

# Weekly Economic Recap

## January 2018 - Week 2

As of January 12, 2018

By DoubleLine



### The Week in Review:

- The NFIB Small Business Optimism Index fell from its second highest reading in history of 107.5 in November, down to 104.9 in December 2017.
- The Mortgage Bankers Association (MBA) Mortgage Applications Index jumped 8.3% last week, after falling 1.6% the week prior. The 30-year Fixed-Rate Mortgage (FRM) rose 1 basis point (bps) to 4.23% while the 15-year FRM contract rose 2 bps to 3.66%.
- U.S. Wholesale prices, measured by the Producer Price Index (PPI), increased 2.6% year-over-year (YoY) in December. The Core PPI, which excludes food and energy, rose 2.3% YoY.

- Inflation in the United States, as measured by the Consumer Price Index (CPI), fell to 2.1% YoY in December from 2.2% in November. Core CPI, which excludes the volatile energy and food components, rose to 1.8% YoY from 1.7% YoY a month prior.

### Chart of the Week

- U.S. Consumer Credit Outstanding rose the most in 16 years to \$27.9 billion in November, mostly due to an acceleration in revolving debt, reflective of mounting U.S. credit card balances.

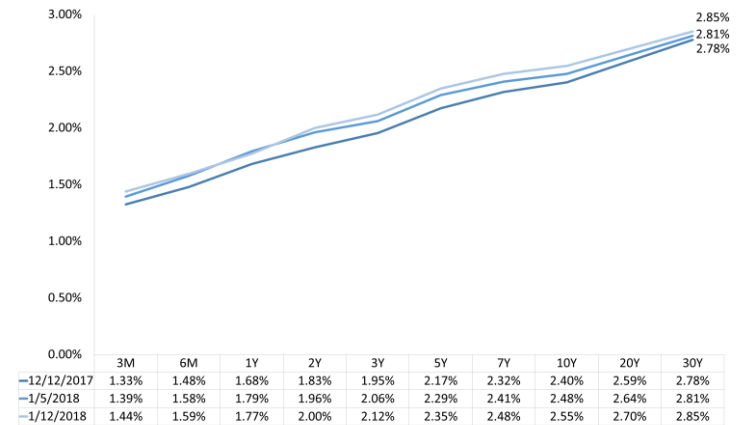
Equities	Returns				
	1 Week	QTD	YTD	1-Year	3-Year
S&P 500	1.61%	4.28%	4.28%	25.18%	13.50%
Dow Jones	2.02%	4.44%	4.44%	32.85%	16.38%
Nasdaq	1.75%	5.21%	5.21%	32.41%	17.35%
Russell 2000	2.06%	3.70%	3.70%	18.49%	12.03%
MSCI ACWI	1.15%	3.98%	3.98%	26.61%	12.24%

Fixed Income	Returns				
	1 Week	QTD	YTD	1-Year	3-Year
Bloomberg					
Barclays Agg	-0.15%	-0.47%	-0.47%	2.55%	1.70%
U.S. Credit	-0.04%	-0.42%	-0.42%	5.04%	2.98%
High Yield	-0.06%	0.68%	0.68%	7.05%	6.52%
Muni	-0.43%	-0.46%	-0.46%	3.74%	2.51%

Currencies	Levels		
	1/12/2018	12/29/2017	1/12/2017
USD/JPY	111.06	112.69	114.72
EUR/USD	1.22	1.20	1.06
GBP/USD	1.37	1.35	1.22
USD/CAD	1.25	1.26	1.31

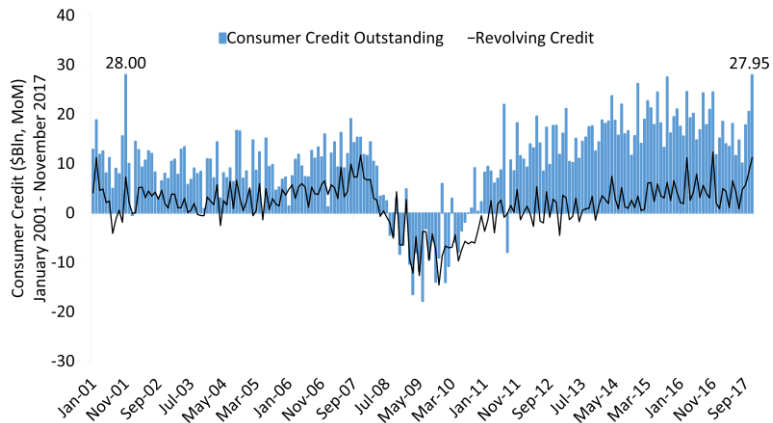
Commodities	Levels		
	1/12/2018	12/29/2017	1/5/2017
BBG Index	88.76	88.17	88.49
Gold	1,337.64	1,302.80	1,195.43
Silver	17.21	16.94	16.78
Crude	64.30	60.42	53.01

