

Top Headline: Interest-Rates Are On The Rise

Long-term interest rates are finally rising, easing fears about a flattening yield-curve as the Fed continues to lift short-term rates. The U.S. 10-year Treasury hit upwards of 2.9% this past week, coming within an earshot of 3% for the first time in four years. The sell-off in government bonds played a large part in the recent stock market correction. However, equity markets have since bounced back, suggesting that the rise in interest rates may portend a return to a more “normalized” operating environment. Inflation expectations have been buoyed by improving wage numbers and a weaker dollar, and real rates have been helped by the globally synchronized recovery.

Other News

January’s much anticipated CPI report showed that headline inflation came in hotter than expected during the month. Fueled by rises in transportation, commodity, and hospital costs, headline prices rose by a combined 0.5% in January. On a three-month annualized basis, headline CPI is now up 2.9%, although on a year-over-year basis, the number registered a far more pedestrian 2.1%. Core prices remain below the Fed’s 2% target on a year-over-year basis, nevertheless, the report will likely fuel speculation about whether the FOMC will be forced to move up its time table for rate hikes.

On Tap This Week

This week is highlighted by the release of minutes from January’s FOMC meeting.

Past Week’s Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
W 2/14/18	CPI	Jan	0.2% r↑	0.3%	0.5%	Headline inflation rises more than expected, y-o-y remains relatively on trend
W 2/14/18	Core CPI	Jan	0.2% r↓	0.2%	0.3%	
W 2/14/18	Retail Sales	Jan	0.0% r↓	0.3%	-0.3%	Sales disappoint in January, December’s gains revised down
W 2/14/18	Sales Less Autos	Jan	0.0% r↓	0.5%	0.0%	
Th 2/15/18	Initial Jobless Claims♦	Feb 10 th	223K r↑	229K	230K	Four-week average at 229K
Th 2/15/18	PPI	Jan	0.0% r↓	0.4%	0.4%	Core PPI up 2.2% year-over-year
Th 2/15/18	Core PPI	Jan	-0.1%	0.2%	0.4%	
Th 2/15/18	Industrial Production	Jan	0.4% r↓	0.2%	-0.1%	Manufacturing production unchanged from December level
Th 2/15/18	Capacity Utilization	Jan	77.7% r↓	78.0%	77.5%	
F 2/16/18	Housing Starts	Jan	1209K r↑	1232K	1326K	Housing activity starts new year strong
F 2/16/18	Building Permits♦	Jan	1300K r↓	1300K	1396K	

Actual < Expected
 Actual > Expected
 ♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	24191	25219	4.25%	7.51%
S&P 500	2619.6	2732.2	4.30%	5.67%
USD*	90.44	89.10	-1.48%	-5.14%
10-Year Treasury*	2.85%	2.87%	0.02%	0.50%

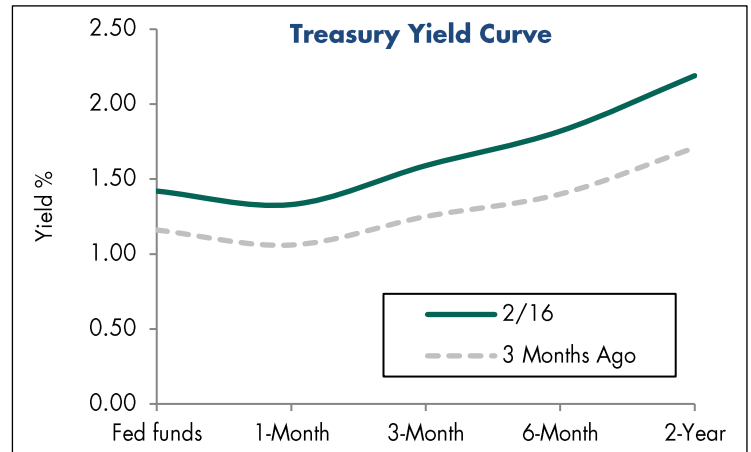
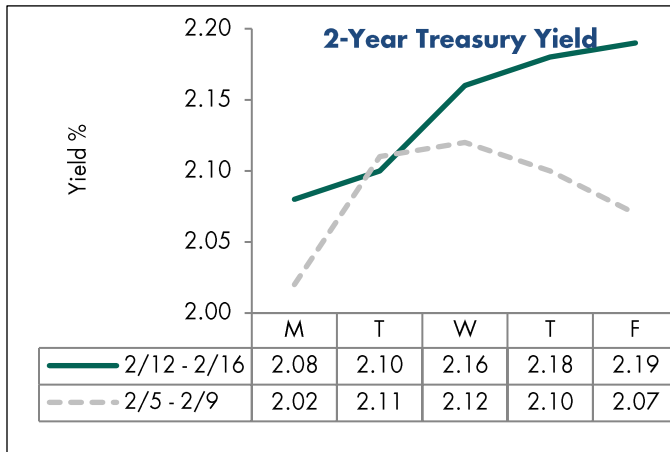
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
W 2/21/18	Existing Home Sales	Jan	5.57M	5.62M
W 2/21/18	FOMC Minutes	Jan	N/A	N/A
Th 2/22/18	Initial Jobless Claims♦	Feb 17 th	230K	230K

