# Weekly Update

## Existing-Home Sales Slump on Short Supply

February 23, 2018

Member FINRA/SIPC, a registered investment advisor

### The Economy

- Existing-home sales unexpectedly slipped by 3.2% in January to an annualized rate of 5.38 million, as tight supply, affordability and rising mortgage rates sidelined potential homebuyers.
- Mortgage-purchase applications saw a 6% slump in the week ending February 16, as mortgage rates hit the highest level in over four years. Refinancing activity (which is sensitive to even small rate changes) dropped by 7% in the same period.
- Minutes from the Federal Open Market Committee's (FOMC) January meeting (which was Janet Yellen's final as Federal Reserve Chair) revealed that a majority of its members foresee a continuation of strong economic growth, and that almost all members believe inflation will trend toward the central bank's 2% target in the near-term.
- A preliminary reading of Markit's February purchasing managers' index (PMI) pointed to accelerating growth. Services came in above expectations, due to strength in new work and business confidence; manufacturing hit a 40-month peak, driven by new-business and payroll growth. The report also indicated swelling cost pressure that supports the case for additional interest-rate increases this year.
- Initial jobless claims shrank by a greater-than-expected 7,000 to 222,000 in the week ending February 17, as labor-market conditions continued to tighten. The less-volatile four-week moving average cooled by 2,250 to 226,000. Continuing claims remained near a 45-year low, falling by 73,000 to 1.88 million in the week ending February 10.
- The Conference Board's index of leading economic indicators expanded for the third straight month, with a better-than-expected 1.0% gain in January, supported by strength in equity prices and building permits. It was also boosted by the Institute for Supply Management's new orders index (which is used by economists to gauge the health of the U.S. economy), as its January results pointed to continued economic acceleration and strength.
- Economic growth in the eurozone slowed in February from a 12-year high in the previous month, according to preliminary data from the composite PMI, with services and manufacturing both decelerating. Analysts nevertheless suggested that the rate of expansion remained impressive.
- The U.K. economy grew by a revised 0.4% during the fourth quarter and by 1.4% year over year, making it the slowest-growing major economy in 2017, handicapped by Brexit-related concerns. Household spending and gross fixed-capital formation gained, while net trade detracted.
- Japanese manufacturing expanded for the eighteenth consecutive month in February, but lagged January's four-year high. Output and new orders slowed as a stronger yen weighed on external demand.

### U.S. Economic Calendar

- February 26: New-Home Sales
- February 27: Durable Goods Orders, International Trade, S&P Corelogic Case-Shiller Home Prices
- February 28: Mortgage Applications, GDP
- March 1: Jobless Claims, Personal Income and Outlays, PMI Manufacturing Index, Construction Spending
- March 2: Consumer Sentiment

### Stocks

- Global equity markets declined this week. Emerging markets were slightly higher, and developed markets fell.
- U.S. equity sector performance was mostly positive. Information technology and materials were up, while telecommunications and consumer staples were lower. Growth stocks outpaced value stocks, and large-company stocks beat small-company stocks.

### Bonds

- Global bond markets moved lower this week. High-yield bonds outperformed, while global corporate and global government bonds lagged.
- Treasury yields rose and the 10-year yield hit a new four-year high as traders digested the January FOMC meeting minutes.

| The Numbers as of February 23, 2018 | 1 Week | YTD | 1 Year | Friday's Close |
|---|---|---|---|---|
| **Global Equity Indices** | | | | |
| MSCI ACWI ($) | -0.8% | 1.0% | 16.0% | 518.2 |
| MSCI EAFE ($) | -0.9% | 0.3% | 16.6% | 2057.7 |
| MSCI Emerging Mkts ($) | 0.1% | 3.7% | 26.1% | 1200.9 |
| **US & Canadian Equities** | | | | |
| Dow Jones Industrials ($) | 0.4% | 2.4% | 21.6% | 25310.0 |
| S&P 500 ($) | 0.6% | 2.8% | 16.2% | 2747.3 |
| NASDAQ ($) | 1.4% | 6.3% | 25.7% | 7337.4 |
| S&P/ TSX Composite (C$) | 1.2% | -3.6% | -0.9% | 15633.2 |
| **UK & European Equities** | | | | |
| FTSE All-Share (£) | -0.5% | -5.5% | 1.0% | 3991.5 |
| MSCI Europe ex UK (€) | 0.1% | -1.5% | 6.6% | 1325.7 |
| **Asian Equities** | | | | |
| Topix (¥) | 1.3% | -3.1% | 13.1% | 1760.5 |
| Hong Kong Hang Seng ($) | 0.5% | 4.5% | 29.7% | 31267.2 |
| MSCI Asia Pac. Ex-Japan ($) | 0.0% | 1.2% | 22.3% | 576.3 |
| **Latin American Equities** | | | | |
| MSCI EMF Latin America ($) | 1.0% | 11.0% | 17.7% | 3140.3 |
| Mexican Bolsa (peso) | -0.6% | -1.5% | 2.9% | 48594.0 |
| Brazilian Bovespa (real) | 2.9% | 13.9% | 28.9% | 86990.5 |
| **Commodities ($)** | | | | |
| West Texas Intermediate Spot | 2.9% | 5.1% | 17.3% | 63.5 |
| Gold Spot Price | -1.7% | 1.8% | 6.5% | 1330.3 |
| **Global Bond Indices ($)** | | | | |
| Barclays Global Aggregate ($) | -0.6% | 0.4% | 6.5% | 486.6 |
| JPMorgan Emerging Mkt Bond | -0.3% | -2.5% | 3.1% | 787.8 |
| **10-Year Yield Change (basis points*)** | | | | |
| US Treasury | -1 | 46 | 50 | 2.87% |
| UK Gilt | -6 | 33 | 37 | 1.52% |
| German Bund | -5 | 23 | 42 | 0.65% |
| Japan Govt Bond | -1 | 1 | -3 | 0.05% |
| Canada Govt Bond | -7 | 21 | 58 | 2.25% |
| **Currency Returns**** | | | | |
| US$ per euro | -0.9% | 2.4% | 16.2% | 1.230 |
| Yen per US$ | 0.6% | -5.2% | -5.1% | 106.84 |
| US$ per £ | -0.4% | 3.4% | 11.3% | 1.397 |
| C$ per US$ | 0.7% | 0.6% | -3.5% | 1.265 |

**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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