

Investment Weekly

September 11, 2017

Economic Recap

Last week's headline storms reared their heads in the week's domestic economic data, slightly skewing the readings. Perhaps most notably, initial jobless claims spiked to 298,000, up 62,000 from August's reading. For perspective, claims after Katrina rose 100,000 with the effects lingering for about two months.

Also affected by the storm was the EIA Petroleum Report. Producers dipped into their inventories due to a combination of Texan refinery shutdowns and consumer demand for gasoline which dropped 3.2 million barrels, down 0.5% y/y. However, like jobless claims, as the storm passes and refineries begin to reopen their doors, we expect petroleum reserve volatility to even out.

Scanning the rest of the world, the JPMorgan Global Composite PMI hit 53.9 for the month, up 0.3 points from its last reading. Output and new orders were the highlights, with output growth accelerating at its highest since April 2015 and new orders posting a 0.55% m/m change. The trend of global growth continues with manufacturing in the U.S. and Eurozone leading the global expansion.

Economic Calendar (U.S.)

Tuesday – JOLTS & Redbook
Wednesday – PPI –FD, Treasury Budget
Thursday – Consumer Price Index
Friday – Consumer Sentiment, Retail Sales

Economic Calendar (International)

Tuesday – GB CPI & PPI, IT Unemployment Rate
Wednesday – DE CPI, EZ Industrial Production
Thursday – FR/IT CPI Reports, GB BOE Announcement

Interest Rates & Yields

Rate	Current	1 Mo. Ago	1 Yr. Ago
Effective Federal Funds Rate	1.16%	1.16%	0.40%
Target 90-day T-bill	1.00%	1.01%	0.31%
U.S. 2-yr Trsy Yield	1.29%	1.29%	0.78%
U.S. 10-yr Trsy Yield	2.10%	2.19%	1.67%
U.S. 30-yr Trsy Yield	2.71%	2.79%	2.39%
U.S. 5-yr Muni Yield	1.25%	1.34%	1.12%
Investment Grade Yield	3.43%	3.52%	3.29%
High Yield	5.38%	5.66%	6.20%

Financial Market Recap

While we wish the topic of this piece to be different than last week's Special Edition, we cannot ignore the fact that for a second consecutive week, a powerful hurricane struck the U.S. This time, we were faced with the strongest hurricane on record in the Atlantic Ocean, Hurricane Irma.

Prior to landfall, Hurricane Irma's forecasted damage toll was about \$200 billion; however, the most recent forecast is now in the neighborhood of \$50 billion. For context, Hurricane Katrina caused approximately \$160 billion in damage. The financial impact is set to hit insurers particularly hard due to the fact that much of the expected damage is from high-speed winds, and not flooding.

In other news, the European Central Bank (ECB) left its benchmark interest rate unchanged last week, and the ECB President, Mario Draghi, made bullish commentary on the Eurozone's economic prospects. On the flip-side, President Draghi noted that inflation remains stubbornly low.

North Korea continued its defiance of the U.S. and several of its allies that are pushing for increased sanctions after the regime launched its strongest nuclear warhead yet.

The financial markets' reaction to all of this was to bid up the Euro and Yen, while also selling the U.S. dollar. In equities, the end result was little movement; however, there were many forces pushing and pulling stocks beneath its surface.

For the week, the S&P 500 lost 0.6% and small-caps dipped 0.9%. Internationally, developed markets ended the week nominally higher with the S&P Dev ex-US up 0.8%.

Index Returns

Index	WTD	MTD	YTD	1-Yr.
S&P 500 Large Cap	-0.58%	-0.38%	11.51%	15.19%
S&P 400 Mid Cap	-1.05%	-0.65%	4.59%	10.91%
S&P 600 Small Cap	-0.94%	-0.15%	0.95%	11.39%
S&P Developed Mkts ex-U.S.	0.75%	1.22%	18.70%	15.56%
S&P Emerging Markets	0.28%	0.73%	28.26%	20.54%
Bloomberg Commodity	-0.25%	0.12%	-3.14%	-0.45%
Barclays U.S. Aggregate	0.46%	0.27%	3.92%	1.00%
Barclays Municipals	0.32%	0.30%	5.51%	1.33%
Barclays U.S. High Yield	0.11%	0.17%	6.23%	8.40%
HFRX Eq. Wgt. Hedge Funds	0.16%	0.16%	3.45%	4.71%

Key Private Bank



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