Weekly Update

May Jobs Report Misses Mark

As of June 2, 2017

BPU INVESTMENT MANAGEMENT INC.

Member FINRA/SIPC, a registered investment advisor

The Economy

- The U.S. economy added 138,000 jobs in May, well below the forecasted 185,000, while figures from March and April were revised lower. Unemployment declined by 0.1% to 4.3%, mostly due to a drop in the labor-participation rate. Average hourly wages inched up by 0.2% for the month and by 2.5% year over year. The softening of jobs data may cast doubt on the economy's ability to absorb two more interest-rate hikes this year.
- Initial jobless claims increased by 13,000 to 248,000 in the week ending May 27, the largest increase since mid-April. The four-week moving average (considered a more reliable gauge of unemployment) rose by 2,500 to 238,000. Continuing claims for the week ending May 20 eased by 9,000, while the four-week moving average of continuing claims fell by 16,000 to a 43-year low of 1.915 million.
- The trade deficit widened to $47.6 billion in April from a revised $45.3 billion in March. Imports climbed by 0.8% on increased demand for capital goods; while exports contracted by 0.3%, partly driven by fewer autos and consumer-goods shipments. An expanding trade deficit drags down economic growth.
- The Institute for Supply Management's manufacturing purchasing managers' index (PMI) slightly gained in May, particularly within new orders, production and employment. A similar report from Markit, however, showed slowing expansion within manufacturing.
- Personal incomes improved by 0.4% in April, and consumer spending—a primary driver of economic growth and an indication of consumer confidence—rebounded by 0.4% from stagnant first-quarter levels. Personal consumption expenditures (the Federal Reserve's preferred inflation measure) moved 1.7% higher year over year, but remained below the central bank's 2% target—raising concerns that the recent uptick in prices may not last.
- The S&P CoreLogic Case-Shiller Home Price Index reached a 33-month high in March, climbing by 0.9% for the month and by 5.9% year over year. Housing demand continued to outpace available inventory as homeowners choose to remain in their current homes.
- Mortgage-purchase applications slid by 1% in the week ending May 26, as affordability continued to be an issue for new homebuyers. Refinancing dropped by 6%, as existing homeowners declined to take advantage of rates that remained low.
- Eurozone producer prices were unchanged in April, as weak energy prices offset gains elsewhere; however, prices expanded by 4.3% year over year—the second fastest 12-month improvement in almost four years.
- Economic growth in China remained cool in May, according to the PMI composite reading; a drop in production offset a slight increase in new-order growth.
- Japan's PMI composite improved in May, as manufacturing activity remained in expansion territory for the ninth consecutive month.

U.S. Economic Calendar

- June 5: Factory Orders, ISM Non-Mfg Index
- June 6: Job Openings and Labor Turnover Survey (JOLTS)
- June 7: Mortgage Applications
- June 8: Jobless Claims

Stocks

- Global equities were positive this week. Developed markets advanced, while emerging markets declined.
- U.S. equity sectors were mostly positive. Telecommunications and healthcare outperformed, while energy and financials lagged. Growth stocks outperformed value stocks and small-company stocks beat large-company stocks.

Bonds

- Global bonds were higher this week. Global corporate bonds were strongest, followed by global high-yield bonds and global government bonds.
- U.S. Treasury yields fell this week as investors removed risk in month-end portfolio rebalancing amid a disappointing jobs report.

The Numbers as of June 2, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	**0.4%**	**10.6%**	**15.9%**	**466.4**
MSCI EAFE ($)	**0.5%**	**12.5%**	**14.6%**	**1894.6**
MSCI Emerging Mkts ($)	**-0.8%**	**17.0%**	**24.6%**	**1008.5**
US & Canadian Equities				
Dow Jones Industrials ($)	**0.6%**	**7.3%**	**18.9%**	**21206.3**
S&P 500 ($)	**1.0%**	**8.9%**	**15.9%**	**2439.1**
NASDAQ ($)	**1.5%**	**17.1%**	**26.8%**	**6305.8**
S&P/ TSX Composite (C$)	**0.2%**	**1.0%**	**9.2%**	**15442.8**
UK & European Equities				
FTSE All-Share (£)	**0.0%**	**6.6%**	**21.2%**	**4129.1**
MSCI Europe ex UK (€)	**0.0%**	**10.2%**	**16.5%**	**1333.9**
Asian Equities				
Topix (¥)	**2.7%**	**6.2%**	**21.1%**	**1612.2**
Hong Kong Hang Seng ($)	**1.1%**	**17.8%**	**24.3%**	**25924.1**
MSCI Asia Pac. Ex-Japan ($)	**-0.3%**	**16.9%**	**22.5%**	**498.6**
Latin American Equities				
MSCI EMF Latin America ($)	**-1.7%**	**8.6%**	**23.3%**	**2542.6**
Mexican Bolsa (peso)	**-0.7%**	**8.1%**	**8.4%**	**49317.4**
Brazilian Bovespa (real)	**-2.4%**	**3.8%**	**25.3%**	**62519.8**
Commodities ($)				
West Texas Intermediate Spot	**-4.3%**	**-11.3%**	**-3.1%**	**47.7**
Gold Spot Price	**0.7%**	**10.7%**	**5.4%**	**1276.1**
Global Bond Indices ($)				
Barclays Global Aggregate ($)	**0.2%**	**4.3%**	**0.0%**	**470.5**
JPMorgan Emerging Mkt Bond	**0.1%**	**6.6%**	**9.4%**	**787.5**
10-Year Yield Change (basis points*)				
US Treasury	**-9**	**-29**	**35**	**2.15%**
UK Gilt	**3**	**-20**	**-31**	**1.04%**
German Bund	**-6**	**7**	**16**	**0.27%**
Japan Govt Bond	**1**	**1**	**16**	**0.06%**
Canada Govt Bond	**-5**	**-32**	**15**	**1.40%**
Currency Returns**				
US$ per euro	**0.9%**	**7.3%**	**1.2%**	**1.128**
Yen per US$	**-0.8%**	**-5.6%**	**1.4%**	**110.44**
US$ per £	**0.6%**	**4.4%**	**-10.7%**	**1.288**
C$ per US$	**0.3%**	**0.4%**	**3.0%**	**1.349**

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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