Weekly Update
October Jobs Report Comes Roaring Back
November 2, 2018

Member FINRA/SIPC,
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The Economy

- The U.S. economy added 250,000 jobs in October—more than twice that of the prior month, when job growth slowed in the wake of Hurricane Florence. The unemployment rate remained at 3.7% in October, while hourly wages grew by 0.2%. This month's strong report supports the Federal Reserve's (Fed) case for an additional interest-rate hike in December.
- The trade deficit expanded by $0.7 billion to $54.0 billion in September. Imports and exports each increased by 1.5%.
- Institute for Supply Management's October manufacturing index expanded in October at the slowest pace in six-months, as purchasing managers faced tariffs, rising prices, low overseas demand, and shortages. New orders and production both declined sharply. Employment and new export orders within the sector were down as well, while prices jumped. A similar report from IHS Markit conveyed more robust growth within the sector, with a notable increase in new business in addition to gains in hiring and business confidence.
- Non-farm productivity slowed for the third quarter to 2.2% from an upward revised 3.0% in the second quarter. Analysts' outlook on productivity nevertheless remains positive. Output growth decelerated by 0.9% to a still-strong 4.1%, while gains in hours worked slowed by 0.2% to a rate of 1.8%.
- Personal income inched 0.2% higher in September, with the wages and salaries component rising by just 0.2%. Consumer spending advanced by a solid 0.4% for the month. The core personal consumption reading (which excludes food and energy and is the Fed's preferred measure of inflation) grew by 0.2% for the month and 2% year over year, maintaining the central bank's inflation target.
- Mortgage-purchase applications declined by 2% in the week ending October 26, while refinancing activity (which can be sensitive to even small rate changes) fell 4%.
- Consumer confidence ascended to an 18-year high in October, according to the Conference Board, primarily on strong job growth. A smaller number of consumers expressed expectations of fewer jobs in the near future, while a greater number said they foresee improved income prospects. Consumers also reported vehicle- and home-buying plans in the next six months, despite rising interest rates and a tepid housing market.
- Initial jobless claims contracted by 2,000 to 214,000 in the week ending October 27. The more stable four-week moving average grew by 1,750 to 213,750. Continuing claims dipped by 7,000 to 1.63 million in the week ending October 20, the lowest level since July 1973.
- The Bank of Japan voted to keep its interest rate at -0.1%, citing trade tensions between the U.S. and China as one of the biggest risks to the Japanese economy. The central bank said that interest rates will remain extremely low for an extended period, and reaffirmed its bond-buying program.
- China's manufacturing purchasing managers' index tumbled in October to its lowest level in over two years. New orders (including for exports) and factory output fell dramatically, pointing to further weakness in the coming months.

U.S. Economic Calendar

- November 6: Job Openings and Labor Turnover (JOLTS)
- November 7: Consumer Credit
- November 8: Jobless Claims, FOMC Announcement
- November 9: Producer Prices

Stocks

- Global equity markets gained this week. Emerging markets outperformed developing markets.
- U.S. equity sector performance was nearly positive across the board this week. Materials and financials led, while information technology and utilities lagged. Value stocks outpaced growth stocks, and small-cap stocks beat large-cap stocks.

Bonds

- Global bond markets were mostly negative this week. High-yield bonds led, while corporate bonds and global government bonds lagged.
- The 10-year Treasury yield jumped this week following the strong October jobs report.

The Numbers as of November 2, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	3.0%	-4.6%	-1.8%	489.5
MSCI EAFE ($)	2.7%	-10.9%	-9.3%	1826.3
MSCI Emerging Mkts ($)	3.4%	-16.1%	-13.8%	971.4
US & Canadian Equities				
Dow Jones Industrials ($)	2.4%	2.2%	7.5%	25270.8
S&P 500 ($)	2.4%	1.8%	5.6%	2723.1
NASDAQ ($)	2.6%	6.6%	9.6%	7357.0
S&P/ TSX Composite (C$)	1.6%	-6.7%	-5.6%	15119.3
UK & European Equities				
FTSE All-Share (£)	2.7%	-7.5%	-6.0%	3904.3
MSCI Europe ex UK (€)	2.9%	-6.8%	-9.4%	1253.7
Asian Equities				
Topix (¥)	3.9%	-8.7%	-7.5%	1658.8
Hong Kong Hang Seng ($)	7.2%	-11.5%	-7.1%	26486.4
MSCI Asia Pac. Ex-Japan ($)	3.6%	-16.0%	-13.9%	478.8
Latin American Equities				
MSCI EMF Latin America ($)	1.2%	-3.9%	-2.8%	2718.5
Mexican Bolsa (peso)	-0.8%	-7.9%	-6.0%	45446.8
Brazilian Bovespa (real)	3.1%	15.7%	19.8%	88419.1
Commodities ($)				
West Texas Intermediate Spot	-6.6%	4.5%	15.8%	63.1
Gold Spot Price	-0.1%	-5.7%	-3.5%	1232.2
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.3%	-3.2%	-1.9%	469.3
JPMorgan Emerging Mkt Bond	-0.3%	-5.4%	-5.4%	764.3
10-Year Yield Change (basis points*)				
US Treasury	14	81	87	3.22%
UK Gilt	11	30	23	1.49%
German Bund	8	0	6	0.43%
Japan Govt Bond	2	8	7	0.13%
Canada Govt Bond	14	49	58	2.53%
Currency Returns**				
US$ per euro	-0.1%	-5.1%	-2.3%	1.139
Yen per US$	1.2%	0.5%	-0.8%	113.22
US$ per £	1.1%	-4.0%	-0.7%	1.297
C$ per US$	0.0%	4.2%	2.3%	1.310

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:

FTSE/Russell 100 Index: The FTSE/Russell 100 Index measures the performance of shares from the 100 largest companies listed on the London Stock Exchange.

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.

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