Weekly Update
Fed Stays on December Rate-Hike Path
November 9, 2018

Member FINRA/SIPC, a registered investment advisor

The Economy

- The Federal Reserve (Fed) held interest rates steady this month and confirmed that inflation remained near 2% amid strong job gains and consumer spending; but it also noted that business investment moderated from its rapid pace earlier this year. Most economists nevertheless believe the Fed is still on course to hike rates in December.
- U.S. producer prices jumped by 0.6% in October, the fastest monthly pace in nearly six years, driven by services. These gains, which followed a tepid summer, suggest a possible rise in inflation.
- Oil prices dropped for their ninth consecutive session, entering into bear-market territory near the end of this week. Analysts suggested that the oil rout is a result of deteriorating demand, higher supply and the broader October market decline.
- Job openings (a measure of labor demand) fell by significantly more than expected in September, from 7.30 to 7.01 million, according to the Department of Labor—but continued to exceed the number of those employed. Hiring slipped from a revised 5.91 million to 5.74 million during the month, lagging the number of available jobs. The quits rate remained at a 17-year high of 2.4%.
- Initial jobless claims were flat at 214,000 in the week ending November 3. The more stable four-week moving average was also unchanged at 213,750. Continuing claims declined by 8,000 to 1.62 million in the week ending October 27, falling even further from the new low recorded in the prior week.
- Consumer credit growth decelerated to $10.9 billion in September and to an annual growth rate of 3.3%. Revolving credit (which includes credit cards) decreased by 0.4%, marking the fifth decline in eight months. Overall, total consumer borrowing has been marching higher, but the rate of increases has slowed dramatically over the past year.
- According to the University of Michigan, consumer sentiment lost some ground in November as American households felt less confident in the economy. While consumers continue to hold an elevated economic outlook, their expectations slipped at the beginning of the month on signs of growing inflation and higher interest rates.
- Mortgage-purchase applications dropped by 5% in the week ending November 2, while refinancing activity (which can be sensitive to even small rate changes) contracted by 3%. The average interest rate for a 30-year fixed-rate mortgage widened from 5.11% to 5.15%, the highest since April 2010. Rising interest rates have taken a serious toll on purchasing due to affordability issues.
- Retail sales in the eurozone were unchanged in September despite expectations for modest increase.
- China’s trade surplus widened from $31.7 billion in September to $34 billion in October. Total exports grew by 15.5% and imports expanded by 21.4% in the year over year. The country’s economic data remain closely monitored amid trade tensions with the U.S.

U.S. Economic Calendar

- November 14: Mortgage Applications, Consumer Price Index
- November 15: Jobless Claims, Retail Sales, Import and Export Prices
- November 16: Industrial Production

Stocks

- Global equity markets gained this week, led by developed markets.
- U.S. equity sector performance was largely positive. Healthcare and utilities led, while energy and telecommunications lagged. Value stocks outpaced growth stocks, and large-cap stocks beat small-cap stocks.

Bonds

- Global bond markets were mostly positive this week. Global high-yield bonds led, followed by global corporate bonds. Global government bonds lagged.
- The 10-year Treasury yield slipped this week following the results of U.S. midterm elections, which some investors believe may spell the end of additional tax cuts.

The Numbers as of November 9, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	2.0%	-2.6%	0.2%	499.6
MSCI EAFE ($)	1.1%	-9.5%	-7.3%	1856.9
MSCI Emerging Mkts ($)	-0.3%	-14.2%	-12.4%	993.5
US & Canadian Equities				
Dow Jones Industrials ($)	2.8%	5.1%	10.8%	25989.3
S&P 500 ($)	2.2%	4.1%	7.7%	2783.7
NASDAQ ($)	0.7%	7.3%	9.7%	7406.9
S&P/ TSX Composite (C$)	1.1%	-5.7%	-5.0%	15284.8
UK & European Equities				
FTSE All-Share (£)	-0.1%	-7.6%	-5.0%	3901.7
MSCI Europe ex UK (€)	0.5%	-5.9%	-7.0%	1265.4
Asian Equities				
Topix (¥)	0.9%	-8.0%	-7.7%	1673.0
Hong Kong Hang Seng ($)	-3.3%	-14.4%	-12.1%	25601.9
MSCI Asia Pac. Ex-Japan ($)	0.1%	-13.6%	-12.4%	492.1
Latin American Equities				
MSCI EMF Latin America ($)	-3.0%	-6.5%	-5.1%	2642.9
Mexican Bolsa (peso)	-2.6%	-10.3%	-9.1%	44264.7
Brazilian Bovespa (real)	-3.1%	12.1%	17.4%	85641.2
Commodities ($)				
West Texas Intermediate Spot	-4.7%	-0.4%	5.3%	60.2
Gold Spot Price	-1.9%	-7.5%	-6.1%	1208.3
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.1%	-3.4%	-2.0%	468.4
JPMorgan Emerging Mkt Bond	0.0%	-5.2%	-3.7%	765.6
10-Year Yield Change (basis points*)				
US Treasury	-3	78	84	3.18%
UK Gilt	0	30	23	1.49%
German Bund	-2	-2	3	0.41%
Japan Govt Bond	-1	8	9	0.12%
Canada Govt Bond	-3	46	57	2.50%
Currency Returns**				
US$ per euro	-0.4%	-5.6%	-2.6%	1.134
Yen per US$	0.5%	1.0%	0.3%	113.77
US$ per £	0.0%	-4.0%	-1.3%	1.298
C$ per US$	0.7%	5.0%	4.1%	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:

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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