

# Weekly Update

## Oil Sparks Higher Ahead of Fourth

June 29, 2018



Member FINRA/SIPC,  
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### The Economy

- Oil prices topped \$74, a four-year high, as U.S. crude stockpiles fell by more than expected; the Trump administration threatened to sanction countries that continued to import oil from Iran.
- First-quarter gross domestic product (GDP) was revised lower in its final reading, from 2.2% to 2.0% annualized growth. Consumer spending increased by just 0.9%—the slowest pace in five years. Analysts still believe the economy remains on track to hit 3% annual growth in 2018, driven by tax reform and increased government spending.
- The trade deficit tightened in May to \$64.8 billion. (Smaller trade deficits support GDP growth). Exports jumped by 2.1% on strength in agriculture and consumer goods; imports rose 0.2%, as softer auto imports mitigated a gain in imports of capital goods.
- Personal income expanded by 0.4% in May, with the wages and salaries component rising by 0.3%. Consumer spending advanced by just 0.2% 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 2.0% year over year, matching the central bank's 2% inflation target for the first time in six years.
- March new-home sales climbed by 6.2% to an annualized rate of 689,000, even as mortgage rates continued to climb. The report noted that growth in the more-affordable South accounted for the majority of sales.
- The S&P CoreLogic Case-Shiller Home Price Index edged up by 0.2% in April and by 6.6% year over year as price increases slowed; analysts suggested that rising mortgage rates were putting a squeeze on what consumers were able to spend.
- Durable-goods orders shrank by 0.6% in May, mainly on weaker vehicle and civilian aircraft orders; softer capital-goods shipments (used to calculate equipment spending in GDP) also suggested a possible weakening in economic momentum.
- Initial jobless claims grew by 9,000 to 227,000 in the week ending June 23. The less-volatile four-week moving average rose by 1,000 to 222,000. Continuing claims decreased by 21,000 to 1.71 million in the week ending June 16, lingering near a 45-year low.
- Consumer confidence slumped in June, according to the Conference Board, but remained near the 17-year high set in February; economists noted that heightened trade war talk may have curtailed consumers' long-term economic outlook.
- Economic sentiment in the eurozone hit a 10-month low in June. The headline index lost 0.2 points as household optimism weakened. The reading nevertheless suggested a continued, albeit slowing, economic recovery.
- The U.K. economy inched 0.2% higher during the first quarter and 1.2% year over year, according to the final GDP reading, amid continued Brexit-related concerns.

### U.S. Economic Calendar

- July 2: PMI Manufacturing Index, ISM Manufacturing Index, Construction Spending
- July 3: Factory Orders
- July 5: Mortgage Applications, Jobless Claims, PMI Services Index, ISM Non-Manufacturing Index, FOMC Minutes
- July 6: Employment Situation, International Trade

### Stocks

- Global equity markets declined this week. Developed markets fared better than emerging markets.
- Most U.S. equity sectors declined. Utilities and telecommunication services led, while information technology and financials lagged. Value stocks outgained growth stocks; large-cap stocks beat small-cap stocks.

### Bonds

- Global bond markets were lower this week, as high-yield and government bonds underperformed; investment-grade corporate bonds slightly outperformed.
- Treasury yields fell as worries of an escalating trade war continued to support investor demand for safe-haven bonds.

The Numbers as of June 29, 2018	1 Week	YTD	1 Year	Friday's Close
<b>Global Equity Indices</b>				
MSCI ACWI (\$)	-1.9%	-2.2%	7.7%	501.9
MSCI EAFE (\$)	-2.1%	-5.5%	2.3%	1938.9
MSCI Emerging Mkts (\$)	-3.8%	-9.6%	3.2%	1046.7
<b>US &amp; Canadian Equities</b>				
Dow Jones Industrials (\$)	-1.3%	-1.8%	14.0%	24271.4
S&P 500 (\$)	-1.3%	1.7%	12.3%	2718.4
NASDAQ (\$)	-2.4%	8.8%	22.2%	7510.3
S&P/TSX Composite (C\$)	-1.1%	0.4%	6.9%	16270.0
<b>UK &amp; European Equities</b>				
FTSE All-Share (£)	-0.7%	-0.5%	4.6%	4202.3
MSCI Europe ex UK (€)	-2.1%	-4.1%	-1.1%	1289.6
<b>Asian Equities</b>				
Topix (¥)	-0.8%	-4.8%	6.6%	1730.9
Hong Kong Hang Seng (\$)	-1.3%	-3.2%	11.5%	28955.1
MSCI Asia Pac. Ex-Japan (\$)	-3.5%	-6.7%	4.4%	531.2
<b>Latin American Equities</b>				
MSCI EMF Latin America (\$)	-0.1%	-13.8%	-3.7%	2437.4
Mexican Bolsa (peso)	1.9%	-3.5%	-3.2%	47637.4
Brazilian Bovespa (real)	2.7%	-5.0%	16.6%	72553.6
<b>Commodities (\$)</b>				
West Texas Intermediate Spot	7.5%	22.7%	65.0%	74.2
Gold Spot Price	-1.0%	-3.9%	0.8%	1255.4
<b>Global Bond Indices (\$)</b>				
Barclays Global Aggregate (\$)	-0.2%	-1.8%	0.9%	476.1
JPMorgan Emerging Mkt Bond	-0.4%	-5.3%	-2.6%	765.3
<b>10-Year Yield Change (basis points*)</b>				
US Treasury	-4	45	59	2.86%
UK Gilt	-4	9	3	1.28%
German Bund	-4	-12	-15	0.30%
Japan Govt Bond	0	-1	-3	0.04%
Canada Govt Bond	4	13	46	2.17%
<b>Currency Returns**</b>				
US\$ per euro	0.3%	-2.7%	2.1%	1.168
Yen per US\$	0.6%	-1.8%	-1.3%	110.67
US\$ per £	-0.4%	-2.3%	1.5%	1.321
C\$ per US\$	-1.0%	4.5%	1.0%	1.314

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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