Weekly Update
U.S.-China Trade Deal on the Horizon
March 1, 2019

INVESTMENT MANAGEMENT INC.

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The Economy

- U.S. equity markets rallied after President Trump, citing substantial progress in U.S.-China trade negotiations, announced a delay of a planned increase in tariffs on Chinese goods. Lingering tensions between the world's two largest economies have dampened investor optimism and weighed on stocks amid concerns that tariffs would drag down global growth.
- New factory orders inched up by 0.1% in December following two consecutive months of decreases, according to the U.S. Census Bureau. Excluding transportation, new orders declined by 0.6%, indicating that transportation products drove most of the demand in December. Durable goods orders, such as those for refrigerators and vehicles, rose by 1.2% for the month.
- Federal Reserve (Fed) Chairman Jerome Powell testified before Congress that the U.S. economy is expected to expand at a solid, but slower, rate in 2019. Powell's testimony also warned of mounting risks, including a global slowdown, volatile financial markets and unpredictability of U.S. trade policy.
- Fourth-quarter 2018 gross domestic product (GDP) expanded by a better-than-expected 2.6%, boosted by a sizable increase in consumer spending. Weakness in residential fixed investment (expenditures on residential structures and equipment) detracted. Overall, U.S. consumers and businesses demonstrated resilience in the face of rising economic headwinds during the quarter.
- The U.S. trade deficit swelled by 12.8% in December to $79.5 billion. Exports fell 2.8%, while imports grew by 2.4%.
- Despite recent months of market volatility and a partial government shutdown, U.S. consumer confidence rebounded in February. The consumer confidence index measures consumers' assessment of current economic conditions and their expectations for the next six months.
- Housing starts tumbled by 11.2% in December, falling to a two-year low. The reading signaled the possibility that developers anticipate fewer new-home sales this year. Permits, which are an indicator of future homebuilding activity, increased by 0.3% to an annual rate of 1.326 million. Building activity continued to be sidelined by land and labor shortages, leading to tighter inventories and higher home prices.
- The S&P CoreLogic Case-Shiller Home Price Index inched up by 0.2% in December, and also registered the slowest pace of annual growth in four years.
- Mortgage-purchase applications rose by 6.0% in the week ending February 22, while refinancing activity (which can be sensitive to rate changes) advanced by 5.0%. The average interest rate on a 30-year fixed-rate mortgage fell to 4.65%.
- Initial jobless claims climbed by 9,000 in the week ending February 23. The more stable four-week moving average descended by 6,750 to 229,000.
- Economic sentiment in the eurozone dipped in February, reflecting deteriorating morale within industry and construction.
- Industrial production in Japan weakened by 3.7% in January, led by declines in output for motor vehicle, electrical machinery and production machinery.

U.S. Economic Calendar

- March 5: New Home Sales, Non-Manufacturing PMI
- March 6: Mortgage Applications, International Trade
- March 7: Jobless Claims, Consumer Credit, Productivity and Costs
- March 8: Employment Situation

Stocks

- Global equity markets were negative this week; developed markets led emerging markets.
- U.S. equity sector performance was mostly positive. Information technology and energy led, while consumer staples and materials lagged. Growth stocks beat value stocks, and large-cap stocks outperformed small-caps.

Bonds

- Global bond markets were negative this week. High-yield bonds led, followed by global corporate bonds and global government bonds.
- The 10-year Treasury bond yield edged higher to 2.77%.

The Numbers as of March 1, 2019	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.1%	10.5%	-1.6%	503.5
MSCI EAFE ($)	0.2%	8.9%	-7.4%	1873.7
MSCI Emerging Mkts ($)	-0.7%	8.8%	-11.9%	1051.0
US & Canadian Equities				
Dow Jones Industrials ($)	-0.1%	11.5%	5.7%	26018.7
S&P 500 ($)	0.5%	11.9%	4.8%	2805.9
NASDAQ ($)	0.9%	14.4%	5.8%	7593.5
S&P/ TSX Composite (C$)	0.3%	12.1%	4.3%	16062.6
UK & European Equities				
FTSE All-Share (£)	-0.7%	6.4%	-1.1%	3911.1
MSCI Europe ex UK (€)	0.5%	10.6%	-1.5%	1289.2
Asian Equities				
Topix (¥)	0.4%	8.1%	-7.2%	1615.7
Hong Kong Hang Seng ($)	0.0%	11.5%	-7.2%	28812.2
MSCI Asia Pac. Ex-Japan ($)	-0.4%	9.5%	-9.4%	522.3
Latin American Equities				
MSCI EMF Latin America ($)	-2.8%	9.9%	-7.9%	2821.2
Mexican Bolsa (peso)	-2.8%	2.1%	-10.7%	42523.4
Brazilian Bovespa (real)	-3.2%	7.8%	10.9%	94718.6
Commodities ($)				
West Texas Intermediate Spot	-2.3%	22.9%	-8.5%	55.8
Gold Spot Price	-2.6%	1.3%	-0.9%	1298.5
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.1%	0.9%	-0.6%	483.4
JPMorgan Emerging Mkt Bond	0.3%	5.1%	2.5%	809.8
10-Year Yield Change (basis points*)				
US Treasury	11	8	-4	2.77%
UK Gilt	14	2	-17	1.30%
German Bund	9	-6	-46	0.18%
Japan Govt Bond	3	-1	-5	-0.01%
Canada Govt Bond	5	-3	-24	1.94%
Currency Returns**				
US$ per euro	0.3%	-0.9%	-7.4%	1.137
Yen per US$	1.2%	2.1%	5.4%	111.97
US$ per £	1.1%	3.5%	-4.2%	1.320
C$ per US$	1.2%	-2.5%	3.6%	1.330

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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