

Top Headline: U.S. and China Announce Tariffs

The White House wrapped up a two-week review process by releasing an initial list of goods it wants to target for 25% import tariffs. The list includes some 1300 different products which amount to \$50 billion in import value. The following day the Chinese government followed suit, announcing a countervailing \$50 billion in tariffs on 106 different items (most notably soybeans and aircraft). The Chinese government called for a pause on further restrictions following the move, but it's not certain that this will occur. President Trump has already called for an additional \$100 billion in tariffs to be considered.

Other News

March's employment report was disappointing on its face, as the economy added just 103,000 net payrolls for the month. However, this comes after February's extraordinary gain of 326,000, and leaves the first quarter average at a robust 202,000 a month. The unemployment rate remained unchanged at 4.1%, but the underemployment rate fell back to a post-recession low of 8.0%. Surprisingly, wage-growth remains modest, just 2.7% year-over-year.

On Tap This Week

This week is highlighted by minutes from the March FOMC meeting.

Past Week's Releases

	Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M	4/2/18	ISM Manufacturing Index	Mar	60.8	60.0	59.3	Index continues to show robust activity levels
W	4/4/18	ISM Non-Manufacturing Index	Mar	59.5	59.0	58.8	Growth in new orders remains strong
Th	4/5/18	Trade Deficit	Feb	\$56.7B r↑	\$56.7B	\$57.6B	Trade deficit rises on stronger demand for imports of industrial supplies and capital goods
Th	4/5/18	Initial Jobless Claims♦	Mar 31	218K r↑	230K	242K	Claims rise from record low level
F	4/6/18	Nonfarm Payrolls	Mar	326K r↑	175K	103K	Underemployment falls to 8.0%, wage growth 2.7%
F	4/6/18	Unemployment Rate	Mar	4.1%	4.0%	4.1%	year-over-year

Actual < Expected

Actual > Expected

♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	24103	23932	-0.71%	-5.39%
S&P 500	2640.9	2604.5	-1.38%	-5.06%
USD*	89.97	90.11	0.15%	-2.00%
10-Year Treasury*	2.74%	2.77%	0.03%	0.33%

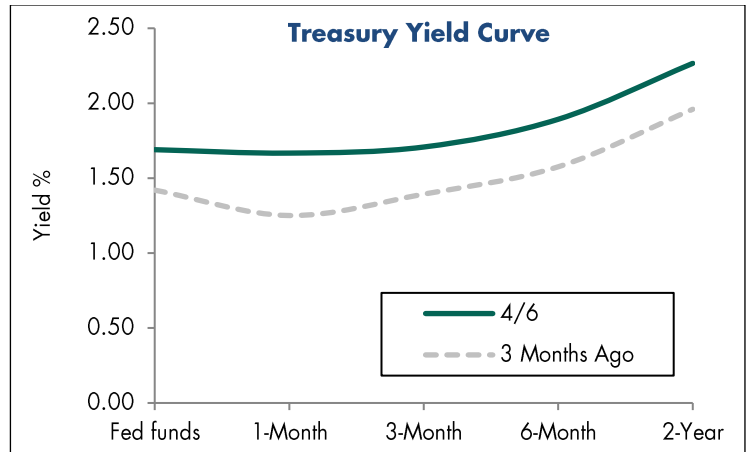
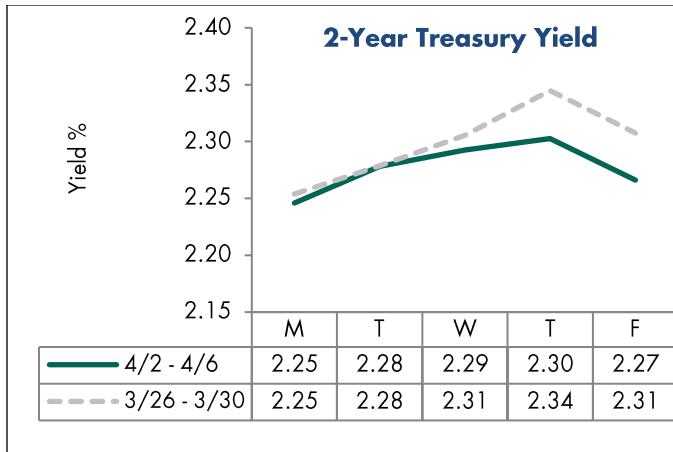
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

