

Top Headline: Volatility Returns

Stocks continued to sell off this past week and volatility escalated after a long period of dormancy. The S&P plunged by more than 3% on both Monday and Thursday, suffering its worst week since January 2016. The index actually moved into correction territory (defined as a dip of 10% from peak level) before recovering some of the losses on Friday. Unlike prior periods of volatility, there is no obvious cause for the sell-off. Analysts have suggested that it could be due to a combination of factors, notably higher long-term interest rates and pull-back in risk tolerance. The sell-off wasn't limited to the U.S. as stocks across the globe fell back after a universally strong start to the year.

Other News

President Trump signed a two-year budget deal into law Friday morning, hours after it was passed in Congress. The deal boosts discretionary spending on military and domestic programs by \$300 billion over the two year cycle, and allocated an additional \$90 billion in disaster aid for areas still recovering from recent hurricanes (namely Puerto Rico). It also suspended the debt ceiling until March 2019. Its passage now frees up Congress to begin debate on immigration reform, as well as infrastructure spending plans.

On Tap This Week

This week is highlighted by January's CPI report, as well as ongoing negotiations in Congress.

Past Week's Releases

	Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M	2/5/18	ISM Non-Manufacturing Index	Jan	56.0 r↑	56.2	59.9	New orders rise above 60; employment surges
T	2/6/18	Trade Deficit	Dec	\$50.4B r↓	\$51.9B	\$53.1B	Growth in imports outpaces rise in exports
T	2/6/18	Job Openings	Dec	5.98M r↑	5.90M	5.81M	Labor market continues to tighten
W	2/7/18	Consumer Credit	Dec	\$31.0B r↑	\$20.0B	\$18.4B	Consumer credit continues to rise
Th	2/8/18	Initial Jobless Claims♦	Feb 3 rd	230K	235K	221K	Four-week average hits 45-year low

Actual < Expected
 Actual > Expected
 ♦ Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25520	24191	-5.21%	3.11%
S&P 500	2762.1	2619.6	-5.16%	1.35%
USD*	89.20	90.44	1.40%	-4.24%
10-Year Treasury*	2.84%	2.85%	0.01%	0.51%

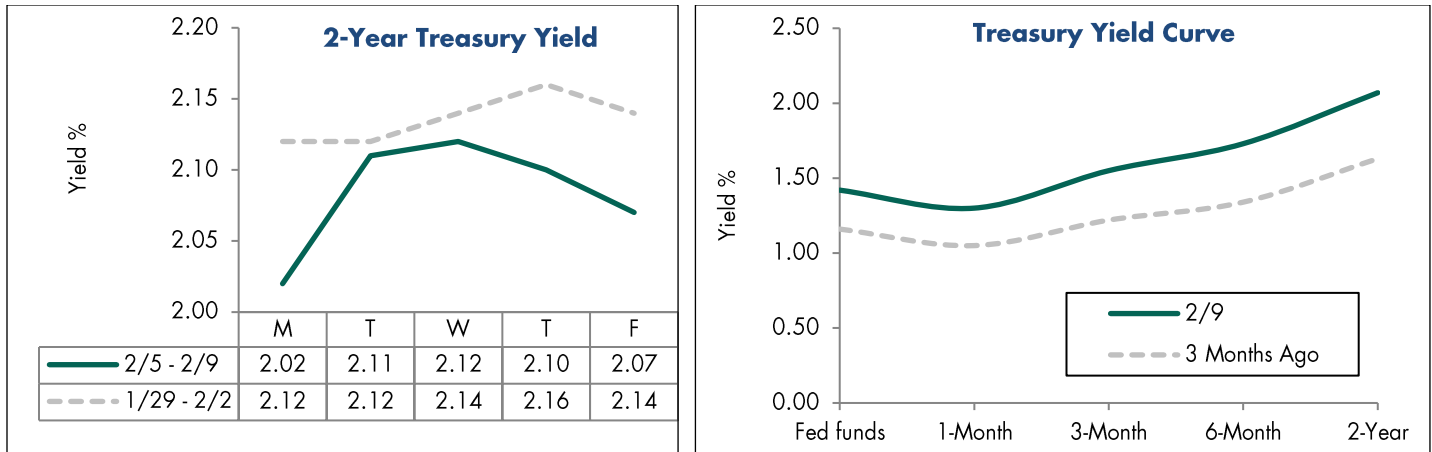
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

