Weekly Update

Workforce, Wages Gain Weight

As of October 6, 2017

Member FINRA/SIPC, a registered investment advisor

The Economy

- The U.S. economy lost 33,000 jobs in September, the first monthly decline since 2010, despite consensus forecasts of 100,000 new positions. The total labor force nevertheless surged to a record high, as the unemployment rate fell to a 16-year low of 4.2%. Average hourly earnings recorded the largest monthly gain in 10 years, spiking 0.5% after recent disappointing reports.
- Initial jobless claims fell by 23,000 to 259,000 in the week ending September 30; claims from hurricane-affected Florida and Texas both dropped. The more-stable four-week moving average slid by 9,500 to 268,250. Continuing claims grew 2,000 to 1.94 million in the week ending September 23. Layoffs are expected to remain low in the near future as employers deal with a shortage of available skilled labor.
- The Institute for Supply Management's September manufacturing purchasing managers' index (PMI) reached a 13-year high on the strength of new orders and employment. A similar report from Markit was significantly less optimistic, showing moderating new orders and output growth sinking to a 14-month low.
- Construction spending rose by 0.5% in August and 2.5% year over year. Non-residential outlays moved 0.5% higher after two straight monthly declines, while private residential projects increased by 0.4%. Federal-government construction spending tumbled by 4.7% to a 10-year low.
- The trade deficit shrank to $42.4 billion in August from a revised $43.6 billion in July. Imports fell by 0.1% as demand for household goods weakened; exports climbed by 0.4%, partly driven by overseas demand for consumer and capital goods. A narrowing trade deficit helps support economic growth.
- Factory orders jumped by 1.2% in August, led by strength in durable goods. Core capital-goods orders gained by 1.1%, a sign of underpinning business investment that could help offset hurricane-driven economic headwinds.
- Mortgage-purchase applications rose by 1% in the week ending September 29, despite facing a hurdle of higher rates. Refinancing activity, which is highly rate-sensitive, fell by 2% in the same period.
- Eurozone producer prices improved by 0.3% in August, driven by higher costs for energy and intermediate goods; prices expanded by 2.5% year over year—a three-month high. Changes in producer prices typically signal moves in consumer inflation.
- The People's Bank of China revealed its plan to improve funding to economic sectors in which credit is scarce. While not presented as a monetary-policy change, the measures are intended to promote economic growth.
- Japan's PMI composite showed slower expansion in September, as weaker service-sector activity erased improvements in manufacturing activity.

U.S. Economic Calendar

- October 11: Mortgage Applications, Job Openings and Labor Turnover (JOLTS), FOMC Meeting Minutes
- October 12: Jobless Claims, Producer Prices
- October 13: Consumer Prices, Retail Sales, Consumer Sentiment

Stocks

- Global equities were higher this week. Emerging markets outperformed developed markets.
- U.S. equity sectors were mostly positive. Materials and financials were the top performers, while telecommunications and energy lagged. Growth stocks led value stocks and small-company stocks beat large-company stocks.

Bonds

- Global bond markets were lower this week. High yield bonds outperformed. Corporate bonds and global government bonds lagged.
- U.S. Treasury yields rose after strong economic data supported an eventual third interest rate hike by the Federal Reserve in 2017.

The Numbers as of October 6, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	0.9%	16.5%	17.7%	491.3
MSCI EAFE ($)	0.0%	17.2%	16.4%	1973.7
MSCI Emerging Mkts ($)	1.9%	27.9%	20.3%	1102.8
US & Canadian Equities				
Dow Jones Industrials ($)	1.6%	15.2%	24.7%	22773.7
S&P 500 ($)	1.2%	13.9%	18.0%	2549.3
NASDAQ ($)	1.5%	22.4%	24.2%	6590.2
S&P/ TSX Composite (C$)	0.6%	2.9%	7.8%	15728.3
UK & European Equities				
FTSE All-Share (£)	1.9%	6.6%	8.4%	4128.1
MSCI Europe ex UK (€)	0.7%	12.2%	18.2%	1358.5
Asian Equities				
Topix (¥)	0.7%	11.1%	24.6%	1687.2
Hong Kong Hang Seng ($)	3.3%	29.4%	18.8%	28458.0
MSCI Asia Pac. Ex-Japan ($)	1.3%	25.8%	17.5%	536.7
Latin American Equities				
MSCI EMF Latin America ($)	2.9%	28.2%	22.8%	3000.0
Mexican Bolsa (peso)	-0.1%	10.2%	5.0%	50319.1
Brazilian Bovespa (real)	2.2%	26.1%	25.2%	75938.4
Commodities ($)				
West Texas Intermediate Spot	-4.6%	-8.2%	-2.3%	49.3
Gold Spot Price	-0.8%	10.4%	1.7%	1273.5
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.4%	5.8%	-0.3%	477.7
JPMorgan Emerging Mkt Bond	0.2%	9.0%	4.5%	805.4
10-Year Yield Change (basis points*)				
US Treasury	3	-8	63	2.37%
UK Gilt	0	13	49	1.36%
German Bund	-1	25	48	0.46%
Japan Govt Bond	-1	1	11	0.06%
Canada Govt Bond	2	40	99	2.12%
Currency Returns**				
US$ per euro	-0.7%	11.6%	5.2%	1.174
Yen per US$	0.1%	-3.7%	8.4%	112.67
US$ per £	-2.4%	5.9%	3.6%	1.307
C$ per US$	0.5%	-6.7%	-5.2%	1.254

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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