

Weekly Update

Cold Winter for Retail Sales

March 15, 2019



Member FINRA/SIPC,
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The Economy

- Retail sales unexpectedly rebounded by 0.2% in January after registering the worst December in nine years with a 1.6% decline. Retail spending has flat-lined since last summer, which analysts say is evidence of a mounting economic slowdown.
- Consumer prices edged 0.2% higher in February—the first increase in four months despite tighter labor markets and higher wages, due to lagging domestic growth. The Consumer Price Index acts as a cost-of-living gauge.
- Producer prices inched up by 0.1% in February. The Producer Price Index measures the average change in selling prices that producers received for goods and services over time.
- Durable-goods orders gained 0.4% in January, primarily within core capital goods. Aircraft orders were also strong. This marked the third consecutive positive month, signaling momentum within the manufacturing sector.
- Construction spending grew by 1.3% in January, the largest gain in nine months, driven by nonresidential construction. The report was good news for homebuilders, who have struggled against rising mortgage rates and building costs.
- Total import prices moved 0.6% higher in February, reinforced by a 4.7% surge in fuel costs. Export prices expanded by 0.6%. Outside of fuel, most categories remained flat, suggesting stagnant inflation.
- Industrial production edged up by 0.1% in February, missing economists' expectations of a 0.3% gain. A 3.7% swell in utilities helped keep production in positive territory.
- Job openings (a measure of labor demand) grew to 7.58 million in January, according to the Department of Labor. Hiring climbed by 1.5% to 5.80 million, lagging the number of available jobs.
- Initial jobless claims increased by 6,000 to 229,000 in the week ending March 9. The more stable four-week moving average slipped by 2,500 to 223,750.
- Mortgage-purchase applications jumped by 4.0% in the week ending March 8. Refinancing activity (which can be sensitive to even small rate changes) retreated by 0.2%. The average interest rate on a 30-year fixed-rate mortgage slipped to 4.64%.
- E-commerce retail sales improved by 2.0% in the fourth quarter 2018 and by 12.1% year over year.
- Industrial production in the eurozone accelerated by 1.4% in January, particularly non-durable consumer goods and consumer durables. France, Italy and Spain saw the strongest gains.
- Retail sales in China strengthened by 0.8% in February. Retail-sales growth reflects increases sales of clothing, furniture, home appliances and personal-care items.

U.S. Economic Calendar

- March 18: Housing Market Index
- March 19: Factory Orders
- March 20: Mortgage Applications
- March 21: Jobless Claims, Leading Indicators
- March 22: Existing Home Sales

Stocks

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

Bonds

- Global bond markets were positive this week. High-yield bonds led, followed by global corporate bonds and global government bonds.
- The 10-year Treasury bond yield narrowed to 2.59%.

The Numbers as of March 15, 2019	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI (\$)	2.2%	11.0%	-3.2%	505.6
MSCI EAFE (\$)	1.9%	9.0%	-8.5%	1874.7
MSCI Emerging Mkts (\$)	1.8%	8.5%	-13.8%	1048.2
US & Canadian Equities				
Dow Jones Industrials (\$)	1.6%	10.8%	3.9%	25849.0
S&P 500 (\$)	2.9%	12.6%	2.7%	2821.9
NASDAQ (\$)	3.8%	15.9%	2.8%	7688.5
S&P/TSX Composite (C\$)	0.9%	12.7%	3.0%	16136.4
UK & European Equities				
FTSE All-Share (£)	1.8%	8.0%	0.5%	3968.3
MSCI Europe ex UK (€)	1.9%	12.0%	-1.0%	1306.1
Asian Equities				
Topix (¥)	1.9%	7.3%	-8.1%	1602.6
Hong Kong Hang Seng (\$)	2.8%	12.3%	-8.0%	29012.3
MSCI Asia Pac. Ex-Japan (\$)	1.3%	9.3%	-11.4%	521.4
Latin American Equities				
MSCI EMF Latin America (\$)	3.3%	9.9%	-7.5%	2819.5
Mexican Bolsa (peso)	1.5%	1.4%	-11.7%	42207.9
Brazilian Bovespa (real)	3.8%	12.6%	16.5%	98943.5
Commodities (\$)				
West Texas Intermediate Spot	4.4%	28.9%	-4.4%	58.5
Gold Spot Price	0.3%	1.6%	-1.3%	1302.7
Global Bond Indices (\$)				
Barclays Global Aggregate (\$)	0.3%	1.2%	-1.0%	484.6
JPMorgan Emerging Mkt Bond	0.7%	5.4%	2.6%	812.4
10-Year Yield Change (basis points*)				
US Treasury	-4	-9	-24	2.59%
UK Gilt	2	-6	-23	1.21%
German Bund	2	-16	-49	0.08%
Japan Govt Bond	0	-4	-8	-0.03%
Canada Govt Bond	-5	-25	-43	1.72%
Currency Returns**				
US\$ per euro	0.7%	-1.3%	-8.0%	1.132
Yen per US\$	0.3%	1.7%	4.9%	111.51
US\$ per £	2.1%	4.2%	-4.7%	1.329
C\$ per US\$	-0.5%	-2.1%	2.3%	1.335

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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