

Top Headline: Yellen's Future

Speculation abounds in D.C. and on Wall Street about if/when President Trump will announce the successor to Janet Yellen as Chair of the FOMC who could be the first Chair to serve only one-term in a number of decades. Trump has not explicitly committed to replacing Yellen, however, his recent actions seem to suggest that the odds of her staying on past the end of her current term in February are low. Over the past two weeks, Trump has interviewed three separate candidates for the position: former Fed Governor Kevin Warsh, Stanford economist John Taylor, and current Governor Jerome Powell. The latter is seen as an ally of Ms. Yellen, while the former two have been critical of the current Chairwoman, as well as her predecessor Ben Bernanke. The one common thread amongst the three is that they all favor rolling back some of the post-crisis financial regulations on banks. Ms. Yellen has also addressed this possibility in recent statements.

Other News

Retail sales surged by 1.6% in September, the largest increase since June 2015, following August's disappointing results. Car sales surged in the aftermath of Hurricanes Harvey and Irma, rising by over 3.5%, while restaurant sales also increased by close to 1.0%. The latter comes as employment in the restaurant industry continues to decline, a puzzle which economists have yet to fully wrap their heads around. Other high points included building materials and gas sales, both of which are also linked to the effects of the hurricanes. Overall, the report suggests that in spite of the hurricanes, growth remained on track throughout the third quarter. The Atlanta Fed's current projection for Q3 GDP growth is now 2.7%.

On Tap This Week

This week is highlighted by the continued debate over the Republicans' tax-reform proposal.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
Th 10/12/17	Initial Jobless Claims♦	Oct 7	258K r↓	252K	243K	Limited impact from hurricanes
Th 10/12/17	PPI	Sept	0.2%	0.4%	0.4%	Core PPI rose to 2.2% y-o-y
Th 10/12/17	Core PPI	Sept	0.1%	0.2%	0.4%	
F 10/13/17	CPI	Sept	0.4%	0.6%	0.5%	Food & energy prices spike a combined 6.1%
F 10/13/17	Core CPI	Sept	0.2%	0.2%	0.1%	
F 10/13/17	Retail Sales	Sept	-0.1% r↑	1.8%	1.6%	Auto sales rise 3.6% for the month
F 10/13/17	Sales Less Autos	Sept	0.5% r↑	0.8%	1.0%	

Actual < Expected

Actual > Expected

♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	22774	22871	0.43%	6.12%
S&P 500	2549.3	2553.2	0.15%	4.30%
USD*	93.78	93.09	-0.76%	-2.75%
10-Year Treasury*	2.36%	2.27%	-0.09%	-0.07%

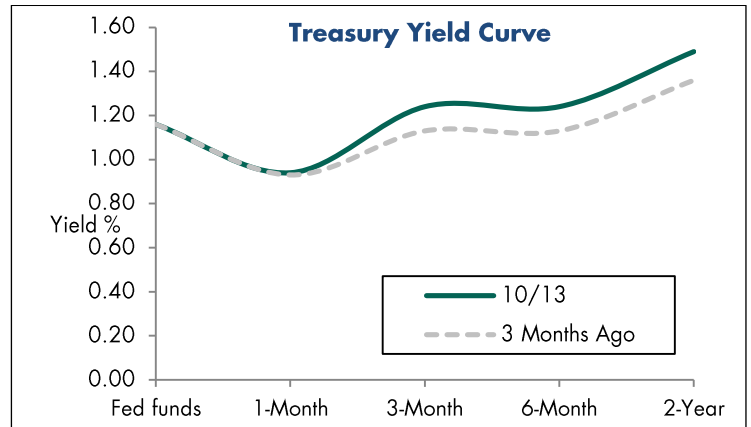
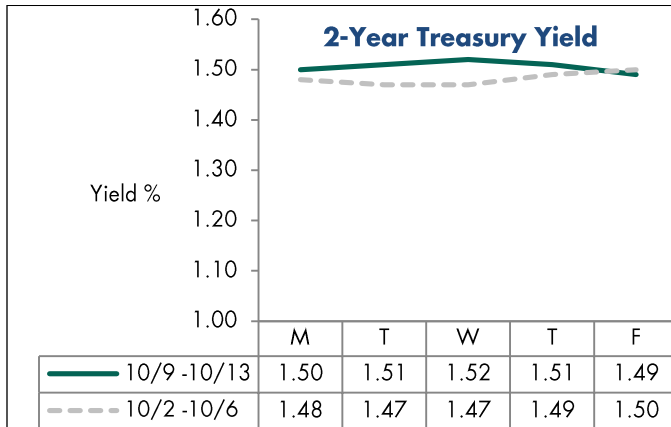
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified time period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 10/17/17	Import Prices	Sept	0.6%	0.6%
T 10/17/17	Industrial Production	Sept	-0.9%	0.3%
T 10/17/17	Capacity Utilization	Sept	76.1%	76.2%
W 10/18/17	Housing Starts	Sept	1180K	1175K
W 10/18/17	Building Permits	Sept	1300K	1243K
W 10/18/17	Fed Beige Book	Oct	N/A	N/A
Th 10/19/17	Initial Jobless Claims	Oct 14	243K	240K
Th 10/19/17	Phil Fed Business Outlook	Oct	23.8	22.0
Th 10/19/17	Leading Index	Sept	0.4%	0.1%
F 10/20/17	Existing Home Sales	Sept	5.35M	5.30M

