Weekly Update

As Summer Ends, Inflation Warms Up

As of September 15, 2017

Member FINRA/SIPC,
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The Economy

- Consumer prices increased by 0.4% in August and 1.9% year over year, driven by costs for gasoline and rent. Producer prices gained, rising by 0.2% for the month, as lower food costs offset higher energy prices. These reports, released ahead of next week's Federal Open Market Committee meeting, could support the central bank's potential decision to begin rolling back its $4.4 trillion balance sheet.
- Job openings, a measure of labor demand, moved to a record-high 6.17 million in July, according to the Department of Labor's Job Openings and Labor Turnover Survey. Hirings climbed to 5.50 million, but remained well behind openings as employers struggled to find qualified staff. A lack of skilled employees (who require higher wages) may provide further impetus for the central bank to begin reducing its balance sheet and keep a December rate hike on the table.
- Retail sales fell unexpectedly by 0.2% in August as consumer spending pivoted lower. Economists blamed weak online spending and a drop in auto sales. Continued sluggish consumer spending—which accounts for 70% of the U.S. economy—could weigh on overall economic growth in the second quarter.
- Industrial production retreated by a worse-than-anticipated 0.9% in August. Utilities tumbled 5.5% as a result of hurricane-related outages; mining and manufacturing also disappointed.
- Initial jobless claims fell by 14,000 to 284,000 in the week ending September 9; an increase in claims from hurricane-affected Florida was offset by a drop in filings from hurricane-impacted Texas and an otherwise strong job market. The four-week moving average (considered a more reliable measure of unemployment trends) rose by 13,000 to 263,250. Continuing claims declined by 7,000 to 1.944 million in the week ending September 2.
- Mortgage-purchase applications moved 11% higher in the week ending September 8, as rates declined to their lowest levels since the presidential election. Refinancing activity, which is highly rate-sensitive, gained 9% in the same period.
- Industrial production in the eurozone rebounded by 0.1% in July; gains in capital goods, consumer durables and intermediates erased losses within energy and non-durable consumer goods.
- The Bank of England left interest rates unchanged at 0.25%, as members of the rate-setting Monetary Policy Committee remained divided over the outlook for inflation. The central bank also maintained its asset-purchase program unchanged, upholding its conservative stance until the economic outlook stabilizes.
- China's industrial production grew by 0.5% in August and by 6% year over year. Utilities output saw strong, but slower, expansion, while manufacturing benefitted from solid output growth.
- Producer prices in Japan were flat in August but grew by 2.9% year over year, partly driven by prices in electric power, gas and water. Despite the momentum in producer-price expansion, Bank of Japan officials expect only a gradual increase in consumer prices over the intermediate term.

U.S. Economic Calendar

- September 19: Housing Starts, Import and Export Prices
- September 20: FOMC Meeting Announcement
- September 21: Jobless Claims, Philly Fed
- September 22: PMI Composite Flash

Stocks

- Global equities were higher this week. Emerging markets outpaced developed markets.
- U.S. equity sectors were mostly positive. Telecommunications and energy were the top performers, while utilities and healthcare lagged. Value stocks outperformed growth stocks and small-company stocks beat large-company stocks.

Bonds

- Global bond markets were lower this week. High yield bonds outperformed, followed by corporate bonds. Global government bonds lagged.
- U.S. Treasury yields were higher as safe-haven demand decreased after Hurricane Irma's economic impact seemed less than expected.

The Numbers as of September 15, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	0.9%	14.8%	17.2%	484.1
MSCI EAFE ($)	0.3%	16.3%	16.9%	1959.0
MSCI Emerging Mkts ($)	0.8%	27.6%	23.7%	1099.9
US & Canadian Equities				
Dow Jones Industrials ($)	2.2%	12.7%	22.3%	22268.3
S&P 500 ($)	1.6%	11.7%	16.4%	2500.2
NASDAQ ($)	1.4%	19.8%	22.8%	6448.5
S&P/ TSX Composite (C$)	1.2%	-0.8%	4.6%	15165.2
UK & European Equities				
FTSE All-Share (£)	-2.0%	2.3%	7.8%	3962.4
MSCI Europe ex UK (€)	1.9%	9.6%	16.9%	1327.2
Asian Equities				
Topix (¥)	2.8%	7.9%	26.0%	1638.9
Hong Kong Hang Seng ($)	0.5%	26.4%	19.2%	27807.6
MSCI Asia Pac. Ex-Japan ($)	0.8%	26.1%	22.2%	538.2
Latin American Equities				
MSCI EMF Latin America ($)	0.6%	26.4%	26.9%	2958.4
Mexican Bolsa (peso)	-0.3%	9.4%	8.7%	49920.3
Brazilian Bovespa (real)	3.6%	25.7%	30.8%	75726.3
Commodities ($)				
West Texas Intermediate Spot	5.1%	-7.1%	13.6%	49.9
Gold Spot Price	-1.8%	14.7%	0.5%	1322.5
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-1.3%	7.0%	0.3%	483.1
JPMorgan Emerging Mkt Bond	-0.3%	9.2%	6.1%	806.7
10-Year Yield Change (basis points*)				
US Treasury	15	-25	51	2.20%
UK Gilt	32	7	42	1.31%
German Bund	12	23	40	0.43%
Japan Govt Bond	3	-2	7	0.03%
Canada Govt Bond	10	37	89	2.09%
Currency Returns**				
US$ per euro	-0.6%	13.7%	6.4%	1.196
Yen per US$	2.8%	-5.2%	8.6%	110.85
US$ per £	3.0%	10.2%	2.7%	1.359
C$ per US$	0.2%	-9.4%	-7.4%	1.218

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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