Weekly Update
Jobless Claims Lighten to 48-Year Low
April 27, 2018

BPU INVESTMENT MANAGEMENT INC.

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The Economy
- Initial jobless claims hit the lowest point in 48 years, shrinking by 24,000 to 209,000, in the week ending April 21. The more-stable four-week moving average dropped by 2,000 to 229,250. Continuing claims fell by 29,000 to 1.84 million in the week ending April 14, remaining near a 45-year low.
- The early estimate for first-quarter gross domestic product (GDP) was a better-than-expected 2.3% annualized growth, primarily on rising service spending and strong business expenditure. Consumer spending also increased, but only by 1.1%—the slowest pace in five years. Economists believe the U.S. economy remains on track to hit 3% annual growth in 2018, driven by tax reform and increased government spending.
- A preliminary reading of Markit's April purchasing managers' index (PMI) pointed to accelerating growth: the services sector gained for the twenty-sixth consecutive month, mostly within new business, in line with expectations; manufacturing hit an almost four-year peak due to new-business and output growth. The report also indicated swelling cost pressure that supports the case for additional interest-rate increases this year.
- Existing-home sales trended higher by 1.1% in March to an annualized rate of 5.60 million despite rising mortgage rates that sidelined many potential buyers, as easing supply provided a tailwind. March new-home sales edged higher by 4.0% to an annualized rate of 694,000. The report, which exceeded expectations even with rising home prices, suggested continued strength in the housing market.
- The S&P CoreLogic Case-Shiller Home Price Index edged up by 0.8% in February and by 6.8% year over year thanks to continued demand for a short supply of housing.
- Durable-goods orders climbed by a better-than-expected 2.6% in March, driven by civilian aircraft orders; softer capital-goods shipments (used to calculate equipment spending in GDP), however, suggested weakening economic momentum.
- Consumer confidence rebounded in April on strong employment and income expectations, approaching a 17-year high set in February, according to the Conference Board.
- The European Central Bank (ECB) left interest rates unchanged in April and reaffirmed that its asset-purchase program would remain at €30 billion per month through at least September 2018. ECB President Mario Draghi emphasized that economic expansion in the eurozone remained solid; although a slight deceleration would not be surprising after the strength of the prior year.
- The U.K. economy inched 0.1% higher during the first quarter and 1.3% year over year, according to the preliminary GDP reading, amid continued Brexit-related concerns.
- The Bank of Japan maintained its short-term interest-rate target and government-bond purchase rate, further signaling the country's continued economic recovery.

U.S. Economic Calendar
- April 30: Personal Income and Outlays
- May 1: PMI Manufacturing Index, Construction Spending
- May 2: Mortgage Applications, FOMC Meeting Announcement
- May 3: International Trade, Jobless Claims, Productivity and Costs, Factory Orders
- May 4: Employment Situation

Stocks
- Global equity markets fell this week. Emerging markets lagged developed markets.
- U.S. equity sectors were mixed. Utilities and healthcare outperformed, while the industrials and materials sectors underperformed the broader market. Value stocks led growth stocks; large-cap stocks beat small-cap stocks.

Bonds
- Global bond markets were lower this week. High-yield bonds outperformed, followed by corporate bonds. Global government bonds lagged.
- The U.S. 10-year bond yield rose above 3% for the first time in four years before falling back late this week, as economic growth and rising inflation weighed on investor sentiment.

The Numbers as of April 27, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.6%	-0.6%	11.9%	509.9
MSCI EAFE ($)	-0.7%	-0.7%	10.9%	2036.4
MSCI Emerging Mkts ($)	-2.0%	-1.2%	16.8%	1144.3
US & Canadian Equities				
Dow Jones Industrials ($)	-0.6%	-1.7%	15.9%	24311.2
S&P 500 ($)	0.0%	-0.1%	11.8%	2669.9
NASDAQ ($)	-0.4%	3.1%	17.7%	7119.8
S&P/ TSX Composite (C$)	1.2%	-3.3%	1.0%	15668.9
UK & European Equities				
FTSE All-Share (£)	1.5%	-2.3%	3.7%	4123.9
MSCI Europe ex UK (€)	0.2%	-0.7%	1.4%	1335.4
Asian Equities				
Topix (¥)	1.5%	-2.2%	15.7%	1777.2
Hong Kong Hang Seng ($)	-0.5%	1.2%	22.6%	30280.7
MSCI Asia Pac. Ex-Japan ($)	-1.7%	-2.1%	14.4%	557.5
Latin American Equities				
MSCI EMF Latin America ($)	-1.5%	5.6%	15.1%	2986.4
Mexican Bolsa (peso)	-0.3%	-2.2%	-2.4%	48264.7
Brazilian Bovespa (real)	0.9%	12.9%	33.4%	86280.3
Commodities ($)				
West Texas Intermediate Spot	-0.4%	12.7%	39.1%	68.1
Gold Spot Price	-1.2%	1.2%	4.5%	1321.8
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.9%	-0.4%	4.0%	483.0
JPMorgan Emerging Mkt Bond	-0.7%	-3.1%	0.5%	782.8
10-Year Yield Change (basis points*)				
US Treasury	0	55	66	2.96%
UK Gilt	-3	26	38	1.44%
German Bund	-2	15	28	0.57%
Japan Govt Bond	-1	1	3	0.06%
Canada Govt Bond	-1	28	75	2.32%
Currency Returns**				
US$ per euro	-1.3%	1.0%	11.6%	1.213
Yen per US$	1.4%	-3.2%	-1.9%	109.12
US$ per £	-1.6%	2.0%	6.8%	1.378
C$ per US$	0.6%	2.1%	-5.9%	1.284

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.

Newlin Archinal CFP®, CRPC®, AIF®
Vice President
BPU Investment Management, Inc.
One Oxford Centre
301 Grant Street, Suite 3300
Pittsburgh, PA 15219
P: 412.288.9150
F: 412.288.9180
www.bpuinvestments.com
Member FINRA/SIPC & an SEC registered investment advisor

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