AEGIS WEALTH PARTNERS, LLC

Week in Review

3 April 2017

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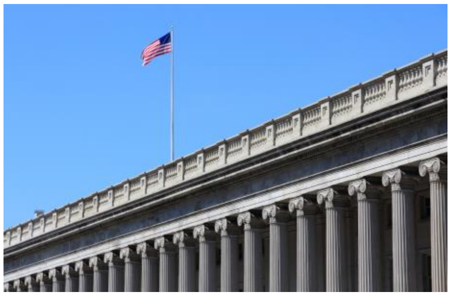
Fiduciary Rule Delayed

By Dave Schiller

The Department of Labor sent a final rule to the Office of Management and Budget (OMB) to delay the application date of the Conflict of Interest Rule (aka Fiduciary Rule). The prior comment period was open for 15 days and allowed interested parties to weigh in on the debate. There were over 1100 comments and foes questioned whether there was sufficient time to address them all in such a short period of time.

The current proposal calls for a delay in the enforcement of the Rule from April 10 (the original enforcement date of the Fiduciary Rule) for 60 more days. It is expected that there will be further delays that will water down or fully repeal the Rule. These delays could last for 6 months or more. Most industry trade groups favor a repeal while consumer groups would like to see the Rule go into place to give investors greater protections.



While its still early to say whether there will be a complete scaleback of the Fiduciary Rule, we do expect it will not survive in its current format. For those investors who want to work with a fiduciary, they should ask advisors whether they are a fiduciary or not.

The other significant political event that occurred last week happened in the UK when the government triggered Article 50 and announced to the European Union that the UK would begin the process of negotiating its exit from the EU. You can read more in our Europe section of the newsletter.

U.S. and North America

by Dave Schiller

The *GDP* report was released for Q4 2016 on Thursday and it beat consensus by coming in at 2.1% vs 2.0% consensus. GDP was boosted by higher consumer spending, particularly in auto sales. However, that level of spending on autos hasn't continued through Q1 and it shouldn't be all that surprising because auto sales were at incredibly high levels. Inventories also grew in Q4, which helped GDP, but whether those inventories can be whittled down will be reflected in Q1 GDP.

International Trade in Goods showed a 2.1% decline for February 2017 after a 2.5% prior revised reading in January. Exports also dropped 0.1% after posted a 0.3% prior revised growth rate. Overall the trade balance was $-64.8B.

The *Chicago PMI* report continued its upswing and beat estimates 57.7 to 57.0. Inventories are building in the region and thoe only negative to the report is that employers are having difficulty finding the right people to hire.

After-tax *Corporate Profits* smashed the prior quarter with a spike to 22.3% in Q42016. They experienced their highest increase in 5 years.

Personal Income and Outlays were disappointing overall. Consumer spending increased a meager 0.1% in February 2017 while income increased 0.4%. Savings increases have held down consumer spending recently. The risk going forward to Q1 GDP is lower consumer spending and possibly higher inflation.

The *Jobless Claims* report was higher than estimates and one of the highest of the year. Still, the outlook for employer demand is strong and this report continues to be a bright spot for the economy.

Consumer Sentiment is still high, but it failed to match expectations. Strong sentiment hasn't really materialized in hard economic data to this point, namely consumer retail spending.

Consumer Confidence came in very strong and sits at its highest level in almost 16 years. Surprisingly, consumers see inflation declining despite evidence to the contrary. This has been stated before, but consumer confidence hasn't resulted in greater spending. Other consumer readings released last week were mostly positive.

The *EIA Petroleum Status Report* for the week of March 24th saw crude oil inventories rise 0.9M barrels. While crude inventories continue to rise, product inventories are seeing a continuation of declines. Gasoline inventories dropped 3.7M barrels and distillates dropped 2.5M barrels as demand picks up.

The *Baker-Hughes Rig Count* saw the overall count in North America drop. This was mainly due to the continued trend of fewer operating rigs in Canada. Both the US and the Gulf of Mexico saw more rigs go online. Year over year, rig counts are up substantially in the region.

The *S&P Corelogic Case-Shiller HPI* report saw home prices rise 0.9% for January 2017. Y/Y, prices rose 5.7%. Strength has come from recent laggards including Chicago, Washington DC and New York. Overall, the West is leading gains.

The *Pending Home Sales* Index reading was well above consensus with a a 5.5% gain for February 2017. The Midwest lead the way. Nevertheless, home sales still struggle.

In **Canada**, Monthly *GDP* beat consensus for January 2017 (0.6% vs 0.3%) Y/Y, GDP increased 2.3% compared to the prior reading of 2.0%. The gains were broad-based across industries.

Europe

by Dave Schiller

The big news in Europe was Brexit. Article 50 was triggered and the EU was notified that the UK intends to leave the Union. More details will be forthcoming, but as it stands the window to complete negotiations is 2 years. There are many technical details that must be negotiated, but one thing that the EU sees as a non-starter is the inclusion of the 'four freedoms': freedom of movement of goods, services, capital and people. The UK has been thought to desire concessions from the EU while limiting some of those 'freedoms' to protect its economy. As details are released, we will discuss them here. Suffice it to say that we will be monitoring the events closely and we certainly expect some volatility.

Meanwhile, the **UK** released their Q42016 *GDP* report. Q/Q, GDP rose 0.7% and annualized it came in below consensus and the prior period. At this point, the data are stale and won't impact the financial markets much, but there are signs of a possible slowdown that are of interest.

The *Nationwide HP*I report saw housing prices fall 0.3% for the month of March and Y/Y, prices were lower than consensus and the prior period. While the housing market has been strong, it has cooled down and Brexit uncertainty likely won't help boost prices moving forward.

