Weekly Update
GDP Growth Paves Way for December Hike
As of December 1, 2017

INVESTMENT MANAGEMENT INC.

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The Economy

- An upward revision to third-quarter gross domestic product (GDP) produced a better-than-expected preliminary reading of 3.3% annualized growth, thanks to nonresidential fixed investments and state and local government spending, as well as a holiday-related uptick in inventory investment. Federal Reserve (Fed) watchers believe that the report should keep the central bank on track for this year's third interest-rate increase at its meeting later this month.
- October new-home sales jumped by 6.2% to an annualized rate of 685,000, a 10-year high. Analysts attributed the gains to strong labor and equity markets despite limited supply.
- Consumer confidence increased for the fifth consecutive month and surged to a 17-year high in November, driven by strong employment and stock-market expectations, according to the Conference Board.
- The Institute for Supply Management's manufacturing purchasing managers' index (PMI) weakened in November but remained in solid expansion territory due to new export orders and employment. A similar report from Markit also showed strength in new orders and emerging inflationary pressures.
- Initial jobless claims slid by 2,000 to 238,000 in the week ending November 25. The more-stable four-week moving average climbed by 2,250 to 242,250, the second straight upward move. Continuing claims rose to 1.96 million in the week ending November 18. Economists expect the historically tight labor market to boost wage growth as companies pursue talented workers.
- Personal income and outlays both grew modestly in October. Income expanded by 0.4% for the month, with wages and salaries rising by 0.3%, while consumer spending advanced by 0.3%. Core inflation (which excludes food and energy and is the Fed's primary inflation index) inched 0.2% higher for the period; the year-over-year reading was unchanged at 1.4%.
- Construction spending climbed by 1.4% in October and 2.9% year over year. Public construction projects moved 3.9% higher, the biggest gain in two years; federal government construction spending jumped by 11.1%.
- The trade deficit widened in October to $68.3 billion. Exports eased by 1.0% (due to weakness in food products and capital goods), while imports increased by 1.5% (primarily within capital goods and industrial supplies). A larger trade deficit generally has a negative impact on economic growth.
- Economic sentiment in the eurozone hit a 10-year high in November. The headline index gained 0.5 points as confidence notably improved across almost all sectors, consistent with a continuing economic recovery.
- Activity in China's manufacturing sector expanded at a slower pace during November, according to a PMI reading. A stronger reading in output was offset by weaker readings in employment.

U.S. Economic Calendar

- December 4: Factory Orders
- December 5: International Trade, PMI Services, ISM Non-Manufacturing
- December 6: Mortgage Applications, Productivity and Costs
- December 7: Jobless Claims
- December 8: Employment Situation, Consumer Sentiment

Stocks

- Global equities were up this week. Emerging markets lagged developed markets.
- U.S. equity sectors were mostly higher. Telecommunications and financials led, while information technology and materials lagged. Value stocks had the edge over growth stocks and large-company stocks beat small-company stocks.

Bonds

- Global bond markets were lower this week. Corporate bonds lagged, followed by global government bonds. High-yield bonds outperformed.
- Treasury yields moved higher early in the week after upbeat economic data, but fell back after reports that a former Trump adviser would cooperate with the FBI in its ongoing Russia inquiry.

The Numbers as of December 1, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	0.4%	19.8%	22.5%	505.4
MSCI EAFE ($)	-0.1%	20.0%	23.9%	2020.1
MSCI Emerging Mkts ($)	-2.9%	30.0%	30.6%	1120.8
US & Canadian Equities				
Dow Jones Industrials ($)	2.9%	22.6%	26.3%	24231.6
S&P 500 ($)	1.5%	18.0%	20.6%	2642.2
NASDAQ ($)	-0.6%	27.2%	30.4%	6847.6
S&P/ TSX Composite (C$)	-0.4%	4.9%	6.8%	16042.5
UK & European Equities				
FTSE All-Share (£)	-1.3%	3.8%	9.3%	4018.9
MSCI Europe ex UK (€)	0.0%	11.8%	19.3%	1353.6
Asian Equities				
Topix (¥)	0.9%	18.3%	21.1%	1796.5
Hong Kong Hang Seng ($)	-2.7%	32.2%	27.1%	29074.2
MSCI Asia Pac. Ex-Japan ($)	-2.6%	29.7%	27.6%	553.6
Latin American Equities				
MSCI EMF Latin America ($)	-3.5%	16.2%	21.8%	2719.3
Mexican Bolsa (peso)	-1.5%	3.5%	5.2%	47229.3
Brazilian Bovespa (real)	-2.6%	20.0%	21.4%	72264.5
Commodities ($)				
West Texas Intermediate Spot	-0.8%	8.6%	14.3%	58.4
Gold Spot Price	-0.3%	11.3%	10.0%	1283.8
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.2%	7.0%	6.9%	483.1
JPMorgan Emerging Mkt Bond	0.0%	8.6%	10.8%	802.9
10-Year Yield Change (basis points*)				
US Treasury	2	-8	-9	2.36%
UK Gilt	-2	0	-26	1.23%
German Bund	-6	10	-6	0.30%
Japan Govt Bond	1	-1	0	0.04%
Canada Govt Bond	2	19	24	1.91%
Currency Returns**				
US$ per euro	-0.3%	13.1%	11.6%	1.190
Yen per US$	0.6%	-4.1%	-1.7%	112.17
US$ per £	1.1%	9.2%	7.1%	1.348
C$ per US$	-0.1%	-5.6%	-4.7%	1.269

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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