AEGIS WEALTH PARTNERS, LLC

Week in Review

9 October 2017

Global markets were mostly up this past week.

The DJIA was up 1.65% while NASDAQ was just behind at 1.45%. The S&P500 trailed at 1.19%. Leading sectors for the week were Materials (1.91%), Financials (1.90%), Consumer Discretionary (1.80%) and IT (1.50%). Laggards were Telecomm (-1.11%), Energy (-0.58%), and Consumer Staples (-0.29%). For the year, IT is up 27.91%, Healthcare is up 20.42% and then Materials 16.27%. Energy trails at -9.15%, followed by Telecomm at -9.09%. Those are the only two negative performing sectors.

In Europe, the UK was the top performing country (2.04%) despite continued uncertainty about Brexit. Switzerland followed with 1.03% and Germany at 0.99%. Spain was the worst performing country at -1.89% followed by Italy at -1.34%.

Hong Kong led Asian markets with a 3.78% weekly gain followed by India at 1.70% and Japan at 1.64%. China was the only market down and that was modest (-0.11%).

U.S. and North America

by Dave Schiller

It was another tumultuous week politically with the continued saga of protests by NFL players and the administration's response. Couple that with the back-and-forth between Trump and the mayor of San Juan and I think we're all ready for a break from the circus.

Of note this past week was word that GM would introduce two new electric vehicles in the next year and a half to the US markets and 20 globally in a six year span. Ford also created a team to bring electric vehicles to market in the next several years.

International Trade saw the deficit shrink compared to last month at $-42.4B. Deficits widened with Mexico and China and contracted with the EU. Since peaking in April, imports have been steadily coming down.

The *ISM Manufacturing Index* was up almost three points above consensus at 60.8 and above the expected range of results. This is the highest level since 2004. The hurricanes have really helped boost numbers in addition to export gains.

The September PMI Manufacturing Index report beat last month's figure as well as expectations. While good, it's still at a moderate expansion level of 53.1.

The *ISM Non-Manufacturing Index* was up big from 55.3 in August to 59.8 in September. This report was well above expectations and the almost four points above the top of the expectation range. The hurricanes also helped this ready as deliver times increased and input prices were up.

Jobless Claims were lower for the week of 30 September by 12,000 new claims (currently at 260,000). There has been a spike in new claims due to the hurricanes, but that appears to be dissipating.

The *Employment Situation* report saw nonfarm payrolls shrink by 33,000 as analysts called for 100,000 new jobs. The unemployment rate did contract from 4.4% to 4.2% while the participation rate was up to 63.1% from 62.8%. Wage inflation was up above expectations with a 0.5% gain for the month and 2.9% annually.

The *ADP Employment Report* saw 135,000 new jobs added. This was below the 140,000 consensus and almost 100,000 below August's number. Clearly, the hurricanes had a negative impact here.

Motor Vehicle Sales were up to 18.6M in September. This was the strongest monthly figure in twelve years. Auto sales had been sluggish for much of 2017 compared to last year so this is a pleasant surprise.

The *EIA Petroleum Report* recorded another decline in crude oil inventories (this time 6.0M barrels) while gasoline inventories were up 1.6M barrels.

In **Canada**, the *Labour Force Survey* saw 10,000 new jobs added. This was lower than expected, but full-time jobs accounted for the gains. Unemployment was steady at 6.2% while analysts called for 6.3%. This was a good report in spite of the low job total.

The *Merchandise Trade* report saw the deficit widen to C$-3.4B. Imports were flat while exports were down 1.0%. For the year, imports are up 3.0% while exports fell 0.2%.

Europe

by Dave Schiller

There was quite a bit of news apart from economic reports in Europe. Spain is dealing with the Catalan vote for independence that turned violent. The Spanish government has declared the vote illegal and went so far as to close polling stations. Germany had an election of their own that saw Angela Merkel's Christian Democrats win. There appears to be an agreement in place for a coalition with the Greens and Free Democrats. Of note was the success of the far-right party, Alternative for Germany (AfD). They have representation for the first time after receiving 12.6% of the vote.

Brexit continues to pressure the UK economy. Bank of England Deputy Governor Sam Woods stated that there will be additional ramifications to the economy if progress isn't seen by the end of the year. Both sides continue with a stalemate about the basic agreement. Moody's downgraded the UK's credit rating in light of the uncertainty.

