Weekly Update

Fed Reserves Rates

As of July 28, 2017

Member FINRA/SIPC, a registered investment advisor

The Economy

- The Federal Reserve left interest rates unchanged in July despite moderate economic expansion, citing declining inflation. The central bank also indicated it would begin unwinding its $4.5 trillion balance sheet later this year, likely in September or December.
- Second-quarter gross domestic product (GDP) grew by an annualized 2.6%, led by business investment and personal expenditures. Residential investment detracted.
- Durable goods orders jumped by 6.5% in June, while the previous month's reading was revised upward from -1.1% to -0.1%. This month's reading was the biggest advance in almost three years—yet was largely on a surge in civilian aircraft orders, while non-military capital-goods orders excluding aircraft (a key gauge for business investment) slipped 0.1%.
- The trade deficit shrank slightly in June to $63.9 million. Exports climbed by 1.4% (mainly within food and vehicles), while imports fell by 0.4% (primarily within industrial supplies and consumer goods). A smaller trade deficit increases GDP.
- Economic activity improved in July; preliminary readings of Markit's purchasing managers' composite index (PMI) reached a six-month high, pointing to solid growth with signs of underlying acceleration. Services and manufacturing both came in above expectations, with strength in new orders, hiring and output.
- June new-home sales were unchanged from the previous month, while existing-home sales softened by 1.8% in the month to an annualized rate of 5.52 million. Affordability and supply continued to challenge homebuyers.
- The S&P CoreLogic Case-Shiller Home Price Index advanced in May, climbing by 0.1% for the month and by 5.7% year over year, reflecting a strong-but-slowing pace of home-price appreciation.
- Consumer confidence beat expectations in July, according to the Conference Board; the outlook for employment and economic expansion remained positive, as did confidence about income growth in the near future.
- Initial jobless claims rose by 10,000 to 244,000 in the week ending July 22. The four-week moving average (considered a more reliable gauge of unemployment) was unchanged at 244,000. Continuing claims fell by 13,000 for the week ending July 15, while the four-week moving average of continuing claims grew by 5,000 to 1.964 million. Unemployment remained historically low due to persistently robust demand for labor.
- Eurozone economic activity expanded in July, but by less than in the previous month. Initial data from the composite PMI showed unchanged growth in services, but decelerating gains in the manufacturing sector.
- The U.K. economy expanded by 0.3% during the first quarter and 1.7% year over year. Business and government services gained, while output and manufacturing fell.
- Chinese industrial profits surged by 19.1% year over year in March. Quarterly profits, boosted by continued growth in construction, advanced by 22.0% for the year.

U.S. Economic Calendar

- August 1: Personal Income, PMI Manufacturing, Construction Spending
- August 2: Mortgage Applications, ADP Employment Report
- August 3: Jobless Claims, Factory Orders, ISM Non-Mfg Index
- August 4: Employment Situation, International Trade

Stocks

- Global equities advanced this week, led by emerging markets.
- U.S. equity sectors were mixed. Telecommunications and energy did best, while healthcare and information technology lagged. Value stocks outperformed growth stocks and large-company stocks beat small-company stocks.

Bonds

- Global bond market fell on the week. Global government bonds led the overall decline, followed by global corporate bonds, while global high-yield bonds were higher.
- U.S. Treasury yields rose as investors added to portfolio risk ahead of the Federal Open Market Committee meeting, while economic data boosted growth and inflation expectations.

The Numbers as of July 28, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	0.3%	13.4%	15.8%	478.3
MSCI EAFE ($)	0.5%	15.0%	16.8%	1936.4
MSCI Emerging Mkts ($)	0.8%	24.0%	22.1%	1069.0
US & Canadian Equities				
Dow Jones Industrials ($)	1.2%	10.5%	18.3%	21830.3
S&P 500 ($)	0.0%	10.4%	13.9%	2472.1
NASDAQ ($)	-0.2%	18.4%	23.7%	6374.7
S&P/ TSX Composite (C$)	-0.4%	-1.0%	4.0%	15128.8
UK & European Equities				
FTSE All-Share (£)	-0.9%	4.4%	10.7%	4042.0
MSCI Europe ex UK (€)	0.9%	8.6%	16.4%	1314.6
Asian Equities				
Topix (¥)	-0.5%	6.8%	24.0%	1621.2
Hong Kong Hang Seng ($)	1.0%	22.6%	21.7%	26979.4
MSCI Asia Pac. Ex-Japan ($)	1.2%	24.5%	21.1%	531.1
Latin American Equities				
MSCI EMF Latin America ($)	-0.1%	16.9%	16.2%	2735.9
Mexican Bolsa (peso)	-0.6%	12.3%	9.4%	51247.2
Brazilian Bovespa (real)	1.2%	8.6%	15.5%	65428.6
Commodities ($)				
West Texas Intermediate Spot	9.0%	-7.5%	20.8%	49.7
Gold Spot Price	1.2%	10.0%	-5.0%	1268.8
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.2%	5.6%	-0.9%	476.8
JPMorgan Emerging Mkt Bond	-0.2%	6.9%	4.7%	790.1
10-Year Yield Change (basis points*)				
US Treasury	5	-16	78	2.29%
UK Gilt	4	-2	50	1.21%
German Bund	4	34	63	0.54%
Japan Govt Bond	1	3	35	0.08%
Canada Govt Bond	14	31	96	2.03%
Currency Returns**				
US$ per euro	0.8%	11.8%	6.1%	1.175
Yen per US$	-0.4%	-5.4%	5.1%	110.65
US$ per £	1.1%	6.5%	-0.1%	1.315
C$ per US$	-0.8%	-7.5%	-5.5%	1.244

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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