

### Top Headline: Fed No Longer Afraid of Deflation

Minutes from the Fed's most recent meeting in March, Jerome Powell's first as Chair, revealed that for the first time since the crisis not a single official saw a downside risk to inflation. For much of the post-crisis period such fears have been ingrained in the minds of more dovish members, cognizant of recent experiences in Japan and Europe. However, with the passage of further demand side fiscal stimulus and a recovery in inflation expectations, fears of falling back into a deflationary environment have eased. Such a development suggests that the committee may be more aggressive in hiking rates than is currently expected.

### Other News

White House NEC Director Larry Kudlow said this past week that he is confident the U.S. will be able to avoid a broader trade conflict with China. He called such a dispute with China potentially, "high risk, high reward", but also affirmed his belief that its in the mutual best interests of both parties to come to a deal. Kudlow also expressed optimism regarding ongoing NAFTA negotiations, and acknowledged that the President has tasked him with looking into rejoining the TPP.

### On Tap This Week

This week is highlighted by retail sales and housing starts data for March.

### Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
T 4/10/18	PPI	Mar	0.2%	0.1%	0.3%	Headline PPI hits 3% year-over-year
T 4/10/18	Core PPI	Mar	0.2%	0.2%	0.3%	
T 4/11/18	CPI	Mar	0.2%	0.0%	-0.1%	Core CPI rises above 2% year-over-year
T 4/11/18	Core CPI	Mar	0.2%	0.2%	0.2%	
Th 4/12/18	Initial Jobless Claims ♦	Apr 7	242K	230K	233K	Four-week moving average at 230K

Actual < Expected      Actual > Expected      ♦ Leading Indicator

### Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	23932	24360	1.79%	-5.59%
S&P 500	2604.5	2656.3	1.99%	-4.66%
USD*	90.11	89.80	-0.34%	-1.29%
10-Year Treasury*	2.77%	2.83%	0.06%	0.29%

