Weekly Update
Trade Gap Tightens as Exports Expand
June 8, 2018

BPU INVESTMENT MANAGEMENT INC.

Member FINRA/SIPC, a registered investment advisor

The Economy

- The trade deficit tightened by 2.1% in April to $46.2 billion, a seven-month low. Exports gained 0.3% to a record high, driven by strength in industrial supplies and food; imports eased by 0.2%, as demand weakened for cellphones and other consumer goods. A narrower trade deficit adds to economic growth.
- Job openings (a measure of labor demand) increased from 6.63 million to 6.70 million in April, according to the Department of Labor, hitting an all-time high and exceeding the number of unemployed for the first time in over 40 years. The number of hires improved only slightly, from 5.43 million to 5.58 million, lagging the number of available jobs; analysts said a lack of qualified candidates could hinder business expansion.
- Initial jobless claims fell by 1,000 to 222,000 in the week ending June 2. The less-volatile four-week moving average grew by 2,750 to 225,500. Continuing claims increased by 21,000 to 1.74 million in the week ending May 26, lingering near a 45-year low. Economists remained confident that the job market has nearly (if not completely) reached full employment.
- Factory orders pivoted lower by 0.8% in April, as strength in nondurable goods was more than offset by fewer civilian aircraft orders. Analysts commented that the overall trend is still positive for the manufacturing sector.
- Oil prices dropped to a two-month low early in the week as domestic inventories unexpectedly climbed, and the market reacted to expectations that the Organization of Petroleum Exporting Countries would increase output.
- Non-manufacturing activity continued to expand in May, according to the Institute for Supply Management, on robust growth in new orders and business activity; ongoing threats of an escalating trade war, however, remained a concern for future growth. Markit Economics likewise pointed to an increase in new orders; it also reported that input costs impacted by tarrifs rose to a five-year high.
- Outstanding consumer credit (which measures non-mortgage debt) grew by just 2.9% in April, the slowest pace in seven months. Economists said the slowdown was likely the result of tightening lending standards for credit cards.
- Mortgage-purchase applications gained 4% in the week ending June 1, as mortgage rates pulled back—but maintained their highest level in more than seven years. Refinancing activity (which can be sensitive to even small rate changes) rebounded by 4%.
- The eurozone's economy expanded by 0.4% in the first quarter, according to the final reading, pointing to a slowdown in economic growth in the region.
- Japan's first-quarter gross domestic product shrank by 0.2%, according to the revised estimate—the first decline in over two years. Business investment and consumer spending detracted; local commentators suggested the contraction could be temporary.

U.S. Economic Calendar

- June 12: Consumer Price Index
- June 13: Mortgage Applications, PPI, FOMC Meeting Announcement
- June 14: Jobless Claims, Retail Sales, Import and Export Prices
- June 15: Industrial Production, Consumer Sentiment

Stocks

- Global equity markets rose this week. Emerging markets outpaced developed markets.
- U.S. equity sectors were mostly positive. Telecommunication services and consumer discretionary led, while utilities and energy lagged. Growth stocks outgained value stocks; large-cap stocks beat small-cap stocks.

Bonds

- Global bond markets were down this week, as government bonds underperformed; high-yield and corporate bonds outperformed.
- Treasury yields rose after comments by the European Central Bank's chief economist suggested that the central bank would begin to consider moderating its monthly bond-buying program.

The Numbers as of June 8, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	1.4%	1.3%	11.3%	519.9
MSCI EAFE ($)	1.4%	-1.4%	6.7%	2021.1
MSCI Emerging Mkts ($)	1.7%	-0.8%	12.8%	1149.7
US & Canadian Equities				
Dow Jones Industrials ($)	2.8%	2.4%	19.5%	25316.5
S&P 500 ($)	1.6%	3.9%	14.2%	2779.0
NASDAQ ($)	1.2%	10.8%	20.9%	7645.5
S&P/ TSX Composite (C$)	0.9%	-0.1%	5.0%	16193.8
UK & European Equities				
FTSE All-Share (£)	-0.1%	0.3%	3.9%	4235.4
MSCI Europe ex UK (€)	0.0%	-1.6%	-0.2%	1324.1
Asian Equities				
Topix (¥)	1.8%	-2.0%	12.0%	1781.4
Hong Kong Hang Seng ($)	1.5%	3.5%	18.8%	30958.2
MSCI Asia Pac. Ex-Japan ($)	2.5%	1.6%	14.5%	579.0
Latin American Equities				
MSCI EMF Latin America ($)	-4.6%	-13.4%	-3.7%	2449.4
Mexican Bolsa (peso)	2.0%	-6.9%	-6.4%	45927.0
Brazilian Bovespa (real)	-5.8%	-4.8%	15.9%	72739.4
Commodities ($)				
West Texas Intermediate Spot	-0.1%	8.8%	44.0%	65.7
Gold Spot Price	0.2%	-0.6%	1.7%	1298.2
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.0%	-1.4%	1.2%	478.1
JPMorgan Emerging Mkt Bond	-0.2%	-4.7%	-2.6%	769.8
10-Year Yield Change (basis points*)				
US Treasury	4	54	75	2.94%
UK Gilt	11	20	36	1.39%
German Bund	6	2	19	0.45%
Japan Govt Bond	0	0	-2	0.05%
Canada Govt Bond	7	27	90	2.32%
Currency Returns**				
US$ per euro	0.9%	-2.0%	4.9%	1.177
Yen per US$	-0.1%	-2.9%	-0.5%	109.47
US$ per £	0.4%	-0.8%	3.5%	1.341
C$ per US$	-0.2%	2.9%	-4.3%	1.293

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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