AEGIS WEALTH PARTNERS, LLC

Week in Review

25 September 2017

This week was mixed for global markets as the US and Europe were mostly up and Asia was mostly down.

In the US, the Dow Jones was up modestly by 0.36% while the S&P500 squeaked out a 0.08% gain. NASDAQ fell 0.33%. All US markets are above 10% for the year, with NASDAQ nearly at 20% on the strength of tech. The leading sectors for the week were Telecomm again at 3.80%, Financials (2.64%), Energy (1.98%) and Industrials (1.95%). The laggards were Real Estate (-2.83%), Utilities (-2.75%), and Consumer Staples (-2.31%).

Europe was led by Italy's 1.36% gain, followed by the UK (1.32%), and France (1.29%). Spain was down 0.12%. Italy is the leader for 2017 with a 17.14% gain.

In Asia, Japan was the clear winner with a 1.94% gain. Hong Kong was next at 0.26%. India suffered the biggest loss at -1.09%. Hong Kong is up 26.73% for the year while India ranks second at 19.89%.

U.S. and North America

by Dave Schiller

The big news this week was the expected announcement by the FOMC that they would begin unwinding its $4.5 trillion balance sheet beginning in October. Interest Rates were held steady at 1.00% to 1.25%. Of course, this will takes years to happen. Keep in mind the unprecedented scope of this process: We have never seen monetary policy so loose for so long and the process of removing the assets from the Fed's balance sheet is no small task. Certainly, businesses and consumers will see higher costs for borrowing. Currently, FOMC forecasts have one more rate hike penciled in for 2017 and 3 for 2018. GDP is expected to drop from 2.4% in 2017 to 2.1%, 2.0% and 1.8% in 2018, 2019, and 2020 respectively. Core inflation isn't expected to rise to 2.0 until 2019.

The *Treasury International Capital* report saw minimal demand for US long-term securities: $1.3B. Most of the outflows were from sales of US equities.

Import and Export Prices were both up 0.6% and beat expectations. For the year ending August 2017, import prices rose 2.1% and export prices rose 2.3%.

PMI Composite Flash numbers were weaker at the headline level falling from 56.0 in August to 54.6 in September. Manufacturing was up to 53.0 from 52.5. Services, on the other hand, fell from 56.9 to 55.1. The report suggest little effects from Hurricanes Irma or Harvey.

The *Philadelphia Fed Business Outlook Survey* was up well above consensus to reach 23.8. There are some effects of the hurricanes including longer delivery times. The 6-month outlook is also exceptionally high.

Jobless Claims were again below expectations. This could be because of the hurricane as some people may not have been able to file claims.

Housing Starts were good as 1.180 M units were recorded for the year ending August 2017. The South suffered due to the hurricane Harvey. Irma's impact will be seen next month.

Existing Homes Sales fell below expectations due to Harvey's impact. Both the South and West were down to offset a strong month from Midwest. Since November 2016, this report has been trending downwards.

The *Housing Market Index* was down 3 points in September. First-time home buyers are shying away due to high prices and low inventory.

The *EIA Petroleum Status Report* showed crude oil inventories up 4.6M barrels while gasoline inventories fell 2.1M barrels.

In **Canada**, headline *CPI* was up 0.1% in August and 1.4% annualized. These were improvements from July. Core inflation, however, was flat in August and steady for the year at 1.5%.

Retail Sales were up fairly strong in July by 0.4%. This was better than the expected 0.1%.

Manufacturing Sales were down more than expected as figures contracted 2.6%. For the year, sales fell from 6.4% to 3.4%. This was somewhat anticipated by the Bank of Canada as it projected a slowdown in GDP.

Europe

by Dave Schiller

UK PM May spoke on Friday regarding Brexit. This widely anticipated speech, however, provided little detail on the UK's future relationship with mainland Europe. Investors expected some information about the 'divorce bill', but there was little said. The clock continues to tick for Brexit and the May administration as there growing discontent within her party.

Bank of England Governor Mark Carney said in a speech that in the short-term, Brexit would hurt the economy and boost inflation. While anti-EU politicians took umbrage with Carney's remarks, we feel he is spot on. It will reduce the UK's competitiveness with uncertainty surrounding how skilled workers will be replaced as companies relocate to Ireland or mainland Europe. Should these predictions materialize, interest rates are expected to be raised.

Germany is heading into national elections and Angela Merkel's CDU is expected to maintain their leadership role. Since there is likely to be a negotiation with other parties to form a ruling coalition, a spotlight will be on the Alternative for Germany Party. They are a far-right party and strong showing by them would raise questions as to their participation in the national scene.

In the **Eurozone**, the *PMI Composite FLASH* saw a nearly 1 point bump to headline PMI. Manufacturing was up to 58.2 from 57.4 in August. Services also strengthened from 54.9 to 55.6. Both France and Germany were up 2 points.

