Weekly Update
Forbearing FOMC States Intentions
As of May 26, 2017

Member FINRA/SIPC,
a registered investment advisor

The Economy

- The Federal Open Market Committee's (FOMC) May meeting minutes revealed patience among its members, given recent weakness in both inflation and consumer spending. The FOMC nevertheless intimated that a June rate hike is likely and stated its intention to gradually taper principal reinvestment from its Treasury and mortgage-backed security holdings.
- An upward revision to first-quarter gross domestic product produced a preliminary reading of 1.2% annualized growth. Non-residential investment contributed most, while consumer spending showed improvement from last month's advance reading.
- Economic activity picked up in May, with preliminary readings of Markit's purchasing managers' composite index (PMI) coming in above expectations. However, individual sector results were mixed: services recorded the healthiest pace of growth this year (primarily in new orders and employment), while manufacturing hit an eight-month low (as export sales only marginally increased and inventories declined).
- Mortgage-purchase applications slid by 1% in the week ending May 19, as affordability remained an issue for new buyers. Refinancing increased by 11% in the same week, as existing homeowners took advantage of lower mortgage rates.
- The number of new homes sold in April dropped by 11.4% to an annualized rate of 569,000, below the lower end of expectations. Analysts attributed the drop to a decrease in new-home inventory that has led to elevated prices and lower affordability. Existing-home sales softened by 2.3% in the month to an annualized rate of 5.570 million. Single-family home sales led the overall decline.
- The international trade deficit slightly expanded in April to $67.6 billion from a revised $64.6 billion in the previous month. Imports rose by 0.7% on domestic demand for agriculture and consumer goods, while exports contracted by 0.9%.
- Initial jobless claims rose by 1,000 to 234,000 in the week ending May 20. The four-week moving average (considered a more reliable gauge of unemployment) dropped by 5,750 to a 44-year low of 235,250. Continuing claims for the week ending May 13 increased by 24,000, while the four-week moving average of continuing claims fell by 16,000 to a 43-year low of 1.930 million.
- Durable-goods orders declined by 0.7% in April, the first drop in five months. Non-military capital-goods orders excluding aircraft (a key gauge for business investment) was unchanged for the second straight month.
- Eurozone economic activity reached the highest level in six years in May. Initial data from the composite PMI showed improvement in manufacturing and continued expansion in services.
- The U.K. economy expanded by 0.2% during the first quarter and 2.1% year over year. Business and government services gained, while retail sales and household spending fell.
- Japanese manufacturing continued to broaden in May, according to preliminary PMI estimates, but at the slowest pace in six months. New orders, new export orders and employment increased, although by less than in April.

U.S. Economic Calendar

- May 30: Personal Income and Outlays
- May 31: Mortgage Applications, Pending Home Sales, Beige Book
- June 1: ADP Employment Report, Jobless Claims, Productivity and Costs, PMI Manufacturing Index, ISM Manufacturing Index
- June 2: Employment Situation, International Trade

Stocks

- Global equities were positive across the board this week. Emerging markets led developed markets.
- U.S. equity sectors were mostly positive. Utilities and information technology outperformed, while energy and telecommunications lagged. Growth stocks outperformed value stocks and large-company stocks beat small-company stocks.

Bonds

- Global bonds were higher this week. High-yield bonds were strongest, followed by global corporate bonds and global government bonds.
- U.S. Treasury yields were steady this week on a generally muted investor response to the release of the May FOMC minutes.

The Numbers as of May 26, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	1.1%	10.2%	15.7%	464.9
MSCI EAFE ($)	0.5%	12.4%	13.3%	1892.4
MSCI Emerging Mkts ($)	1.9%	17.7%	26.4%	1014.5
US & Canadian Equities				
Dow Jones Industrials ($)	1.3%	6.7%	18.2%	21080.3
S&P 500 ($)	1.4%	7.9%	15.6%	2415.8
NASDAQ ($)	2.1%	15.4%	26.7%	6210.2
S&P/ TSX Composite (C$)	-0.3%	0.8%	9.7%	15410.4
UK & European Equities				
FTSE All-Share (£)	1.0%	6.6%	19.9%	4130.2
MSCI Europe ex UK (€)	0.2%	10.3%	15.8%	1335.7
Asian Equities				
Topix (¥)	0.6%	3.3%	16.9%	1569.4
Hong Kong Hang Seng ($)	1.8%	16.5%	25.7%	25639.3
MSCI Asia Pac. Ex-Japan ($)	1.7%	17.2%	23.9%	500.2
Latin American Equities				
MSCI EMF Latin America ($)	1.3%	9.0%	22.9%	2551.1
Mexican Bolsa (peso)	1.3%	8.9%	7.9%	49684.5
Brazilian Bovespa (real)	1.8%	5.9%	28.9%	63772.1
Commodities ($)				
West Texas Intermediate Spot	-1.1%	-7.3%	0.6%	49.8
Gold Spot Price	1.2%	9.9%	3.8%	1267.3
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.1%	4.0%	-0.1%	469.5
JPMorgan Emerging Mkt Bond	0.4%	6.3%	9.6%	785.9
10-Year Yield Change (basis points*)				
US Treasury	1	-20	42	2.25%
UK Gilt	-8	-22	-40	1.01%
German Bund	-4	12	18	0.33%
Japan Govt Bond	0	0	16	0.04%
Canada Govt Bond	-3	-28	12	1.45%
Currency Returns**				
US$ per euro	-0.3%	6.2%	-0.2%	1.117
Yen per US$	0.0%	-4.9%	1.4%	111.28
US$ per £	-1.7%	3.8%	-12.7%	1.281
C$ per US$	-0.4%	0.1%	3.6%	1.345

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.

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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