Weekly Update
Equity Markets Hit Reset Button
November 23, 2018

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The Economy

- Equity markets have officially erased all of this year's gains (as measured by the S&P 500 Index and Dow Jones Industrial Average) as the current stock rout has deepened. The sell-off in information technology stocks has spread to all sectors, and the reemergence of volatility has investors calling on the Federal Reserve (Fed) to reconsider its anticipated December rate hike.
- The housing market index plummeted in November to its lowest level since August 2016. Analysts said that higher mortgage rates are driving the index downward; the average rate for a 30-year fixed mortgage is now one percentage point higher than one year ago.
- According to the University of Michigan, consumer sentiment dipped in November as American households felt less confident in the economy. While consumers continued to hold an elevated economic outlook, their expectations slid due to rising inflation and interest rates, as well as a burgeoning global economic slowdown.
- The Conference Board's index of leading economic indicators (used by economists to gauge the health of the economy) inched up by a modest 0.1% in October. The pace of improvement slowed for the first time since May, hinting that the current rate of expansion is likely to moderate. Overall, the reading signaled ongoing economic strength and stability.
- Durable-goods orders tumbled by 4.4% in October, mainly within metals, machinery and defense aircrafts. Orders for primary metals retreated as a result of tariff-related pre-buying earlier in the year. Commercial and defense aircrafts—a volatile category—also decreased, as most orders take place in the summer.
- Initial jobless claims expanded by 8,000 to 224,000 in the week ending November 17. The more stable four-week moving average grew by 3,250 to 218,500. Continuing claims slipped by 2,000 to 1.67 million in the week ending November 10.
- Housing starts rebounded by 1.5% in October, while permits, which are an indicator of future homebuilding activity, fell by 0.6% to an annual rate of 1.26 million. Building activity continues to be sidelined by land and labor shortages, leading to tighter inventories and higher housing prices.
- Mortgage purchase applications improved by 3.0% in the week ending November 16, while refinancing activity (which can be sensitive to even small rate changes) contracted by 5.0%. Potential homebuyers continued to express worries about affordability and rising interest rates.
- In the U.K., the CBI Industrial Trends Survey signaled an unexpected acceleration in business momentum for November with thirteen of the seventeen subsectors reporting positive growth. Analysts suggested that the sector regained ground; however, the Brexit cloud continues to loom.
- Japan's All-Industry Index fell by 0.9% in September after increasing by 0.8% in August. The decline was broad-based across all primary sectors and was attributed to natural disasters during the month.

U.S. Economic Calendar

- November 27: Consumer Confidence
- November 28: Mortgage Applications, GDP, New Home Sales
- November 29: Jobless Claims, Personal Income and Outlays

Stocks

- Global equity markets were negative this week, emerging markets led developed markets.
- U.S. equity sector performance was largely negative. Consumer staples and utilities led, while information technology and energy 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 slightly to 3.05%.

The Numbers as of November 23, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-2.2%	-6.9%	-4.8%	477.6
MSCI EAFE ($)	-1.0%	-12.5%	-10.9%	1793.8
MSCI Emerging Mkts ($)	-1.0%	-15.8%	-15.3%	976.0
US & Canadian Equities				
Dow Jones Industrials ($)	-4.4%	-1.8%	3.2%	24284.0
S&P 500 ($)	-3.5%	-1.2%	1.7%	2640.6
NASDAQ ($)	-4.2%	0.5%	1.1%	6940.4
S&P/ TSX Composite (C$)	-1.5%	-7.9%	-7.1%	14925.2
UK & European Equities				
FTSE All-Share (£)	-0.8%	-9.7%	-6.5%	3812.3
MSCI Europe ex UK (€)	-1.9%	-9.4%	-9.9%	1218.6
Asian Equities				
Topix (¥)	0.0%	-10.4%	-8.3%	1629.0
Hong Kong Hang Seng ($)	-1.0%	-13.3%	-12.7%	25927.7
MSCI Asia Pac. Ex-Japan ($)	-1.1%	-15.4%	-15.1%	481.9
Latin American Equities				
MSCI EMF Latin America ($)	-2.8%	-8.3%	-8.1%	2592.5
Mexican Bolsa (peso)	-2.3%	-16.2%	-14.1%	41364.5
Brazilian Bovespa (real)	-2.4%	13.1%	16.0%	86432.3
Commodities ($)				
West Texas Intermediate Spot	-10.0%	-15.9%	-12.4%	50.8
Gold Spot Price	0.0%	-6.3%	-5.2%	1223.4
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.0%	-3.1%	-2.8%	469.8
JPMorgan Emerging Mkt Bond	-0.6%	-6.4%	-5.8%	756.1
10-Year Yield Change (basis points*)				
US Treasury	-1	65	73	3.05%
UK Gilt	-3	19	13	1.38%
German Bund	-3	-8	-1	0.34%
Japan Govt Bond	0	5	8	0.10%
Canada Govt Bond	-1	31	46	2.36%
Currency Returns**				
US$ per euro	-0.7%	-5.6%	-4.3%	1.134
Yen per US$	0.0%	0.1%	1.4%	112.83
US$ per £	-0.2%	-5.2%	-3.7%	1.281
C$ per US$	0.4%	5.0%	3.8%	1.320

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:

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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