HICP matched consensus and beat the previous month. For August, inflation was up 0.3% and 1.5% annualized.

In the **UK**, *Retail Sales* surprised in August. Expectations were for a modest 0.1% increase, but they jumped a full point. For the year, sales are double expectations to 2.4%.

The *CBI Industrial Trends Survey* slowed from 13 points to 7. The level of activity is still quite good compared to recent average readings of -14%.

In **Germany**, the *PMI Composite FLASH* was strong as the headline level was just over 2 points ahead of August's number. Manufacturing now sits at a robust 60.6 while Services was up 2 points of expectations at 55.6. This is a very good report.

PPI was steady in August at 0.2% and a tick above expectations for the yearly number (2.6%). This is reassuring report in that inflation seems to be moving back upwards.

The *ZEW Survey* continues to be strong as German financial experts view the current economy favorably and expectations are their strongest in almost three years.

In **France**, the *PMI Composite FLASH* was up over a point and a half to 57.2 for the headline reading. Manufacturing improved to 56.0 while Services jumped to 57.1. This report will help back the central bank's forecast for a strong Q2 GDP.

GDP was up 0.5% for the Q2 and beat consensus by a tick for a 1.8% increase. Forecasts for Q3 also expect a 0.5% gain.

In **Switzerland**, the *Merchandise Trade Balance* saw the surplus shrink from Chf3.49B to CHf2.17B.

Asia/Australasia

By: Dave Schiller

In **China**, the *Housing Price Index* slowed from 9.7% to 8.3%. This is a welcome report as officials attempted to slow the pace of the red-hot housing market.

The Bank of **Japan** held interest rates steady at -0.1%, as expected. The rate of bond purchases was also held at ¥80T to keep the 10-year yield close to that rate. BoJ Governor Kuroda stated that monetary policy would remain accommodative until targets were met, in spite of rising rates globally.

Merchandise Trade recorded a smaller surplus in August compared to July (¥113.6B to ¥418.8B). Exports (18.1%) jumped on an annualized basis while imports fell from 16.3% to 15.2% growth.

In **Australia**, the Reserve Bank of Australia released its 5 September meeting minutes. The minutes indicated that the labour market was improving although wage hikes were weak. An ongoing theme in Australia is rising levels of debt. Policy remains as is.

In **New Zealand**, national election take place. Pollsters view this as a close election. This is significant because monetary policy is part of the election debate. Currently, inflation targets are the primary focus for policy and minutes are not published. The opposition Labour Party wants to include employment data in policy decisions and to publish meeting minutes.

GDP was higher in Q2 at 0.8%. For the quarter ending 30 June 2017, GDP was steady at 2.5%. While the report is positive, the Q2 uptick was driven by temporary factors. Still, the NZ economy continues to move forward.

Market Review

Index	Close	Week Change	% Week Change	% YTD Change
DJIA	22349.59	81.25	0.36%	13.09%
NASDAQ Composite	6426.92	-21.55	-0.33%	19.39%
S&P 500	2502.22	1.99	0.08%	11.76%
FTSE 100 (UK)	7310.64	95.17	1.32%	2.35%
DAX (Germany)	12592.35	73.54	0.59%	9.68%
CAC 40 (France)	5281.29	67.38	1.29%	8.62%
IBEX 35 (Spain)	10305.00	-12.80	-0.12%	10.19%
FTSE MIB (Italy)	22530.83	304.34	1.36%	17.14%
Swiss Market (Switzerland)	9136.72	108.67	1.20%	11.15%
Nikkei 225 (Japan)	20296.45	386.95	1.94%	6.18%
Hang Seng (HK)	27880.53	72.94	0.26%	26.73%
Shanghai Composite (China)	3352.53	-1.09	-0.03%	8.02%
S&P BSE Sensex (India)	31922.44	-350.17	-1.09%	19.89%
S&P/ASX (Australia)	5682.10	-12.90	-0.23%	0.29%
10-Year US Bond Yield	2.254%			

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

AEGIS WEALTH PARTNERS, LLC IS A REGISTERED INVESTMENT ADVISER. INFORMATION PRESENTED IS FOR EDUCATIONAL PURPOSES ONLY AND DOES NOT INTEND TO MAKE AN OFFER OR SOLICITATION FOR THE SALE OR PURCHASE OF ANY SPECIFIC SECURITIES, INVESTMENTS, OR INVESTMENT STRATEGIES. INVESTMENTS INVOLVE RISK AND UNLESS OTHERWISE STATED, ARE NOT GUARANTEED. BE SURE TO FIRST CONSULT WITH A QUALIFIED FINANCIAL ADVISER AND/OR TAX PROFESSIONAL BEFORE IMPLEMENTING ANY STRATEGY DISCUSSED HEREIN