Weekly Update
U.S. Unemployment Rate Hits 17-Year Low
As of November 3, 2017

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The Economy

- The U.S. economy added 261,000 jobs in October—less than economists' expectations of over 300,000, but significantly more than the previous month's tiny gain. Unemployment sunk to 4.1%, its lowest level since December 2000. Wage growth remained challenged, rising by only 2.4% year over year.
- The Federal Reserve (Fed) left interest rates unchanged in a unanimous vote, despite moderate economic expansion and a solid labor market. The central bank's official statement reinforced the likelihood of a third rate hike at the December meeting, in addition to the three hikes projected for 2018.
- The trade deficit widened by a moderate 1.7% in September. Exports rose by 1.1% but were slightly outpaced by imports, which increased by 1.2% to the highest level since January 2017.
- Initial jobless claims fell by 5,000 to 229,000 in the week ending October 28. The less-volatile four-week moving average eased by 7,250 to 232,250, a 44-year low. Continuing claims slid by 15,000 to 1.88 million in the week ending October 21. The report showed a robust labor market near full employment.
- Personal income and outlays were mixed in September. Income expanded by 0.4% for the month. Wages and salaries were solid, and consumer spending had the biggest monthly gain in eight years—rising 1% on improved motor-vehicle sales in hurricane-affected areas. However, core inflation inched 0.1% higher for the month and remained at 1.3% year over year.
- Consumer confidence surged to a 17-year high in October due to strong employment and income expectations, according to the Conference Board.
- The Institute for Supply Management's manufacturing purchasing managers' index weakened in October but remained in expansion territory on solid new export orders and employment. A similar report from Markit also showed strength in new orders and emerging inflationary pressures.
- Mortgage-purchase applications moved 1% lower in the week ending October 27 due to rising rates and a continued shortage of affordable housing. Refinancing activity (which is sensitive to even small rate changes) declined by 5% in the same period.
- The eurozone economy expanded by 0.6% in the third quarter, a faster-than-expected pace, according to preliminary estimates.
- The Bank of England's Monetary Policy Committee voted to increase its benchmark interest rate for the first time in 10 years to 0.25%. The central bank also maintained its asset-purchase program, upholding its conservative stance until the economic outlook and price pressures stabilize.
- Activity in China's manufacturing sector continued to expand during October, according to a PMI reading. Increases in new orders offset weaker readings in output and employment.
- In another sign of Japan's continued economic recovery, The Bank of Japan maintained its short-term interest-rate target and government-bond purchase rate.

U.S. Economic Calendar

- November 7: Consumer Credit, Job Openings and Labor Turnover
- November 8: Mortgage Applications
- November 9: Jobless Claims

Stocks

- Global equities were higher this week. Emerging markets led developed markets.
- U.S. equity sectors were mixed. Information technology and energy were the top performers, while telecommunications and consumer discretionary lagged. Growth stocks had the edge over value stocks and large-company stocks beat small-company stocks.

Bonds

- Global bond markets rose on the week. Global government bonds outperformed, followed by corporate bonds. High-yield bonds lagged.
- U.S. Treasury yields fell after Jerome Powell was appointed as Fed chair. Powell is widely expected to continue the FOMC's slow and steady rate normalization.

The Numbers as of November 3, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	0.6%	18.2%	23.1%	498.4
MSCI EAFE ($)	1.2%	19.6%	21.9%	2013.8
MSCI Emerging Mkts ($)	1.5%	30.7%	27.4%	1127.3
US & Canadian Equities				
Dow Jones Industrials ($)	0.4%	19.1%	31.3%	23539.2
S&P 500 ($)	0.3%	15.6%	23.9%	2587.8
NASDAQ ($)	0.9%	25.7%	33.7%	6764.4
S&P/ TSX Composite (C$)	0.4%	4.8%	9.9%	16021.0
UK & European Equities				
FTSE All-Share (£)	0.9%	7.3%	12.5%	4157.0
MSCI Europe ex UK (€)	0.9%	14.3%	24.0%	1383.3
Asian Equities				
Topix (¥)	1.3%	18.1%	31.1%	1794.1
Hong Kong Hang Seng ($)	0.6%	30.0%	26.1%	28603.6
MSCI Asia Pac. Ex-Japan ($)	1.7%	30.3%	27.1%	556.1
Latin American Equities				
MSCI EMF Latin America ($)	-1.9%	19.5%	13.5%	2798.1
Mexican Bolsa (peso)	-1.4%	6.3%	4.0%	48534.2
Brazilian Bovespa (real)	-2.7%	22.7%	19.7%	73906.3
Commodities ($)				
West Texas Intermediate Spot	3.2%	3.6%	24.6%	55.6
Gold Spot Price	-0.1%	10.0%	-2.5%	1268.3
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.6%	5.9%	0.5%	478.2
JPMorgan Emerging Mkt Bond	0.6%	9.3%	6.5%	807.7
10-Year Yield Change (basis points*)				
US Treasury	-8	-11	52	2.33%
UK Gilt	-9	3	6	1.26%
German Bund	-2	16	21	0.36%
Japan Govt Bond	-2	1	12	0.06%
Canada Govt Bond	-3	24	76	1.96%
Currency Returns**				
US$ per euro	0.0%	10.4%	4.6%	1.161
Yen per US$	0.4%	-2.5%	10.8%	114.07
US$ per £	-0.4%	6.0%	5.0%	1.308
C$ per US$	-0.3%	-5.0%	-4.7%	1.277

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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