

Top Headline: GOP Tax Plan Moves Forward

Republicans' move to reform the tax code and lower rates is set to shift into full gear following the passage of the Senate's 2018 budget plan. The budget allocates \$1.5 trillion for deficit inducing tax cuts over the next decade, and more importantly allows Republicans to use the reconciliation process to pass tax reform. Separate versions of the tax bill are expected to be released by the House and Senate, with Paul Ryan confirming that the House version will contain an additional fourth tax bracket for the highest earners. The bills will fill in many of the holes left over from the White House's proposal, including individual tax brackets and which companies will be able to qualify for the special "pass-through" tax rate. However, the bills will likely go through further adjustment as they make their way through committee. This will be especially key in the Senate, where Republicans can only afford to lose two votes.

Other News

Japan's prime minister, Shinzo Abe, scored a major victory last weekend in a snap election held a year before his official term was set to conclude. The prime minister forced the election last month by dissolving Japan's lower house of parliament. Abe's LDP party, already holding a supermajority in the less influential upper house of parliament, secured a supermajority in the more powerful lower house virtually gaining a free hand in enacting legislation and paving the way for reforming Japan's 1947 pacifist constitution. Constitutional reform would require approval by a parliamentary supermajority as well as a national referendum, which renders the potential outcome less certain due to lack of popular support for the bid. Any change to Japan's pacifist credo would be viewed negatively by China and South Korea and could result higher regional tensions.

On Tap This Week

This week is highlighted by the first estimate of third quarter GDP.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
T 10/17/17	Industrial Production	Sept	-0.7% r↑	0.2%	0.3%	Manufacturing production up by 0.1%
T 10/17/17	Capacity Utilization	Sept	75.8% r↓	76.2%	76.0%	
W 10/18/17	Housing Starts	Sept	1183K r↑	1170K	1127K	Starts post second consecutive monthly decline
W 10/18/17	Building Permits♦	Sept	1272K r↓	1238K	1215K	
Th 10/19/17	Initial Jobless Claims♦	Oct 14	244K r↑	240K	222K	Claims fall to four-decade low
Th 10/19/17	Phil Fed Business Outlook♦	Oct	23.8	20.2	27.9	Index continues to point to strong levels of activity
Th 10/19/17	Leading Index	Sept	0.4%	0.1%	-0.2%	Jump in initial jobless claims from earlier in the month negatively impacts index
F 10/20/17	Existing Home Sales	Sept	5.35M	5.30M	5.39M	Existing home sales rise for first time in four months

Actual < Expected

Actual > Expected

♦ Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	22871	23329	2.00%	7.94%
S&P 500	2553.2	2575.2	0.86%	4.11%
USD*	93.09	93.70	0.66%	-0.64%
10-Year Treasury*	2.27%	2.39%	0.11%	0.12%

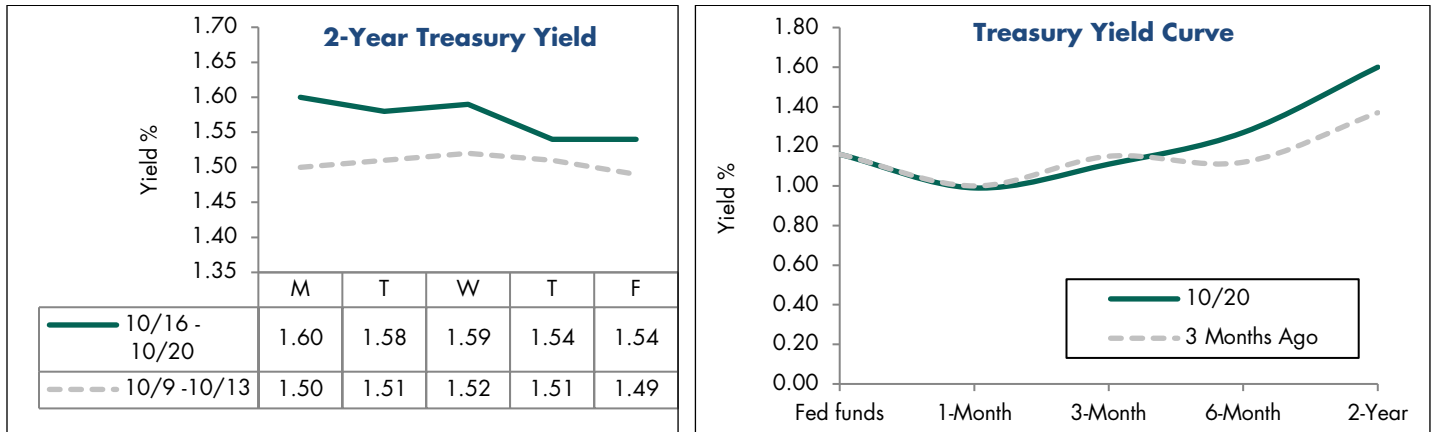
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified time period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
W 10/25/17	Durable Goods Orders	Sept	2.0%	1.0%
W 10/25/17	Orders Less Transportation	Sept	0.5%	0.5%
W 10/25/17	New Home Sales	Sept	560k	555k
Th 10/26/17	Initial Jobless Claims♦	Oct 21	222k	235k
F 10/27/17	GDP	Q3 1 st	3.1%	2.5%
F 10/27/17	GDP Deflator	Q3 1 st	1.0%	1.7%

