

Weekly Update

Retail Sales Rebound

As of August 18, 2017



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The Economy

- The Federal Open Market Committee's (FOMC) August meeting minutes revealed division within the group regarding inflation and balance-sheet policy. Members' perspectives on the proper timing of the Federal Reserve's (Fed) balance-sheet reduction differed; some preferred a delayed decision to allow additional time to assess the outlook for economic activity and inflation.
- Retail sales rebounded by 0.6% in July as consumer spending bounced back from weakness in May and June. Economists attributed the rally to increased home shopping and auto purchases. Improved retail sales indicate stronger consumer spending—which accounts for 70% of the U.S. economy—and could boost overall economic growth in the third quarter.
- Import prices inched up by 0.1% in July, mostly due to higher fuel costs; year-over-year growth climbed by just 1.5%, an indication of ongoing weak inflation. Export prices also advanced by 0.4% in July, bringing the year-over-year gain to 0.8%; agricultural export prices significantly outperformed, climbing by 2.1% in the month.
- Housing starts dropped by a worse-than-expected 4.8% in July, as a shortage of labor and rising materials prices created a headwind for homebuilders.
- Initial jobless claims slipped by 12,000 to 232,000 in the week ending August 12. The four-week moving average (considered a more reliable measure of unemployment) fell by 500 to 240,500. Continuing claims fell by 3,000 in the week ending August 5, while the four-week moving average of continuing claims slid by 6,000 to 1.96 million. The ever-tightening labor market could prompt the Fed to announce its plan for balance-sheet reduction.
- The Philadelphia Fed Survey showed strong, albeit slowing, manufacturing growth in the region in August. Hiring and new orders were both solid.
- Mortgage-purchase applications fell by 2% in the week ending August 11 as affordability posed an issue for buyers even as mortgage rates eased to their lowest levels since the presidential election. Refinancing activity, which is highly rate-sensitive, gained 2% in the same period.
- The University of Michigan's consumer sentiment index, which measures Americans' financial conditions and attitudes about the economy, slid more than five points in August. The survey reported sustained strength in current conditions, but decreased expectations.
- The eurozone's economy expanded by 0.6% in the second quarter, its fastest growth in one year, corroborating signs of a wide-ranging continuing recovery in the eurozone.
- Inflation in the U.K. held steady in July, with declines in fuel prices offsetting gains in clothes, utilities and food. The year-over-year rate remained unchanged at 2.6%, sending sterling lower after analysts concluded that there were no impending interest-rate hikes.
- China's industrial production edged up by 0.4% in July and by 6.4% year over year. Utilities output saw strong expansion, while manufacturing benefited from solid, but slowed, output growth.

U.S. Economic Calendar

- August 22: FHFA House Price Index
- August 23: Mortgage Applications, New Home Sales
- August 24: Jobless Claims, PMI Composite Flash, Existing Home Sales
- August 25: Durable Goods Orders

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Stocks

- Global equities advanced this week, led by emerging markets.
- U.S. equity sectors were mostly negative. Utilities and materials led while telecommunications and energy lagged. Growth stocks outperformed value stocks and large-company stocks beat small-company stocks.

Bonds

- Global bond markets were mixed this week. Global high-yield bonds outperformed, while global corporate bonds and global government bonds lagged.
- U.S. Treasury yields rose after President Donald Trump removed chief strategist Steve Bannon from his administration on Friday.

The Numbers as of August 18, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI (\$)	0.2%	11.9%	12.0%	472.1
MSCI EAFE (\$)	0.5%	14.4%	12.8%	1926.3
MSCI Emerging Mkts (\$)	2.0%	23.3%	16.0%	1063.3
US & Canadian Equities				
Dow Jones Industrials (\$)	-0.8%	9.7%	16.5%	21674.5
S&P 500 (\$)	-0.6%	8.3%	10.9%	2425.6
NASDAQ (\$)	-0.6%	15.5%	18.6%	6216.5
S&P/TSX Composite (C\$)	-0.5%	-2.2%	1.7%	14951.4
UK & European Equities				
FTSE All-Share (£)	0.2%	3.8%	7.4%	4018.7
MSCI Europe ex UK (€)	1.3%	7.9%	14.4%	1305.9
Asian Equities				
Topix (¥)	-1.2%	5.2%	23.8%	1597.4
Hong Kong Hang Seng (\$)	0.6%	22.9%	17.5%	27047.6
MSCI Asia Pac. Ex-Japan (\$)	1.9%	23.3%	16.7%	526.1
Latin American Equities				
MSCI EMF Latin America (\$)	1.2%	19.1%	11.7%	2788.5
Mexican Bolsa (peso)	0.8%	11.9%	5.4%	51054.7
Brazilian Bovespa (real)	2.0%	14.1%	16.1%	68693.8
Commodities (\$)				
West Texas Intermediate Spot	-0.6%	-9.7%	0.6%	48.5
Gold Spot Price	-0.1%	11.6%	-4.8%	1286.4
Global Bond Indices (\$)				
Barclays Global Aggregate (\$)	-0.3%	6.5%	-1.8%	480.6
JPMorgan Emerging Mkt Bond	0.4%	7.6%	3.2%	795.0
10-Year Yield Change (basis points*)				
US Treasury	0	-25	66	2.19%
UK Gilt	3	-15	54	1.09%
German Bund	3	21	50	0.41%
Japan Govt Bond	-3	-1	12	0.03%
Canada Govt Bond	1	15	83	1.87%
Currency Returns**				
US\$ per euro	-0.5%	11.9%	3.6%	1.176
Yen per US\$	0.0%	-6.7%	9.3%	109.17
US\$ per £	-1.0%	4.4%	-2.2%	1.288
C\$ per US\$	-0.8%	-6.5%	-1.6%	1.257
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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