Weekly Update
Trade Deficit Drags
March 9, 2018

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The Economy

- The trade deficit swelled by 5.0% in January to a post-recession high of $56.6 billion. Exports slumped by 1.3%, driven by weakness in industrial supplies and capital goods, while imports were unchanged for the month. A wider trade deficit detracts from economic growth.
- The U.S. economy added 313,000 jobs in February—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 2.6% year over year.
- The latest Federal Reserve Beige Book pointed to slight tightening in the labor market, with accelerating wage gains and a "modest-to-moderate" economic expansion that continues to support the case for additional interest-rate increases in 2018.
- Initial jobless claims jumped by a greater-than-expected 21,000 to 231,000 in the week ending March 3. The more-stable four-week moving average grew by 2,000 to 222,500. Continuing claims dropped by 64,000 to 1.87 million in the week ending February 24, remaining near a 45-year low.
- Outstanding consumer credit (which measures non-mortgage debt) grew by 4.3% in January, after rising by 5.8% in December. Economists said the slowdown was expected after consumer spending dipped following the holiday season.
- The Institute for Supply Management's index of non-manufacturing activity remained steady in February, with accelerated growth in new orders and input prices amid a sharp slowdown in employment. A similar report from Markit Economics also showed increases in new orders and input prices. Analysts expected employment figures to decelerate given the unsustainable pace of hiring in January.
- Mortgage-purchase applications slid by 1% in the week ending March 2, as mortgage rates continued to climb and hit their highest level in more than four years. Refinancing activity (which can be sensitive to even small rate changes) edged higher by 2% in the same week.
- The European Central Bank (ECB) left interest rates unchanged in March and reaffirmed that its asset-purchase program would remain at €30 billion per month through at least September 2018 (and longer, if necessary). ECB President Mario Draghi emphasized the risk of a possible trade war resulting from President Donald Trump's proposed tariffs on steel and aluminum.
- Consumer prices in China increased by 2.9% from a year ago in February. Producer prices strengthened by 3.7% in the same period.
- In another sign of Japan's continued economic recovery, The Bank of Japan maintained its short-term interest-rate target and government-bond purchase rate.

U.S. Economic Calendar

- March 13: Consumer Price Index
- March 14: Mortgage Applications, Retail Sales, Producer Prices
- March 15: Jobless Claims, Import and Export Prices
- March 16: Industrial Production, Consumer Sentiment, Job Openings and Labor Turnover Survey (JOLTS)

Stocks

- Global equity markets rose this week. Developed markets outperformed emerging markets.
- U.S. equity sector performance was positive across the board. Industrials and financials led, while utilities and consumer staples lagged. Growth stocks outpaced value stocks, and small-company stocks beat large-company stocks.

Bonds

- Global bond markets were higher this week. High-yield bonds outperformed, while global corporate and global government bonds lagged.
- Treasury yields rose slightly as investors continued to digest President Trump's tariff announcement, which included possible exemptions for Canada and Mexico.

The Numbers as of March 9, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	1.6%	1.3%	17.2%	519.6
MSCI EAFE ($)	1.6%	-0.7%	16.5%	2036.8
MSCI Emerging Mkts ($)	1.1%	3.2%	29.5%	1195.2
US & Canadian Equities				
Dow Jones Industrials ($)	3.3%	2.5%	21.5%	25335.7
S&P 500 ($)	3.5%	4.2%	17.8%	2786.6
NASDAQ ($)	4.2%	9.5%	29.5%	7560.8
S&P/ TSX Composite (C$)	1.2%	-3.9%	0.5%	15573.7
UK & European Equities				
FTSE All-Share (£)	2.4%	-5.4%	0.3%	3993.5
MSCI Europe ex UK (€)	2.9%	-1.9%	4.7%	1319.2
Asian Equities				
Topix (¥)	0.4%	-5.6%	10.3%	1715.5
Hong Kong Hang Seng ($)	1.3%	3.6%	31.9%	30996.2
MSCI Asia Pac. Ex-Japan ($)	0.9%	1.1%	24.9%	576.0
Latin American Equities				
MSCI EMF Latin America ($)	0.1%	8.5%	21.7%	3069.2
Mexican Bolsa (peso)	2.2%	-1.6%	2.8%	48575.8
Brazilian Bovespa (real)	0.6%	12.9%	33.6%	86285.5
Commodities ($)				
West Texas Intermediate Spot	1.3%	2.7%	25.9%	62.0
Gold Spot Price	0.1%	1.2%	9.8%	1322.1
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.0%	0.8%	8.5%	488.4
JPMorgan Emerging Mkt Bond	0.2%	-2.1%	4.6%	790.7
10-Year Yield Change (basis points*)				
US Treasury	3	49	29	2.90%
UK Gilt	2	30	27	1.49%
German Bund	0	22	22	0.64%
Japan Govt Bond	-2	1	-4	0.05%
Canada Govt Bond	7	23	46	2.27%
Currency Returns**				
US$ per euro	-0.1%	2.5%	16.4%	1.231
Yen per US$	1.0%	-5.2%	-7.1%	106.82
US$ per £	0.4%	2.5%	13.9%	1.385
C$ per US$	-0.5%	2.0%	-5.1%	1.282

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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