

Top Headline: Job Gains Beat Estimates

Friday's report revealed that the economy added an outsized 313,000 jobs during February, and 727,000 over the past three months. This is both surprising and exceptional given the late stage of the recovery and nearly two-decade low unemployment rate. Job growth was widespread in February, encompassing the construction, manufacturing, retail, and professional service industries, amongst others. The unemployment rate actually held at 4.1%, but this was due to a 0.3% rise in labor force participation to 63.0%.

The only disappointing portion of this report is that year-over-year wage growth fell from 2.9% to 2.6%. Taken in context with the rise in labor force participation, this may suggest that the labor market has yet more room to expand before it overheats.

Other News

Fed Governor Lael Brainard gave a noteworthy speech last week in which she suggested that the economic outlook has shifted over the past year. Brainard, generally thought of on the dovish end of the FOMC, pointed out that several factors that were previously headwinds to the economy are now tailwinds. These include robust global growth, a devaluing of the dollar, easier financial conditions, and a shift to an expansionary fiscal policy. Brainard did also note that inflation remains low and that the economy may need to run hotter to prevent low inflation from becoming permanently entrenched. Nevertheless, her speech seemed to line up with support for a faster pace of rate hikes.

On Tap This Week

This week is highlighted employment data for February.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M 3/5/18	ISM Non-Manufacturing Index	Feb	59.9	58.8	59.5	Index points to solid growth for service sector
W 3/7/18	Trade Deficit	Jan	\$53.9B r↑	\$55.1B	\$56.6B	Trade deficit widens sharply in January
W 3/7/18	Nonfarm Productivity	Q4 3 rd	-0.1%	-0.1%	0.0%	Output rises 3.2%, hours worked up 3.3%
W 3/7/18	Unit Labor Costs	Q4 3 rd	2.0%	2.2%	2.5%	
W 3/7/18	Consumer Credit	Jan	\$19.2B r↑	\$17.4B	\$13.9B	Revolving credit rises by just \$0.7 billion
Th 3/8/18	Initial Jobless Claims♦	Mar 3 rd	210K	220K	231K	Jobless claims rise from five-decade low
F 3/9/18	Nonfarm Payrolls	Feb	239K r↑	205K	313K	Payroll gains blow through expectations; wage growth still muted
F 3/9/18	Unemployment Rate	Feb	4.1%	4.0%	4.1%	

Actual < Expected
 Actual > Expected
 ♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	24538	25336	3.25%	4.14%
S&P 500	2691.3	2786.6	3.54%	5.09%
USD*	89.94	90.09	0.18%	-4.06%
10-Year Treasury*	2.86%	2.89%	0.03%	0.52%

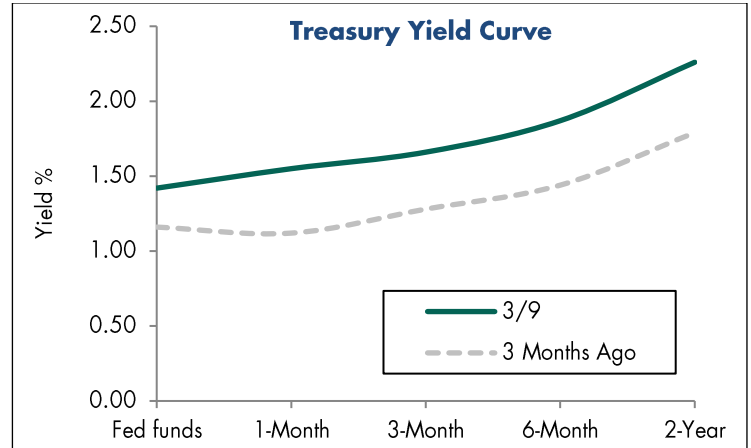
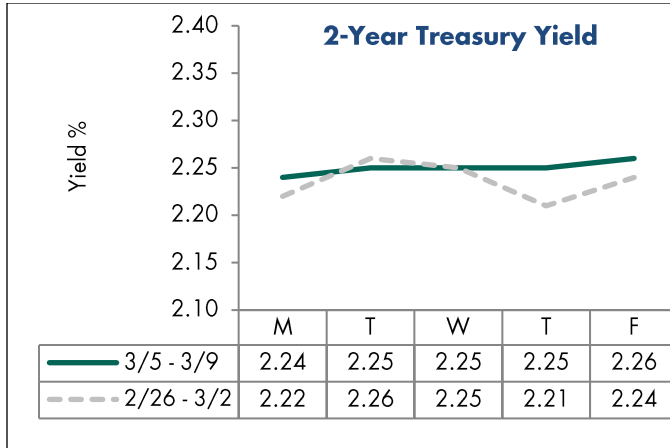
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 3/13/18	CPI	Feb	0.5%	0.2%
T 3/13/18	Core CPI	Feb	0.3%	0.2%
W 3/14/18	PPI	Feb	0.4%	0.1%
W 3/14/18	Core PPI	Feb	0.4%	0.2%
W 3/14/18	Retail Sales	Feb	-0.3%	0.3%
W 3/14/18	Sales Less Autos	Feb	0.0%	0.4%
Th 3/15/18	Initial Jobless Claims♦	Mar 10th	231K	227K
F 3/16/18	Housing Starts	Feb	1326K	1290K
F 3/16/18	Building Permits	Feb	1396K	1320K
F 3/16/18	Industrial Production	Feb	-0.1%	0.4%
F 3/16/18	Capacity Utilization	Feb	77.5%	77.7%

