

Top Headline: U.S. Suspends Tariffs

On Sunday, Treasury Secretary Steve Mnuchin announced that the U.S. has suspended threats to impose tariffs on \$150 billion of Chinese imports. In response, China also promised to hold off on threats of retaliatory tariffs. This apparent back-down from the administration may only be a temporary measure, as Mnuchin didn't rule out the possibility of re-imposition of tariffs. However, both sides seemed to reach some points of agreement over the weekend. On Monday morning President Trump tweeted that, "China has agreed to buy massive amounts of ADDITIONAL Farm/Agricultural Products." Nevertheless, China seems unlikely to meet some of Trump's stated demands, most notably a \$200 billion reduction in the bilateral trade deficit.

Other News

Pressure continues to mount on emerging market currencies, most notably the Turkish Lira. The Lira continues to hit new lows amidst rising interest rates in the U.S. and increasing political instability in Turkey. President Erdogan is set to hold snap elections with the goal of further consolidating his power and driving the country further away from democracy. Additionally, Erdogan has publicly pressured the central bank to keep interest rates low, even as the currency tanks and inflation accelerates. A further undermining of the central bank's independence is likely to only worsen already rampant capital outflows.

On Tap This Week

This week is highlighted by the release of minutes from the FOMC's May meeting.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
T 5/15/18	Retail Sales	Apr	0.8% r↑	0.3%	0.3%	Headline sales growth in line with expectations, up 4.7% y-o-y
T 5/15/18	Sales Less Autos	Apr	0.4% r↑	0.5%	0.3%	
W 5/16/18	Housing Starts	Apr	1336K r↑	1324K	1287K	Housing starts fall by 3.7% during April
W 5/16/18	Building Permits	Apr	1377K r↑	1350K	1352K	
W 5/16/18	Industrial Production	Apr	0.7% r↑	0.6%	0.7%	Manufacturing output rises by 0.5%; 1.8% y-o-y
W 5/16/18	Capacity Utilization	Apr	77.6% r↓	78.3%	78.0%	
Th 5/17/18	Initial Jobless Claims♦	May 12	211K	215K	222K	Continuing claims reach lowest point since 1973

Actual < Expected Actual > Expected ♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	24831	24715	-0.47%	-2.00%
S&P 500	2727.7	2713.0	-0.54%	-0.70%
USD*	92.54	93.69	1.24%	5.15%
10-Year Treasury*	2.97%	3.06%	0.09%	0.20%

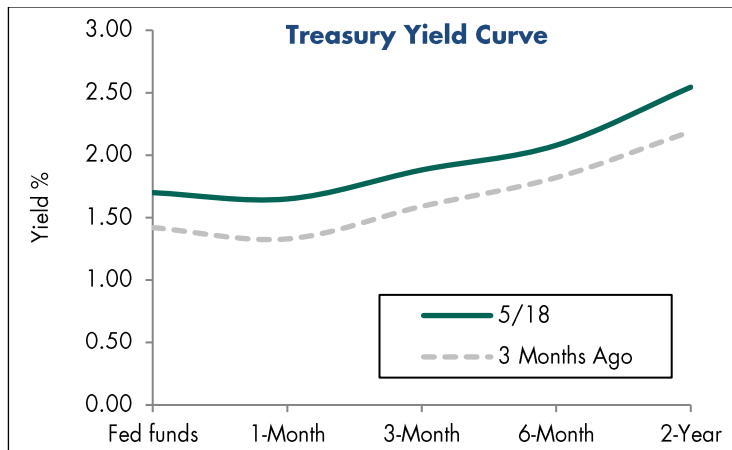
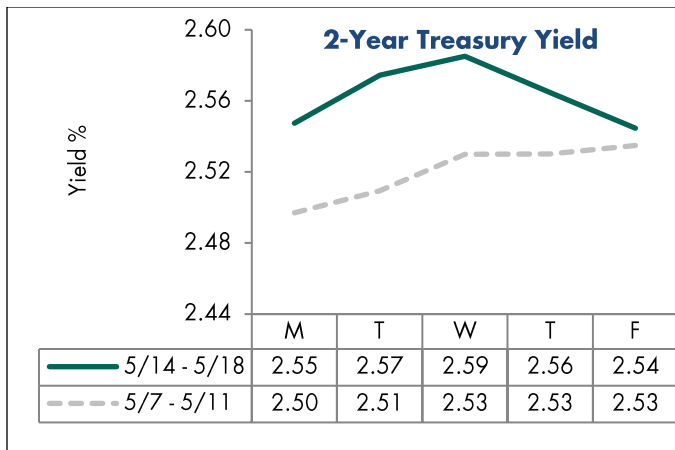
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
W 5/23/18	New Home Sales	Apr	694K	679K
W 5/23/18	FOMC Minutes	May	N/A	N/A
Th 5/24/18	Initial Jobless Claims♦	May 19	222K	220K
Th 5/24/18	Existing Home Sales	Apr	5.60M	5.55M
F 5/25/18	U. of Mich. Consumer Sentiment	May	98.8	98.8

Yield Curve Highlights



Detailed Economic Releases

5/15/2018	Prev.	Exp.	Act.
Advance Retail Sales	0.8% r↑	0.3%	0.3%
Sales Less Autos	0.4% r↑	0.5%	0.3%

Retail sales rose by 0.3% in April after an upwardly revised 0.8% drop in the prior month. Gasoline sales were the big story of the month, rising by 0.8% due to higher prices. Sales less autos showed similar growth, rising by 0.3%, slightly below expectations for the month. Notable amongst core sales components was furniture sales, which expanded by 0.8% in April. On the other hand restaurant sales, which provide an indication of discretionary spending, posted a 0.3% decline. Over the past year headline sales are up 4.7%, while sales less autos have risen by 4.8%.

Summary: Headline retail sales came in line with expectations after a strong March.

5/16/2018	Prev.	Exp.	Act.
Housing Starts	1336K r↑	1324K	1287K
Building Permits	1377K r↑	1350K	1352K

Housing starts came in well below expectations for the month of April, falling by 3.7%. Single-family starts were above trend, but multi-family starts declined. Building permits were higher than expected for the month, coming in at a 1352K annualized pace. Multi-family permits posted a sharp decline, offsetting a small uptick in single-family permits.

Summary: Starts fell off after accelerating in March due to increased volatility in the multi-family segment.

5/16/2018	Prev.	Exp.	Act.
Industrial Production	0.7% r↑	0.6%	0.7%
Capacity Utilization	77.6% r↓	78.3%	78.0%

Industrial production rose by 0.7% in March following an upwardly revised 0.7% increase in the previous month. Mining production increased by 1.1% while utility output expanded by 1.9%. Manufacturing production managed a 0.5% gain during the month and year-over-year is up by a modest 1.8%. Capacity utilization saw a significant increase, rising from 77.6% to 78.0%.

Summary: Industrial production surged in April on the back of stronger mining, utility, and manufacturing data.

5/17/2018	Prev.	Exp.	Act.
Initial Jobless Claims	211K	220K	222K

First time claims for jobless benefits increased by 11,000 in the week ending on May 12th to 222,000. The four-week average of initial claims, which smooths volatility inherent in the weekly number, was down slightly to 213,250. Continuing claims for unemployment benefits, in lagging data for the week of May 5th, fell to 1.71 million. The insured unemployment rate, which tends to track the overall jobless rate, fell to 1.2%.

Summary: Continuing claims hit lowest point since 1973.

About Us

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