Weekly Update
Joblessness Hits 17-Year Low; Fed Holds

May 4, 2018

Member FINRA/SIPC, a registered investment advisor

The Economy

- The U.S. economy added 164,000 jobs in April and unemployment fell to 3.9%, its lowest level since December 2000. Hourly wage growth improved by 2.6% year over year.
- The Federal Open Market Committee (FOMC) left interest rates unchanged in a unanimous vote, despite moderate economic expansion and a durable labor market. The central bank's official statement reinforced the likelihood of two additional rate hikes in 2018, however, pointing to accelerating inflationary pressures.
- Personal income expanded by 0.3% in March, with the wages and salaries component rising by just 0.2%. Consumer spending advanced by 0.4% for the month. 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 1.9% year over year. Economists suggested the progress toward the central bank's 2% inflation target would not likely change the expected pace of interest-rate hikes this year.
- The Institute for Supply Management's manufacturing purchasing managers' index (PMI) expanded at a slower pace in April compared to the prior month. A similar report by Markit Economics, however, showed that manufacturing accelerated to the fastest monthly rate in over three years. Both reports indicated inflationary pressures tied to the recent tariffs imposed on steel imports.
- The trade deficit fell by 15.1% in March to $49 billion after hitting a post-recession high in February. Exports expanded by 2%, driven by strength in capital goods and food products, while imports eased by 1.8%. A narrower trade deficit adds to economic growth.
- Non-manufacturing activity decelerated in April, according to the Institute for Supply Management, but remained in solid expansion territory on robust growth in new orders and export orders. Markit Economics likewise pointed to an increase in new orders; it also reported that business confidence rose to a three-year high.
- Initial jobless claims edged 2,000 higher to 211,000 in the week ending April 14, after registering a 48-year low in the previous week. The more-stable four-week moving average inched 7,750 lower to 221,500. Continuing claims fell by 77,000 to 1.76 million in the week ending April 7 to a 45-year low.
- The eurozone's economy gained 0.4% in the first quarter, according to preliminary estimates, pointing to a slowdown in economic growth in the region.
- China's manufacturing sector continued to expand for the eleventh consecutive month in April; strength in output slightly offset a slackening in new orders and new export orders.
- Manufacturing growth in Japan accelerated during April, as solid output and new orders countered a slowdown in new export orders (which was tied to the strengthening Japanese yen).

U.S. Economic Calendar

- May 7: Consumer Credit
- May 8: Job Openings and Labor Turnover Survey
- May 9: Mortgage Applications, Producer Prices
- May 10: Consumer Prices, Jobless Claims
- May 11: Import and Export Prices, Consumer Sentiment

Stocks

- Global equity markets fell this week. Emerging markets lagged developed markets.
- Most U.S. equity sectors declined. Information technology and materials outperformed, while the telecommunication services and healthcare sectors underperformed the broader market. Growth stocks led value stocks; small-cap stocks beat large-cap stocks.

Bonds

- Global bond markets were lower this week. High-yield bonds outperformed, followed by global government bonds. Corporate bonds lagged.
- Treasury yields fell after the FOMC indicated that the central bank would not likely increase its current projected pace of rate hikes.

The Numbers as of May 4, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-1.2%	-1.6%	10.5%	505.0
MSCI EAFE ($)	-0.8%	-1.2%	9.4%	2026.7
MSCI Emerging Mkts ($)	-1.6%	-1.8%	16.1%	1137.8
US & Canadian Equities				
Dow Jones Industrials ($)	-0.2%	-1.8%	15.8%	24262.5
S&P 500 ($)	-0.2%	-0.4%	11.5%	2663.4
NASDAQ ($)	1.3%	4.4%	18.7%	7209.6
S&P/ TSX Composite (C$)	0.4%	-2.9%	2.2%	15732.3
UK & European Equities				
FTSE All-Share (£)	0.8%	-1.5%	4.4%	4158.6
MSCI Europe ex UK (€)	0.2%	-0.3%	0.1%	1341.9
Asian Equities				
Topix (¥)	-0.3%	-2.5%	14.3%	1771.5
Hong Kong Hang Seng ($)	-1.2%	0.0%	21.2%	29926.5
MSCI Asia Pac. Ex-Japan ($)	0.0%	-1.1%	15.6%	563.3
Latin American Equities				
MSCI EMF Latin America ($)	-5.7%	0.5%	9.6%	2841.1
Mexican Bolsa (peso)	-2.7%	-4.8%	-4.1%	46970.4
Brazilian Bovespa (real)	-3.6%	9.1%	28.5%	83317.2
Commodities ($)				
West Texas Intermediate Spot	2.4%	15.4%	53.2%	69.7
Gold Spot Price	-0.6%	0.6%	6.8%	1313.4
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.4%	-0.6%	4.0%	481.7
JPMorgan Emerging Mkt Bond	-1.2%	-4.3%	-0.8%	772.9
10-Year Yield Change (basis points*)				
US Treasury	-1	54	59	2.95%
UK Gilt	-5	21	28	1.40%
German Bund	-3	12	15	0.54%
Japan Govt Bond	-1	0	2	0.05%
Canada Govt Bond	0	28	79	2.33%
Currency Returns**				
US$ per euro	-1.4%	-0.4%	8.8%	1.196
Yen per US$	0.0%	-3.2%	-3.0%	109.09
US$ per £	-1.8%	0.2%	4.7%	1.354
C$ per US$	0.2%	2.3%	-6.5%	1.286

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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