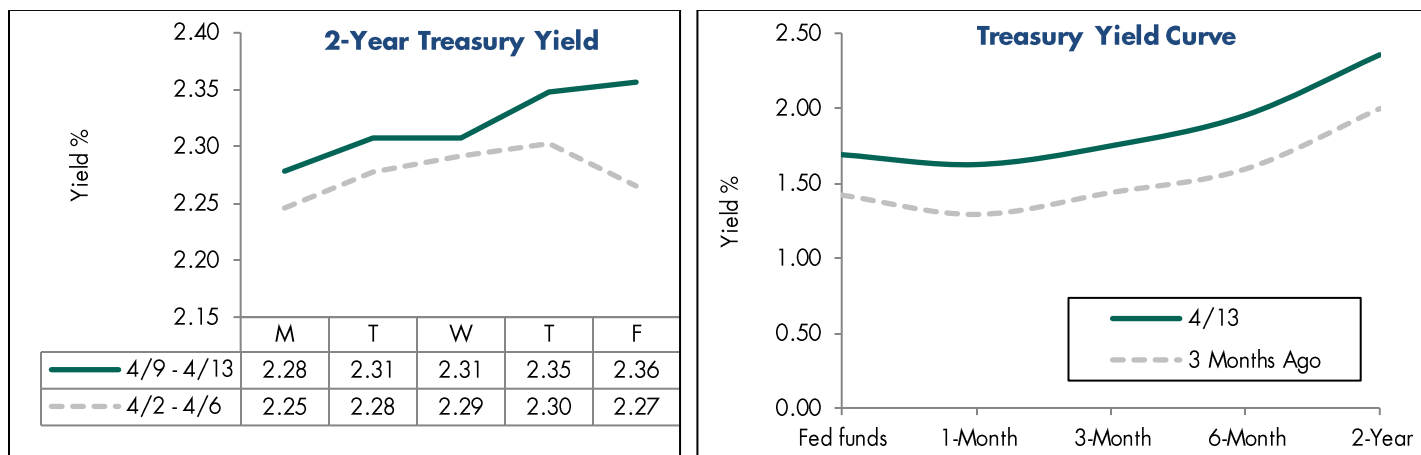
\*ICE U.S. Dollar Index Spot Price

\*Absolute change in yield over specified period

### Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
M 4/16/18	Retail Sales	Mar	-0.1%	0.4%
M 4/16/18	Sales Less Autos	Mar	0.2%	0.2%
T 4/17/18	Housing Starts	Mar	1236K	1266K
T 4/17/18	Building Permits	Mar	1298K	1321K
T 4/17/18	Industrial Production	Mar	1.1%	0.4%
T 4/17/18	Capacity Utilization	Mar	78.1%	77.9%
Th 4/12/18	Initial Jobless Claims ♦	Apr 14	233K	230K

## Yield Curve Highlights



## Detailed Economic Releases

4/10/2018	Prev.	Exp.	Act.
PPI	0.2%	0.1%	0.3%
Core PPI	0.2%	0.2%	0.3%

March's producer price index came in in-line with expectations for the month. PPI less food & energy finished at 0.3%, while the headline price index also rose by 0.34%. As a result of the strong monthly data, year-over-year headline PPI rose from 2.8% to 3.0%, core PPI came in at 2.7%, and PPI less food, energy, & trade services jumped to 2.9%.

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

4/11/2018	Prev.	Exp.	Act.
CPI	0.2%	0.0%	-0.1%
Core CPI	0.2%	0.2%	0.2%

Consumer prices decreased by 0.1% in March after rising by 0.2% the month before. Excluding food and energy price effects, the data was significantly better with core prices rising by 0.2% following an equivalent rise in the prior month. Medical care led the price gains for the month, rising by 0.4%, and housing prices rose by 0.3%. Year-over-year headline CPI and core CPI were rose to 2.4% and 2.1%, respectively.

**Summary: Core prices rose in line with expectations for the month, pushing year-over-year core CPI above 2% (albeit from abnormally low level last March).**

4/12/2018	Prev.	Exp.	Act.
Initial Jobless Claims	242K	230K	233K

First time claims for jobless benefits fell 9,000 in the week of April 7<sup>th</sup> to 233,000. The four-week average of initial claims, which smooths volatility inherent in the weekly number, was up slightly to 230,000. Continuing claims for unemployment benefits, in lagging data for the week of March 31<sup>st</sup>, rose to 1.87 million. The insured unemployment rate, which tends to track the overall jobless rate, held at 1.3%.

***Summary: Initial jobless claims fall back to trend level.***

---

## About Us

Capital Advisors Group, Inc. is an independent SEC-registered investment advisor specializing in institutional cash investments, risk management, and debt finance consulting. Our clients range from venture capital-funded startups and emerging growth companies to Fortune 100 companies.

Drawing upon more than a quarter of a century of experience through varied interest rate cycles, the firm has built its reputation upon deep, research-driven investment strategies and solutions for its clientele.

Capital Advisors Group manages customized separately managed accounts (SMAs) that seek to protect principal and maximize risk-adjusted returns within the context of each client's investment guidelines and specific liquidity needs. Capital Advisors Group also provides FundIQ<sup>®</sup> money market fund research; CounterpartyIQ<sup>®</sup> aggregation and credit analysis of counterparty exposures; risk assessment on short-term fixed income securities and portfolios; and independent debt finance consulting services.

Headquartered in metropolitan Boston, Capital Advisors Group maintains multiple U.S. regional offices.

**Matthew Paniati**  
Research Analyst



Capital Advisors Group, Inc.  
29 Crafts Street, Suite 270, Newton, MA  
02458  
Tel: 617.630.8100 ~ Fax:  
617.630.0023  
[www.capitaladvisors.com](http://www.capitaladvisors.com)  
[info@capitaladvisors.com](mailto:info@capitaladvisors.com)