Weekly Update
Growth Outlook Gains on Diminished Trade Deficit
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Member FINRA/SIPC,
a registered investment advisor

The Economy

- The U.S. trade deficit narrowed by 11.5% in November to $49.3 billion, its smallest reading in five months, primarily on decreased imports of cellphones and other household goods; inexpensive oil and stronger domestic petroleum production also curbed total imports. Exports fell by 0.6% for the month. The report, which was delayed due to January's partial government shutdown, prompted economists to raise their fourth-quarter gross domestic product growth projections.
- Productivity in the manufacturing sector accelerated by 1.3% in the fourth quarter—reflecting a 2.3% gain in output and a 1.0% increase in hours worked, which suggests greater efficiency in non-farm productivity for the quarter.
- Factory orders fell by a steeper-than-anticipated 0.6% in November, which contributes to mounting evidence of an economic slowdown in late 2018. Factory orders represent the dollar level of new orders for durable and nondurable goods and are often used as a measure of business investment.
- Consumer credit surpassed $4 trillion for the first time in December despite gaining a less-than-expected $16.6 billion, the smallest increase in three months. Demand for mortgages and consumer loans (including credit cards and automobile financing) has weakened significantly in recent months; however, many economists believe low unemployment and steady wage growth should encourage consumers to continue borrowing.
- Crude oil prices recouped approximately half of the fourth-quarter losses in the week ending February, 1. Analysts predict oil prices will reclaim higher ground in the first half of 2019 due to tightening supply.
- The services purchasing managers' index (PMI) registered a solid 54.2 in January, as new orders and output growth remained in expansion territory despite slowing during the month.
- Mortgage-purchase applications retreated by 5.0% in the week ending February 1, while refinancing activity (which can be sensitive to even small rate changes) picked up by 0.3%. The average interest rate on a 30-year fixed-rate mortgage slid to 4.69%. Despite more favorable borrowing conditions, fewer Americans have applied for mortgages in recent weeks.
- Motor vehicle sales shifted into lower gear, from a 17.5 million annualized rate in December to 16.6 million in January. This signifies a lukewarm start to consumer spending in the first quarter.
- Initial jobless claims narrowed by 19,000 in the week ending February 2. The more stable four-week moving average rebounded by 4,500 to 224,750. Jobless claims are often considered erratic during and after the holiday shopping season.
- Construction activity in the U.K. dwindled to a softer-than-expected 52.5 in January. Economists believe British manufacturers are hoarding imported product inventories ahead of the Brexit deadline.
- Retail sales in the eurozone slid by 1.6% in December, the worst reading since 2011. Demand slumped across all sub-categories.

U.S. Economic Calendar

- February 12: Job Outlook and Labor Turnover Survey (JOLTS)
- February 13: Mortgage Applications, Consumer Prices
- February 14: Jobless Claims, Consumer Credit
- February 15: Industrial Production, Consumer Sentiment

Stocks

- Global equity markets were negative this week; developed markets led emerging markets.
- U.S. equity sector performance was largely negative. Utilities and information technology led, while energy and materials lagged. Growth stocks beat value stocks, and small-cap stocks outperformed large-caps.

Bonds

- Global bond markets were mostly positive this week. High-yield led, followed by global corporate bonds. Global government bonds lagged.
- The 10-year Treasury bond yield retreated to 2.64%.

The Numbers as of February 8, 2019	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.2%	7.6%	-2.1%	490.4
MSCI EAFE ($)	-0.4%	6.0%	-9.9%	1822.5
MSCI Emerging Mkts ($)	-0.8%	7.9%	-10.4%	1042.0
US & Canadian Equities				
Dow Jones Industrials ($)	0.2%	7.6%	5.2%	25105.3
S&P 500 ($)	-0.3%	7.7%	4.6%	2699.3
NASDAQ ($)	0.5%	10.0%	7.7%	7298.2
S&P/ TSX Composite (C$)	0.7%	9.1%	3.7%	15619.9
UK & European Equities				
FTSE All-Share (£)	0.5%	5.3%	-1.8%	3869.4
MSCI Europe ex UK (€)	-0.2%	6.4%	-4.3%	1240.3
Asian Equities				
Topix (¥)	-1.6%	3.0%	-12.8%	1539.4
Hong Kong Hang Seng ($)	0.1%	8.1%	-8.2%	27946.3
MSCI Asia Pac. Ex-Japan ($)	0.4%	7.6%	-9.1%	513.4
Latin American Equities				
MSCI EMF Latin America ($)	-3.6%	10.9%	-4.5%	2845.6
Mexican Bolsa (peso)	-1.3%	3.6%	-9.8%	43150.0
Brazilian Bovespa (real)	-2.6%	8.5%	16.9%	95343.1
Commodities ($)				
West Texas Intermediate Spot	-4.6%	16.1%	-13.8%	52.7
Gold Spot Price	-0.2%	2.6%	-0.4%	1315.0
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.3%	1.0%	-0.2%	483.7
JPMorgan Emerging Mkt Bond	0.1%	4.7%	1.7%	806.6
10-Year Yield Change (basis points*)				
US Treasury	-5	-5	-19	2.64%
UK Gilt	-10	-13	-47	1.15%
German Bund	-8	-15	-67	0.09%
Japan Govt Bond	-2	-3	-11	-0.03%
Canada Govt Bond	-8	-8	-49	1.88%
Currency Returns**				
US$ per euro	-1.2%	-1.3%	-7.5%	1.132
Yen per US$	0.3%	0.1%	1.0%	109.79
US$ per £	-1.1%	1.4%	-7.0%	1.294
C$ per US$	1.2%	-2.7%	5.3%	1.327

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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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.

Newlin Archinal CFP®, CRPC®, AIF®
Vice President
BPU Investment Management, Inc.
One Oxford Centre
301 Grant Street, Suite 3300
Pittsburgh, PA 15219
P: 412.288.9150
F: 412.288.9180
www.bpuinvestments.com
Member FINRA/SIPC & an SEC registered investment advisor

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