

Weekly Update

Bull Fights to Conquer New High

September 21, 2018



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The Economy

- The S&P 500 Index, the broadest measure of the U.S. equity market, hit a record high this week as investors continued to brush off trade-war fears.
- The U.S. dollar weakened against a basket of foreign currencies as investor risk appetite resurfaced. Often viewed as a safe-haven currency, the dollar tends to retain its value during periods of market turbulence. A shift in risk sentiment due to dissipating fears of a U.S.-China trade war is likely responsible for the weakening greenback, which is hovering near a two-month low.
- The Conference Board's index of leading economic indicators expanded by 0.4% in August—its tenth consecutive monthly increase—driven by widespread component strength. The reading, used by economists to gauge the health of the economy, points to ongoing growth.
- The Philadelphia Fed manufacturing report rebounded in September, indicating continued robust manufacturing activity in the U.S. However, analysts expect that higher interest rates could be a drag on the manufacturing sector.
- Mortgage-purchase applications increased by 0.3% in the week ending September 15, while refinancing activity (which can be sensitive to even small rate changes) swelled by 4% despite rising interest rates; the average interest rate for a 30-year fixed-rate mortgage rose to its highest level in seven years.
- Housing starts jumped by 9.2% in August, boosted by a 29% surge in multi-family construction. The report was a positive sign for the housing market and a boon for homebuyers, as many consider the current market supply-starved.
- Initial jobless claims dipped by 3,000 to 201,000 in the week ending September 15. The more stable four-week moving average declined by 2,250 to 205,750. Continuing claims plummeted by 20,000 to 1.69 million in the week ending September 8, hitting a historic low. While the labor market continues to strengthen and is near full employment, economists warn that escalating trade tensions could lead to job losses.
- Japan's trade deficit doubled in August, reinforced by a 15.4% surge in imports. Crude-oil and U.S. liquefied-natural-gas imports primarily drove the increase.
- Consumer inflation in the U.K. rose by 0.7% in August, bringing it to a six-month high. Economists said a weaker pound (due to renewed Brexit concerns) factored into the higher-than-expected reading, in addition to driving steeper fuel prices. Producer prices also increased by 0.5% during the month.
- Consumer confidence in the eurozone reached a 15-month low in September on mounting concerns about the impact of labor shortages on the economy.

U.S. Economic Calendar

- September 25: Consumer Confidence
- September 26: Mortgage Applications, New Home Sales
- September 27: Jobless Claims, GDP, Durable Goods Orders
- September 28: Personal Income and Outlays

Stocks

- Global equity markets increased this week. Developing markets fared better than emerging markets.
- U.S. equity sector performance was mostly positive this week. Materials and financials led, while utilities and information technology lagged. Value stocks outgained growth stocks; large-cap stocks beat small-cap stocks.

Bonds

- Global bond markets were mostly positive this week. Investment-grade corporate bonds led, followed by high-yield bonds and global government bonds.
- The 10-year Treasury yield hovered slightly below 3.07%. The Federal Reserve is widely expected to hike the federal funds rate next week.

The Numbers as of September 21, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI (\$)	1.3%	2.6%	8.2%	526.1
MSCI EAFE (\$)	2.2%	-3.4%	0.6%	1981.8
MSCI Emerging Mkts (\$)	0.8%	-10.5%	-6.4%	1036.9
US & Canadian Equities				
Dow Jones Industrials (\$)	2.2%	8.1%	19.5%	26719.2
S&P 500 (\$)	0.9%	9.6%	17.2%	2930.7
NASDAQ (\$)	-0.3%	15.7%	24.4%	7987.0
S&P/TSX Composite (C\$)	1.4%	0.1%	5.0%	16233.0
UK & European Equities				
FTSE All-Share (£)	2.2%	-2.2%	3.6%	4128.6
MSCI Europe ex UK (€)	1.2%	-1.4%	-0.4%	1326.9
Asian Equities				
Topix (¥)	4.4%	-0.7%	8.1%	1804.0
Hong Kong Hang Seng (\$)	2.4%	-6.6%	-0.6%	27953.6
MSCI Asia Pac. Ex-Japan (\$)	0.6%	-8.2%	-3.3%	522.8
Latin American Equities				
MSCI EMF Latin America (\$)	3.0%	-11.3%	-15.8%	2509.7
Mexican Bolsa (peso)	-0.6%	0.0%	-2.4%	49331.8
Brazilian Bovespa (real)	5.2%	3.9%	5.0%	79354.4
Commodities (\$)				
West Texas Intermediate Spot	4.0%	18.8%	43.0%	71.8
Gold Spot Price	0.2%	-8.3%	-7.4%	1197.3
Global Bond Indices (\$)				
Barclays Global Aggregate (\$)	0.0%	-1.9%	-1.3%	475.6
JPMorgan Emerging Mkt Bond	0.3%	-4.4%	-3.9%	772.1
10-Year Yield Change (basis points*)				
US Treasury	7	66	79	3.06%
UK Gilt	2	36	19	1.55%
German Bund	1	4	1	0.46%
Japan Govt Bond	2	9	9	0.13%
Canada Govt Bond	9	39	31	2.43%
Currency Returns**				
US\$ per euro	1.1%	-2.1%	-1.6%	1.175
Yen per US\$	0.5%	-0.1%	0.1%	112.57
US\$ per £	0.1%	-3.2%	-3.7%	1.308
C\$ per US\$	-0.9%	2.8%	4.8%	1.292

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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