Weekly Update
Spooked Investors Seek Safety
October 12, 2018

Member FINRA/SIPC, a registered investment advisor

The Economy
- U.S. financial markets shuddered this week as investors dumped stocks and fled to less risky assets, such as bonds and gold. Economists blamed the rout on a number of factors, from accelerating trade-war tensions to rising interest rates. Yet experts noted that October is known for market volatility: during this month between 1950 and 2017, there were 362 instances of the S&P 500 Index moving higher or lower by at least 1%.
- The CBOE Volatility Index (or VIX) exploded in response to the market decline, hitting its highest level since the February selloff. The VIX, also known as the “fear index,” reflects expectations for volatility in the S&P 500 Index and often surges during periods of market uncertainty.
- Producer prices expanded by 0.2% in September, primarily within transportation services. The report continued to convey a relatively benign producer-price environment with subdued underlying data. Steel and aluminum prices felt pressure earlier in the year from tariff effects, but were unchanged from the prior month.
- Consumer prices inched up by 0.1% in September. Year over year, core consumer-price growth was unchanged at 2.2%. Analysts noted that more than half of the monthly increase was supported by higher rents and home prices. The elevated cost of home ownership continues to weigh down the housing market.
- Mortgage-purchase applications slid by 1% in the week ending October 5, while refinancing activity (which can be sensitive to even small rate changes) dropped by 3%. Interest rates are approximately 1% higher compared to last year, causing buyers to seek adjustable-rate mortgages.
- Initial jobless claims expanded by 7,000 to 214,000 in the week ending October 6. The more stable four-week moving average rose by 2,500 to 209,500. Continuing claims declined by 10,000 to 1.66 million. Overall, the current-claims level remained low, which suggests a strong demand for labor. Economists noted that Hurricane Michael will likely impact the October jobs report.
- Total import prices moved 0.5% higher in September on a rebound in energy prices, while export prices were unchanged. Excluding fuel, import prices were essentially flat for the month.
- Industrial production in the U.K. grew by 0.2% in August, mainly within electricity and gas, water supply and mining, while manufacturing production slid by 0.2%. Prospects for economic growth in the U.K. have diminished in the face of Brexit-related uncertainty.
- China’s non-manufacturing purchasing managers’ index improved in September, hinting at strengthening demand for the services sector. However, the nation’s companies are beginning see deteriorating profit margins due to rising costs and weakening employment.
- Industrial production in the eurozone rallied in August, improving by 1%, reinforced by broad-based gains across all subsectors.

U.S. Economic Calendar
- October 15: Retail Sales
- October 16: Industrial Production, Housing Market Index
- October 17: Mortgage Applications
- October 18: Jobless Claims, Leading Indicators
- October 19: Existing Home Sales

Stocks
- Global equity markets declined this week. Developing markets fared better than emerging markets.
- U.S. equity sector performance was negative this week. Consumer staples and utilities led, while materials and industrials lagged. Growth stocks outpaced value stocks, and large-cap stocks beat small-cap stocks.

Bonds
- Global bond markets were positive this week. Global government bonds led, followed by investment-grade corporate bonds and high-yield bonds.
- The 10-year Treasury yield moved higher, hovering slightly below 3.15%.

The Numbers as of October 12, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-4.9%	-4.6%	-0.9%	489.4
MSCI EAFE ($)	-3.9%	-9.7%	-7.2%	1851.2
MSCI Emerging Mkts ($)	-4.6%	-17.6%	-14.9%	954.7
US & Canadian Equities				
Dow Jones Industrials ($)	-4.2%	2.5%	10.9%	25340.0
S&P 500 ($)	-3.9%	3.7%	8.7%	2771.7
NASDAQ ($)	-3.7%	8.6%	13.7%	7496.9
S&P/ TSX Composite (C$)	-3.3%	-4.8%	-2.0%	15425.6
UK & European Equities				
FTSE All-Share (£)	-4.4%	-8.8%	-7.1%	3850.2
MSCI Europe ex UK (€)	-4.6%	-7.7%	-8.6%	1242.4
Asian Equities				
Topix (¥)	-5.0%	-6.3%	0.1%	1702.5
Hong Kong Hang Seng ($)	-2.9%	-13.8%	-9.3%	25801.5
MSCI Asia Pac. Ex-Japan ($)	-5.4%	-16.8%	-13.5%	473.8
Latin American Equities				
MSCI EMF Latin America ($)	1.3%	-5.7%	-9.6%	2666.4
Mexican Bolsa (peso)	-1.3%	-3.9%	-5.0%	47446.0
Brazilian Bovespa (real)	0.7%	8.5%	8.2%	82921.1
Commodities ($)				
West Texas Intermediate Spot	-4.0%	18.1%	41.0%	71.3
Gold Spot Price	1.5%	-6.6%	-5.7%	1219.9
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.6%	-2.8%	-1.9%	470.9
JPMorgan Emerging Mkt Bond	-0.2%	-5.0%	-4.7%	767.7
10-Year Yield Change (basis points*)				
US Treasury	-7	76	84	3.16%
UK Gilt	-9	44	25	1.63%
German Bund	-8	7	5	0.50%
Japan Govt Bond	-1	10	8	0.15%
Canada Govt Bond	-11	45	41	2.49%
Currency Returns**				
US$ per euro	0.3%	-3.7%	-2.3%	1.156
Yen per US$	-1.3%	-0.4%	0.0%	112.23
US$ per £	0.3%	-2.7%	-0.8%	1.315
C$ per US$	0.7%	3.7%	4.5%	1.303

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.

Index Definitions:

S&P 500 Index: The S&P 500 Index is a capitalization-weighted index made up of 500 widely held large-cap U.S. stocks.

Chicago Board Options Exchange Volatility Index: The VIX, or Chicago Board Options Exchange Volatility Index, uses option prices on the S&P 500 to estimate the implied volatility of the S&P 500 Index over the next 30 days. Options are derivative contracts that give a buyer the right (and impose upon the seller an obligation, if called upon by the buyer) to buy or sell an underlying security at a specified price, usually for a specified period of time. A higher number indicates greater volatility and an increase in the VIX is often associated with higher risk aversion among investors.

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.