

### Top Headline: September Employment Report

September's employment report indicated that despite the impact of Hurricanes Harvey and Irma, the labor market continues to tighten. Headline payrolls fell by 33,000 for the month, due in large part to the outsized impact of the hurricanes on restaurant and hospitality employment. However, the unemployment rate continued to fall, moving from 4.4% to 4.2%, the lowest level since January 2001. In addition, the rise in the labor force participation rate from 62.9% to 63.1% suggests that more workers are coming off the sidelines. Finally, average hourly earnings rose by 0.5% for the month and are up 2.9% year-over-year, equaling the post-recession high from December.

The report bolsters the Fed's case for another rate hike in December. The drop in payrolls will be seen as a one-off and higher levels of wage-growth lend credence to the argument that a tighter labor market will eventually bleed over to inflation.

### Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M 10/2/17	ISM Manufacturing	Sept	58.8	58.0	60.8	Index comes in at thirteen year high
W 10/4/17	ISM Non-Manufacturing	Sept	55.3	55.5	59.8	New orders jump above 60
Th 10/5/17	Trade Deficit	Aug	\$43.6B r↓	\$42.5B	\$42.4B	Exports rise by 0.4%
Th 10/5/17	Initial Jobless Claims♦	Sept 30	272K	265K	260K	Hurricane impacts fade
F 10/6/17	Nonfarm Payrolls	Sept	169K r↑	100K	-33K	Wage growth rises to 2.9% y-o-y; drop in payrolls viewed as one-off effect of hurricanes
F 10/6/17	Unemployment Rate	Sept	4.4%	4.4%	4.2%	
F 10/6/17	Consumer Credit	Aug	\$17.7B r↓	\$16.0B	\$13.1B	Revolving credit posts strong gain

Actual < Expected      Actual > Expected      ♦Leading Indicator

### Other News

The IMF raised its estimates for global growth in 2017 and 2018, reflecting the surprised resilience of the global economy in the face of Brexit, uncertainty with North Korea, and central bank tightening. In its World Economic Outlook, the IMF raised its forecast for growth to 3.6% this year and 3.7% in 2018, compared to 3.5% and 3.6% prior. The IMF hailed the current uptick in growth as being notable because it is more "broad-based" than that of any since the start of the decade. This is reflected in upticks in estimates for the U.S., Eurozone, Japan, China, and Canada. However, the IMF also warned that the recovery is still "incomplete", and that it could still be short-circuited.

### On Tap This Week

This week is highlighted by the release of the minutes from the FOMC's September meeting.

### Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	22400	22774	1.65%	6.82%
S&P 500	2519.2	2549.3	1.19%	5.79%
USD*	93.08	93.78	0.75%	-2.11%
10-Year Treasury*	2.33%	2.36%	0.03%	-0.01%

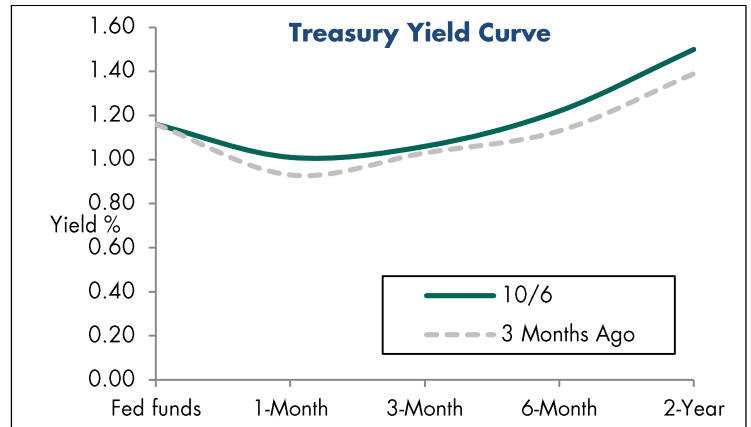
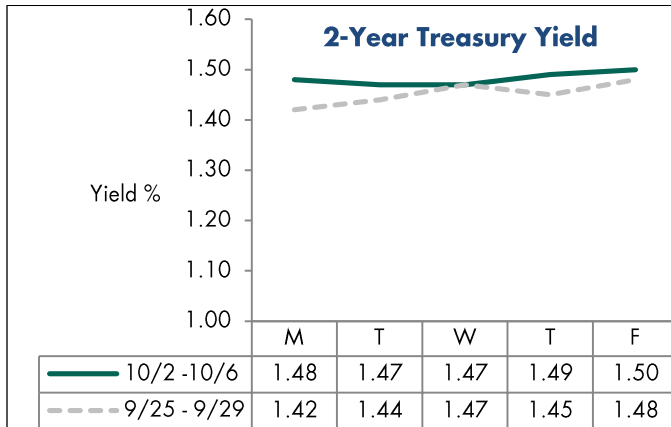
\*ICE U.S. Dollar Index Spot Price

