AEGIS
WEALTH PARTNERS, LLC

Week in Review

5 June 2017

U.S. and North America

by Dave Schiller

In the US, it was a busy week for economic reporting. The *International Trade Report* showed the trade deficit growing again and hit $-47.6B for April. This was greater than March and expectations. In fact, it is one of the worst months in over 3 years. Exports have fallen off highs recently and imports continue to rise.

The *ISM Manufacturing Index* beat consensus at 54.9. Strength came from new orders and exports. Other components that helped include backlogs, production, slowing deliveries and employment. It's a solid report when you dig into the details.

PMI Manufacturing was a bit sluggish as it failed to match consensus or April's level. It's becoming a growing concern that the regional PMI reports had been showing strength.

Chicago's PMI took a dip this month as orders slowed. The components were mixed with some positive and others creating mild concern. The overall level of the report is solid, but it's the trend that needs to show more acceleration.

The *Beige Book Report* was not positive as optimism was cooling for the economy. Employment continues to be a source of strength here, but consumer spending is waning. The 10-year yield also fell below 2.2% on the news.

Construction Spending fell for April and was 2.5% below March's number (-1.4% to 1.1%). Residential fell for the first time in 7 months. Non-residential and public construction were also lower.

Jobless Claims again continues to be a bright spot in economic data. The data show new claims at its lowest levels in 40 years.

The *Employment Situation Report* saw 50,000 few payrolls added than expected. The unemployment rate fell to 4.3%, however. Wages increased 0.2% which was in line with expectations. Year-over-year, wages rose 2.5%.

The *ADP Employment Report* saw an increase in payrolls of 253,000 which was well above consensus of 170,000.

Personal Income and Outlays saw income increase 0.4%. Conversely, consumer spending also increased 0.4%. Real disposable income has trended down the past 2 years, however. Other data in this report and elsewhere call into question whether a rate hike will occur when the Fed meets in June.

Consumer Confidence remains high, but it failed to meet expectations. This is a report that we tend not to trust as spending hasn't really followed and wages haven't increased significantly.

The *S&P Corelogic Cash-Shiller HPI* was higher than expectations. New York and Detroit have picked up recently and the western cities of Portland and Seattle still lead on an annualized basis. The annual trend has been relatively flat for the past 2 years, but the chart does look like a stronger increase could be coming.

The *Pending Homes Sales* Index was down sharply versus consensus. Sales were down 1.3% for April and the index was down 3.3% from the prior year's level.

The *EIA Petroleum Status Report* showed another drop in inventories for crude oil (-6.4M barrels) and gasoline (-2.9M barrels). Distillates did increase 0.4M barrels.

In **Canada**, GDP beat expectations for Q1 with growth of 0.9%. Annualized, GDP was lower than the BoC's expectations of 3.8% (3.7%).

Merchandise Trade showed a narrowing of the deficit to C$-0.4B. Imports rose 0.6% in April and was at 7.4% annually. Exports grew faster at 1.8% in April and 14.7% annually.

Europe

by Dave Schiller

Eurozone *HICP Flash* showed that inflation slowed to its lowest level in 3 months. In April, inflation for the region was 1.9% and near the target level set by the central bank. In May, inflation slipped to 1.4%. It appears that core inflation has kept its slow, but steady rate of increase. The likelihood of change in ECB policy is low.

The *M3 Money Supply* slowed compared to expectations, but was still up a tick since Q1. While the headline report appeared weak there are bright spots to suggest improvement.

EC Economic Sentiment was lower than consensus and the prior revised reading, but still at a high level of 109.2. France and Spain led the pack while Germany and Italy saw a slight decline. Still, the number is quite high.

The *EU Unemployment Rate* fell to 9.3%. Italy and Spain showed improvement while France and Germany were stable.

In the **UK**, *PMI Construction* saw a nice gain from 53.1 to 56.0. This is the highest level in almost 18 months. Housing was the strongest sector for construction.

The *CIPS/PMI Manufacturing Index* beat consensus although it was about half a point lower than April. Q2 GDP will be helped along by these reports.

Nationwide HPI fell for the month and an annualized basis compared to April. This was the 3rd consecutive decline in housing prices. Supply is still strong and analysts believe a 2% gain is in order for housing prices.

In **Germany**, the *PMI Manufacturing Index* beat April's number and was a tick above expectations. Manufacturing will help bolster Q2 GDP.

CPI was softer than anticipated. Officials believe the EU monetary policy is hurting inflationary pressures in Germany. For the month of May, inflation fell 0.2%. Annualized, it sits at 1.5%.

The Unemployment Rate matched expectations as it fell a tick to 5.7%. Household spending has been sluggish, however.

