Weekly Update

Energy Fuels Consumer-Price Climb

November 16, 2018

INVESTMENT MANAGEMENT INC.

Member FINRA/SIPC,
a registered investment advisor

The Economy

- Consumer prices jumped 0.3% in October. While the largest increase in nine months, it was driven by energy prices moving higher on rising gasoline prices—which are forecasted to tumble along with oil prices in November; rent prices climbed a modest 0.2% in the month. The core rate, which excludes energy and food, came in at 0.2%. Ascending consumer prices point to steadily growing inflation, supporting the Federal Reserve's case for a December interest-rate hike.
- Oil prices regained some ground this week after falling sharply on concerns of oversupply in the previous week. Analysts expect the Organization of the Petroleum Exporting Countries (OPEC) to announce a production cut at its December meeting.
- Retail sales climbed by 0.8% in October following declines in September and August. Gas station sales surged by 3.5%, a reflection of steeper oil prices. The report signaled continued healthy consumer spending and provided an encouraging sign for the impending holiday shopping season.
- Industrial production grew by 0.1% in October, particularly within mining; although most mining gains were offset by reduced utility and mining output. Overall industrial output remained solid but significantly lower compared to the prior three-month period—prompting concerns of slowing momentum.
- Total import prices moved 0.5% higher in October, mainly within petroleum, natural gas and food. Export prices expanded by 0.4% as increased non-agricultural costs more than offset decreased agricultural costs .
- Initial jobless claims widened by 2,000 to 216,000 in the week ending November 10. The more stable four-week moving average expanded by 1,500 to 215,250. Continuing claims jumped by 9,000 to 1.64 million in the week ending November 3. While the labor market remains tight, rising wages may trigger inflation growth.
- Mortgage purchase applications declined by 2.3% in the week ending November 9, while refinancing activity (which can be sensitive to even small rate changes) fell by 4.3%. Potential homebuyers continued to retreat on worries about rising interest rates and the recent selloff in equity markets. The average interest rate for a 30-year fixed-rate mortgage widened by 0.02% to 5.17%.
- Preliminary estimates of Japan's gross domestic product showed that the country's economy weakened by 0.3% in the third quarter compared to a 0.7% increase in the prior three-month period. Economists noted the decrease may be attributed to waning consumer and investment spending.
- Retail sales growth in China slowed in October to 0.64% from 0.80% in the prior month, reflecting a reduction in spending on clothing, grain, oil and household non-durables. Auto sales were also soft, but to a lesser extent.
- Industrial production in the eurozone slumped by 0.3% in September, marking the third monthly decline in four months. Weakness was broad-based, with non-durable consumer goods moving 1.3% lower and energy falling by 1.7%.

U.S. Economic Calendar

- November 19: Housing Market Index
- November 20: Housing Starts
- November 21: Jobless Claims, Consumer Sentiment, Leading Indicators, Durable Goods Orders
- November 23: PMI Composite Flash

Stocks

- Global equity markets were mostly negative this week, emerging markets led developed markets.
- U.S. equity sector performance was largely negative. Materials and utilities led, while consumer discretionary and information technology lagged. Value stocks outpaced growth stocks, and small-cap stocks beat large-cap stocks.

Bonds

- Global bond markets were mostly negative this week. Global government bonds fared best. Global corporate bonds and high-yield bonds lagged.
- The 10-year Treasury yield retreated to 3.07%.

The Numbers as of November 16, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-1.5%	-5.1%	-2.0%	486.9
MSCI EAFE ($)	-1.8%	-11.9%	-9.0%	1807.1
MSCI Emerging Mkts ($)	0.5%	-15.3%	-12.8%	980.9
US & Canadian Equities				
Dow Jones Industrials ($)	-2.2%	2.8%	8.3%	25416.6
S&P 500 ($)	-1.4%	2.6%	6.0%	2741.9
NASDAQ ($)	-2.1%	5.0%	6.7%	7247.9
S&P/ TSX Composite (C$)	-0.7%	-6.4%	-4.8%	15165.4
UK & European Equities				
FTSE All-Share (£)	-1.5%	-9.0%	-5.3%	3843.1
MSCI Europe ex UK (€)	-1.6%	-7.7%	-7.9%	1241.4
Asian Equities				
Topix (¥)	-2.6%	-10.4%	-7.5%	1629.3
Hong Kong Hang Seng ($)	2.3%	-12.5%	-9.8%	26183.5
MSCI Asia Pac. Ex-Japan ($)	0.4%	-14.7%	-12.6%	486.1
Latin American Equities				
MSCI EMF Latin America ($)	-1.6%	-8.7%	-5.6%	2583.3
Mexican Bolsa (peso)	-4.4%	-14.3%	-11.4%	42304.2
Brazilian Bovespa (real)	3.4%	15.9%	22.1%	88515.3
Commodities ($)				
West Texas Intermediate Spot	-6.2%	-6.6%	2.4%	56.5
Gold Spot Price	1.3%	-6.3%	-4.5%	1223.5
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.0%	-3.4%	-2.4%	468.0
JPMorgan Emerging Mkt Bond	-0.6%	-5.9%	-4.8%	760.4
10-Year Yield Change (basis points*)				
US Treasury	-11	67	70	3.07%
UK Gilt	-8	22	10	1.41%
German Bund	-4	-6	-1	0.37%
Japan Govt Bond	-2	6	5	0.10%
Canada Govt Bond	-14	32	39	2.37%
Currency Returns**				
US$ per euro	0.7%	-4.9%	-3.0%	1.142
Yen per US$	-0.9%	0.1%	-0.2%	112.82
US$ per £	-1.1%	-5.1%	-2.8%	1.283
C$ per US$	-0.4%	4.7%	3.1%	1.316

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 Definitions:

FTSE/Russell 100 Index: The FTSE/Russell 100 Index measures the performance of shares from the 100 largest companies listed on the London Stock Exchange.

S&P 500 Index: The S&P 500 Index is a capitalization-weighted index made up of 500 widely held large-cap U.S. stocks.

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

Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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