	Date	Indicator	Period	Prev.	Exp.
T	4/10/18	PPI	Mar	0.2%	0.1%
T	4/10/18	Core PPI	Mar	0.2%	0.2%
T	4/11/18	CPI	Mar	0.2%	0.0%
T	4/11/18	Core CPI	Mar	0.2%	0.2%
W	4/11/18	FOMC Minutes	Mar	N/A	N/A
Th	4/12/18	Initial Jobless Claims♦	Mar 31	230K	242K

Yield Curve Highlights



Detailed Economic Releases

4/2/2018	Prev.	Exp.	Act.
ISM Manufacturing	60.8	60.0	59.3

The Institute for Supply Management’s Manufacturing Index eased back from its fourteen-year high, coming in at 59.3. New orders ticked slightly down to 61.9 for the month, and the production sub-index came in at a robust 61.0. This pulled employment up to 57.3 as managers increased hiring to keep up with production. Input costs surged during the month to 78.1, which along with an increase in delivery times suggest that the supply chain is increasingly backlogged.

Summary: The ISM-Manufacturing Index declined slightly compared to last month’s fourteen year high, but remains above trend.

4/4/2018	Prev.	Exp.	Act.
ISM Non-Manufacturing	59.5	59.0	58.8

The Institute for Supply Management’s Non- Manufacturing Index came in just below expectations for March at 58.8, 1.3 points down from the previous reading. Growth in new orders remains very strong, and a 1.6-point rise in the employment index to 56.6 suggests that the job outlook is improving. Similar to the manufacturing report, delivery times and input prices rose sharply for the month, suggesting supply-chain pressures.

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

4/5/2018	Prev.	Exp.	Act.
Trade Deficit	\$56.7B r↑	\$56.7B	\$57.6B

The U.S. trade deficit for February came in at \$57.6 billion, larger than expectations of \$56.7 billion. Exports climbed 1.7% to \$204.4 billion, and imports rose an equivalent percentage to \$262 billion. Imports of goods saw an increase for the month with industrial supplies and capital goods orders rising. On the flip side, exports of goods expanded to \$137.2 billion due to stronger demand for vehicles 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 February, as the Trump administration is contemplating imposing more tariffs.

4/5/2018	Prev.	Exp.	Act.
Initial Jobless Claims	218K r↑	230K	242K

First time claims for jobless benefits rose 24,000 in the week of March 31 to 242,000. The four-week average of initial claims, which smooths volatility inherent in the weekly number, was up slightly to 228,250. Continuing claims for unemployment benefits, in lagging data for the week of March 24, fell to 1.81 million. The insured unemployment rate, which tends to track the overall jobless rate, held at 1.3%.

Summary: Initial jobless claims rise from record low levels set last week.

4/6/2018	Prev.	Exp.	Act.
Nonfarm Payrolls	326K r↑	175K	103K
Unemployment Rate	4.1%	4.0%	4.1%

Nonfarm payrolls posted an underwhelming gain, rising by 103K during the month of March. This follows February's upwardly revised gain of 326K, and leaves the three-month rolling average of job gains at a still robust 202K (well above the rate of population growth). The headline unemployment rate remained at a seventeen-year low of 4.1%, in part due to a 0.1% fall in labor force participation to 62.9%. The U-6 "underemployment" rate fell by 0.2% back to its post-recession low of 8.0%. Wage growth increased during the month, with average hourly earnings rising by 0.3% in March and 2.7% year-over-year.

Summary: Payroll numbers were slightly disappointing in March, but on trend remain well above expectations this far into the recovery.

About Us

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