

No Fireworks for Consumer Spending

As of June 30, 2017



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The Economy

- An upward revision to first-quarter U.S. gross domestic product (GDP) produced a final reading of 1.4% annualized growth. Residential and business investment contributed most, while consumer spending crept along at the slowest pace in four years.
- The trade deficit shrank slightly in May to \$65.9 billion. Exports climbed by 0.4%, showing strength in vehicles and consumer goods, while imports fell by 0.4% on fewer imports of capital goods and food. A smaller trade deficit increases GDP.
- Durable goods orders fell by a disappointing 1.1% in May, while the previous month's reading was revised downward to -0.9% from -0.7%. Commercial aircraft orders plummeted during the month, offsetting growth in machinery and vehicle orders. Total shipments continued to struggle.
- The S&P CoreLogic Case-Shiller Home Price Index advanced in April, climbing by 0.3% for the month and by 5.7% year over year, reflecting a strong pace (but slower than the previous month). High demand, fueled by a strong labor market, helped drive the reading higher for the eleventh consecutive month.
- Initial jobless claims rose by 2,000 to 244,000 in the week ending June 24. The four-week moving average (considered a more reliable gauge of unemployment) moderated by 2,750 to 242,250. Continuing claims climbed by 6,000, while the four-week moving average of continuing claims for the week ending June 17 was up 7,000 to 1.939 million. Despite these increases, jobless claims remained historically low due to strong demand for labor.
- Consumer confidence beat expectations in June, according to the Conference Board; the outlook for employment and economic expansion remained positive, as did confidence about income growth in the near future. The University of Michigan's consumer sentiment survey also picked up momentum in June; although this month's reading paled in comparison to May's.
- Mortgage-purchase applications dropped by 4% in the week ending June 23, as affordability continued to be an issue. Refinancing also fell by 9%.
- Consumer-spending growth slumped in May, inching up 0.1%, with the largest outlay directed to services. Income climbed by 0.4% as a result of personal income transfers and proprietor income—not due to rising wages & salaries, which only crept up by 0.1%.
- The euro surged to its highest level in more than a year, and global bond yields also climbed after hawkish comments from European Central Bank president Mario Draghi hinted at a possible scaling back of eurozone stimulus.
- The U.K.'s final GDP for the first quarter remained unchanged at 0.2% and at 2% for the year over year. Although the final numbers showed no change, household consumption rose by 0.4% and government spending also grew by 0.7%. The savings ratio fell by 1.6% to a new record low; this could potentially decrease household spending down the road.
- Japan's consumer price index (CPI) grew by 0.4% year over year in May, although headline CPI remains well below the Bank of Japan's 2% inflation target.

U.S. Economic Calendar

- July 3: PMI Manufacturing, Construction Spending
- July 5: Mortgage Applications, Factory Orders, FOMC Minutes
- July 6: International Trade, Jobless Claims, PMI Services
- July 7: Employment Situation

Stocks

- Global equities were mixed this week while U.S. equities struggled.
- U.S. equity sectors were mostly negative. Financials and energy led while utilities and information technology slumped. Value stocks outperformed growth stocks and small-company stocks beat large-company stocks.

Bonds

- Global bonds were mostly positive this week. Global high-yield bonds led, followed by global corporate bonds. Global government bonds lagged.
- U.S. Treasury yields rose after the European Central Bank expressed a more aggressive view on tapering its bond purchases.

The Numbers as of June 30, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI (\$)	-0.2%	10.5%	16.7%	465.9
MSCI EAFE (\$)	0.3%	12.6%	17.9%	1895.7
MSCI Emerging Mkts (\$)	0.2%	17.6%	21.6%	1014.0
US & Canadian Equities				
Dow Jones Industrials (\$)	-0.2%	8.0%	19.1%	21349.6
S&P 500 (\$)	-0.6%	8.2%	15.5%	2423.4
NASDAQ (\$)	-2.0%	14.1%	26.8%	6140.4
S&P/TSX Composite (C\$)	-0.9%	-0.7%	7.9%	15182.1
UK & European Equities				
FTSE All-Share (£)	-1.5%	3.3%	13.8%	4002.2
MSCI Europe ex UK (€)	-1.9%	7.7%	19.4%	1303.9
Asian Equities				
Topix (¥)	0.0%	6.1%	29.4%	1611.9
Hong Kong Hang Seng (\$)	0.4%	17.1%	23.9%	25764.6
MSCI Asia Pac. Ex-Japan (\$)	0.8%	19.2%	22.8%	508.7
Latin American Equities				
MSCI EMF Latin America (\$)	1.5%	8.2%	11.6%	2531.8
Mexican Bolsa (peso)	1.8%	9.2%	8.5%	49856.1
Brazilian Bovespa (real)	3.1%	4.6%	22.2%	62974.8
Commodities (\$)				
West Texas Intermediate Spot	7.5%	-14.3%	-4.7%	46.0
Gold Spot Price	-1.0%	7.8%	-5.6%	1242.4
Global Bond Indices (\$)				
Barclays Global Aggregate (\$)	-0.1%	4.6%	-2.0%	472.0
JPMorgan Emerging Mkt Bond	-0.3%	6.3%	5.6%	785.7
10-Year Yield Change (basis points*)				
US Treasury	16	-15	83	2.30%
UK Gilt	23	2	39	1.26%
German Bund	21	26	60	0.47%
Japan Govt Bond	3	4	30	0.09%
Canada Govt Bond	30	5	71	1.77%
Currency Returns**				
US\$ per euro	2.0%	8.6%	2.9%	1.142
Yen per US\$	1.1%	-3.8%	9.0%	112.47
US\$ per £	2.4%	5.6%	-2.1%	1.303
C\$ per US\$	-2.2%	-3.5%	0.3%	1.297
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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