

Weekly Update

End-of-Season Retail Sales Stalled

September 14, 2018



Member FINRA/SIPC,
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The Economy

- Outstanding consumer credit (which measures non-mortgage debt) picked up in July. Non-revolving credit (such as auto and student loans) jumped by 6.4%, while revolving credit (such as credit cards) saw only a modest increase for the month. Economists said that the recent prudence in discretionary spending highlights growing consumer caution, which may lead to concerns about whether spending will continue to power growth.
- Retail sales inched up by a weaker-than-expected 0.1% in August, the smallest monthly gain in six months, due to slumping motor-vehicle sales.
- Producer prices edged lower by 0.1% in August, remaining relatively subdued. Energy prices rose by 0.4%, while food prices dipped by 0.6%. Trade services declined sharply by 0.9%. Tariff-impacted segments, including metals such as steel and aluminum, continued to feel inflationary pressure.
- Consumer prices climbed by 0.2% in August; however, the overall pace of price growth eased. Year over year, core consumer-price growth slowed from 2.4% to 2.2%. The softer-than-expected monthly reading allayed concerns of economic overheating. Increasing inflation has been offset by wage growth, which accelerated by a 2.9% in the 12-month period ending August.
- Industrial production bounced back by 0.4% in August, driven by strength in mining and utilities.
- Job openings (a measure of labor demand) surged to 6.94 million in July, according to the Department of Labor, continuing to exceed the number of unemployed. Hiring remained at 5.67 million during the month, lagging the number of available jobs. The quits rate accelerated slightly, which analysts said implies increased confidence among job seekers in securing new positions with better pay or benefits.
- Mortgage-purchase applications grew by 1% in the week ending September 8, while refinancing activity (which can be sensitive to even small rate changes) plunged by 6%. The average interest rate for 30-year fixed-rate mortgages increased to 4.84% from 4.80%.
- Total import prices slid by 0.6% in August, while export prices declined by 0.1%. Prices for imported petroleum slumped by 3.9% for the month.
- Initial jobless claims increased by 1,000 to 204,000 in the week ending September 8. The more stable four-week moving average declined by 1,500 to 208,000. Continuing claims diminished by 9,000 to 1.71 million in the week ending September 1, but remained near a historic low.
- China's consumer prices increased from 0.3% to 0.7% in August; its producer prices declined from annualized rate of 4.6% to 4.1%.
- Manufacturing production in the U.K. missed its target by a wide margin, sinking by 0.2% in July after gaining 0.4% in the previous month. Industrial production also had a poor month, declining by 0.8% in July primarily due to losses in durable and non-durable consumer goods.

U.S. Economic Calendar

- September 18: Housing Market Index
- September 19: Mortgage Applications, Housing Starts
- September 20: Jobless Claims, Leading Indicators
- September 21: PMI Estimate

Stocks

- Global equity markets increased this week. Developing markets fared better than emerging markets.
- U.S. equity sector performance was mostly positive this week. Telecommunications and energy led, while utilities and financials lagged. Growth stocks outgained value stocks; large-cap stocks beat small-cap stocks.

Bonds

- Global bond markets were mostly positive this week. High-yield bonds led, followed by investment-grade corporate bonds and global government bonds.
- The 10-year Treasury yield topped 3% as yields rose after senior Federal Reserve officials suggested the central bank may raise rates more aggressively than expected.

The Numbers as of September 14, 2018	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI (\$)	1.0%	1.0%	7.0%	518.0
MSCI EAFE (\$)	1.3%	-5.9%	-1.5%	1929.9
MSCI Emerging Mkts (\$)	-0.5%	-12.2%	-7.5%	1017.6
US & Canadian Equities				
Dow Jones Industrials (\$)	0.9%	5.8%	17.8%	26154.7
S&P 500 (\$)	1.2%	8.7%	16.4%	2905.0
NASDAQ (\$)	1.4%	16.0%	24.6%	8010.0
S&P/TSX Composite (C\$)	-0.5%	-1.2%	5.5%	16013.5
UK & European Equities				
FTSE All-Share (£)	0.4%	-4.4%	0.9%	4038.1
MSCI Europe ex UK (€)	1.0%	-2.8%	-1.5%	1307.1
Asian Equities				
Topix (¥)	2.6%	-4.9%	5.9%	1728.6
Hong Kong Hang Seng (\$)	1.2%	-8.8%	-1.8%	27286.4
MSCI Asia Pac. Ex-Japan (\$)	-0.5%	-9.8%	-4.5%	513.8
Latin American Equities				
MSCI EMF Latin America (\$)	-1.1%	-14.2%	-17.9%	2427.8
Mexican Bolsa (peso)	1.3%	0.5%	-1.0%	49611.9
Brazilian Bovespa (real)	-1.3%	-1.3%	1.0%	75429.1
Commodities (\$)				
West Texas Intermediate Spot	1.8%	14.2%	38.3%	69.0
Gold Spot Price	-0.1%	-8.5%	-9.8%	1195.1
Global Bond Indices (\$)				
Barclays Global Aggregate (\$)	0.2%	-1.8%	-1.4%	476.2
JPMorgan Emerging Mkt Bond	0.5%	-4.9%	-4.8%	768.3
10-Year Yield Change (basis points*)				
US Treasury	6	59	81	3.00%
UK Gilt	7	34	30	1.53%
German Bund	6	3	4	0.45%
Japan Govt Bond	0	7	7	0.12%
Canada Govt Bond	6	30	29	2.35%
Currency Returns**				
US\$ per euro	0.6%	-3.2%	-2.5%	1.162
Yen per US\$	0.9%	-0.6%	1.6%	112.03
US\$ per £	1.2%	-3.3%	-2.4%	1.307
C\$ per US\$	-1.0%	3.7%	7.1%	1.303

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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