Retail Sales dropped for the month of April 0.2% compared to expectations of a 0.3% increase. Annualized, sales dropped 0.9% while consensus called for an increase of 2.2%.

In **France**, *The PMI Manufacturing Index* failed to meet expectations and was down nearly a point and a half compared to April. The slowdown is of concern for officials, but there are signs for improvement in certain areas.

GDP was up 0.4% for Q1 and 1.0% annualized. Both numbers beat expectations. Q2 GDP appears to look better at this point.

PPI was down for the month 0.6% while producer prices increased 3.3% for the year. That was an improvement over March but this report shows little pressure on core inflation.

Consumer Manufactured Goods Consumption was down for the month whereas expectations were for a gain of half a point.

In **Italy**, *GDP* rose 0.4% for Q1 2017 and surpassed 1.2% annualized. While the numbers are welcome, other data suggest that Q2 might not keep up.

CPI matched consensus (-0.2% for May and 1.4% annualized) although the readings are lower than April's report.

In **Switzerland**, *GDP* beat the prior revised report but was a couple of ticks lower than expectations. Investments and the trade balance helped boost GDP while construction was the only major component to decline. Certainly, officials would like to see more strength, but the trend is still towards growth.

Asia/Australasia

By: Dave Schiller

In **China**, the Yuan strengthened to 7-month highs as the central bank pushed up the reference rate 0.8%. State banks were selling dollars to bolster the local currency as the PBoC felt it was time to let the Yuan loose. Chinese stocks rose after weeks of mostly negative movement as a result. The government was also hoping to stem the tide of investor concern with the stock market.

The *CFLP Manufacturing PMI* report matched the prior month and beat consensus for May 2017. This number has been over 50 (the measure for strength) for 10 months in a row.

The *General Services PMI* was higher at the headline level as well as the Services level. Services was up almost a point and a half compared to last month. There has been quite a divergence between services and manufacturing of late with both segments showing positive and negative outlooks.

In **Japan**, the level of assets from the monetary policy has now matched the level of GDP. That amount is 500 trillion Yen ($4.49 trillion). This has some observers concerned as the policy will stay in place until inflation reaches the target of 2%, a rate that the Japanese economy is far from reaching. Officials claim that yields will increase enough to offset the interest payments that will be due on such a large amount of debt.

Industrial Production didn't matched expectation for April, but it did rebound nicely over the prior revised number in March and on an annualized basis.

The *PMI Manufacturing Index* was greater than the previous month and expectations. Manufacturing has now expanded for the past 9 months.

The *PMI Composite* was up almost a point at the headline level as it strengthened from 25.6 to 53.4. Services moved from 52.2 to 53.0 for its strongest reading in almost two years. The PMI numbers will certainly help the Japanese economy.

The BoJ believes that the Japanese economy is moving from a "moderate recovery trend" to a "moderate expansion" trend in the near-term.

The *Unemployment Rate* was steady at 2.8%. This is the lowest rate in 20 years. As in several parts of the world, wage growth has not materially increased.

In *Household Spending* was up 0.5% for April. Annualized, however, it decreased 1.4% and failed to meet expectations.

India, *GDP* surprised by missing expectations. It came in at 6.1% while analysts anticipated 7.1%. Six of eight industry groups fell during Q1.

PMI Manufacturing Index fell from 52.5 to 51.6. The details of this report aren't all negative and show some bright spots going forward.

In **Australia**, *Retail Sales* beat expectations and the prior period by rising 1.0% in April. Annualized, sales were up 3.1% compared to 2.2%.

Market Review

Index	Close	Week Change	% Week Change	% YTD Change
DJIA	21206.29	126.01	0.60%	7.31%
NASDAQ Composite	6305.80	95.60	1.54%	17.14%
S&P 500	2439.07	23.25	0.96%	8.94%
FTSE 100 (UK)	7547.63	0.00	0.00%	5.67%
DAX (Germany)	12822.94	220.76	1.75%	11.69%
CAC 40 (France)	5343.41	6.77	0.13%	9.89%
Nikkei 225 (Japan)	20177.28	490.44	2.49%	5.56%
Hang Seng (HK)	25924.05	284.78	1.11%	17.83%
Shanghai Composite (China)	3105.54	-4.52	-0.15%	0.06%
S&P BSE Sensex (India)	31273.29	245.08	0.79%	17.45%
S&P/ASX (Australia)	5788.10	36.40	0.63%	2.16%
10-Year US Bond Yield	2.162%			

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

Aegis Wealth Partners, LLC
7702 E Doubletree Ranch Road, Suite 300
Scottsdale, AZ 85258
(T): 480.348.3975
www.aegiswealth.net

: @AegisWealth
: @aegiswealth
LinkedIn : Aegis Wealth Partners, LLC