

Weekly Update

Employment Growth Slows

As of September 1, 2017



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The Economy

- U.S. labor-market conditions moderated in August as the economy approached full employment. Payrolls grew by a healthy but lower-than-expected 156,000 positions, and the unemployment rate increased to 4.4%. Employment reports for June and July underwent negative revisions, lowering the number of positions added in each month by about 20,000.
- The trade deficit widened slightly in July to \$65.1 billion. Exports fell by 1.3% (mainly within vehicles and consumer goods), while imports moderated by 0.3% (primarily within foreign vehicles and industrial supplies). A larger trade deficit generally has a negative impact on gross domestic product (GDP).
- Personal income and outlays were mixed in July. Income rose by 0.4% for the month, with wages and salaries showing special strength, while consumer spending advanced by 0.3%. However, inflation crawled just 0.1% higher for the period (both overall and in the core reading, which excludes food and energy); the year-over-year reading was flat, remaining at 1.4% overall. Flagging inflation growth may cause the Federal Reserve to delay plans to reduce its balance sheet, previously expected to commence shortly after the Federal Open Market Committee's September meeting.
- An upward revision to second-quarter GDP produced a preliminary reading of 3.0% annualized growth. Non-residential investment and consumer spending were the main contributors, while residential investment and government purchases declined.
- The S&P CoreLogic Case-Shiller Home Price Index edged up by 0.1% in June and by 5.7% year over year, driven by strong demand and a tight labor market.
- Consumer confidence remained elevated in August, according to the Conference Board. The outlook for employment and economic expansion were positive, as was sentiment about income gains in the near future. Consumer confidence has a direct effect on consumer spending, which drives over two-thirds of the economy.
- Mortgage-purchase applications fell by 3% in the week ending August 25, as affordability posed an issue for buyers despite mortgage rates declining to their lowest levels since the presidential election. Highly rate-sensitive refinancing activity dropped by 2% in the same period, as borrowers assumed rates would continue to ease.
- Initial jobless claims rose by 1,000 to 236,000 for the week ending August 26 as the labor market remains tight. The four-week moving average (seen as a more reliable indicator of employment) declined for the fifth consecutive week, by 1,250 to 236,750, reaching the lowest point since May. Continuing claims moderated by 12,000 to 1.942 million for the week ending August 19.
- Economic sentiment in the eurozone hit a 10-year high in August. The headline index gained 0.6 points, as confidence notably improved within the industrial, services and consumer sectors despite declines in retail and construction.
- Industrial production in Japan fell by 0.8% in July, after a 2.2% gain in June. Greater output of general-purpose, production and business-oriented machinery, electrical machinery and chemicals was offset by lower output of electronic parts and devices, ceramics and related products, and petroleum and coal products.

U.S. Economic Calendar

- September 5: Factory Orders
- September 6: International Trade, PMI Services
- September 7: Jobless Claims, Productivity and Costs

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Stocks

- Global equities advanced this week, led by the U.S. and Japan.
- U.S. equity sectors were mixed. Healthcare and information technology were the top performers, while telecommunications and utilities lagged. Growth stocks outperformed value stocks and small-company stocks beat large-company stocks.

Bonds

- Global bond markets were higher this week. High-yield bonds led, followed by global corporate bonds and global government bonds.
- U.S. Treasury yields were mostly lower after safe-haven demand jumped on geopolitical worries.

The Numbers as of September 1, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI (\$)	0.7%	13.4%	14.6%	478.4
MSCI EAFE (\$)	0.2%	14.7%	13.9%	1930.8
MSCI Emerging Mkts (\$)	0.2%	26.1%	22.1%	1087.7
US & Canadian Equities				
Dow Jones Industrials (\$)	0.8%	11.3%	19.4%	21988.0
S&P 500 (\$)	1.4%	10.7%	14.1%	2477.9
NASDAQ (\$)	2.7%	19.5%	23.1%	6435.3
S&P/TSX Composite (C\$)	0.9%	-0.6%	3.5%	15197.4
UK & European Equities				
FTSE All-Share (£)	0.5%	5.2%	10.6%	4075.8
MSCI Europe ex UK (€)	-0.2%	7.1%	13.2%	1296.5
Asian Equities				
Topix (¥)	1.4%	6.6%	21.1%	1619.6
Hong Kong Hang Seng (\$)	0.4%	27.1%	20.7%	27953.2
MSCI Asia Pac. Ex-Japan (\$)	0.2%	24.8%	20.0%	532.5
Latin American Equities				
MSCI EMF Latin America (\$)	-0.7%	22.7%	19.6%	2873.1
Mexican Bolsa (peso)	-0.6%	11.9%	7.4%	51062.8
Brazilian Bovespa (real)	1.3%	19.6%	23.7%	72013.4
Commodities (\$)				
West Texas Intermediate Spot	-0.7%	-12.0%	9.6%	47.3
Gold Spot Price	2.3%	14.7%	0.7%	1322.5
Global Bond Indices (\$)				
Barclays Global Aggregate (\$)	0.1%	7.2%	0.0%	483.9
JPMorgan Emerging Mkt Bond	0.4%	8.7%	4.8%	803.7
10-Year Yield Change (basis points*)				
US Treasury	-1	-28	59	2.16%
UK Gilt	0	-18	39	1.06%
German Bund	0	17	44	0.38%
Japan Govt Bond	-2	-5	5	0.00%
Canada Govt Bond	4	19	91	1.91%
Currency Returns**				
US\$ per euro	-0.5%	12.8%	5.9%	1.186
Yen per US\$	0.8%	-5.7%	6.8%	110.27
US\$ per £	0.6%	5.0%	-2.4%	1.296
C\$ per US\$	-0.8%	-7.8%	-5.5%	1.239
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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