Weekly Update

Oil Run Restrains Retail Sales

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The Economy

- Retail sales rose by 0.3% in April as consumer spending weakened after an already-soft start to the year. Robust gains in furniture, clothing and non-store retailers were mitigated by a fallback in restaurants and sporting-goods sales. Analysts said that higher gasoline prices limited the benefit of recent tax reform that increased take-home pay for consumers.
- Oil prices jumped above $80 a barrel to their highest level in more than three years after the U.S. imposed new sanctions on Iran's energy industry. Members of the Organization of Petroleum Exporting Countries also remained fearful of geopolitical tensions in critical oil-producing countries.
- Industrial production climbed by 0.7% in April. Utility production grew by 1.9%, driven by weather-related demand for heating; while mining production gained 1.1%, supported by an increase in oil and natural-gas extraction. Capacity utilization, a ratio of realized-to-potential economic output, remained at a three-year high.
- The Philadelphia Fed Survey showed that regional manufacturing growth accelerated during May; workforce readings remained solidly above neutral, and new-order measurements hit a 45-year high, indicating optimism about future manufacturing activity.
- The Conference Board's index of leading economic indicators expanded by 0.4% in April, its sixth straight monthly increase, driven by widespread component strength. The reading, used by economists to gauge the health of the U.S. economy, pointed to ongoing vitality.
- Housing starts fell by 3.7% in April, due to a cooldown in multi-family home construction. Economists indicated that higher costs in the wake of recently-imposed lumber tariffs remained a concern for builders.
- Initial jobless claims edged 11,000 higher to 222,000 in the week ending May 12. The more-stable four-week moving average slipped by 2,750 to 213,250, a 49-year low. Continuing claims fell by 87,000 to 1.71 million, a 45-year low, in the week ending May 5. Market commentators remained confident that the job market remained close to, or at, full employment.
- Mortgage-purchase applications fell by 2% in the week ending May 11 as mortgage rates slightly declined, but remained near their highest level in more than four years. Refinancing activity (which can be sensitive to even small rate changes) retreated by 4%.
- The eurozone's economy gained 0.4% in the first quarter, according to the preliminary reading, pointing to a slowdown in economic growth in the region.
- China's industrial production grew by 0.6% in April and by 7.0% year over year. Utilities output saw accelerated expansion, while manufacturing benefited from solid output growth.
- Japan's first-quarter gross domestic product shrank by 0.2%, according to the preliminary reading—the first decline in over two years. Business investment and consumer spending detracted, although analysts suggested the contraction could be temporary.

U.S. Economic Calendar

- May 23: Mortgage Applications, New Home Sales, FOMC Minutes
- May 24: Jobless Claims, Existing Home Sales, Leading Indicators
- May 25: Durable Goods Orders, Consumer Sentiment

Stocks

- Global equity markets fell this week, led by emerging markets.
- U.S. equity sector performance was mixed. Materials and energy outperformed, while utilities and information technology lagged. Value stocks led growth stocks; small-cap stocks beat large-cap stocks.

Bonds

- Global bond markets were mostly down this week. High-yield bonds outperformed. Corporate bonds and global government bonds lagged.
- Treasury yields rose, and the U.S. 10-year bond yield reached a seven-year high, as strong economic data increased the likelihood that the Federal Reserve would increase the pace of rate hikes this year.

The Numbers as of May 18, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.5%	0.8%	13.3%	517.0
MSCI EAFE ($)	-0.5%	0.0%	9.7%	2050.5
MSCI Emerging Mkts ($)	-1.8%	-1.2%	15.8%	1144.1
US & Canadian Equities				
Dow Jones Industrials ($)	-0.5%	0.0%	19.6%	24715.1
S&P 500 ($)	-0.5%	1.5%	14.7%	2713.0
NASDAQ ($)	-0.7%	6.5%	21.5%	7354.3
S&P/ TSX Composite (C$)	1.1%	-0.3%	5.8%	16164.9
UK & European Equities				
FTSE All-Share (£)	0.7%	1.2%	5.1%	4273.8
MSCI Europe ex UK (€)	0.4%	1.6%	3.4%	1367.5
Asian Equities				
Topix (¥)	1.1%	-0.1%	16.7%	1815.3
Hong Kong Hang Seng ($)	-0.2%	3.8%	23.5%	31047.9
MSCI Asia Pac. Ex-Japan ($)	-1.0%	-0.4%	15.6%	567.4
Latin American Equities				
MSCI EMF Latin America ($)	-4.1%	-2.6%	11.9%	2753.5
Mexican Bolsa (peso)	-2.5%	-7.6%	-5.7%	45583.2
Brazilian Bovespa (real)	-2.6%	8.6%	34.8%	83002.2
Commodities ($)				
West Texas Intermediate Spot	0.8%	18.0%	44.4%	71.3
Gold Spot Price	-2.2%	-1.0%	3.0%	1292.7
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-1.2%	-1.9%	1.4%	475.5
JPMorgan Emerging Mkt Bond	-0.9%	-4.8%	-1.5%	768.9
10-Year Yield Change (basis points*)				
US Treasury	9	66	83	3.06%
UK Gilt	6	31	44	1.50%
German Bund	2	15	24	0.58%
Japan Govt Bond	1	1	1	0.06%
Canada Govt Bond	11	44	104	2.49%
Currency Returns**				
US$ per euro	-1.5%	-2.0%	6.0%	1.177
Yen per US$	1.2%	-1.7%	-0.7%	110.75
US$ per £	-0.5%	-0.3%	4.2%	1.348
C$ per US$	0.7%	2.5%	-5.3%	1.288

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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