Yield Curve Highlights



Detailed Economic Releases

3/5/2018	Prev.	Exp.	Act.
ISM Non-Manufacturing	59.9	58.8	59.5

The Institute for Supply Management's Non-Manufacturing Index came in above expectations for January at 59.5, 0.4 points down from the January reading. Results were led by a jump in new orders to 64.8, equivalent to last year's peak, along with a 55.0 reading for the employment index. 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.

3/7/2018	Prev.	Exp.	Act.
Trade Deficit	\$53.9B r↑	\$55.1B	\$56.6B

The U.S. trade deficit for January came in at \$56.6 billion, larger than expectations of \$55.1 billion. Exports fell 1.3% to \$200.9 billion, and imports were unchanged at \$257.5 billion. Imports of goods saw an increase for the month with industrial supplies rising by \$2 billion. On the flip side, exports of goods contracted to \$134.2 billion due to lackluster demand for industrial supplies and capital goods. The U.S. maintains a trade surplus in services (mainly linked to payments for IP rights), but this is counterbalanced by the much larger goods deficit.

Summary: The trade deficit widened in January, as the Trump administration is contemplating imposing tariffs.

3/7/2018	Prev.	Exp.	Act.
Nonfarm Productivity	-0.1%	-0.1%	0.0%
Unit Labor Costs	2.0%	2.2%	2.5%

Productivity growth for the fourth quarter was revised up from -0.1% to 0.0%. The flat growth came in spite of a 3.2% increase in output, as hours worked increased by 3.3% in the same period. Unit labor costs were up by 2.5%, with compensation growth accounting for 2.4% of the increase. The increase in unit costs appears to have been absorbed into firms' margins as inflation remains subdued.

Summary: The fourth quarter saw strong output growth, which was supported by a commensurate increase in hours worked.

3/7/2018	Prev.	Exp.	Act.
Consumer Credit	\$19.2B r↑	\$17.4B	\$13.9B

Consumer credit rose a lower-than-expected \$13.9 billion in January, compared to an upwardly revised \$19.2 billion in December. The component for revolving credit rose just \$0.7 billion compared to \$5.5 billion in the previous month. In addition, non-revolving credit rose by an outsized \$13.2 billion.

Summary: Gains in revolving credit minimal during January.

3/8/2018	Prev.	Exp.	Act.
Initial Jobless Claims	210K	220K	231K

First time claims for jobless benefits rose to 231,000 in the week ended March 3rd. The four-week average of initial claims, which smooths volatility inherent in the weekly number, rose to 222,500 from 220,500. Continuing claims for unemployment benefits increased to 1.91 million in the week ended February 24th. The insured unemployment rate, which tends to track the overall jobless rate, held at 1.3%.

Summary: Initial jobless claims rise from five-decade low set prior week.

3/9/2018	Prev.	Exp.	Act.
Nonfarm Payrolls	239K r↑	205K	313K
Unemployment Rate	4.1%	4.0%	4.1%

Nonfarm payrolls posted an exceptional gain, rising by 200K during the month of January. This follows December's upwardly revised gain of 239K, and leaves the three-month rolling average of job gains at a robust 242K (well above the rate of population growth). The gain in payrolls during December was driven in part by a 61,000 increase in construction employment, as well as better than expected results in the manufacturing and retail sectors. The headline unemployment rate remained at a seventeen-year low of 4.1%, largely due to a 0.3% rise in labor force participation to 63.0%. The U-6 "underemployment" rate remained at 8.2%, still 0.4% below its August level. Wage growth retreated during the month, with average hourly earnings rising by 0.1% in February and 2.6% year-over-year.

Summary: Payroll numbers came in well above expectations in February, as the labor market continues to tighten. However, a rise in participation and declining y-o-y wage growth suggest that "underemployment" has yet to hit bottom.

About Us

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