's official statement pointed to accelerating inflationary pressures and reinforced the likelihood of multiple rate hikes in 2018.
- Personal income expanded by 0.4% in December, with wages and salaries rising by 0.5%. Consumer spending also advanced by 0.4%, partly due to the savings rate slipping to a 13-year low. Core personal consumption expenditures (which excludes food and energy and is the Fed's preferred measure of inflation) inched 0.2% higher for the period; the year-over-year reading was unchanged at 1.5%.
- The S&P CoreLogic Case-Shiller Home Price Index edged up by 0.7% in November and by 6.4% year over year, driven by strong demand and a tight labor market.
- Initial jobless claims moderated by 1,000 to 230,000 in the week ending January 27, as companies continued to retain high numbers of employees in a tight labor market. The more-stable four-week moving average dipped by 5,000 to 234,500. The four-week moving average of continuing claims increased by 12,000 to 1.93 million in the week ending January 20, but remained near its 44-year low.
- The Institute for Supply Management's manufacturing purchasing managers' index (PMI) decelerated in January, but remained in solid expansion territory due to 10-year highs in new orders and production. A similar report from Markit also showed strength in exports and new orders.
- Consumer confidence rebounded in January on strong employment and stock-market expectations, according to the Conference Board, nearing a 17-year high set in November.
- Mortgage-purchase applications were 3% lower in the week ending January 26, due to a recent trend of slowly rising rates. Refinancing activity (which is sensitive to even small rate changes) dropped by 3% in the same period.
- The eurozone's economy expanded by 0.6% in the fourth quarter, according to a preliminary reading, pointing to continued wide-ranging recovery in the region.
- Activity in China's manufacturing sector remained in expansion territory during January, according to a PMI reading; strong output offset moderation in new order growth.
- Japan's PMI composite showed accelerated expansion in January, as new orders and new export orders recorded multi-year highs.

U.S. Economic Calendar

- February 5: PMI Services Index, ISM Non-Mfg Index
- February 6: International Trade, Job Openings and Labor Turnover Survey
- February 7: Mortgage Applications, Consumer Credit
- February 8: Jobless Claims

- **Stocks**

- Global equities declined this week. Emerging markets fell by more than developed markets.
- U.S. equity sector performance was negative across the board. Telecommunications and utilities had the smallest declines, while energy and materials had the largest. Growth stocks had the edge over value stocks and small-company stocks beat large-company stocks.

Bonds

- Global bond markets moved lower this week. Global corporate bonds outperformed, followed by government bonds; high-yield bonds lagged.
- Treasury yields rose and the 10-year yield hit a four-year high, as investors turned their attention to a falling U.S. dollar and the possibility of rising inflation.

The Numbers as of February 2, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-1.7%	5.5%	24.7%	541.2
MSCI EAFE ($)	-1.4%	5.0%	24.1%	2154.3
MSCI Emerging Mkts ($)	-1.9%	7.8%	36.4%	1248.6
US & Canadian Equities				
Dow Jones Industrials ($)	-4.1%	3.2%	28.3%	25521.0
S&P 500 ($)	-3.9%	3.3%	21.1%	2762.1
NASDAQ ($)	-3.5%	4.9%	28.5%	7240.9
S&P/ TSX Composite (C$)	-3.9%	-3.7%	1.3%	15606.0
UK & European Equities				
FTSE All-Share (£)	-2.9%	-3.2%	5.3%	4086.7
MSCI Europe ex UK (€)	-1.7%	1.7%	12.6%	1367.8
Asian Equities				
Topix (¥)	-0.8%	2.6%	23.4%	1864.2
Hong Kong Hang Seng ($)	-1.7%	9.0%	40.6%	32601.8
MSCI Asia Pac. Ex-Japan ($)	-1.6%	6.0%	32.9%	603.9
Latin American Equities				
MSCI EMF Latin America ($)	-0.4%	14.1%	27.3%	3227.0
Mexican Bolsa (peso)	-1.3%	2.1%	7.0%	50379.2
Brazilian Bovespa (real)	-1.7%	10.0%	30.1%	84041.3
Commodities ($)				
West Texas Intermediate Spot	-1.0%	8.3%	22.2%	65.5
Gold Spot Price	-1.4%	2.2%	9.8%	1334.9
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.3%	1.0%	7.3%	489.8
JPMorgan Emerging Mkt Bond	-0.3%	-0.3%	7.0%	805.8
10-Year Yield Change (basis points*)				
US Treasury	18	43	36	2.84%
UK Gilt	13	39	20	1.58%
German Bund	14	34	34	0.76%
Japan Govt Bond	1	4	-3	0.09%
Canada Govt Bond	10	32	59	2.36%
Currency Returns**				
US$ per euro	0.3%	3.8%	15.8%	1.246
Yen per US$	1.5%	-2.2%	-2.3%	110.16
US$ per £	-0.3%	4.5%	12.7%	1.412
C$ per US$	0.9%	-1.2%	-4.6%	1.242

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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