

Weekly Update

May Jobs Report Misses Mark

As of June 2, 2017

The Economy

- The U.S. economy added 138,000 jobs in May, well below the forecasted 185,000, while figures from March and April were revised lower. Unemployment declined by 0.1% to 4.3%, mostly due to a drop in the labor-participation rate. Average hourly wages inched up by 0.2% for the month and by 2.5% year over year. The softening of jobs data may cast doubt on the economy's ability to absorb two more interest-rate hikes this year.
- Initial jobless claims increased by 13,000 to 248,000 in the week ending May 27, the largest increase since mid-April. The four-week moving average (considered a more reliable gauge of unemployment) rose by 2,500 to 238,000. Continuing claims for the week ending May 20 eased by 9,000, while the four-week moving average of continuing claims fell by 16,000 to a 43-year low of 1.915 million.
- The trade deficit widened to \$47.6 billion in April from a revised \$45.3 billion in March. Imports climbed by 0.8% on increased demand for capital goods; while exports contracted by 0.3%, partly driven by fewer autos and consumer-goods shipments. An expanding trade deficit drags down economic growth.
- The Institute for Supply Management's manufacturing purchasing managers' index (PMI) slightly gained in May, particularly within new orders, production and employment. A similar report from Markit, however, showed slowing expansion within manufacturing.
- Personal incomes improved by 0.4% in April, and consumer spending—a primary driver of economic growth and an indication of consumer confidence—rebounded by 0.4% from stagnant first-quarter levels. Personal consumption expenditures (the Federal Reserve's preferred inflation measure) moved 1.7% higher year over year, but remained below the central bank's 2% target—raising concerns that the recent uptick in prices may not last.
- The S&P CoreLogic Case-Shiller Home Price Index reached a 33-month high in March, climbing by 0.9% for the month and by 5.9% year over year. Housing demand continued to outpace available inventory as homeowners choose to remain in their current homes.
- Mortgage-purchase applications slid by 1% in the week ending May 26, as affordability continued to be an issue for new homebuyers. Refinancing dropped by 6%, as existing homeowners declined to take advantage of rates that remained low.
- Eurozone producer prices were unchanged in April, as weak energy prices offset gains elsewhere; however, prices expanded by 4.3% year over year—the second fastest 12-month improvement in almost four years.
- Economic growth in China remained cool in May, according to the PMI composite reading; a drop in production offset a slight increase in new-order growth.
- Japan's PMI composite improved in May, as manufacturing activity remained in expansion territory for the ninth consecutive month.

U.S. Economic Calendar

- June 5: Factory Orders, ISM Non-Mfg Index
- June 6: Job Openings and Labor Turnover Survey (JOLTS)
- June 7: Mortgage Applications
- June 8: Jobless Claims

Stocks

- Global equities were positive this week. Developed markets advanced, while emerging markets declined.
- U.S. equity sectors were mostly positive. Telecommunications and healthcare outperformed, while energy and financials lagged. Growth stocks outperformed value stocks and small-company stocks beat large-company stocks.

Bonds

- Global bonds were higher this week. Global corporate bonds were strongest, followed by global high-yield bonds and global government bonds.
- U.S. Treasury yields fell this week as investors removed risk in month-end portfolio rebalancing amid a disappointing jobs report.

The Numbers as of June 2, 2017	1 Week	YTD	1 Year	Friday's Close
Global Equity Indices				
MSCI ACWI (\$)	0.4%	10.6%	15.9%	466.4
MSCI EAFE (\$)	0.5%	12.5%	14.6%	1894.6
MSCI Emerging Mkts (\$)	-0.8%	17.0%	24.6%	1008.5
US & Canadian Equities				
Dow Jones Industrials (\$)	0.6%	7.3%	18.9%	21206.3
S&P 500 (\$)	1.0%	8.9%	15.9%	2439.1
NASDAQ (\$)	1.5%	17.1%	26.8%	6305.8
S&P/TSX Composite (C\$)	0.2%	1.0%	9.2%	15442.8
UK & European Equities				
FTSE All-Share (£)	0.0%	6.6%	21.2%	4129.1
MSCI Europe ex UK (€)	0.0%	10.2%	16.5%	1333.9
Asian Equities				
Topix (¥)	2.7%	6.2%	21.1%	1612.2
Hong Kong Hang Seng (\$)	1.1%	17.8%	24.3%	25924.1
MSCI Asia Pac. Ex-Japan (\$)	-0.3%	16.9%	22.5%	498.6
Latin American Equities				
MSCI EMF Latin America (\$)	-1.7%	8.6%	23.3%	2542.6
Mexican Bolsa (peso)	-0.7%	8.1%	8.4%	49317.4
Brazilian Bovespa (real)	-2.4%	3.8%	25.3%	62519.8
Commodities (\$)				
West Texas Intermediate Spot	-4.3%	-11.3%	-3.1%	47.7
Gold Spot Price	0.7%	10.7%	5.4%	1276.1
Global Bond Indices (\$)				
Barclays Global Aggregate (\$)	0.2%	4.3%	0.0%	470.5
JPMorgan Emerging Mkt Bond	0.1%	6.6%	9.4%	787.5
10-Year Yield Change (basis points*)				
US Treasury	-9	-29	35	2.15%
UK Gilt	3	-20	-31	1.04%
German Bund	-6	7	16	0.27%
Japan Govt Bond	1	1	16	0.06%
Canada Govt Bond	-5	-32	15	1.40%
Currency Returns**				
US\$ per euro	0.9%	7.3%	1.2%	1.128
Yen per US\$	-0.8%	-5.6%	1.4%	110.44
US\$ per £	0.6%	4.4%	-10.7%	1.288
C\$ per US\$	0.3%	0.4%	3.0%	1.349
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.

Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

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