Weekly Update

March Goes Out Like a Lion on Slower Growth

March 29, 2019

Member FINRA/SIPC,
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The Economy

- Investors remained concerned about a key segment of the U.S. Treasury yield curve inverting last week for the first time in well over a decade, as inversions have preceded economic recessions in the past. But some economists said this one indicates a sharp slowdown rather than impending recession.
- Gross domestic product (GDP) expanded by a modest 2.2% in the fourth quarter. Consumer spending (the largest component) grew by 2.5%, which was just 0.1% shy of expectations. Nonresidential fixed investment was revised lower to minus 4.7%, making it the sharpest of four consecutive quarters of contraction. The U.S. trade deficit retreated by 15% to $51.1 billion in January, reflecting cheaper oil prices and decreased Chinese imports (due to U.S. tariffs on Chinese products). A lower trade deficit may boost GDP in the first quarter.
- Consumer confidence slid to 124.1 in March, shaken by persistent market volatility. Despite the turbulence, consumers reported confidence in near-term economic expansion.
- Housing starts tumbled by 8.7% in February. The reading signaled developers' expectations of fewer new-home sales this year. Permits, an indicator of future homebuilding activity, fell by 1.6% to an annual rate of 1.296 million. Land and labor shortages continued to keep inventories tight and home prices elevated.
- The S&P CoreLogic Case-Shiller Home Price Index rose by a modest 0.1% in January and 3.6% in the year over year, registering the slowest pace of annual growth in four years.
- Personal income grew by 0.2% in February, with the wages and salaries component rising by 0.3%. Consumer spending advanced by 0.1% for the month. Core personal consumption (which excludes food and energy and is the Federal Reserve's preferred inflation measure) dipped 0.1% in the same period. Economists suggested that the report highlighted weakening prices.
- Mortgage-purchase applications jumped by 6.0% in the week ending March 22. Refinancing activity (which can be sensitive to even small rate changes) surged by 12.0%. The average interest rate on a 30-year fixed-rate mortgage slipped further to 4.45%.
- Initial jobless claims remained unchanged at 211,000 in the week ending March 23. The more stable four-week moving average dipped by 7,500 to 217,250. Continuing claims decreased by 5,000 to 1.75 million in the week ending March 16.
- Economic sentiment in the eurozone retreated in February, falling for the ninth consecutive month on weak morale in industry and services. Retail trade and construction eked out small gains.
- Industrial production in Japan accelerated by 1.4% in February. Higher output in motor vehicles, electrical machinery and production machinery drove the rebound.

U.S. Economic Calendar

- April 1: Retail Sales, PMI Manufacturing
- April 2: Durable Goods Orders
- April 3: Mortgage Applications, PMI Services
- April 4: Jobless Claims
- April 5: Employment Situation, Consumer Credit

Stocks

- Global equity markets were negative this week; developed markets led emerging markets.
- U.S. equity sector performance was mostly positive. Industrials and materials led, while telecommunications services and utilities lagged. Growth stocks beat value stocks, and small-cap stocks led large-caps.

Bonds

- Global corporate bonds led, followed by high-yield bonds and global government bonds.
- The 10-year Treasury bond yield declined to 2.40%, its lowest level since late 2017.

The Numbers as of March 29, 2019	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.1%	10.9%	-0.1%	505.1
MSCI EAFE ($)	-0.9%	8.5%	-6.8%	1865.9
MSCI Emerging Mkts ($)	-1.4%	8.2%	-10.6%	1045.2
US & Canadian Equities				
Dow Jones Industrials ($)	1.6%	11.1%	7.5%	25912.1
S&P 500 ($)	1.1%	13.0%	7.2%	2831.6
NASDAQ ($)	1.1%	16.5%	9.4%	7728.8
S&P/ TSX Composite (C$)	0.1%	12.4%	4.8%	16104.4
UK & European Equities				
FTSE All-Share (£)	0.9%	8.3%	2.2%	3978.3
MSCI Europe ex UK (€)	0.2%	11.1%	-0.1%	1295.1
Asian Equities				
Topix (¥)	-1.6%	6.5%	-6.6%	1591.6
Hong Kong Hang Seng ($)	-0.2%	12.4%	-3.5%	29051.4
MSCI Asia Pac. Ex-Japan ($)	-1.1%	9.8%	-7.0%	523.9
Latin American Equities				
MSCI EMF Latin America ($)	-1.0%	4.7%	-11.4%	2686.4
Mexican Bolsa (peso)	2.2%	3.8%	-6.3%	43231.4
Brazilian Bovespa (real)	1.3%	8.0%	11.2%	94931.6
Commodities ($)				
West Texas Intermediate Spot	2.0%	32.4%	-7.4%	60.1
Gold Spot Price	-1.5%	0.9%	-2.2%	1293.4
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.0%	2.3%	-0.3%	490.0
JPMorgan Emerging Mkt Bond	0.0%	6.3%	3.3%	819.6
10-Year Yield Change (basis points*)				
US Treasury	-4	-28	-34	2.40%
UK Gilt	-2	-28	-35	1.00%
German Bund	-6	-31	-57	-0.07%
Japan Govt Bond	-1	-8	-12	-0.08%
Canada Govt Bond	3	-34	-47	1.62%
Currency Returns**				
US$ per euro	-0.7%	-2.2%	-8.8%	1.122
Yen per US$	0.8%	1.0%	4.1%	110.83
US$ per £	-1.4%	2.1%	-7.1%	1.302
C$ per US$	-0.5%	-2.0%	3.7%	1.336

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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