Weekly Update

Jobless Claims Jump on Hurricane Hit

As of September 8, 2017

Member FINRA/SIPC, a registered investment advisor

The Economy

- Initial jobless claims surged by 62,000 to a two-year high of 298,000 in the week ending September 2 as a result of increased filings from hurricane-impacted Texas. The four-week moving average (considered a more reliable measure of unemployment trends) rose by 13,500 to 250,250. The four-week moving average for continuing claims slid 4,000 to 1.95 million in the week ending August 26.
- The latest Federal Reserve's (Fed) Beige Book reflected continuing, but modest, economic expansion. Limited wage growth suggests that inflation will likely remain below the Fed's 2% target for the near future.
- Factory orders declined by 3.3% in July, led by decelerating gains in aircraft orders. Core capital-goods orders gained 1%, a sign of strengthening business investment. Shipments edged 0.3% higher, while wholesale inventories increased by 0.2%.
- Non-farm productivity was upwardly revised to 1.5% in the second quarter, modestly exceeding expectations. Output climbed by 4%, while labor costs inched 0.2% higher. Despite the higher revision, soft productivity figures could continue to limit economic growth.
- The trade deficit climbed to $43.7 billion in July from $43.5 billion in June. Imports fell by 0.2% as demand for autos and industrial goods decreased, while exports fell by 0.3%, partly driven by reduced overseas demand for U.S. consumer goods. A widening trade deficit is a headwind to economic growth.
- Mortgage-purchase applications rose by 1% in the week ending September 1, as declining rates attracted homebuyers. Refinancing activity, which is highly rate-sensitive, gained 5% in the same period.
- The European Central Bank (ECB) left interest rates unchanged in September and confirmed that its asset-purchase program will remain at €60 billion per month through year-end—and longer if necessary. ECB President Mario Draghi emphasized the need for patience as inflation hovers below the ECB's target level and volatility in the euro continues to drive policy uncertainty.
- Industrial production in the U.K. grew by 0.2% but remained sluggish in July as a result of increased manufacturing output, particularly in transport equipment and machinery.
- China reported a $42 billion trade surplus in August. Both imports and exports slowed from the levels reported for July.
- Revised data show that Japan's second-quarter gross domestic product expanded by 0.6%—the sixth consecutive quarterly gain—but below the preliminary estimate reported in August. Private consumption was strong, while net exports detracted.
- Outstanding consumer credit (which measures non-mortgage debt) jumped 5.9% in July after expanding by 3.9% in June. Non-revolving credit (which includes student and car loans) surged 6.9%, while revolving credit (largely credit card debt) registered a slower 3.2% gain.

- **U.S. Economic Calendar**
  - September 12: Job Openings and Labor Turnover Survey (JOLTS)
  - September 13: Mortgage Applications, Producer Prices
  - September 14: Consumer Prices, Jobless Claims
  - September 15: Retail Sales, Industrial Production, Consumer Sentiment

Stocks

- Global equities eased lower this week. Developed markets were higher, while emerging markets declined.
- U.S. equity sectors were mixed. Healthcare and energy were the top performers, while telecommunications and financials lagged. Growth stocks outperformed value stocks and large-company stocks beat small-company stocks.

Bonds

- Global bond markets were higher this week. Global government bonds outperformed, followed by corporate bonds and high-yield bonds.
- U.S. Treasury yields were lower after safe-haven demand continued to rise on geopolitical worries.

The Numbers as of September 8, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	-0.1%	13.7%	13.2%	479.6
MSCI EAFE ($)	0.5%	15.7%	12.5%	1948.9
MSCI Emerging Mkts ($)	-0.1%	26.4%	17.6%	1090.1
US & Canadian Equities				
Dow Jones Industrials ($)	-0.9%	10.3%	18.0%	21797.8
S&P 500 ($)	-0.6%	9.9%	12.8%	2461.4
NASDAQ ($)	-1.2%	18.2%	20.9%	6360.2
S&P/ TSX Composite (C$)	-1.4%	-2.0%	1.2%	14985.3
UK & European Equities				
FTSE All-Share (£)	-0.8%	4.4%	7.9%	4043.3
MSCI Europe ex UK (€)	-0.2%	7.5%	11.7%	1301.4
Asian Equities				
Topix (¥)	-1.6%	4.9%	18.4%	1593.5
Hong Kong Hang Seng ($)	-1.0%	25.8%	15.7%	27668.5
MSCI Asia Pac. Ex-Japan ($)	-0.3%	24.7%	16.3%	532.2
Latin American Equities				
MSCI EMF Latin America ($)	1.4%	26.2%	17.9%	2953.5
Mexican Bolsa (peso)	-2.1%	9.6%	5.5%	50019.2
Brazilian Bovespa (real)	1.5%	21.2%	21.2%	73011.0
Commodities ($)				
West Texas Intermediate Spot	0.4%	-11.6%	-0.3%	47.5
Gold Spot Price	1.9%	16.8%	0.7%	1347.0
Global Bond Indices ($)				
Barclays Global Aggregate ($)	1.1%	8.3%	0.5%	488.7
JPMorgan Emerging Mkt Bond	0.5%	9.4%	4.3%	808.2
10-Year Yield Change (basis points*)				
US Treasury	-11	-39	46	2.06%
UK Gilt	-7	-25	23	0.99%
German Bund	-7	11	37	0.31%
Japan Govt Bond	1	-4	4	0.00%
Canada Govt Bond	7	26	90	1.98%
Currency Returns**				
US$ per euro	1.5%	14.4%	6.9%	1.203
Yen per US$	-2.2%	-7.8%	5.2%	107.78
US$ per £	2.0%	7.0%	-0.7%	1.320
C$ per US$	-2.0%	-9.6%	-6.1%	1.214

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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