Weekly Update
Rocky Road for U.S. Equities
February 21, 2020

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The Economy

- U.S. equities rose early in the week in response to China launching fresh measures to support local businesses struggling from the coronavirus epidemic. However, U.S. stocks dropped during a volatile trading session Thursday as concerns mounted that the outbreak could have a greater impact on corporate earnings than investors initially believed.
- Asian equities received a boost as the reporting of coronavirus cases appeared to decelerate. Chinese stimulus to offset the economic impact of the epidemic also encouraged Asian equities to move higher.
- Federal Reserve officials signaled growing optimism about the U.S. economy last month before the coronavirus outbreak began to cloud prospects of firmer global growth in 2020. Officials saw the distribution of risks to the economic outlook as more favorable than at the previous meeting.
- Markit's U.S. composite purchasing managers' index, which combines manufacturing and services data, moved into contraction territory to a seven-year low (below 50). Manufacturing sunk from 51.9 in January to 50.8 in February. Services plummeted from 53.4 in the previous month to 49.4 in February.
- Producer prices edged 0.5% higher in January, as measured by the Department of Labor's producer-price index. This move marks the largest increase in more than a year. Rising costs of services propelled the reading. The index tracks the average change in prices that producers receive for goods and services.
- The Conference Board's Leading Economic Index surged by 0.8% in January on a sharp drop in initial unemployment insurance claims, increasing housing permits and an improving consumer outlook on the economy.
- Homebuilder sentiment diminished slightly in February, as measured by the National Association of Home Builders' Housing Market Index. However, sentiment remained near the highest level since 1999 as lower borrowing costs kept construction firms upbeat about sales prospects.
- U.S. housing starts fell by 3.6% in January from 1.626 million to 1.567 million. Permits for future-home construction surged to a nearly 13-year high.
- E-commerce retail sales accelerated by 2.6% during the fourth quarter, accounting for 11.4% of total sales.
- Mortgage-purchase applications declined by 3.0% for the week ending February 14, while refinancing applications dipped by 8.0%. The average interest rate on a 30-year fixed-income mortgage inched higher from 3.47% to 3.49%.
- Initial jobless claims for the week ending February 15 moderately increased by 4,000 to 210,000—suggesting a tight labor market will continue to support the economy this year.
- Machine orders in Japan plummeted by 12.5% in December after soaring by 18% in the prior month. This report is often regarded as a key indicator of capital spending.
- The U.K. CBI Industrial Trends Survey improved in February, but remained in negative territory, reinforcing a gloomy picture of U.K. manufacturing conditions.

U.S. Economic Calendar

- February 25: Consumer Confidence, Housing Price Index
- February 26: New Home Sale, Mortgage Applications
- February 27: Initial Jobless Claims, Core Personal Consumption Expenditures, Gross Domestic Product
- February 28: Personal Income, Consumer Spending

Stocks

- Global equity markets were negative this week; emerging markets outperformed developed markets.
- U.S. equities were negative. Consumer staples and utilities performed best, while telecommunications and information technology lagged. Value stocks led growth, and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield moved lower to 1.47%, lingering near an all-time low.
- Global bond markets were negative this week. Global corporate bonds led, followed by high-yield bonds; global government bonds lagged.

The Numbers as of February 21, 2020	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.5%	2.1%	15.0%	577.0
MSCI EAFE ($)	-1.2%	-1.6%	7.3%	2003.7
MSCI Emerging Mkts ($)	-1.0%	-1.7%	4.2%	1095.3
U.S. & Canadian Equities				
Dow Jones Industrials ($)	-1.4%	1.6%	12.1%	28988.1
S&P 500 ($)	-1.4%	3.1%	20.1%	3331.8
NASDAQ ($)	-1.6%	6.7%	28.4%	9575.4
S&P/ TSX Composite (C$)	-0.1%	4.5%	11.5%	17836.4
U.K. & European Equities				
FTSE All-Share (£)	-0.1%	-1.5%	5.1%	4132.7
MSCI Europe ex UK (€)	-0.1%	4.0%	16.8%	1495.6
Asian Equities				
Topix (¥)	-1.7%	-2.8%	3.7%	1674.0
Hong Kong Hang Seng ($)	-1.8%	-3.1%	-4.6%	27308.8
MSCI Asia Pac. Ex-Japan ($)	-1.0%	-0.4%	5.7%	550.7
Latin American Equities				
MSCI EMF Latin America ($)	-1.9%	-6.4%	-5.0%	2730.5
Mexican Bolsa (peso)	-0.6%	2.7%	2.6%	44728.4
Brazilian Bovespa (real)	-1.0%	-2.0%	16.9%	113283.2
Commodities ($)				
West Texas Intermediate Spot	2.4%	-12.7%	-6.1%	53.3
Gold Spot Price	3.8%	8.0%	23.8%	1644.0
Global Bond Indexes ($)				
Bloomberg Barclays Global Aggregate ($)	-0.2%	0.2%	6.0%	512.6
JPMorgan Emerging Mkt Bond	0.3%	2.7%	12.4%	905.5
10-Year Yield Change (basis points*)				
US Treasury	-12	-45	-122	1.47%
UK Gilt	-5	-25	-63	0.57%
German Bund	-3	-24	-56	-0.43%
Japan Govt Bond	-3	-5	-2	-0.06%
Canada Govt Bond	-9	-42	-64	1.28%
Currency Returns**				
US$ per euro	0.2%	-3.3%	-4.3%	1.085
Yen per US$	1.6%	2.7%	0.8%	111.59
US$ per £	-0.7%	-2.2%	-0.6%	1.296
C$ per US$	-0.3%	1.8%	-0.1%	1.322

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Index returns are for illustrative purposes only and do not represent actual fund performance.

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