

Weekly Update

Factories Firing Up

As of May 19, 2017



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The Economy

- Industrial production rose by a better-than-expected 1% in April, the biggest monthly gain in three years, driven by a 5% surge within motor vehicles. Computer and electronics products were also strong, while production of construction supplies declined for the second straight month.
- The Philadelphia Federal Reserve's general business conditions index reached the second highest level in 34 years during May, indicating continued acceleration for the factory sector. Hiring, new orders and shipments were all solid during the month.
- The Conference Board's index of leading economic indicators gained 0.3% in April—the fourth straight monthly increase—pointing to continued strengthening of economic growth.
- The Redbook report of comparable-store sales for the week ending May 13 improved by a healthy 1.1% and 2.4% year-over-year.
- Initial jobless claims decreased by 4,000 to 232,000 in the week ending May 13. The four-week moving average (considered a more reliable gauge of unemployment) dropped by 2,750 to 240,750. Continuing claims for the week ending May 6 declined by 22,000, while the four-week moving average of continuing claims fell by 20,000 to a 43-year low of 1.946 million.
- Housing starts dropped by a worse-than-expected 2.6% in April to the lowest level since November, due to adverse weather and a labor shortage. Multi-family home starts particularly struggled, shrinking by 9.2%. Permits also fell, moving 2.5% lower for on a 4.5% decline in the single-family sector.
- Mortgage-purchase applications slid by 3% in the week ending May 12, yet was 9% higher compared a year ago. Refinancing decreased by 6% in the week, while interest rates were unchanged.
- Initial estimates of the eurozone's first-quarter gross domestic product (GDP) showed total output expanding by 0.5% for the three-month period and 1.7% in annual terms. Germany and Spain improved by the most during the quarter; Greece was the only country in the region to contract, and returned to recession.
- Inflation in the U.K. grew by 0.5% in April, led by transport and clothing and footwear prices. The year-over-year rate jumped by 0.4% to 2.7%—the fastest annual growth since September 2013—benefiting from the pound's post-Brexit decline in value. Producer prices were slightly stronger than expected, led by energy and home food materials.
- Industrial production in China rose by 0.56% in April, primarily within manufacturing and utilities, bringing year-over-year growth to 6.5%. Gains in retail sales and fixed-asset investment both came in below expectations.
- Preliminary data show that Japan's first-quarter GDP expanded by 0.5%, its fifth consecutive quarterly gain. Private consumption and net exports were strong, while investment and government spending were flat.

U.S. Economic Calendar

- May 23: New Home Sales
- May 24: Mortgage Applications, PMI Composite Flash, Existing Home Sales, FOMC Minutes
- May 25: International Trade
- May 26: Durable Goods Orders, GDP, Consumer Sentiment

Stocks

- Global equities were mixed across the board this week. Developed markets were up marginally, while emerging markets were lower.
- U.S. equity sectors were also mixed. Consumer staples and utilities outperformed, while financials and consumer discretionary lagged. Value stocks modestly outperformed growth stocks and large-company stocks beat small-company stocks.

Bonds

- Global bonds were higher this week. Global government bonds were strongest, followed by global corporate bonds and high-yield bonds.
- U.S. Treasury yields ended lower this week, as investors increased safe-haven holdings following a week of turbulence in the Trump administration.

The Numbers as of May 19, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI (\$)	-0.7%	8.2%	16.7%	456.3
MSCI EAFE (\$)	0.0%	11.0%	15.4%	1868.8
MSCI Emerging Mkts (\$)	-1.4%	14.6%	26.4%	988.4
US & Canadian Equities				
Dow Jones Industrials (\$)	-0.4%	5.3%	19.3%	20804.8
S&P 500 (\$)	-0.4%	6.4%	16.7%	2381.7
NASDAQ (\$)	-0.6%	13.0%	29.1%	6083.7
S&P/TSX Composite (C\$)	-0.6%	1.1%	11.8%	15449.7
UK & European Equities				
FTSE All-Share (£)	0.4%	5.5%	22.6%	4087.6
MSCI Europe ex UK (€)	-1.9%	9.2%	19.7%	1322.0
Asian Equities				
Topix (¥)	-1.3%	2.7%	16.7%	1559.7
Hong Kong Hang Seng (\$)	0.1%	14.4%	27.8%	25174.9
MSCI Asia Pac. Ex-Japan (\$)	-0.4%	15.0%	24.5%	490.7
Latin American Equities				
MSCI EMF Latin America (\$)	-9.4%	5.1%	19.4%	2461.0
Mexican Bolsa (peso)	-0.7%	7.5%	8.9%	49076.6
Brazilian Bovespa (real)	-7.8%	4.5%	25.5%	62914.9
Commodities (\$)				
West Texas Intermediate Spot	5.2%	-6.3%	4.5%	50.3
Gold Spot Price	2.0%	8.6%	0.0%	1252.0
Global Bond Indices (\$)				
Barclays Global Aggregate (\$)	1.2%	3.8%	0.1%	468.7
JPMorgan Emerging Mkt Bond	-0.2%	5.6%	9.2%	780.3
10-Year Yield Change (basis points*)				
US Treasury	-9	-21	38	2.23%
UK Gilt	1	-14	-35	1.09%
German Bund	-2	16	20	0.37%
Japan Govt Bond	-1	-1	11	0.04%
Canada Govt Bond	-10	-25	13	1.47%
Currency Returns**				
US\$ per euro	2.5%	6.5%	0.0%	1.120
Yen per US\$	-1.9%	-4.9%	1.2%	111.25
US\$ per £	1.1%	5.6%	-10.8%	1.303
C\$ per US\$	-1.4%	0.6%	3.2%	1.352

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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