Weekly Update
Oil's Slippery Losing Streak
August 17, 2018

Member FINRA/SIPC,
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The Economy

- Oil prices edged higher this week, but remain low and are poised to mark their longest run of week-over-week declines in three years, further sparking concern of a global slowdown in demand. The U.S./Turkish trade crisis in may add to the concerns that have already negatively impacted the commodities market. Global stocks, especially within emerging markets, fell in response to the tumbling Turkish lira.
- Industrial production inched up by 0.1% in July. Manufacturing volume also accelerated, by 0.3% due to a 0.9% increase in motor-vehicle output. Capacity utilization, the ratio of realized-to-potential economic output, improved slightly. There are a positive signs for the ongoing economic expansion in the U.S.
- Total import prices remained flat in July; however, excluding petroleum imports, prices dipped to -0.1%. Year-over-year growth hovered at 4.8%, the highest rate since February 2012. Export prices slid by 0.5% for the month, as agricultural prices slumped by 5.3%.
- Retail sales jumped by 0.5% in July as consumer spending trended higher after a soft start to the year, driven by strong motor-vehicle and restaurant sales. Analysts tied the reading to a healthy job market and continued robust economic growth.
- Mortgage-purchase applications slipped by 3% in the week ending August 10, marking the fifth consecutive weekly decline. Refinancing activity (which can be sensitive to even small rate changes) remained unchanged. Economists blamed affordability issues and a supply/demand imbalance for the decline.
- Housing starts improved by 0.9% in July; however, year-over-year starts slid to -1.4%, highlighting economists' growing concern about home prices rising twice as fast as wage growth. Homebuilders remain concerned by a lack of skilled labor and higher lumber costs.
- Initial jobless claims dropped by 1,000 to 212,000 in the week ending August 11. The more stable four-week moving average rose by 1,250 to 215,500. Continuing claims contracted by 39,000 to 1.72 million in the week ending August 4, lingering near a historic low.
- The University of Michigan's consumer sentiment index fell to a seven-month low in August on concerns about the economic impact of an all-out trade war. So far the U.S. has remained relatively unscathed.
- The Conference Board's index of leading economic indicators expanded by 0.6% in July—its ninth straight monthly increase—driven by widespread component strength. The reading, used by economists to gauge the health of the economy, pointed to ongoing strength.
- Eurozone growth expanded by 0.4% in the second quarter. Analysts confirmed that increased spending in Germany boosted gross domestic product. However, eurozone officials remained uncertain about future growth as global trade-war conditions continue to intensify.
- Total exports in Japan grew at a slower rate in July. The sluggishness was attributed to a 5.2% decrease in exports to the U.S., which included a 12.1% decrease in car shipments.

U.S. Economic Calendar

- August 22: Mortgage Applications, Home Sales
- August 23: Jobless Claims, PMI Composite
- August 24: Durable Goods Orders

Stocks

- Global equity markets decreased this week. Developed markets fared better than emerging markets.
- U.S. equity sector performance was mostly positive this week. Consumer staples and telecommunications led, while energy and materials lagged. Value stocks outgained growth stocks; large-cap stocks beat small-cap stocks.

Bonds

- Global bond markets were mostly negative this week. High-yield bonds, global government bonds and investment-grade corporate 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 17, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.8%	-0.3%	8.3%	511.5
MSCI EAFE ($)	-1.4%	-6.3%	-0.2%	1922.6
MSCI Emerging Mkts ($)	-3.8%	-11.8%	-3.9%	1021.6
US & Canadian Equities				
Dow Jones Industrials ($)	1.4%	3.8%	18.0%	25666.4
S&P 500 ($)	0.7%	6.7%	17.4%	2852.3
NASDAQ ($)	-0.3%	13.2%	25.6%	7816.4
S&P/ TSX Composite (C$)	0.0%	0.7%	8.6%	16321.5
UK & European Equities				
FTSE All-Share (£)	-1.3%	-1.6%	2.5%	4153.8
MSCI Europe ex UK (€)	-1.0%	-2.2%	0.7%	1315.2
Asian Equities				
Topix (¥)	-1.3%	-6.6%	5.1%	1697.5
Hong Kong Hang Seng ($)	-4.1%	-9.0%	-0.5%	27213.4
MSCI Asia Pac. Ex-Japan ($)	-3.3%	-8.8%	-1.3%	519.4
Latin American Equities				
MSCI EMF Latin America ($)	-1.1%	-10.3%	-9.0%	2536.4
Mexican Bolsa (peso)	-0.2%	-2.2%	-5.4%	48265.6
Brazilian Bovespa (real)	-0.4%	-0.3%	12.1%	76177.3
Commodities ($)				
West Texas Intermediate Spot	-2.5%	9.1%	40.0%	65.9
Gold Spot Price	-2.8%	-9.9%	-8.5%	1177.3
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.2%	-2.2%	-1.3%	474.1
JPMorgan Emerging Mkt Bond	0.0%	-4.9%	-3.4%	768.4
10-Year Yield Change (basis points*)				
US Treasury	-1	46	68	2.87%
UK Gilt	-1	5	15	1.24%
German Bund	-1	-12	-12	0.30%
Japan Govt Bond	0	5	4	0.10%
Canada Govt Bond	-4	22	42	2.27%
Currency Returns**				
US$ per euro	0.2%	-4.7%	-2.4%	1.144
Yen per US$	-0.2%	-1.8%	1.0%	110.62
US$ per £	-0.1%	-5.7%	-0.9%	1.275
C$ per US$	-0.6%	3.9%	3.0%	1.306

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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