

# Weekly Update

## Markets Remain Steady amid Retail Sales Slump

February 15, 2019



Member FINRA/SIPC,  
a registered investment advisor

### The Economy

- U.S. equity markets have stabilized in recent weeks as concerns about trade talks with China softened and the government reopened for business following a 35-day partial shutdown. Hospitable market conditions were briefly interrupted this week, however, by December's dismal retail sales report.
- Retail sales deflated by 1.2% in December, the steepest monthly drop since 2009. Building materials and vehicle sales were the only positive components of the reading; all other categories detracted. Economists blamed weak sales on waning consumer confidence stemming from the recent partial government shutdown. The late-2018 stock rout also soured consumers on spending.
- Consumer prices were flat in January. Energy prices extended their losing streak, declining by 3.3% for the month, as oil's collapse has tethered inflation growth. The Consumer Price Index is used as a cost-of-living gauge.
- Industrial production fell by 0.6% in January. Manufacturing reversed its recent gains during the month and posted a sizable 0.9% decline.
- Job openings (a measure of labor demand) swelled to 7.34 million in December according to the Department of Labor. Hiring climbed by 1.6% to 5.91 million, lagging the number of available jobs. The quits rate increased by 1.0% among private-sector employees.
- Total import prices slid by 0.5% in January, the latest signal of tame inflation pressures. The falling cost of petroleum and a stronger U.S. dollar weighed on motor-vehicle prices. Meanwhile, export prices softened by 0.6%. Overall, the report corroborated the Federal Reserve's recent observation on muted price pressures.
- Mortgage-purchase applications declined by 6.0% in the week ending February 8, while refinancing activity (which can be sensitive to small rate changes) retreated by 0.1%. The average interest rate on a 30-year fixed-rate mortgage fell to 4.69%. This report highlighted how renewed economic uncertainty has pressured homebuyers.
- Initial jobless claims advanced by 5,000 in the week ending February 9. The more stable four-week moving average lifted by 7,000 to 231,750. Jobless claims often fluctuate widely after the holiday shopping season and early in the New Year.
- Industrial production in the eurozone and U.K. slowed by more than expected in December. Production in the eurozone receded by 0.9% in December, led by a drop in capital-goods output; in the U.K., production fell by 0.5% as a result of a decline in manufacturing. Both readings reflected worries of slowing growth and, within the U.K., underscored the damage caused by Brexit uncertainty.
- Producer prices in Japan fell by 0.6% in January, driven by a cut in prices for petroleum and coal products.

### U.S. Economic Calendar

- February 19: Housing Market Index
- February 20: Mortgage Applications
- February 21: Durable Goods Orders, Jobless Claims, Leading Indicators
- February 22: Industrial Production, Consumer Sentiment

### Stocks

- Global equity markets were positive this week; developed markets led emerging markets.
- U.S. equity sector performance was mostly positive. Energy and industrials led, while utilities and telecommunications lagged. Value stocks beat growth stocks, and small-cap stocks outperformed large-caps.

### Bonds

- Global bond markets were negative this week. High-yield bonds led, followed by global corporate bonds and global government bonds.
- The 10-year Treasury bond yield ended at 2.66% this week, slightly higher, as risk assets rallied.

The Numbers as of February 15, 2019	1 Week	YTD	1 Year	Friday's Close
<b>Global Equity Indices</b>				
MSCI ACWI (\$)	1.2%	8.6%	-5.1%	494.7
MSCI EAFE (\$)	1.3%	6.3%	-11.2%	1828.8
MSCI Emerging Mkts (\$)	0.3%	7.6%	-13.6%	1039.2
<b>US &amp; Canadian Equities</b>				
Dow Jones Industrials (\$)	3.1%	11.0%	2.7%	25883.3
S&P 500 (\$)	2.4%	10.6%	1.5%	2772.2
NASDAQ (\$)	2.4%	12.6%	3.0%	7472.4
S&P/TSX Composite (C\$)	1.4%	10.7%	2.9%	15849.0
<b>UK &amp; European Equities</b>				
FTSE All-Share (£)	2.2%	7.6%	-0.6%	3954.6
MSCI Europe ex UK (€)	1.8%	7.6%	-4.2%	1254.5
<b>Asian Equities</b>				
Topix (¥)	2.5%	5.6%	-8.3%	1577.3
Hong Kong Hang Seng (\$)	-0.2%	8.0%	-10.3%	27900.8
MSCI Asia Pac. Ex-Japan (\$)	0.9%	8.0%	-10.7%	515.4
<b>Latin American Equities</b>				
MSCI EMF Latin America (\$)	0.3%	11.5%	-8.0%	2860.2
Mexican Bolsa (peso)	-0.4%	3.2%	-11.9%	42991.8
Brazilian Bovespa (real)	2.3%	11.0%	15.7%	97525.9
<b>Commodities (\$)</b>				
West Texas Intermediate Spot	5.4%	22.4%	-9.4%	55.6
Gold Spot Price	0.2%	2.8%	-2.5%	1317.7
<b>Global Bond Indices (\$)</b>				
Barclays Global Aggregate (\$)	-0.4%	0.6%	-1.4%	482.0
JPMorgan Emerging Mkt Bond	0.2%	4.7%	2.5%	806.6
<b>10-Year Yield Change (basis points*)</b>				
US Treasury	3	-2	-25	2.66%
UK Gilt	1	-12	-49	1.16%
German Bund	2	-14	-66	0.10%
Japan Govt Bond	1	-2	-9	-0.02%
Canada Govt Bond	1	-7	-48	1.89%
<b>Currency Returns**</b>				
US\$ per euro	-0.2%	-1.5%	-9.7%	1.130
Yen per US\$	0.6%	0.7%	4.0%	110.41
US\$ per £	-0.4%	1.1%	-8.6%	1.289
C\$ per US\$	-0.2%	-2.8%	6.2%	1.325

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.

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](http://www.bpuinvestments.com)  
Member FINRA/SIPC & an SEC registered investment advisor

*SIMC is not an affiliate of BPU investment Management, Inc.*

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.

This material is provided by SEI Investments Management Corporation (SIMC) for educational purposes only and is not meant to be investment advice. The reader should consult with his/her financial advisor for more information. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results. There are risks involved with investing, including possible loss of principal. SIMC is a wholly owned subsidiary of SEI Investments Company.