Weekly Update

Spring Off to a Slow Start

As of March 24, 2017

Member FINRA/SIPC,
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The Economy

- Existing-home sales softened by 3.7% in February to an annualized rate of 5.480 million; many first-time buyers were put off by rising prices and an ongoing supply shortage (despite inventory improving slightly from January's 18-year low). Condo sales led the overall decline, while single-family home sales were also weak.
- The number of new homes sold in February surged by 6.1% to an annualized rate of 592,000, the highest since July last year, despite elevated prices and climbing mortgage rates. Analysts attribute the growth to a resilient job market and improving household incomes.
- Mortgage purchase applications declined by 2% and refinancing applications fell by 3% in the week ending March 17. Adjustable-rate mortgage applications accounted for 9% of all home-loan applications, highest percentage since October 2014, as borrowers turned to shorter-term loans with fixed rates.
- Initial jobless claims grew by 15,000 to a seven-week high of 258,000 in the week ending March 18. The four-week moving average (which smooths out volatility in the weekly reading) rose by just 1,000 to 240,000, hovering near a 40-year low. Continuing claims for the week ending March 11 fell by 39,000 to two million.
- Durable-goods orders rose by 1.7% in February, mainly within aircraft, gaining only 0.4% when excluding transportation. Non-military capital-goods orders excluding aircraft (a gauge for business investment) inched 0.1% lower due to continued lack of demand for U.S. factory goods.
- Economic activity moderated in March, with preliminary readings of Markit's purchasing managers' index (PMI) coming in lower than expectations. The manufacturing and services sectors each recorded the slowest pace of growth in six months, with shrinking backlogs and inventories for manufacturers and softening employment within services.
- Eurozone economic activity reached the highest level in six years in March. Initial data from the composite PMI showed sharp improvement in both manufacturing and services, each significantly improving within new orders, backlogs, selling prices and wages.
- U.K. inflation grew by 0.7% in February, led by transport and food prices. The year-over-year rate jumped by 0.5% to 2.3% — the first annual inflation rate exceeding 2% since November 2013, and the fastest annual growth since September 2013. With consumer prices growing at nearly the same pace as workers' wages, there could be a pullback in British consumer spending in the coming months. However, retail sales in the U.K. came roaring back in February after three consecutive monthly declines, led by non-store retail and household goods.
- Preliminary estimates for Japan's March manufacturing PMI showed the first decline since November; although it remained at a level consistent with expansion for the seventh consecutive month. Output and new orders moderated, while employment was flat. Manufacturers also reported a positive work backlog and optimism about prospects over the next 12 months.

U.S. Economic Calendar

- March 28: International Trade, Consumer Confidence
- March 29: Mortgage Applications, Pending Home Sales
- March 30: GDP, Jobless Claims
- March 31: Personal Income and Outlays, Consumer Sentiment

Stocks

- Global equities were mostly down this week, although emerging markets enjoyed gains thanks to improving economic indicators.
- Nearly all U.S. sectors were negative this week. Utilities and consumer staples led, while telecommunications services and financials lagged. Growth stocks outpaced value stocks and large-company stocks beat small-company stocks.

Bonds

- Global bonds were mostly positive this week. Global government bonds outperformed, followed by global corporates. Global high-yield bonds lagged.
- U.S. Treasury yields fell to their lowest level since February, as investors continued to interpret comments from the Federal Reserve that suggested a more gradual path of tightening than previously anticipated.

The Numbers as of March 24, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.8%	6.1%	14.3%	447.5
MSCI EAFE ($)	-0.3%	6.5%	10.7%	1793.0
MSCI Emerging Mkts ($)	0.2%	12.3%	19.0%	967.9
US & Canadian Equities				
Dow Jones Industrials ($)	-1.5%	4.2%	17.6%	20596.7
S&P 500 ($)	-1.4%	4.7%	15.1%	2344.0
NASDAQ ($)	-1.2%	8.3%	22.1%	5828.7
S&P/ TSX Composite (C$)	-0.3%	1.0%	15.6%	15437.1
UK & European Equities				
FTSE All-Share (£)	-1.1%	3.1%	19.1%	3995.0
MSCI Europe ex UK (€)	-0.3%	5.0%	13.9%	1271.4
Asian Equities				
Topix (¥)	-1.4%	1.7%	14.0%	1543.9
Hong Kong Hang Seng ($)	0.2%	10.7%	19.7%	24358.3
MSCI Asia Pac. Ex-Japan ($)	-0.3%	12.1%	17.2%	478.3
Latin American Equities				
MSCI EMF Latin America ($)	-0.6%	10.7%	24.6%	2591.5
Mexican Bolsa (peso)	1.0%	7.5%	7.5%	49085.6
Brazilian Bovespa (real)	-0.7%	5.9%	28.4%	63754.7
Commodities ($)				
West Texas Intermediate Spot	-3.0%	-11.9%	24.7%	47.3
Gold Spot Price	1.5%	8.3%	2.1%	1248.2
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.8%	1.8%	-0.7%	459.6
JPMorgan Emerging Mkt Bond	0.5%	3.8%	9.5%	767.0
10-Year Yield Change (basis points*)				
US Treasury	-9	-3	51	2.41%
UK Gilt	-5	-4	-26	1.20%
German Bund	-3	20	22	0.40%
Japan Govt Bond	-1	2	15	0.07%
Canada Govt Bond	-13	-9	36	1.63%
Currency Returns**				
US$ per euro	0.6%	2.7%	-3.3%	1.080
Yen per US$	-1.3%	-4.9%	-1.5%	111.19
US$ per £	0.8%	1.2%	-11.7%	1.249
C$ per US$	0.2%	-0.5%	0.9%	1.337

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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