AEGIS WEALTH PARTNERS, LLC

Week in Review

18 September 2017

It was a rebound week for most markets. The US markets were led by the Dow Jones as it moved up 2.16%. The S&P500 was up 1.58% and NASDAQ was up 1.39%. The leading sectors were Telecom (3.89%), Energy (3.46%), and Financials (3.32%). Utilities were the only declining sector at -0.40%. Real Estate was mostly flat at +0.01%.

Italy was the strongest performer in Europe at 2.08% followed by France (1.96%) and Spain (1.85%). The UK struggles with Brexit questions as it fell 2.20%.

Asia was mostly up with Japan being the big winner with a gain of 3.29% for the Nikkei and 1.85% for India. China was the only down market and that was modest at -0.35%.

U.S. and North America

by Dave Schiller

In the **US**, the *Treasury Budget* deficit grew in August to $-107.7B from $-42.9B. While this is in the consensus range, the deficit is almost 9% higher than this time last year. Spending is up over 3%.

International Trade in Goods saw the trade gap widen to $-65.1B. Exports saw growth decline 1.3% from a 1.5% gain in June. Imports, meanwhile, slowed from -0.2% to -0.3%. This won't help the start of Q3.

PPI-FD impoved over last month, but didn't reach consensus levels for the most part. Overall, producer prices are pretty soft.

Headline *CPI* was up 0.4% in August and 1.9% for the year. Backing out the volatile food and energy components, inflation is up to 1.7%. This is a better report than the producer price index.

Jobless Claims were 284k. This was an improvement from last week and below expectations. Hurricanes Harvey and Irma will add to volatility in the coming weeks.

The *JOLTS* report showed jobs openings rise to 6.170M. This shows that employers are having a hard time filing roles. Wage growth continues to stagnate.

The *EIA Petroleum Status* report saw crude oil inventories rise by 5.9M barrels. Gasoline inventories dropped 8.4M barrels. Much of these results came from the effects of Hurricane Harvey.

In **Canada**, *Housing Starts* increased 223,232. This was just a bit higher than last month.

Europe

by Dave Schiller

In the **Eurozone**, *Industrial Production* was up a tick in July. Expectations called for flat production results. Annualized, IP failed to meet expectations (3.2% vs 3.4%), but it was up 0.4% from the previous reading. Energy and non-durable consumer goods fell while capital goods and consumer durables were the winning sectors. Spain and Germany saw declines while France and Italy were up.

In the **UK**, the EU Withdrawal Bill passed the Commons vote 326 to 290. EU legislation was copied to UK domestic law without backlash from conservatives. There is still a ways to go on this as the bill moves forward.

The Bank of Englad held interest rates steady at 0.25%. There is a growing sentiment that a rate hike is coming closer to reality. As it is, the vote was 7-2 in favor of holding policy steady.

CPI crept upwards to 0.6% for August while it now sits at 2.9% for the year. This is seven consecutive months that the target rate of 2.0% was surpassed.

The *Labour Market Report* saw a drop in new claims. Unemployment rate fell from 4.4% to 4.3%. The biggest disappointment is that wage inflation held steady at 2.1%. Expectations were for a bump to 2.4%. This metric has become one of the biggest concerns for central bankers globally as an improving labor market hasn't boosted wages nearly as desired. For consumer-based economies, this means less discretionary income and lower consumer confidence to keep the economy moving forward.

Producer Price Index was up nicely. Output in August moved from 0.1% to 0.4% while the annual rate went from 0.2% to 3.4%. August input jumped from -0.2% in July to 1.6%. Annualized, it sits at 7.6% from 6.2%. This data will give some ammunition to monetary policy hawks if it continues.

In **Germany**, *CPI* matched expectations as it rose 0.1% in August and remained at 1.8% for the year.

In **France**, *CPI* also was steady from the previous month. In August, inflation rose 0.5% and remains an anemic 0.9% for the year.

In **Italy**, *CPI* followed the pattern seen in France and Germany: steady from the previous month. In August, inflation was up 0.3% and 1.2% for the year.

In **Switzerland**, the *SNB Monetary Policy Assessment* was steady. Interest rates were unchanged at -0.75%. There were no surprises in the report.

Producer and Import Price Index beat estimates for August (0.3% vs. 0.2%) and annually (0.6% vs. 0.4%). These figures were an improvement from last month. The Swiss franc had a big impact on the improvements.

Asia/Australasia

By: Dave Schiller

In **China**, the economic reports disappointed. *Industrial Production* for August was 0.46%. While this was better than July, the annual growth dropped from 6.4% to 6.0%. 6.6% was the expected annual growth rate. Non-manufacturing output was the main culprit in the declining rate.

Fixed Asset Investment fell from 8.3% in July to 7.8% in August. Expectations called for a 8.2% growth rate.

Annual *Retail Sales* dropped from 10.4% in July to 10.1% in August. Expectations were for a bump to 10.5%.

In **Japan**, the *Producer Price Index* was flat in August after a 0.3% gain in July. Annualized, PPI moved from 2.6% to 2.9%. While that is an improvement, PPI missed consensus by a tick. Inflation is still viewed as moving up at a moderate pace.

The *Tertiary Index* was up 0.1% in July after being flat in June. For the year ending July 31, 2017 the index is up 1.0%. Expectations are for weakened output in July and August.

Machine Orders were up big in July by 8.0%. June was down 1.9%. For the year, the proxy for capital expenditures dropped 7.5%. There are expectations for some moderate growth in Q3.

In **India**, annual *Industrial Production* was up 1.2% in July after contracting 0.1% in June. Early indications are that there is at least some short-term strength.

In **Australia**, the *Labour Force Survey* saw unemployment hold steady at 56%. 54,200 new jobs were added compared to 15,000 expected. The participation rate jumped from 65.1% to 65.3%. This is a welcome report that officials expect will translate into higher wage- and headline inflation growth. Australia could use it.

Market Review

Index	Close	Week Change	% Week Change	% YTD Change
DJIA	22268.34	470.55	2.16%	12.68%
NASDAQ Composite	6448.47	88.28	1.39%	19.79%
S&P 500	2500.23	38.80	1.58%	11.68%
FTSE 100 (UK)	7215.47	-162.13	-2.20%	1.02%
DAX (Germany)	12518.81	214.83	1.75%	9.04%
CAC 40 (France)	5213.91	100.42	1.96%	7.23%
IBEX 35 (Spain)	10317.40	187.80	1.85%	10.32%
FTSE MIB (Italy)	22229.49	452.83	2.08%	15.57%
Swiss Market (Switzerland)	9028.05	116.00	1.30%	9.83%
Nikkei 225 (Japan)	19909.50	634.68	3.29%	4.16%
Hang Seng (HK)	27807.59	139.12	0.50%	26.39%
Shanghai Composite (China)	3353.62	-11.62	-0.35%	8.05%
S&P BSE Sensex (India)	32272.61	585.09	1.85%	21.21%
S&P/ASX (Australia)	5695.00	22.40	0.39%	0.52%
10-Year US Bond Yield	2.204%			

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

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