AEGIS WEALTH PARTNERS, LLC

Week in Review

11 September 2017

This was not a very good week for equity markets across the globe. Of the markets we track, only Germany was up. In the US, NASDAQ led the retreat by shedding 1.17%, the Dow Jones was down 0.86% and the S&P 500 lost 0.61%.

Energy, not surprisingly led the gainers with a boost of 2.13% largely on the effects of Hurricane Harvey. Healthcare (1.44%), Real Estate (0.70%), and Utilities (0.63%) also posted gains. The declines were led by Telecomm, which lost a whopping 4.46%, Financials (-2.42%) and IT (-1.11%).

As mentioned earlier, Germany was the only market that posted gains (1.33%). Spain was down 1.90% while the others shed under 0.50%.

Asia reversed course this week along with the rest of the financial markets. Japan was down 2.12% and now sits at 0.84% for the year. Australia was down 0.91% and Hong Kong pulled back 1.02%.

U.S. and North America

by Dave Schiller

International Trade balance showed a marginally wider deficit in July to $-43.7B. This was better than expected, but not enough to make a big difference for Q3 GDP.

ISM Non-Manufacturing Index was up almost a point and a half from last month, but it was below consensus. It's in a moderate expansion phase, but at a steady rate.

Productivity and Costs showed nonfarm productivity up 1.5% for Q2. This was above Q1's figure and a couple of ticks above consensus. Unit labor costs, however, decreased from Q1 and failed to hit expectations. This is good for businesses and not so much for employees.

Factory Orders were down 3.3% for July which was mostly in line with expectations.

The *Beige Book* was released for August. Oil and natural gas were down because of Hurricane Harvey. Inflation is moderate even though worker shortages and some wage growth are being reported.

Jobless Claims spiked to 298k for the week of 2 September. 50k claims alone came from Texas. Analysts expected delays in Texas due to Hurricane Harvey, but they were filed anyways. This report could see more spikes as further hurricane's hit the US and Puerto Rico.

The *EIA Petroleum Status Report* saw inventories drop across the board. Production of oil and natural gas were disrupted by Hurricane Harvey. Consumers have seen a bump in gas prices recently.

The **Bank of Canada** raised interest rates by 0.25% to 1.0%. This was the first hike in just over 7 years. The BoC made a point to state that future rate hikes are not imminent and that future data will determine the course of action.

The *Labour Force Survey* showed an increase in employment by 22,200. That was double the gain in July and higher than expected. Unemployment is now at 6.2% (from 6.3%) which is the lowest rate in almost 9 years.

The *Merchandise Trade* report showed a narrowing of the deficit from C$4-3.8B to C$-3.0B. Imports fell to -6.0% while Exports were down 4.9%.

The *Ivey Purchasing Mangers' Index* shot up to 56.8 from 52.9. There were gain in most categories.

Europe

by Dave Schiller

In the **Eurozone**, the European Central Bank held interest rates steady at 0.0%. The ECB reiterated its stance that interest rates would remain at their current level for some time. QE rates also remained at current levels (€60B per month) as the central bank continues to put assets into the economy.

Headline *PMI Composite* matched last month's level of 55.7. This was a tick below expectations, and largely driven by weaker services (55.4 to 54.7). The overall level of output is still strong, however. The largest European economies (Germany, France, Spain and Italy) all posted solid figures.

GDP was stable in Q2 at 0.6%/ Annualized, GDP was ahead of consensus and Q1 (2.3%, 2.2%, and 1.9% respectively). The data is somewhat stale now, but it does confirm the pickup trend.

Retail Sales were weaker in July compared to June (-0.3% vs. 0.6%). This dropped the annual growth from 3.3% to 2.6%. As unemployment moves lower, it is anticipated that sales will begin to move up.

In the **UK**, the *CIPS/PMI Services Index* was lower, from 53.8 in July to 53.2 in August. Brexit concerns are the dominant theme here.

PMI Construction was down in August (51.1 vs 51.9 in July). This report shows a clear slow down except for some residential building. Construction companies are very cautious at this time.

The *Halifax HPI* was surprisingly up in August from 0.7% to 1.1%. Annualized, housing prices are up half a point to 2.6% compared to last month.

The *Merchandise Trade* report showed a similar deficit in July compared to June (Stg-11.53B vs Stg-11.58B).