Yield Curve Highlights



Detailed Economic Releases

10/12/2017	Prev.	Exp.	Act.
Initial Jobless Claims	258K r↓	252K	243K

First time claims for jobless benefits decreased by 15,000 to 243,000 in the week ended October 7th. The four-week average of initial claims, which smoothes volatility inherent in the weekly number, fell to 268,250 from 257,500. Continuing claims for unemployment benefits fell to 1.93 million in the week ended September 30th. The insured unemployment rate, which tends to track the overall jobless rate, declined to 1.3%.

Summary: Drop in claims suggests limited effect from hurricanes on the labor market.

10/12/2017	Prev.	Exp.	Act.
PPI	0.2%	0.4%	0.4%
Core PPI	0.1%	0.2%	0.4%

September's producer price report supports the possibility of a rebound in inflation data. PPI less food & energy finished at 0.4%, while the headline index rose by an equivalent amount. As a result of the strong monthly data, year-over-year headline PPI rose from 2.4% to 2.6%, core PPI rose from 2.0% to 2.2%, and PPI less food, energy, & trade services increased from 1.9% to 2.1%.

Summary: Monthly PPI numbers suggest positive movement in inflation data.

10/13/2017	Prev.	Exp.	Act.
CPI	0.4%	0.6%	0.5%
Core CPI	0.2%	0.2%	0.1%

Consumer prices increased by 0.5% in September after rising by 0.4% in the month before. The jump was largely due to a spike in food & energy prices as a result of the recent hurricanes. Excluding those effects, the data is much less positive with core prices rising by just 0.1% after a 0.2% increase in the prior month. Housing costs, which had been a major driver in recent months, rose by just 0.2% and medical care costs dropped by 0.1%. Year-over-year headline CPI rose from 1.9% to 2.2%, while core CPI was unchanged at 1.7%.

Summary: A rise in headline CPI was largely driven by a jump in food and energy prices, a trend which is likely a transitory effect of the recent hurricanes.

10/13/2017	Prev.	Exp.	Act.
Advance Retail Sales	-0.1% r↑	1.8%	1.6%
Sales Less Autos	0.5% r↑	0.8%	1.0%

Retail sales surged 1.6% in September, following an upwardly revised 0.1% decline in the previous month. Strength in auto sales, which rose by 3.6%, reflected replacement demand in the wake of the recent hurricanes. Sales less autos were also positive, rising by 1.0% following August's 0.5% increase. Restaurant sales climbed by 0.8% for the month, furniture sales were up 0.4%, and gasoline sales rose by 5.8%.

Summary: Retail sales rebounded in September, with auto sales rising following the hurricanes.

About Us

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