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Week in Review
29 May 2017

Equity markets rebounded nicely from last week's fall. Only Germany's DAX was lower for the week and China's Shanghai Composite turned positive again for the year. In the US, the NASDAQ continues its torrid pace as it now sits at 15.36% for the year. Of the European indexes we follow, France and Germany are among the leaders at 9.76% each for the year. Switzerland is at 10% for the year and Italy's FTSE MIB is at 10.27%. This is a nice development as it wasn't long ago that investors were weary of Europe. Of the Asian markets we follow, India is the humming along at 16.53% for the BSE Sensex. Japan's Nikkei 225 is showing some signs of life as is sits at 2.99%.

U.S. and North America

by Dave Schiller

The *GDP* report was released this week and showed improvement. For Q1 2017, GDP was 1.2% compared to consensus of 08% and a prior reading of 0.7%. Consumer spending was the big contributor which doubled from 0.3% to 0.6%. April's data have been sluggish, however, and Q2 GDP has some hurdles as is looking weaker than expected.

The *International Trade in Goods* report showed the deficit grow slightly on weaker exports. Exports shrank from last month (-0.3% to -0.9%). Imports, on the other hand, increased from 0.1% to 0.7%. This won't help Q2 GDP.

Durable Goods Orders was disappointing. From March, new orders fell from 2.3% to -0.7%. Annualized the number was worse as year/year change dropped to 0.9% from 6.5%. This is a part of the economy that has had trouble gaining traction and has floated around a flat reading for a few years now.

PMI Composite Flash was strong at the composite level. It beat consensus and the prior month. Services was the leader coming in at 54.0. Manufacturing, as we know, contracted (although still slightly positive at 52.5).

The *Chicago Fed National Activity Index* was strong than expected. It came in well ahead of consensus (0.49 vs 0.10). Manufacturing was up 1%, but as we saw in the PMI report, it hasn't translated.

Corporate Profits rose 12.0% on an after-tax basis for the year ending Q1 2017.

The weekly *Jobless Claims* beat consensus (234K new claims vs expectations of 237k). This is a continuing positive indicator for the economy.

Consumer Sentiment is still quite high and although it failed to match consensus or the prior month, it was still solidly within the consensus range. As in previous reports, sentiment follows along party lines strongly.

New Homes Sales were softer than expectations although this is a volatile report. The Western US is normally a strong factor in this report, but sales were down 26% for April. The Midwest is still strong at 20% growth for the year.

Existing Homes Sales were almost 100,000 below expectations and also below the prior revised data for March. That represents a decline of 2.3%. Y/Y, sales are up 1.6%

MBA Mortgage Applications were up 11% for refinancing and down 1% on new purchases. Both of these figures are improvements over the prior week. Interest rates fell slightly.

The *EIA Petroleum Status Report* saw crude oil inventories drop 4.4M barrels for the week of April 19th. Gasoline inventories also dropped 0.8M barrels and distillates were down 0.5M barrels. We expect this trend to continue as we get into peak driving season.

The *Baker-Hughes Rig Count* saw an increase in North American Rigs online. This was largely driven by the US and Canada. The Gulf of Mexico was flat.

In **Canada**, the *Bank of Canada* announced it would hold interest rates steady at 0.5%. The Canadian economy and the global economy are encouraging, but not enough to pump the breaks on rates.

Europe

by Dave Schiller

The *PMI Composite FLASH* report was released for the **Eurozone**. The composite level saw an increase to 56.8 which beat consensus and the prior period. The Manufacturing sector also beat consensus and the prior period with a reading of 57.0. Services matched the prior period with a reading of 56.2, but it was a tick short of expectations. France and Germany were key contributors to the strong reading. This is a good indicator for the upcoming GDP report.

In the **UK**, *GDP* fell a tick below consensus and the prior period for both the quarter ending Q1 2017 and on an annualized basis. Household consumption was a drag on the data while government spending helped to boost GDP. Net trade knocked off 1.4% from GDP as exports fell and were exacerbated by increased imports.

The *CBI Distributive Trades* report slowed significantly since April. Weak retail sales were a key contributor to the decline. However, there were a few seasonal reasons for the decline so all the news may not be as bad as it appears. Next month should bring some clarity to the picture.

It was a relatively busy week for **German** economic data. The *Ifo Survey* beat expectations across the board and beat the prior revised numbers as well to signal strength.

The PMI Composite Flash was up across the board. At the Composite level, the May report was up a full point over April (57.3 vs 56.3). Manufacturing propelled the data with a reading of 59.4. Services were not as strong as manufacturing, but did beat April with a 55.2. It was lower than expectations, however, by half a point.

The *GfK Consumer Climate* report showed strength by clocking in ahead of the prior period and expectations.

In **France**, the *PMI Composite Flash* beat last month by a few ticks (57.6 to 57.4). Manufacturing did lag, however, with a reading of 54.0. This was below the prior period and expectations of 55.1. Services came in at 58.0 and beat expectations handily.

The *Business Climate Indicator* beat consensus expectations (109 to 108). This was a fairly good report and confirmed the PMI report.

In **Switzerland**, the *Merchandise Trade Balance* report saw the surplus narrow from CHf3.10B to CHf1.97B. Declining exports helped narrow the surplus.

Asia/Australasia

By: Dave Schiller

There was very little economic data of significance from Asia this week. The most important report came out of **Japan** when it released the *CPI* report. Headline CPI doubled to 0.4% for the year ending April 2017. Core CPI edged up 0.3% and beat the prior period although it was a tick lower than consensus expectations. Inflation has remained stubbornly low for a long time. The BoJ does believe that policy will allow the economy to reach target levels of 2% sometime in the fiscal year ending March 2019.

The *All Industry Index* is not a major report. This data are a proxy for GDP. For March 2017, the index fell to -0.6% from 0.7%. Annualized the index fell 0.5% to 1.1%. The softness was across the board.

In **New Zealand**, the *Merchandise Trade* report saw the surplus jump to NZ$578m which more than double the previous month. Exports jumped 18.1% for the month after a decline in March. For the year, exports were up 9.8%. Dairy, wine, meat and forestry products were significant contributors. Imports also increased, but at a more modest level. For March, exports rose 6.2% while they increased 4.9% on an annualized basis.

Market Review

Index	Close	Week Change	% Week Change	% YTD Change
DJIA	21080.28	275.44	1.32%	6.67%
NASDAQ Composite	6210.19	126.49	2.08%	15.36%
S&P 500	2415.82	34.09	-1.43%	7.91%
FTSE 100 (UK)	7547.63	76.92	1.03%	5.67%
DAX (Germany)	12602.18	-36.51	-0.29%	9.76%
CAC 40 (France)	5336.64	12.24	-0.23%	9.76%
Nikkei 225 (Japan)	19686.84	96.08	0.49%	2.99%
Hang Seng (HK)	25639.27	464.40	1.84%	16.54%
Shanghai Composite (China)	3110.06	19.43	0.63%	0.21%
S&P BSE Sensex (India)	31028.21	563.29	1.85%	16.53%
S&P/ASX (Australia)	5751.70	24.30	0.42%	1.52%
10-Year US Bond Yield	2.247%			

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

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