Industrial Production was not surprisingly lower than the prior month. Output, however, was greater and is at 1.9% for the year ending July 2017.

In **Germany**, the *PMI Composite* was up over a point in August over July, 55.8 from 54.7. Services had a modest increase from 53.1 to 53.5. This is welcome, but if services can continue is move upwards that will put the German economy is very solid footing.

Merchandise Trade included a surplus of €19.5B. Both imports and exports reversed contractions in June. Imports are now up 9.4% for the year ending July 2017 while exports are up 8.0% in the same period.

Industrial Production was flat in July after falling 1.1% in June. Annualized, IP is now up 4.0%. Energy was the biggest decliner at -4.7%.

In **France**, *PMI Composite* was down 0.4 to 55.2 for August. Services dropped over a point from 56.0 to 54.9. Forward outlook appears stronger so GDP appears to be on track for a 0.5% gain.

Industrial Production was up 0.5% in July compared to -1.1% in June. While it was up, it did miss expectations by a tick.

In **Italy**, *Retail Sales* moved lower again in July from 0.6% to -0.2%. Italy has struggled with consumer spending, but volume sales did give a bright spot to this report.

In **Switzerland**, *CPI* was flat in August. This was a 0.3% improvement from the prior month and the annual inflation rate moved to 0.5%. While this is an improvement, inflation hasn't been able to make more progress in large part due to lagging consumer spending.

GDP for Q2 was up two ticks to 0.3%. On a yearly basis, it fell from 1.1% to 0.3%. There are several weak signs besides consumer spending. The rising Swiss Franc is weighing on exports as well.

Asia/Australasia

By: Dave Schiller

In **China**, *CPI* beat consensus and the prior period for August by rising 1.8%. Non-food prices are up 2.3% for the year ending August 2017. Target inflation is 3.0%.

General Services PMI strengthened in August. At the headline level, producer inflation moved from 51.9 in July to 52.4. Services grew by over a point from 51.5 to 52.7. New orders drove the services sector. Manufacturing also showed strength and confidence.

Merchandise Trade Balance saw the surplus drop nearly $5B to $41.99B. Exports fell from a 17.3% annual growth rate to 6.9%. Imports also fell from 23.1% to 14.4%.

Producer Price Index grew in August from 0.2% to 0.9%. Annualized, PPI is now up to 6.3% and appears to be regaining steam.

In **Japan**, *GDP* fell short of consensus for Q2 (0.6% vs 0.7%). For the year, GDP dropped from 2.0% to 1.4% mainly on non-residential investments and net exports. Still, this is now 6 consecutive quarters of expansion and confirms the BoJ's stand of 'moderate growth'.

Headline PMI Composite was up a tick in August, moving from 51.8 to 51.9. The services sector contracted from 52.0 to 51.6. Manufacturing was up a tick to 52.2.

In **Australia**, the Reserve Bank of Australia announced it held interest rates steady at 1.5%. There was no major change in outlook although China is considered a 'medium-term' risk.

Retail Sales were flat in July. This was below June's 0.2% growth. Weaker household goods was the main culprit. Low wage growth and consumer debt are red flags here that could keep sales depressed.

Market Review

Index	Close	Week Change	% Week Change	% YTD Change
DJIA	21797.79	-189.77	-0.86%	10.30%
NASDAQ Composite	6360.19	-75.14	-1.17%	18.15%
S&P 500	2461.43	-15.12	-0.61%	9.94%
FTSE 100 (UK)	7377.60	-60.90	-0.82%	3.29%
DAX (Germany)	12303.98	161.34	1.33%	7.17%
CAC 40 (France)	5113.49	-9.77	-0.19%	5.17%
IBEX 35 (Spain)	10129.60	-195.90	-1.90%	8.31%
FTSE MIB (Italy)	21776.66	-81.90	-0.37%	13.22%
Swiss Market (Switzerland)	8912.05	-29.57	-0.33%	8.42%
Nikkei 225 (Japan)	19274.82	-416.65	-2.12%	0.84%
Hang Seng (HK)	27668.47	-284.69	-1.02%	25.76%
Shanghai Composite (China)	3365.24	-1.88	-0.06%	8.43%
S&P BSE Sensex (India)	31687.52	-204.74	-0.64%	19.01%
S&P/ASX (Australia)	5672.60	-52.00	-0.91%	0.12%
10-Year US Bond Yield	2.054%			

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