Yield Curve Highlights



Detailed Economic Releases

2/14/2018	Prev.	Exp.	Act.
CPI	0.2% r↑	0.3%	0.5%
Core CPI	0.2% r↓	0.2%	0.3%

Consumer prices increased by 0.5% in January after rising by 0.2% the month before. Excluding food and energy price effects, the data was slightly milder with core prices rising by 0.3% following a 0.2% increase in the prior month. Transportation led the price gains for the month, rising by 1.8%, and hospital service costs jumped by 1.3%. Year-over-year headline CPI and core CPI were unchanged at 2.1% and 1.8%, respectively.

Summary: Non-core prices rose more than expected in January, furthering narratives that inflation pressures may be returning. However, on a year-over-year basis, core CPI inflation remains relatively muted.

2/15/2018	Prev.	Exp.	Act.
Advance Retail Sales	0.0% r↓	0.3%	-0.3%
Sales Less Autos	0.0% r↓	0.3%	0.0%

Retail sales fell by 0.3% in January after remaining unchanged in the previous month. Motor vehicle sales fell by a very sharp 1.3%, and building materials were negatively impacted by severe weather during the month. Sales less autos were unchanged for the month. Usual areas of strength, most notably online sales, were essentially flat or down for the month as well. The one positive sector was clothing and apparel sales which rose by 1.2%.

Summary: Retail sales were revised down in December and were negative in January.

2/15/2018	Prev.	Exp.	Act.
PPI	-0.1% r↓	0.4%	0.4%
Core PPI	-0.1%	0.2%	0.4%

January's producer price came in line with expectations for the month. PPI less food & energy finished at 0.4%, while the headline price index also rose by 0.4%. As a result of the strong monthly data, year-over-year headline PPI rose from 2.6% to 2.7%, core PPI came in at 2.2%, and PPI less food, energy, & trade services jumped to 2.5%.

Summary: Monthly PPI numbers suggest a strengthening in supply-side price pressures.

2/15/2018	Prev.	Exp.	Act.
Initial Jobless Claims	223K r↑	229K	230K

First time claims for jobless benefits rose to 230,000 in the week ended February 10th. The four-week average of initial claims, which smooths volatility inherent in the weekly number, increased to 228,500 from 225,000. Continuing claims for unemployment benefits increased to 1.94 million in the week ended February 3rd. The insured unemployment rate, which tends to track the overall jobless rate, held steady at 1.4%.

Summary: The four-week average of initial jobless claims rose slightly from the forty-five year low level set in the previous week.

2/15/2018	Prev.	Exp.	Act.
Industrial Production	0.4% r↓	0.2%	-0.1%
Capacity Utilization	77.9% r↑	78.0%	77.5%

Industrial production fell by 0.1% in January following a downwardly revised 0.4% rise in the previous month. Mining production dropped by 1.0%, and utility production rose 0.6%. Manufacturing production was unchanged during the month, and up 1.8% year-over-year. Capacity utilization dropped in January, falling from 77.9% to 77.5%.

Summary: Industrial and manufacturing production numbers disappoint for the month of January.

2/16/2018	Prev.	Exp.	Act.
Housing Starts	1209K r↑	1232K	1326K
Building Permits	1300K r↑	1300K	1396K

Housing starts came in well above expectations for the month of January, rising by 9.7%. Single-family starts were above trend and multi-family starts accelerated. Building permits were also higher than expected for the month, coming in at a 1396K annualized pace. Multi-family permits posted one of these best readings of the expansion, offsetting a small decline to single-family permits.

Summary: High level of starts and permits bodes well for new housing activity in 2018.

About Us

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