Weekly Update

Show Me the Money: Higher Wages in a Tight Job Market

As of January 6, 2017

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The Economy

- The U.S. economy added only 156,000 jobs in December — bringing the total number of jobs created during the year to just below 2.2 million, the lowest since 2011. The slowdown may be due to the job market reaching full employment or a plateau in economic growth. Year-over-year wage growth reached 2.9%, the highest since June 2009 — another sign of a tight labor market. The unemployment rate inched 0.1% higher to 4.7%, remaining at pre-recession levels.
- The Federal Open Market Committee's (FOMC) December meeting minutes revealed cautiousness among its members, given uncertainty surrounding the economic impact of the incoming Trump administration's policies. The FOMC nevertheless reiterated that its decision last month to raise interest rates reflected confidence in the country's economic progress.
- Markit Economics' manufacturing survey showed continued strength in December, especially in new orders, production and input costs. Hiring hit an 18-month high; although export growth decelerated as a result of a strong U.S. dollar.
- Construction spending jumped by 0.9% in November to its best reading since June, mainly in the single-family residential sector; home-improvement spending added to the gains. Non-residential spending, particularly office and transportation construction, was also strong, growing by 0.9%.
- With a better-than-expected 18.5 million annualized rate, motor-vehicle sales hit a new high in December, signifying a high level of consumer confidence.
- Steadily rising mortgage interest rates caused mortgage applications to fall by 2% and refinancing to plummet 22% for the week ending December 30.
- Initial jobless claims slid by 28,000 to 235,000 for the week ending December 31. Continuing claims jumped by 16,000 to 2.112 million for the week ending December 24. Both readings underscore the continued strength of the labor market.
- The services sector had another solid month in December, according to Markit Economics, on growing confidence in the business outlook. New orders slowed slightly and hiring was strong. A similar survey from the Institute for Supply Management showed less hiring activity, but steady new orders and a small increase in inventories.
- Manufacturing improved across the globe in December. The eurozone's manufacturing purchasing managers' index (PMI) had its best reading since April 2011 as a result of gains in output and new orders; input costs also grew. Foreign orders benefited from a weak euro. Job creation and employment were also solid across the region. China enjoyed its best manufacturing reading since January 2013, thanks to significant output gains due to higher domestic demand. New orders rose to their best level since July 2014; although there were moderate job losses in the sector. Japan's manufacturing PMI reached its highest level since December 2015, showing continued improvement in output, new orders and hiring. Output prices remained flat.

U.S. Economic Calendar

- January 9: Consumer Credit
- January 10: Job Outlook and Labor Turnover
- January 11: Mortgage Applications
- January 12: Jobless Claims, Import and Export Prices
- January 13: Producer Prices, Retail Sales, Consumer Sentiment

Stocks

- U.S. stocks gained this week, and the Dow Jones repeatedly came within one point of a new 20,000-point high on Friday following the December jobs report. Global equities were also positive.
- U.S. sectors were mostly positive. Healthcare and information technology led while utilities and telecommunications lagged. Large-company stocks beat small-company stocks and growth stocks outperformed value stocks.

Bonds

- Global bond markets were positive this week. Global high-yield bonds did best, followed by global corporate bonds. Global government bonds brought up the rear.
- U.S. Treasury yields inched up this week following news of strong wage growth in the final jobs report of 2016, which could lead to higher inflation.

The Numbers as of January 6, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI ($)	**1.8%**	**1.8%**	**13.7%**	**429.6**
MSCI EAFE ($)	**2.2%**	**2.2%**	**6.1%**	**1721.8**
MSCI Emerging Mkts ($)	**2.3%**	**2.3%**	**19.3%**	**881.7**
US & Canadian Equities				
Dow Jones Industrials ($)	**1.0%**	**1.0%**	**20.9%**	**19963.8**
S&P 500 ($)	**1.7%**	**1.7%**	**17.2%**	**2277.0**
NASDAQ ($)	**2.6%**	**2.6%**	**17.7%**	**5521.1**
S&P/ TSX Composite (C$)	**1.4%**	**1.4%**	**24.5%**	**15496.1**
UK & European Equities				
FTSE All-Share (£)	**1.0%**	**1.0%**	**18.8%**	**3913.6**
MSCI Europe ex UK (€)	**1.2%**	**1.2%**	**6.5%**	**1225.3**
Asian Equities				
Topix (¥)	**2.3%**	**2.3%**	**6.5%**	**1553.3**
Hong Kong Hang Seng ($)	**2.3%**	**2.3%**	**10.7%**	**22503.0**
MSCI Asia Pac. Ex-Japan ($)	**2.7%**	**2.7%**	**14.8%**	**438.0**
Latin American Equities				
MSCI EMF Latin America ($)	**2.7%**	**2.7%**	**41.7%**	**2403.0**
Mexican Bolsa (peso)	**0.9%**	**0.9%**	**13.3%**	**46071.6**
Brazilian Bovespa (real)	**2.4%**	**2.4%**	**51.5%**	**61665.4**
Commodities ($)				
West Texas Intermediate Spot	**0.5%**	**0.5%**	**62.3%**	**54.0**
Gold Spot Price	**1.8%**	**1.8%**	**5.9%**	**1174.0**
Global Bond Indices ($)				
Barclays Global Aggregate ($)	**0.4%**	**0.4%**	**2.0%**	**453.2**
JPMorgan Emerging Mkt Bond	**1.2%**	**1.2%**	**11.7%**	**747.8**
10-Year Yield Change (basis points*)				
US Treasury	**-3**	**-3**	**27**	**2.42%**
UK Gilt	**15**	**15**	**-42**	**1.38%**
German Bund	**9**	**9**	**-24**	**0.30%**
Japan Govt Bond	**1**	**1**	**-19**	**0.06%**
Canada Govt Bond	**1**	**1**	**41**	**1.73%**
Currency Returns**				
US$ per euro	**0.1%**	**0.1%**	**-3.7%**	**1.053**
Yen per US$	**0.1%**	**0.1%**	**-0.5%**	**117.03**
US$ per £	**-0.5%**	**-0.5%**	**-16.0%**	**1.228**
C$ per US$	**-1.5%**	**-1.5%**	**-6.2%**	**1.323**

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.

Newlin Archinal CFP®, CRPC®, AIF®
Vice President

BPU Investment Management, Inc.
One Oxford Centre
301 Grant Street, Suite 3300
Pittsburgh, PA 15219
P: 412.288.9150
F: 412.288.9180
www.bpuinvestments.com
Member FINRA/SIPC & an SEC registered investment advisor

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