Weekly Update
GDP Grows on Consumer Spending
March 30, 2018

INVESTMENT MANAGEMENT INC.

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The Economy

- Fourth-quarter gross domestic product (GDP) was revised higher in its final reading, from 2.5% to 2.9% annualized growth. Non-residential investment and consumer spending contributed most, while residential investment detracted. Economists believe the U.S. economy remains on track to hit 3% annual growth in 2018, driven by tax reform and increased government spending.
- Initial jobless claims shrank by 12,000 to 215,000 in the week ending March 24, as labor-market strength remained near a 50-year high. The more stable four-week moving average fell by 500 to 224,500. Continuing claims rose by 35,000 to 1.87 million in the week ending March 17, but remained near a 45-year low. Analysts are optimistic that the robust job market, particularly wage growth, could strengthen consumer spending.
- Personal income expanded by 0.4% in February, with the wages and salaries component rising by 0.5%. Consumer spending continued to slow after a robust fourth quarter, advancing by just 0.2% for the second consecutive month due in part to an increase in household saving. The core personal consumption expenditures reading (which excludes food and energy and is the Federal Reserve's preferred measure of inflation) inched 0.2% higher for the month and 1.6% for the year over year.
- The trade deficit widened slightly in February to $75.4 billion. Exports climbed by 2.2% on strength in capital goods and vehicle sales; imports grew by 1.4%, primarily within foods and capital goods.
- The S&P CoreLogic Case-Shiller Home Price Index edged up by 0.8% in January and by 6.2% year over year, on strong housing demand and a tight labor market.
- Consumer confidence slumped in March after hitting a 17-year high in February, according to the Conference Board, as stock-market expectations hit the lowest level since President Donald Trump's election.
- Mortgage-purchase applications rose by 3% in the week ending March 23, driven by housing-market strength, even as mortgage rates remained near their highest level in more than four years. Refinancing activity (which can be sensitive to even small rate changes) jumped by 7% in the same week.
- The final March reading of the University of Michigan's consumer sentiment index registered its highest level in 14 years as recent market volatility subsided.
- Economic sentiment in the eurozone hit a five-month low in February. The headline index lost 1.6 points as optimism weakened across most sectors. Still, the reading remained near its historical high, consistent with a continued, but slowing, economic recovery.
- The U.K. economy grew by 0.4% during the fourth quarter and by 1.4% year over year, making it the slowest-growing major economy in 2017 amid Brexit-related concerns. Household spending and gross fixed-capital formation gained, while net trade detracted.

U.S. Economic Calendar

- April 2: PMI Manufacturing, ISM Manufacturing Index, Construction Spending
- April 4: Mortgage Applications, Factory Orders
- April 5: Jobless Claims, International Trade
- April 6: Employment Situation

Stocks

- Global equity markets rose this week. Developed markets outpaced emerging markets.
- All U.S. equity sectors were positive. Consumer staples and telecommunications outperformed, while energy and consumer discretionary stocks underperformed the broader market. Value stocks led growth stocks; large-cap stocks beat small-cap stocks.

Bonds

- Global bond markets were slightly lower this week. Corporate bonds outperformed, high-yield bonds remained close to flat and global government bonds lagged.
- Treasury yields fell and the yield curve flattened to a 10-year low as investors sought safe-haven assets following the stock market's decline earlier in the week.

The Numbers as of March 30, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	1.2%	-1.5%	12.1%	505.4
MSCI EAFE ($)	0.6%	-2.4%	11.1%	2002.2
MSCI Emerging Mkts ($)	-0.2%	0.9%	20.6%	1169.3
US & Canadian Equities				
Dow Jones Industrials ($)	2.4%	-2.5%	16.3%	24103.1
S&P 500 ($)	2.0%	-1.2%	11.5%	2640.9
NASDAQ ($)	1.0%	2.3%	19.4%	7063.4
S&P/ TSX Composite (C$)	0.9%	-5.2%	-1.4%	15367.3
UK & European Equities				
FTSE All-Share (£)	1.7%	-7.8%	-2.9%	3894.2
MSCI Europe ex UK (€)	1.6%	-3.6%	1.0%	1296.8
Asian Equities				
Topix (¥)	3.1%	-5.6%	12.4%	1716.3
Hong Kong Hang Seng ($)	-0.7%	0.6%	23.8%	30093.4
MSCI Asia Pac. Ex-Japan ($)	-0.3%	-1.1%	16.7%	563.2
Latin American Equities				
MSCI EMF Latin America ($)	1.1%	7.2%	14.1%	3032.9
Mexican Bolsa (peso)	-0.8%	-6.5%	-5.6%	46124.9
Brazilian Bovespa (real)	1.2%	11.7%	30.8%	85365.6
Commodities ($)				
West Texas Intermediate Spot	-1.4%	7.5%	29.0%	64.9
Gold Spot Price	-1.5%	1.6%	6.4%	1327.2
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.1%	1.4%	6.8%	491.4
JPMorgan Emerging Mkt Bond	0.9%	-1.8%	3.0%	793.5
10-Year Yield Change (basis points*)				
US Treasury	-7	33	32	2.74%
UK Gilt	-10	16	23	1.35%
German Bund	-3	7	16	0.49%
Japan Govt Bond	3	0	-2	0.05%
Canada Govt Bond	-10	5	45	2.09%
Currency Returns**				
US$ per euro	-0.2%	2.7%	15.5%	1.233
Yen per US$	1.4%	-5.8%	-5.1%	106.19
US$ per £	-0.6%	4.0%	12.7%	1.405
C$ per US$	-0.1%	2.4%	-3.5%	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.

Index returns are for illustrative purposes only and do not represent actual fund performance.

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