\*Absolute change in yield over specified time period

### Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
W 10/11/17	FOMC Minutes	Sept	N/A	N/A
Th 10/12/17	Initial Jobless Claims♦	Oct 7	260K	252K
Th 10/12/17	PPI	Sept	0.2%	0.4%
Th 10/12/17	Core PPI	Sept	0.1%	0.2%
F 10/13/17	CPI	Sept	0.4%	0.6%
F 10/13/17	Core CPI	Sept	0.2%	0.2%
F 10/13/17	Retail Sales	Sept	-0.2%	1.6%
F 10/13/17	Sales Less Autos	Sept	0.2%	0.9%

## Yield Curve Highlights



## Detailed Economic Releases

10/2/2017	Prev.	Exp.	Act.
ISM Manufacturing	58.8	58.0	60.8

The Institute for Supply Management’s Manufacturing Index beat expectations by more than 2 points, coming in at 68.8. New orders registered at 64.6, the fourth consecutive month in excess of 60.0, and production rose to 62.2. Backlog and export orders also posted solid gains, while employment posted the best reading in five years of 60.3.

**Summary: The ISM-Manufacturing Index jumped above 60 in September, coming in at a thirteen-year high.**

10/4/2017	Prev.	Exp.	Act.
ISM Non-Manufacturing Index	55.3	55.5	59.8

The ISM’s non-manufacturing index for September jumped to 59.8 for the highest score in more than 3 years. New orders were up 5 points to 61.3, and backlog orders jumped 2.5 points to 56.0. Employment rose to 56.8 with both of these readings the strongest since May this year. Strength in employment points to a strong ending for the third quarter and strength ahead for the fourth quarter.

**Summary: The ISM’s non-manufacturing index posted strong results for September, a positive indication of strength ahead for the fourth quarter.**

10/5/2017	Prev.	Exp.	Act.
Trade Deficit	\$43.6B r↓	\$42.5B	\$42.4B

The U.S. trade deficit for August was \$42.4 billion, right at expectations. Exports rose 0.4% to \$195 billion, and imports fell 0.1% to \$237.7 billion. The export side shows gains for consumer goods and capital goods with the goods deficit improving 1.3% to \$64.4 billion. The import side shows declines for industrial supplies and capital goods, particularly affected by rising oil prices. The petroleum trade deficit widened to \$4.9 billion from July's \$3.0 billion.

**Summary: August trade data is right at expectations and holds little implication for the September trade report.**

10/5/2017	Prev.	Exp.	Act.
Initial Jobless Claims	272K	265K	260K

First time claims for jobless benefits decreased by 12,000 to 260,000 in the week ended September 30<sup>th</sup>. The four-week average of initial claims, which smoothes volatility inherent in the weekly number, fell to 268,250 from 277,750. Continuing claims for unemployment benefits rose to 1.94 million in the week ended September 23<sup>rd</sup>. The insured unemployment rate, which tends to track the overall jobless rate, was unchanged at 1.4%.

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

10/6/2017	Prev.	Exp.	Act.
Nonfarm Payrolls	169K r↑	100K	-33K
Unemployment Rate	4.4%	4.4%	4.2%

Nonfarm payrolls fell by 33,000 in September, as Hurricanes Irma and Harvey had an outsized impact on the restaurant and hospitality industries (which lost a combined 111,000 jobs). However, outside of the headline payroll number the report was almost entirely positive, suggesting that labor market slack has all but diminished. The unemployment rate fell from 4.4% to 4.2%, even as the labor force participation rate rose from 62.9% to 63.1%. In addition, wage growth picked up notably in September, with average hourly earnings rising by 0.5% for the month and 2.9% year-over-year. The latter equals the post-recession high from December.

**Summary: September's employment report puts the Fed squarely on track to raise rates again in December. Wage growth is back to a post-recession high, and the unemployment rate is now at its lowest point since January 2001.**

10/6/2017	Prev.	Exp.	Act.
Consumer Credit	\$17.7B r↓	\$16.0B	\$13.1B

Consumer credit rose a lower-than-expected \$13.1 billion in August, masking a sharp gain for revolving credit. The component for revolving credit rose to \$5.8 billion, which will renew talk of slackening credit standards among lenders. However, non-revolving credit is an undersized \$7.3 billion, which explains the weakness in the headline.

***Summary: Consumer credit grew less than expected in August, though the component for revolving credit posted sharp gains.***

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## About Us

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