Weekly Update

Fed Refrains from Rate Hike

August 3, 2018

Member FINRA/SIPC, a registered investment advisor

The Economy

- The Federal Open Market Committee (FOMC) left interest rates unchanged in a unanimous vote, despite unabated strong economic expansion, robust consumer spending and a solid labor market. The FOMC's official statement reinforced the likelihood of two more rate hikes in 2018, citing accelerating inflationary pressures.
- The U.S. economy added 157,000 jobs in July, falling short of expectations; however, the number of jobs added in the previous month was revised higher. Unemployment decreased slightly to 3.9% and hourly wage growth remained 2.7% year over year.
- The U.S. trade deficit widened sharply by 7.2% in July to $46.3 billion after hitting a 19-month low in June. Exports declined by 0.7% on a drop in capital goods and consumer products, while imports increased by 0.6%. A wider trade deficit detracts from economic growth.
- Personal income expanded by 0.4% in June, with the wages and salaries component also rising by 0.4%. Consumer spending advanced by 0.4% for the month. The core personal consumption expenditures reading (which excludes food and energy and is the Federal Reserve's preferred measure of inflation) moved 0.1% higher for the month and 1.9% year over year, just shy of the central bank's 2% inflation target.
- The Institute for Supply Management's manufacturing purchasing managers' index (PMI) expanded at a slightly slower pace in July compared to June. A similar report by Markit Economics also showed that manufacturing decelerated; although it remained in solid expansion territory for the month. Both reports highlighted inflationary pressures tied to the recent tariffs on steel imports.
- Initial jobless claims grew by 1,000 to 218,000 in the week ending July 28. The less-volatile four-week moving average fell by 3,500 to 214,500. Continuing claims decreased by 23,000 to 1.72 million in the week ending July 21, lingering near an historic low.
- The S&P CoreLogic Case-Shiller Home Price Index edged up by 0.2% in May and by a more substantial 6.5% year over year as price increases slowed; analysts suggested that rising mortgage rates put a squeeze on consumer spending.
- Mortgage-purchase applications slid by 3% in the week ending July 27, as mortgage rates climbed near their highest level in seven years. Refinancing activity (which can be sensitive to even small rate changes) moderated by 2%.
- The eurozone's economy grew by 0.3% in the second quarter, according to the preliminary gross domestic product reading, pointing to a further slowdown in regional economic growth.
- The Bank of England's Monetary Policy Committee voted unanimously in favor of raising its benchmark lending rate by 25 basis points to 0.75%.The central bank noted that future rate hikes would likely come at a gradual, but limited, pace.

U.S. Economic Calendar

- August 7: Job Openings and Labor Turnover Survey, Consumer Credit
- August 8: Mortgage Applications
- August 9: Jobless Claims, Producer Prices
- August 10: Consumer Price Index

Stocks

- Global equity markets declined this week. Developed markets fared better than emerging markets.
- U.S. equity sector performance was mixed. Telecommunication services and healthcare led, while energy and industrials lagged. Growth stocks slightly outgained value stocks; large-cap stocks beat small-cap stocks.

Bonds

- Global bond markets were mostly negative this week. High-yield bonds outperformed, while investment-grade corporate and global government bonds underperformed.
- The 10-year Treasury yield topped 3.0% after the FOMC upgraded its economic outlook, yet declined later in the week as investors remained on edge about continued trade tensions.

The Numbers as of August 3, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.6%	0.9%	8.0%	517.5
MSCI EAFE ($)	-1.7%	-3.6%	1.1%	1976.6
MSCI Emerging Mkts ($)	-2.3%	-7.9%	0.3%	1067.4
US & Canadian Equities				
Dow Jones Industrials ($)	0.0%	3.0%	15.6%	25462.6
S&P 500 ($)	0.8%	6.2%	14.9%	2840.4
NASDAQ ($)	1.0%	13.2%	23.2%	7812.0
S&P/ TSX Composite (C$)	0.2%	1.3%	8.1%	16423.4
UK & European Equities				
FTSE All-Share (£)	-0.6%	-0.4%	2.7%	4205.7
MSCI Europe ex UK (€)	-1.2%	-0.4%	2.2%	1340.0
Asian Equities				
Topix (¥)	-1.9%	-4.1%	6.7%	1742.6
Hong Kong Hang Seng ($)	-3.9%	-7.5%	0.5%	27676.3
MSCI Asia Pac. Ex-Japan ($)	-2.4%	-6.5%	0.8%	532.3
Latin American Equities				
MSCI EMF Latin America ($)	-1.5%	-4.9%	-3.2%	2690.2
Mexican Bolsa (peso)	-0.7%	-0.1%	-3.9%	49317.1
Brazilian Bovespa (real)	2.0%	6.6%	22.0%	81444.5
Commodities ($)				
West Texas Intermediate Spot	-0.3%	13.4%	39.7%	68.5
Gold Spot Price	-0.8%	-6.9%	-4.1%	1215.9
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.4%	-2.0%	-1.5%	474.8
JPMorgan Emerging Mkt Bond	-0.8%	-3.8%	-2.2%	777.5
10-Year Yield Change (basis points*)				
US Treasury	0	55	73	2.95%
UK Gilt	5	14	18	1.33%
German Bund	0	-2	-5	0.41%
Japan Govt Bond	1	6	4	0.11%
Canada Govt Bond	6	31	46	2.35%
Currency Returns**				
US$ per euro	-0.8%	-3.6%	-2.5%	1.157
Yen per US$	0.2%	-1.3%	1.1%	111.25
US$ per £	-0.8%	-3.8%	-1.0%	1.300
C$ per US$	-0.5%	3.3%	3.2%	1.299

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

SIMC is not an affiliate of BPU investment Management, Inc.

Index returns are for illustrative purposes only and do not represent actual fund performance.

Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

This material is provided by SEI Investments Management Corporation (SIMC) for educational purposes only and is not meant to be investment advice. The reader should consult with his/her financial advisor for more information. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results. There are risks involved with investing, including possible loss of principal. SIMC is a wholly owned subsidiary of SEI Investments Company.