Yield Curve Highlights



Detailed Economic Releases

10/17/2017	Prev.	Exp.	Act.
Industrial Production	-0.7% r↑	0.2%	0.3%
Capacity Utilization	75.8% r↓	76.7%	76.0%

Industrial Production rose by 0.3% in September while manufacturing production nudged up 0.1%. The latter reflects declines in production of machinery and nondurables, which largely offset a rise in vehicle production. Mining activity rose by 0.4% for the month and utilities increased by 1.5% in the wake of the recovery following Hurricane Harvey. September's gains can also be seen in capacity utilization, which rose by 0.2% to 76.2%.

Summary: Industrial production bounced back following the effects of the hurricanes, though manufacturing continues to show only marginal gains.

10/18/2017	Prev.	Exp.	Act.
Housing Starts	1183K r↑	1170K	1127K
Building Permits	1272K r↓	1238K	1215K

Housing starts came in below expectations for the month of September, falling by 4.7%. Starts in the Southern region hit by the storm fell more than 9% for the month, while most other regions showed growth for the month. Single-family starts fell to an 829,000 annualized pace, and multi-family starts were down more than 5%. Permits were also weaker than expected for the month, falling to a 1215K annualized pace. Multi-family permits were down more than 16% for the month, while single-family permits actually rose 2.4%.

Summary: September comes as the second consecutive month where building activity declined.

10/19/2017	Prev.	Exp.	Act.
Initial Jobless Claims	244K r↑	240K	222K

First time claims for jobless benefits decreased by 22,000 to 222,000 in the week ended October 14th. The four-week average of initial claims, which smoothes volatility inherent in the weekly number, fell to 248,250 from 257,750. Continuing claims for unemployment benefits fell to 1.88 million in the week ended October 7th. The insured unemployment rate, which tends to track the overall jobless rate, remained at an all-time low of 1.3%.

Summary: Claims fall to lowest level in over four decades.

10/19/2017	Prev.	Exp.	Act.
Leading Economic Indicators	0.4%	0.1%	-0.2%

The index of leading economic indicators fell back for the month of September, declining by 0.2%. Positive contributors included the yield spread, consumer confidence, and ISM new orders. On the other hand, initial jobless claims dragged the index down. Notwithstanding the jump in claims from the recent hurricanes, the report points to more of the same.

Summary: The Leading Economic Indicators index was negatively impacted by the recent hurricanes.

10/19/2017	Prev.	Exp.	Act.
Phil. Fed Business Outlook	23.8	20.2	27.9

The Philadelphia Fed business outlook survey rose to 27.9, greater than expectations, after a strong showing of 23.8 in August. New orders fell by more than 9 points to 19.6, and unfilled orders dropped to 10.6, though it remains elevated relative to trend. Both employment and selling prices also saw increases, keeping with the first half of the year.

Summary: The Philadelphia Fed outlook index continues to point to high levels of manufacturing activity in the mid-Atlantic region.

10/20/2017	Prev.	Exp.	Act.
Existing Home Sales	5.35M	5.30M	5.39M

Existing home sales increased 0.7% to a 5.39 million annualized pace in September. Growth was centered in the West and Mid-West regions, with sales falling in the South. Prices actually fell during the month, with the median home price down 3.2% to \$245,100, and the supply of homes rose by 1.6% to 1.9 million. Over the past year, existing home sales have fallen 1.5%

Summary: Existing home sales bounced back in September, but are down over the past year.

About Us

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