### U.S. Treasury Yield Curve As of January 12, 2018



Source: DoubleLine, Bloomberg

### Chart of the Week: U.S. Consumer Credit Outstanding As of November 30, 2017



Source: DoubleLine Bloomberg

### Important Information Regarding This Report

DoubleLine has no obligation to provide revised assessments in the event of changed circumstances. While we have gathered this information from sources believed to be reliable, DoubleLine cannot guarantee the accuracy of the information provided. DoubleLine assumes no duty to update this information, which is not a complete discussion of all economic factors reviewed by DoubleLine. DoubleLine reserves the right to change its investment perspective and outlook without notice as market conditions dictate or as additional information becomes available.

Certain data discussed in this report is publicly available only on a time delayed basis. DoubleLine strives to analyze data as it becomes available, but makes no representation that all data is reviewed contemporaneously to its release.

Ratings shown for various indices reflect the average for the indices. Such ratings and indices are created independently of DoubleLine and are subject to change without notice.

*An investment cannot be made in an index.*

Sources: Bloomberg Financial Services, Bloomberg News, The Conference Board, Department of Labor, Department of Commerce, Mortgage Bankers Association, Redbook Research, U.S. Census Bureau, Institute of Supply Management, Federal Reserve, Bureau of Labor Statistics.

#### Definitions:

**Bloomberg Barclays U.S. Aggregate Index** - The Barclays Capital U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

**Bloomberg Barclays U.S. Credit Index** - The U.S. Credit component of the U.S. Government/Credit Index. This index consists of publically-issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered. The U.S. Credit Index is the same as the former U.S. Corporate Investment Grade Index.

**Bloomberg Barclays U.S. High Yield Index** - An index that covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issuer from countries designated as emerging markets (e.g. Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeros, step-up coupon structures, 144-As and pay-in-kind (PIK, as of October 1, 2009) are also included.

**Bloomberg Barclays Municipal Bond Index** - An index that is representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year.

**Bloomberg Commodity Index (BBG)** - An index calculated on an excess return basis that reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

**Consumer Price Index (CPI)** - A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

**Dow Jones Industrial Average** - A price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

**Fixed-Rate Mortgage (FRM)** - A fixed-rate mortgage is a mortgage that has a fixed interest rate for the entire term of the loan. The distinguishing factor of a fixed-rate mortgage is that the interest rate over every time period of the mortgage is known at the time the mortgage is originated.

**Institute of Supply Management (ISM) Manufacturing Index** - The index is based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production, inventories, new orders and supplier deliveries. The ISM Non-Manufacturing Index accounts for the services industry.

**Mortgage Bankers Association (MBA) Mortgage Applications Index** - Measures the change in the number of new applications for mortgages backed by the Mortgage Bankers Association during the reported week. Mortgage applications include both refinancing and home purchasing.

**Morgan Stanley Capital International All Country World Index (MSCI ACWI)** - A market-capitalization-weighted index designed to provide a broad measure of stock performance throughout the world, including both developed and emerging markets.

**NASDAQ** - A stock market index of the common stocks and similar securities (e.g. ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market with over 3,000 components. This index is highly followed in the U.S. as an indicator of the performance of stocks of technology companies and growth companies. Since both U.S. and non-U.S. companies are listed on the NASDAQ stock market, the index is not exclusively a U.S. index.

**NFIB Small Business Optimism Index** - The small business optimism index is compiled from a survey that is conducted each month by the National Federation of Independent Business (NFIB) of its members. The index is a composite of 10 seasonally adjusted components based on the following questions: plans to increase employment, plans to make capital outlays, plans to increase inventories, expect economy to improve, expect real sales higher, current inventory, current job openings, expected credit conditions, now a good time to expand, and earnings trend.

**Producer Price Index (PPI)** - The program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

**Russell 2000 Index** - A subset of the Russell 3000 Index representing approximately 10% of the total market capitalization and measuring the performance of the small-cap segment of the U.S. equity universe.

**S&P 500 Index** - A stock market index designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.