Weekly Update
All Eyes on the FOMC
As of June 9, 2017

BPU INVESTMENT MANAGEMENT INC.

Member FINRA/SIPC,
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The Economy

- Nonfarm productivity was unchanged in the first quarter, only modestly outperforming expectations for a decline. Output gained by 1.7%, while labor costs jumped by 2.2%. The weak productivity figure signals a lower potential rate of growth for the economy.
- The number of job openings jumped by 4.5% in April, according to the Department of Labor. Hiring fell by 4.8% in the month, as employers struggled to find capable workers, while wage growth remained stagnant.
- Factory orders declined by 0.2% in April, led by a drop in durable goods. Core capital-goods orders inched up by 0.1%, a sign of weakening business investment. Shipments were unchanged, while wholesale inventories increased by 0.1%.
- Outstanding consumer credit (which measures non-mortgage debt) slowed by 2.6% in April to an almost six-year low after expanding by 5.2% in March, indicating a softening in consumer activity.
- Mortgage-purchase applications climbed by 10% in the week ending June 2 following three weeks of declines; new homebuyers hurried to lock in the lowest rates since November, even as affordability continues to be an issue in the housing market. Refinancing also picked up, rising by 3% in the same period.
- The Institute for Supply Management's index of non-manufacturing activity continued to show solid expansion in May, despite falling from the previous month, with strong employment growth compensating for weaker prices. This was echoed in a similar report from Markit Economics, which showed employment at a three-month high and an increase in new and backlog orders.
- Initial jobless claims fell by 10,000 to 245,000 in the week ending June 3. The four-week moving average (considered a more reliable gauge of unemployment) rose by 2,250 to 242,000. Continuing claims for the week ending June 3 eased by 2,000, while the four-week moving average of continuing claims fell by 1,000 to a 43-year low of 1.915 million.
- The European Central Bank left interest rates unchanged in June and confirmed that its asset-purchase program will remain at €60 billion per month through year-end. The central bank's President Mario Draghi emphasized the need for patience and continued monetary stimulus.
- British Prime Minister Theresa May declared she would remain in power (per the queen's approval) and move ahead with talks on Britain's exit from the European Union, despite an election result that left her Conservative Party without a majority in parliament.
- China reported a $40.8 billion trade surplus in May; both imports and exports picked up from the levels reported in April.
- Revised data show that Japan's first-quarter gross domestic product expanded by 0.3%—the fifth consecutive quarterly gain—but below the preliminary estimate reported in March. Private consumption and net exports were strong, while investment and government spending were flat.

U.S. Economic Calendar

- June 13: Producer Prices
- June 14: Mortgage Applications, Consumer Prices, Retail Sales, FOMC Meeting Announcement
- June 15: Jobless Claims, Import and Export Prices, Industrial Production, Housing Market Index
- June 16: Housing Starts, Consumer Sentiment

Stocks

- Global equities were down this week. Emerging markets advanced, while developed markets declined.
- U.S. equity sectors were mixed. Financials and energy outperformed, while information technology and consumer discretionary lagged. Value stocks outperformed growth stocks and small-company stocks beat large-company stocks.

Bonds

- Global bonds were mixed this week. Global government bonds were strongest, followed by global high-yield bonds and global corporate bonds.
- U.S. Treasury yields rose slightly as investors looked ahead to a near-certain rate hike by the Federal Open Market Committee next week.

The Numbers as of June 9, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.5%	10.8%	14.8%	467.2
MSCI EAFE ($)	-1.1%	12.5%	13.1%	1894.5
MSCI Emerging Mkts ($)	0.4%	18.2%	21.7%	1019.1
US & Canadian Equities				
Dow Jones Industrials ($)	0.3%	7.6%	18.3%	21272.0
S&P 500 ($)	-0.3%	8.6%	15.0%	2431.8
NASDAQ ($)	-1.6%	15.3%	25.2%	6207.9
S&P/ TSX Composite (C$)	0.2%	1.2%	8.7%	15472.7
UK & European Equities				
FTSE All-Share (£)	-0.4%	6.2%	19.9%	4111.6
MSCI Europe ex UK (€)	-1.0%	9.6%	17.3%	1326.9
Asian Equities				
Topix (¥)	-1.3%	4.8%	19.0%	1591.7
Hong Kong Hang Seng ($)	0.4%	18.3%	22.2%	26030.3
MSCI Asia Pac. Ex-Japan ($)	0.6%	18.5%	20.7%	505.7
Latin American Equities				
MSCI EMF Latin America ($)	-0.1%	8.7%	16.4%	2543.7
Mexican Bolsa (peso)	-0.5%	7.5%	7.5%	49072.7
Brazilian Bovespa (real)	-0.6%	3.1%	21.5%	62119.2
Commodities ($)				
West Texas Intermediate Spot	-3.8%	-14.7%	-9.4%	45.8
Gold Spot Price	-0.6%	10.0%	-0.1%	1267.9
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.0%	4.6%	-1.2%	472.2
JPMorgan Emerging Mkt Bond	0.1%	7.0%	8.2%	790.5
10-Year Yield Change (basis points*)				
US Treasury	4	-24	52	2.21%
UK Gilt	-3	-23	-24	1.00%
German Bund	-1	6	23	0.26%
Japan Govt Bond	0	1	18	0.06%
Canada Govt Bond	3	-30	24	1.43%
Currency Returns**				
US$ per euro	-0.7%	6.5%	-1.1%	1.120
Yen per US$	-0.1%	-5.7%	3.0%	110.30
US$ per £	-1.2%	3.2%	-11.9%	1.274
C$ per US$	-0.2%	0.2%	5.8%	1.346

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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