

Weekly Update

Dow Hits New Heights

As of March 3, 2017



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The Economy

- Fourth-quarter gross domestic product grew by an annualized 1.9%, led by strong durables goods sales (up 11.5%) and personal consumption (up 3.0%). A larger trade deficit detracted.
- Durable-goods orders rose 1.8% in January following a significant increase in aircraft-related orders. Excluding transportation, orders fell by 0.2%. Non-military capital-goods orders excluding aircraft (a gauge for business investment) fell by 0.4%, due to continued lack of demand for U.S. factory goods.
- The international trade deficit expanded in January to \$69.2 billion from \$64.4 billion in the previous month. A surge in auto and consumer goods imports helped widen the gap. Exports declined by 0.3%, with capital goods down 4.6% (pointing to weakening in global business investment).
- The S&P CoreLogic Case-Shiller Home Price Index continued to steadily move higher, by 0.9% in December and 5.6% in the 12-month period.
- Consumer confidence unexpectedly rose to a 15-year high in February, according to the Conference Board, on strong employment and income expectations. Consumers also reportedly anticipate continued economic growth in the near future.
- Personal income improved by a better-than-expected 0.4% in January — but was countered by rising inflation (as measured by personal consumption expenditures price index, also up 0.4%). Spending gained by 0.2% in the same month, but was down 0.3% after adjusting for inflation.
- The Institute for Supply Management's February manufacturing purchasing managers' index (PMI) beat expectations, depicting multi-year high growth in new orders and production. Markit's PMI reading indicated that manufacturing, while still strong, may be losing momentum as it came in slightly lower compared to its January and mid-month readings.
- Initial jobless claims decreased by 21,000 to a below-consensus 223,000 for the week ending February 25, approaching a 44-year low. The four-week-moving average (which smooths out volatility in the weekly reading) fell by 6,250 to 234,250, its lowest level since March 1973.
- Eurozone producer prices climbed 0.7%, pushing the annual rate to 3.5% — the highest in almost four years.
- PMI construction in the U.K. rose to 52.5 in February; civil engineering was strong, while commercial building lagged (readings above 50.0 signal expansion). Manufacturing growth moderated on lighter domestic demand.
- China's manufacturing PMI approached a four-year high more rapidly than expected on the strength of elevated sales prices and a surge in construction.
- Japan's manufacturing PMI hit a 35-month high in February, advancing for the seventh straight month and at the fastest rate since early 2014. New orders and jobs growth were both strong.

U.S. Economic Calendar

- March 6: Factory Orders
- March 7: International Trade, Consumer Credit
- March 8: ADP Employment Report, Mortgage Applications, Productivity and Costs
- March 9: Jobless Claims, Import and Export Prices
- March 10: Employment Situation, Treasury Budget

Stocks

- Global equities were slightly higher this week. Developed markets outperformed emerging markets.
- Most U.S. sectors were higher for the week. The financials and energy sectors outperformed, while telecommunications and consumer staples lagged. Growth stocks marginally outpaced value stocks, as large-company stocks led their small-company counterparts.

Bonds

- Global bonds declined this week. High-yield bonds outperformed, while global government and corporate bonds lagged.
- U.S. Treasury yields rose this week as Federal Reserve officials spoke about strong economic conditions that seemed to prepare the market for a March rate hike.

The Numbers as of March 3, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI (\$)	0.3%	5.9%	16.1%	446.7
MSCI EAFE (\$)	0.5%	4.4%	9.1%	1758.5
MSCI Emerging Mkts (\$)	-0.8%	8.6%	20.0%	936.4
US & Canadian Equities				
Dow Jones Industrials (\$)	0.9%	6.3%	24.0%	21005.7
S&P 500 (\$)	0.7%	6.4%	19.6%	2383.1
NASDAQ (\$)	0.4%	9.1%	24.7%	5870.8
S&P/TSX Composite (C\$)	0.5%	2.1%	18.9%	15608.5
UK & European Equities				
FTSE All-Share (£)	1.7%	3.5%	19.0%	4007.5
MSCI Europe ex UK (€)	2.0%	3.9%	11.9%	1257.4
Asian Equities				
Topix (¥)	0.5%	2.6%	13.8%	1558.1
Hong Kong Hang Seng (\$)	-1.7%	7.1%	18.1%	23552.7
MSCI Asia Pac. Ex-Japan (\$)	-0.4%	9.2%	17.9%	466.0
Latin American Equities				
MSCI EMF Latin America (\$)	-1.4%	10.3%	31.6%	2582.5
Mexican Bolsa (peso)	0.8%	3.9%	6.0%	47414.6
Brazilian Bovespa (real)	0.2%	10.9%	41.5%	66785.5
Commodities (\$)				
West Texas Intermediate Spot	-0.3%	-0.7%	54.3%	53.3
Gold Spot Price	-2.3%	6.4%	-2.4%	1227.3
Global Bond Indices (\$)				
Barclays Global Aggregate (\$)	-1.1%	0.3%	-0.7%	452.9
JPMorgan Emerging Mkt Bond	-0.3%	3.2%	10.7%	762.8
10-Year Yield Change (basis points*)				
US Treasury	17	3	64	2.48%
UK Gilt	11	-5	-25	1.18%
German Bund	17	15	18	0.35%
Japan Govt Bond	1	3	9	0.08%
Canada Govt Bond	10	-2	48	1.70%
Currency Returns**				
US\$ per euro	0.6%	1.0%	-3.1%	1.062
Yen per US\$	1.7%	-2.5%	0.3%	114.04
US\$ per £	-1.4%	-0.4%	-13.3%	1.229
C\$ per US\$	2.2%	-0.5%	-0.2%	1.338

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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