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# Week in Review

28 August 2017

The US markets finally posted gains after a couple of weeks of losses. The Dow, NASDAQ and S&P500 were all up under 1% for the week.

Real Estate (2.26%), Telecomm (1.97%) and Materials (1.28%) were the big winners for the week. Consumer Staples (-0.97%) was the only S&P500 sector that was down for the week.

Europe was mixed as the UK (1.06%) saw the largest gains. France (-0.19%), Spain (-0.96%) and Italy (-0.31%) were down modestly.

Asia was mixed as well. Hong Kong was up big (2.96%) and sitting at 26.58% for the year. China had its second strong week in a row (1.92%). The rest of Asia was down mildly.

## U.S. and North America

by Dave Schiller

This was a relatively light week for economic data in North America.

*Durable Goods Orders* fell more sharply than expected. New headline orders were down 6.8% while a drop of 5.8% was anticipated. This was due to a fall in aircraft. Ex-transportation, orders were up a 0.5% for July and 5.6% for 12 months. The annual change in core capital goods was up 3.5% which was a drop from 5.8%. The annual level is still at some of the highest levels in three years.

The *PMI Composite FLASH* report showed strength at the headline level that surpassed the top end of the consensus range. July's 54.2 was eclipsed by almost two points to 56.0. Manufacturing has yet to follow the regional reports. July and August expectations were for modest gains of 53.2, but it failed to match that when it came in at 52.5. Services, however, surged from 54.2 to 56.9. This was also well above the consensus range. Overall, the headline is good but manufacturing is becoming a concern.

*Jobless Claims* had another strong weekly gain with 234k new claims filed. There was a mild 2k gain from last week while the 4-week moving average dropped under 240k.

*New Homes Sales* were softer than expected with 571k units selling in July. June recorded 630k units by comparison. The good news is that inventory increased. Prices also tracked upwards to \$313,700.

July's *Existing Home Sales* were also down from June's level. 5.440M units were sold, which did hit the lower end of the consensus range. Month/month sales were down 1.3% which was an improvement from the prior month. The good news is that sales are near highs since the current expansion began.

The *EIA Petroleum Status Report* continues to indicate a decline in both crude oil and gasoline inventories. Gasoline inventories were expected to be up so that was a surprise. Crude inventories are getting close to two-year lows now.

In **Canada**, *Retail Sales* were up a mild 0.1%. This was below expectations, but the annualized sales figure was steady at 7.3%. The Bank of Canada expected a slowdown in spending.



# Europe%

by Dave Schiller

A few developments from the Brexit process made news this week. There is growing skepticism from EU officials that phase 2 negotiations will happen in October. October is a key date because the European Council summit is scheduled to meet then. Much of the problem is the lack of clarity from the UK on how it will address key issues of the breakup.

The fallout from uncertainty is hitting UK businesses. There is a need for capital investments and hirings that need to take place, but many businesses are shying away from making major commitments until key issues are settled. With uncertainty increasing, this is not positive news from the UK economy.

In the **Eurozone**, the *PMI Composite FLASH* report showed continued strength across the board. Headline PMI was ahead of consensus, 55.8 to 55.5. Manufacturing was particularly strong with a 57.4 reading compared to expectations of 56.3. Service was still in expansion, but fell short of expectations 54.9 to 55.4.

In the **UK**, *GDP* was stable with a Q2 measure of 0.3%. Annualized, *GDP* was steady at 1.7%.

*CBI Industrial Trends Survey* was stronger than expected. Factory orders are up on surging export orders. Prices also increased, albeit at a slower pace.

*CBI Distributive Trades* was down sharply in contrast to the Industrial Trends Survey. Expectations called for a reading of 16, but it came in at -10. This report measures volume of sales.

In **Germany**, *PMI Composite FLASH* beat expectations across the board. Headline producer inflation was up to 55.7. That is a full point higher than expected. Manufacturing was particularly strong at 59.4. This was 1.6 points higher than consensus. Services beat estimates 53.4 to 53.3.

The *Ifo Survey* was higher than expected 115.9 to 115.6. Sentiment about current conditions was lower in August than July, but still at a robust level of 124.6. Business expectations surpassed July's reading at 107.9.

*GDP* for Q2 matched consensus at 0.6% growth. For the year, *GDP* is now 2.1%. This was an improvement over Q1's 2.0%. Domestic demand is now picking up and should help to boost *GDP* going forward.



The *ZEW Survey* of German financial experts shows strong sentiment about current economic conditions. Expectations, however, failed to match consensus. This doesn't bode well for Q4.

In **France**, *PMI Composite FLASH* beat expectations at the headline level with a 55.6 reading. Manufacturing, which had been lagging services, is now slightly ahead at 55.8. Services fell from 55.9 to 55.5. The French economy is on pretty solid footing and is showing balance between manufacturing and services. Earlier this year, services was several points ahead.

The *Business Climate Indicator* was stronger with a 111 reading. This is the highest level in almost a decade. This confirms the manufacturing run up.

In **Switzerland**, the *Merchandise Trade Balance* showed a jump in the surplus from CHF2.76B in June to CHF3.51B in July. Exports were up 4.5%. Imports, meanwhile dropped 0.5%.

# Asia / Australasia

By: Dave Schiller

This was a very light week for economic reports in Asia.

In **Japan**, headline *CPI* was steady at 0.4%. Backing out food, core *CPI* increased from 0.4% to 0.5%.

The *Manufacturing PMI* rose to 3-month highs to 52.8. New orders, output and employment all showed continued growth in a good sign for the Japanese economy.

In New Zealand, the Merchandise Trade report saw a surprise surplus of NZ\$85M while a deficit of NZ\$-200M was expected. June's surplus was NZ\$246M. Annualized exports were up from 10.7% to 16.8% in July while imports shrank from 7.6% to 5.4%.




## Market Review

Index	Close	Week Change	% Week Change	% YTD Change
DJIA	21813.67	139.16	0.64%	10.38%
NASDAQ Composite	6265.64	49.12	0.79%	16.39%
S&P 500	2443.05	17.50	0.72%	9.12%
FTSE 100 (UK)	7401.46	77.48	1.06%	3.62%
DAX (Germany)	12167.94	2.75	0.02%	5.98%
CAC 40 (France)	5104.33	-9.82	-0.19%	4.98%
IBEX 35 (Spain)	10345.30	-40.40	-0.39%	10.62%
FTSE MIB (Italy)	21746.50	-68.46	-0.31%	13.06%
Swiss Market (Switzerland)	8906.18	31.83	0.36%	8.35%
Nikkei 225 (Japan)	19452.61	-17.80	-0.09%	1.77%
Hang Seng (HK)	27848.16	800.59	2.96%	26.58%
Shanghai Composite (China)	3331.52	62.80	1.92%	7.34%
S&P BSE Sensex (India)	31596.06	-199.40	-0.63%	18.66%
S&P/ASX (Australia)	5743.90	-3.20	-0.06%	1.38%
10-Year US Bond Yield	2.169%			

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

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