	Date	Indicator	Period	Prev.	Exp.
W	2/14/18	CPI	Jan	0.1%	0.3%
W	2/14/18	Core CPI	Jan	0.3%	0.2%
W	2/14/18	Retail Sales	Jan	0.4%	0.3%
W	2/14/18	Sales Less Autos	Jan	0.4%	0.5%
Th	2/15/18	Initial Jobless Claims♦	Feb 10 th	221K	229K
Th	2/15/18	PPI	Jan	-0.1%	0.4%
Th	2/15/18	Core PPI	Jan	-0.1%	0.2%
Th	2/15/18	Industrial Production	Jan	0.9%	0.2%
Th	2/15/18	Capacity Utilization	Jan	77.9%	78.0%
F	2/16/18	Housing Starts	Jan	1192K	1232K
F	2/16/18	Building Permits	Jan	1302K	1300K

Yield Curve Highlights



Detailed Economic Releases

2/5/2018	Prev.	Exp.	Act.
ISM Non-Manufacturing	56.0 r↑	56.2	59.9

The Institute for Supply Management's Non-Manufacturing Index came in above expectations for January at 59.9, 0.1 point down from the December reading. Results were led by a jump in new orders to 62.7, equivalent to last year's peak, along with a five-point increase in employment to 61.6 (the highest since the recession). Business activity also posted strong results and backlog orders are beginning to build.

Summary: The ISM Non-Manufacturing Index points to continued strong growth for the service sector of the economy.

2/6/2018	Prev.	Exp.	Act.
Trade Deficit	\$50.4B r↓	\$51.9B	\$53.1B

The U.S. trade deficit for December came in at \$53.1 billion, larger than expectations of \$51.9 billion. Exports were up 1.8% at \$203.4 billion, but this failed to reduce the deficit as imports swelled by 2.5% to \$256.5 billion. Imports of goods saw a substantial increase for the month with consumer goods rising 6.1%. On the flip side, exports of goods also expanded by 2.5% to \$137.5 billion in December on the back of a recovering global economy and a weaker dollar. Strong goods exports support growth in the domestic manufacturing sector.

Summary: December's increase in the trade deficit masks the continued rise in exports of consumer and capital goods.

2/6/2018	Prev.	Exp.	Act.
Job Openings	5.98M r↑	6.90M	5.81M

November's JOLTS report revealed that job openings declined during the month to a still very abundant 5.81 million. Hires and separations were also little changed during the month at 5.5 and 5.2 million, respectively. Within the separations component, both the quits and layoffs rates were largely unchanged at 2.2% and 1.1%.

Summary: The JOLTS report signaled a further tightening of the labor market in December.

2/7/2018	Prev.	Exp.	Act.
Consumer Credit	\$31.0B r↑	\$20.0B	\$18.4B

Consumer credit rose a lower-than-expected \$18.4 billion in December, compared to a seventeen-year high of \$31.0 billion in November. The component for revolving credit rose \$5.1 billion compared to \$11.0 billion in the previous month. In addition, non-revolving credit rose by an outsized \$13.3 billion.

Summary: Gains in revolving and non-revolving credit fall back to trend.

2/8/2018	Prev.	Exp.	Act.
Initial Jobless Claims	230K	235K	221K

First time claims for jobless benefits fell to 221,000 in the week ended February 3rd. The four-week average of initial claims, which smooths volatility inherent in the weekly number, fell to 224,500 from 234,500. Continuing claims for unemployment benefits decreased to 1.93 million in the week ended January 27th. The insured unemployment rate, which tends to track the overall jobless rate, held steady at 1.4%.

Summary: Four-week average of initial jobless claims hits forty-five year low.

About Us

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