Weekly Update
Fed Gets the Go-Ahead for December Rate Hike

As of November 17, 2017

BPU INVESTMENT MANAGEMENT INC.

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The Economy

- Consumer prices increased by 0.1% in October and by 2.0% year over year; moderating energy prices mitigated the effects of climbing rental and healthcare costs. The more closely followed core rate (which removes the effects of food and energy) firmed to 1.8%, likely keeping the Federal Reserve (Fed) on track for this year's third interest-rate hike in December. Producer prices rose by 0.4% for the month, as trade service prices gained and energy expenses declined.
- Import prices inched up by 0.2% in October, as lower food prices offset higher fuel and capital goods costs. Year-over-year growth slowed, but still gained 2.5%, as a weak U.S. dollar continued to support underlying inflation. Export prices were unchanged in October, narrowing their year-over-year gain to 2.7%.
- Retail sales showed a 0.2% gain in October, as consumer spending pivoted lower. The slowdown in sales may be a result of the reversal from September's hurricane-related replacement surge in autos, building materials and fuel.
- Initial jobless claims rose by 10,000 to 249,000 in the week ending November 11. The more-stable four-week moving average climbed by 6,500 to 237,750, its first upward movement in almost two months. Continuing claims tumbled by 44,000 to 1.86 million in the week ending November 4, while the four-week moving average of continuing claims fell to a 43-year low of 1.89 million. Economists suggest a tight labor market will eventually give a boost to wage growth as companies look to find talented workers.
- The Philadelphia Fed Survey showed that regional manufacturing growth expanded during November, although at a slower pace; workforce measurements remained solidly above neutral, indicating optimism about growth in future manufacturing activity.
- Housing starts jumped by a higher-than-expected 13.7% in October (a one-year high) as homebuilders returned to construction following hurricane-driven disruptions in September.
- Industrial production rose by a better-than-expected 0.9% in October as factory activity continued to recover from the repercussions of recent hurricanes.
- Mortgage-purchase applications edged 0.4% higher in the week ending November 10 as rates remained unchanged. Refinancing activity (which is sensitive to even small rate changes) increased by 6% in the same period.
- The eurozone's economy expanded by 0.6% in the third quarter, its fastest growth in one year, confirming wide-ranging continued recovery in the region.
- U.K. retail sales improved by 0.3% in October despite recent inflationary pressures on consumers. However, year-over-year growth slid by 0.3% to a four-year low.
- China's industrial production grew by 0.5% in October and by 6.2% year over year. Utilities output saw strong, but slower, expansion, while manufacturing benefited from solid output growth.

U.S. Economic Calendar

- November 20: Leading Indicators
- November 21: Existing Home Sales
- November 22: Mortgage Applications, Durable Goods Orders, Jobless Claims, Consumer Sentiment, FOMC Minutes
- November 24: PMI Composite Flash

Stocks

- Global equities were lower this week. Developed markets lagged emerging markets.
- U.S. equity sectors were mixed. Consumer discretionary and consumer staples led, while energy and industrials lagged. Growth stocks had a slight edge over value stocks and small-company stocks beat large-company stocks.

Bonds

- Global bond markets were mostly higher this week. Global government bonds outperformed, followed by corporate bonds. High-yield bonds lagged.
- The yield curve flattened to a 10-year low after consumer price data indicated subdued inflationary pressure.

The Numbers as of November 17, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.2%	17.8%	20.7%	496.7
MSCI EAFE ($)	-0.7%	17.9%	21.6%	1985.6
MSCI Emerging Mkts ($)	-0.3%	30.5%	32.8%	1125.4
US & Canadian Equities				
Dow Jones Industrials ($)	-0.3%	18.2%	23.6%	23358.2
S&P 500 ($)	-0.1%	15.2%	17.9%	2578.9
NASDAQ ($)	0.5%	26.0%	27.2%	6782.8
S&P/ TSX Composite (C$)	-0.3%	4.6%	7.9%	15995.5
UK & European Equities				
FTSE All-Share (£)	-0.8%	4.6%	9.6%	4051.8
MSCI Europe ex UK (€)	-0.5%	11.3%	18.4%	1347.6
Asian Equities				
Topix (¥)	-2.0%	16.1%	23.9%	1763.8
Hong Kong Hang Seng ($)	0.3%	32.7%	31.2%	29199.0
MSCI Asia Pac. Ex-Japan ($)	-0.7%	30.4%	30.8%	556.3
Latin American Equities				
MSCI EMF Latin America ($)	-0.6%	17.0%	20.5%	2737.7
Mexican Bolsa (peso)	-0.4%	4.8%	6.5%	47840.1
Brazilian Bovespa (real)	1.8%	21.9%	22.9%	73437.3
Commodities ($)				
West Texas Intermediate Spot	-0.3%	5.3%	24.5%	56.6
Gold Spot Price	1.4%	12.2%	6.0%	1293.5
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.4%	6.3%	4.7%	479.7
JPMorgan Emerging Mkt Bond	0.5%	8.1%	9.1%	798.9
10-Year Yield Change (basis points*)				
US Treasury	-6	-10	4	2.34%
UK Gilt	-5	6	-12	1.29%
German Bund	-5	16	8	0.36%
Japan Govt Bond	-1	-1	3	0.04%
Canada Govt Bond	-3	22	37	1.94%
Currency Returns**				
US$ per euro	1.1%	12.1%	11.0%	1.179
Yen per US$	-1.2%	-4.1%	1.9%	112.16
US$ per £	0.2%	7.1%	6.4%	1.322
C$ per US$	0.6%	-5.0%	-5.6%	1.276

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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