Weekly Update

Durable Goods Orders Deliver

As of September 29, 2017

Member FINRA/SIPC,
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The Economy

- Durable goods orders improved by 1.7% in August and continued their higher trend despite hurricane-impacted headwinds. Core capital goods (a key gauge for business confidence and investment) jumped 0.9%, while motor vehicles and communications equipment also registered strong readings.
- New-home sales declined in August by 3.4% to an annualized eight-month low of 560,000, even as the housing market demand continued. Analysts attributed the drop to affordability as the high costs of land and labor challenged builders.
- Second-quarter gross domestic product (GDP) was revised up to its final reading of 3.1% annualized growth. Non-residential investment and consumer spending were the main contributors, while residential investment and government purchases declined.
- The trade deficit shrank slightly in August to $62.9 million. Exports edged higher by 0.2% (mainly within consumer goods), while imports fell by 0.3% (primarily within industrial supplies and capital goods). A smaller trade deficit increases GDP.
- Initial jobless claims rose by 12,000 to 272,000 in the week ending September 23; increases in claims from hurricane-affected Florida and Georgia were offset by a drop in filings from hurricane-impacted Texas and an otherwise-strong job market. The four-week moving average (considered a more reliable measure of trends) rose by 9,000 to 277,750. Continuing claims dropped by 45,000 to 1.93 million in the week ending September 16.
- Personal income and outlays were soft in August. Income rose by 0.2% for the month, with wages and salaries unchanged following recent strength, while consumer spending advanced by 0.1%. However, core inflation (which excludes food and energy and is the Federal Reserve's primary inflation index) crawled just 0.1% higher for the period; the year-over-year eased slightly to 1.3%. The report suggests that third-quarter economic growth could be hampered by the sustained burden of Hurricanes Harvey and Irma.
- Consumer confidence remained elevated, but slowed in September, according to the Conference Board. The outlooks for employment and economic expansion were positive, as was sentiment about income expectations in the near future. Consumer confidence has a direct effect on consumer spending, which drives over two-thirds of the economy.
- Economic sentiment in the eurozone hit a 10-year high in September. The headline index gained 1.1 points as confidence notably improved across all sectors, consistent with a continuing economic recovery.
- The U.K.'s final GDP for the second quarter remained unchanged at 0.3%; however, the year-over-year rate was revised slightly lower to 1.5%. The loss of momentum came as the Bank of England considers hiking interest rates for the first time in a decade.
- Japanese Prime Minister Shinzo Abe dissolved parliament's lower house and called for a snap general election, hoping to secure a stronger mandate as Japan deals with increasing threats from North Korea.

U.S. Economic Calendar

- October 2: PMI Manufacturing, Construction Spending
- October 3: Motor Vehicle Sales
- October 4: Mortgage Applications
- October 5: International Trade, Jobless Claims
- October 6: Employment Situation

Stocks

- Global equities were lower this week. Emerging markets lagged developed markets.
- U.S. equity sectors were mostly positive. Energy and financials were the top performers, while utilities and consumer staples lagged. Value stocks continued to lead growth stocks and small-company stocks beat large-company stocks again.

Bonds

- Global bond markets were lower this week. High yield bonds outperformed. Corporate bonds and global government bonds lagged.
- U.S. Treasury yields rose after President Trump's tax plan suggested the largest U.S. tax overhaul in thirty years.

The Numbers as of September 29, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.4%	14.9%	16.0%	484.6
MSCI EAFE ($)	-0.7%	16.6%	15.0%	1963.4
MSCI Emerging Mkts ($)	-2.7%	24.4%	17.4%	1072.4
US & Canadian Equities				
Dow Jones Industrials ($)	0.2%	13.4%	23.5%	22405.1
S&P 500 ($)	0.7%	12.5%	17.1%	2519.4
NASDAQ ($)	1.1%	20.7%	23.3%	6496.0
S&P/ TSX Composite (C$)	1.2%	2.3%	6.0%	15634.9
UK & European Equities				
FTSE All-Share (£)	1.0%	4.6%	7.6%	4049.9
MSCI Europe ex UK (€)	0.5%	10.7%	17.4%	1340.2
Asian Equities				
Topix (¥)	0.6%	10.3%	24.7%	1674.8
Hong Kong Hang Seng ($)	-1.2%	25.2%	16.1%	27554.3
MSCI Asia Pac. Ex-Japan ($)	-2.3%	23.4%	15.5%	526.4
Latin American Equities				
MSCI EMF Latin America ($)	-3.3%	23.2%	20.1%	2884.3
Mexican Bolsa (peso)	0.1%	10.3%	5.6%	50343.1
Brazilian Bovespa (real)	-1.5%	23.4%	27.3%	74293.5
Commodities ($)				
West Texas Intermediate Spot	2.7%	-3.8%	8.0%	51.7
Gold Spot Price	-0.9%	11.3%	-2.9%	1283.5
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.8%	6.1%	-1.5%	478.8
JPMorgan Emerging Mkt Bond	-0.3%	8.5%	3.9%	801.7
10-Year Yield Change (basis points*)				
US Treasury	9	-11	78	2.34%
UK Gilt	1	13	64	1.36%
German Bund	2	26	58	0.46%
Japan Govt Bond	3	2	15	0.07%
Canada Govt Bond	-1	38	115	2.10%
Currency Returns**				
US$ per euro	-1.1%	12.4%	5.3%	1.182
Yen per US$	0.5%	-3.8%	11.4%	112.56
US$ per £	-0.8%	8.6%	3.3%	1.340
C$ per US$	1.1%	-7.2%	-5.1%	1.248

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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