The European Central Bank released minutes from its September meeting. It appears that QE will be tapered sooner rather than later and could end completely by the end of next year.

PMI Composite was higher at the headline level in September by a full point. Services were up 1.1 and is showing stronger footing. Manufacturing continues to be the strongest segment, however. The leading countries are Germany, Ireland and France.

The *Unemployment Rate* held steady at 9.1% although expectations called for 9.0%. Germany and Italy were both down while France was up a tick and Spain was the same as the previous month.

In the **UK**, the *Halifax HPI* was down in September compared to August, but it did beat expectations by a significant margin. Year/Year change as measured by the 3-month average was up to 4.0%. This exceeded consensus. These numbers are the best in over six months, but they are supported by weak supply.

CIPS/PMI Services Index was up almost half a point in September. Growth of new business was a negative in the report and reflects the ongoing effects of Brexit. There was good and bad in this report.

PMI Construction was down a full three points from August. Sitting at 48.1, construction is in contraction phase for the month. Brexit is a major factor in this report.

In **Germany**, the *PMI Composite* was up almost two full points in September to 57.7. Manufacturing has been the strongest sector, but Services made a big jump from 53.5 to 55.6. This is the best reading in eighteen months.

PMI Manufacturing was up over a point to 60.6. This is the strongest measure in six years.

In **France**, *PMI Composite* saw the headline PMI up almost two points to 57.1. Services moved from 54.9 to 57.0 which was a good finish to the quarter and reestablishes the services sector as the leader in France. Recently, Manufacturing has balanced out the economy.

PMI Manufacturing Index was up a few ticks to 56.1. This is the strongest measure in over six years and sets the tone for a strong Q4.

In **Switzerland**, *CPI* edged up to 0.2% in September after being flat the month before. For the year ending Q3, inflation is now up to 0.7%. This is still a sluggish reading, but for Switzerland it's an improvement. Inflation hasn't been this high in over six years.

Asia/Australasia

By: Dave Schiller

The People's Bank of China (PBoC) announced that it was cutting the level of funds that banks and other lenders must maintain in order to increase lending. The goal is provide more liquidity to small businesses, farms and low income earners.

In **Japan**, the *PMI Composite* was lower in September. The headline level fell a few ticks from 51.9 to 51.7. Services fell the most, 51.6 to 51.0. There is growing divergence between services and manufacturing in Japan.

In **India**, the Reserve Bank of India held interest rates steady at 6.0%. The consensus is that the goods and services tax introduced in July has had a negative impact in the manufacturing sector. Inflation remains the focus for the central bank however, as it strives to get inflation to around 4.0% (the midpoint of its target range).

PMI Manufacturing Index was steady at 51.2 in September. Outlook for the next 12 months appear to be rosy.

Australia's Reserve Bank of Australia held interest rates steady at 1.5%. There really isn't much new to report as China remains a risk and high levels of consumer and household debt are a threat to future growth.

Retail Sales fell contracted 0.6% while expectations called for a 0.2% growth rate. Poor wage growth and household debt are a concern.

Market Review

Index	Close	Week Change	% Week Change	% YTD Change
DJIA	22773.67	368.58	1.65%	15.24%
NASDAQ Composite	6590.18	94.22	1.45%	22.42%
S&P 500	2549.33	29.97	1.19%	13.87%
FTSE 100 (UK)	7522.87	150.11	2.04%	5.32%
DAX (Germany)	12955.94	127.08	0.99%	12.85%
CAC 40 (France)	5359.90	30.09	0.56%	10.23%
IBEX 35 (Spain)	10185.50	-196.00	-1.89%	8.91%
FTSE MIB (Italy)	22392.31	-304.01	-1.34%	16.42%
Swiss Market (Switzerland)	9252.11	94.66	1.03%	12.56%
Nikkei 225 (Japan)	20690.71	334.43	1.64%	8.25%
Hang Seng (HK)	28458.04	1036.44	3.78%	29.35%
Shanghai Composite (China)	3348.94	-3.59	-0.11%	7.90%
S&P BSE Sensex (India)	31814.22	530.50	1.70%	19.48%
S&P/ASX (Australia)	5710.70	29.10	0.51%	0.79%
10-Year US Bond Yield	2.359%			

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

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