In **Germany**, the *Ifo Survey* showed continued strength as economic sentiment reached 112.3. Views on the current economic conditions were also above expectations with a reading of 119.3. Finally, business expectations also climbed past expectations. It's a bullish report that highlights the feeling that the German economy is on strong footing.

CPI was softer than anticipated for March. Y/Y, inflation dropped to 1.6% from 2.2%. This should help alleviate German concerns that the European Central Bank has kept rates too low for too long. That had been a growing issue of contention betwee the central bank and its largest member.

Unemployment ticked lower to 5.8% and this remains a strong indicator for the German economy.

Retail Sales were strong for the month of February. The annualized number, however, fell due to calendar distortions. We've mentioned that retail sales on a global level have been mostly poor, but at least in Germany they appear to be on firm footing.

In **France**, *CPI* was up 0.6% for March. This was higher than February, but a tick below expectations. Y/Y, inflation was 1.2%. This was below the prior period and consensus. Inflation is stubbornly remaining near these levels.

PPI contracted 0.2% for February, but Y/Y it did rise to 3.9%.

Consumer Manufactured Goods Consumption was up nicely in February (1.3% vs expectations of 0.1%). Y/Y, growth was 1.6% compared to a prior revised reading of 0.6%.

In **Switzerland**, the *UBS Consumption Index* was up for February and posted a strong gain from January. Household spending appears to be gaining some traction but risks remain.

The *KOF Swiss Leading Indicator* was up 107.6% which beat expectation and the prior revised figure. This indicator attempts to identify economic trends 3 months out.

Italy's *CPI* reading was flat for March and a tick below consensus for the annualized measure. There doesn't appear to be signs of a pick up for the rest of 2017.

In the greater **Eurozone**, *Economic Sentiment* was in line with consensus on the headline reading and near record highs. While consumer confidence strengthened from last month both industry and services were down from the prior period.

HICP Flash report showed inflation tracked down from 2.0% to 1.5% and failed to meet expectations for March.

Asia/Australasia

By: Dave Schiller

In **Japan**, several important economic reports came out last week. *Industrial Production* beat expectations for February with a 2.0% gain compared to a -0.8% measure the previous month. Y/Y, production jumped 4.8%. This reading has been a bit volatile recently and sector performance was mixed.

Headline *CPI* fell 0.1% in February and Y/Y it stands only at 0.3%. While target inflation is well below the Bank of Japan's (BoJ) 2.0% target, it has been in positive territory now for a few months. Backing out food and energy, the more volatile components of CPI, iflation was flat for the month. They measured a tick or two higher on an annualized basis.

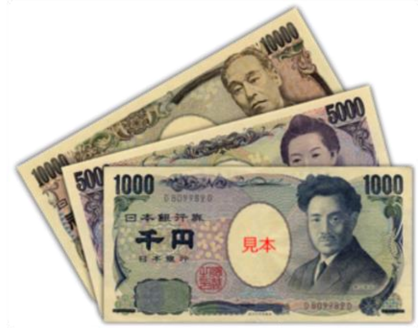
The *Unemployment Rate* fell to 2.8%, which was below consensus and previous readings of 3.0%. Participation rates are shrinking, but overall, this is becoming a stronger indicator for the BoJ as of late.

Household Spending jumped 2.5% in February although Y/Y it fell 3.8%. Monthly income did increase 0.7% on an annualized basis.

Retail Sales were up 0.1% and matched January, however, expectations were for an increase of 0.7%. Japan continues to see lethargic consumer spending.

The *Nikkei PMI Manufacturing Index* fell nearly a point below the prior reading. The index is in expansion mode, however, and manufacturing continues to help push along the Japanese economy.

The *Tankan* survey is conducted by the Bank of Japa to judge Japan's economic performance each quarter. Large manufacturers failed to meet expectations, but they did expand more than the Q4 2016. Small manufacturers, however, beat consensus and the prior period. Capital expenditures contracted.



In **China**, the *CFLP Manufacturing Index* matched expectation and beat the previous period by a couple of ticks (51.8 vs 51.6). The advance was broad-based as all components grew.

The *PMI Manufacturing Index* report was released and it fell half a point to 51.2. It shows continued growth, but at a slower pace.

In **Australia**, *Retail Sales* fell for the month of February. After posting growth of 0.4% in January, February saw a contraction of sales by 0.1%. That decline hurt the annualized number as well. For the 12 months ending in January 2017, sales were up 3.1%. At the end of February, that number fell to 2.7%.

Market Review

Index	Close	Week Change	% Week Change	% YTD Change
DJIA	20663.22	66.50	0.32%	4.56%
NASDAQ	5436.23	83.00	1.42%	9.82%
S&P 500	2362.72	18.74	0.80%	5.53%
FTSE 100 (UK)	7322.92	-13.90	-0.19%	2.52%
DAX (Germany)	12312.87	248.60	2.06%	7.25%
CAC 40 (France)	5122.51	101.61	2.02%	5.35%
Nikkei 225 (Japan)	18909.26	-353.27	-1.83%	-1.07%
Hang Seng (HK)	24111.59	-246.68	-1.01%	9.60%
Shanghai Composite (China)	3222.51	-46.93	-1.44%	3.83%
S&P BSE Sensex (India)	29620.50	199.10	0.68%	11.24%
S&P/ASX (Australia)	5864.90	111.40	1.94%	3.51%
10-Year US Bond Yield	2.386%			

Source: Wall Street Journal. Past performance does not guarantee future results.

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