

Top Headline: G-7 Disarray

President Trump caused some turmoil at the G-7 summit last week, first by suggesting that Russia be re-invited to the summit and then by refusing to endorse the final communication statement. The President seemed to agree to the language used initially, but then abruptly reversed course after hearing in Canadian Prime Minister Justin Trudeau's comments that Canada will respond to U.S. trade restrictions. Since the meeting the President has taken to Twitter to express frustrations with Trudeau, as well as with Germany and NATO. The President is now headed to Singapore, where he has a planned meeting with North Korea leader Kim Jung Un. Talks will be centered on the de-nuclearization of the Korean peninsula, along with international economic policy.

Other News

The Federal Reserve is set to hold their June meeting this week. It is widely expected that the Fed will raise interest rates by another 25 bps at the meeting, to a range of 1.75%-2.00%. Greater uncertainty surrounds how the Fed views ongoing developments with trade and a flattening yield curve, and whether these somewhat extraneous factors will come into play in their forecasts. Outside of this the economy looks relatively healthy, with both the labor market and inflation levels at or near the Fed's long-term targets.

On Tap This Week

This week is highlighted by the Korean summit and the Fed meeting.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
T 6/5/18	ISM Non-Manufacturing Index	May	56.8	58.0	58.6	Strong growth in service sector
W 6/6/18	Trade Deficit	April	\$49.0B	\$49.0B	\$46.2B	Trade deficit narrows
W 6/6/18	Nonfarm Productivity	Q1 3 rd	0.7%	0.7%	0.4%	Productivity growth relatively mediocre
W 6/6/18	Unit Labor Costs	Q1 3 rd	2.7%	2.8%	2.9%	
Th 6/7/18	Initial Jobless Claims♦	June 2	223K r↑	225K	222K	Claims remain near all time low
Th 6/7/18	Consumer Credit	Apr	\$12.3B r↑	\$14.0B	\$9.3B	Revolving credit rises for first time in three months

Actual < Expected Actual > Expected ♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	24635	25317	2.77%	1.69%
S&P 500	2734.6	2779.0	1.62%	1.46%
USD*	94.16	93.54	-0.66%	3.72%
10-Year Treasury*	2.90%	2.95%	0.05%	0.06%

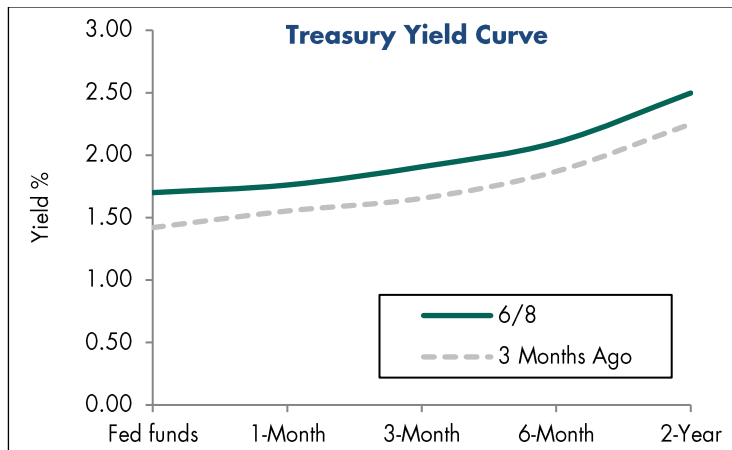
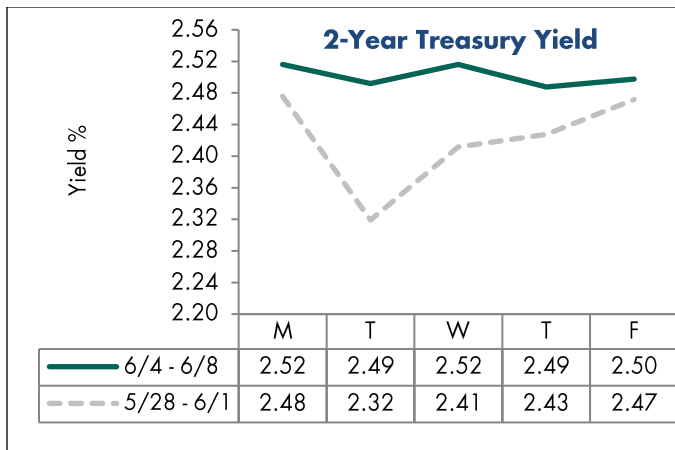
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 6/12/18	CPI	May	0.2%	0.2%
T 6/12/18	Core CPI	May	0.1%	0.2%
W 6/13/18	PPI	May	0.1%	0.3%
W 6/13/18	Core PPI	May	0.2%	0.2%
W 6/13/18	FOMC Meeting	June	1.50% 1.75%	1.75% 2.00%
Th 6/14/18	Initial Jobless Claims♦	June 9	222K	224K
F 6/15/18	Industrial Production	May	0.7%	0.2%
F 6/15/18	Capacity Utilization	May	78.0%	78.1%

Yield Curve Highlights



Detailed Economic Releases

6/5/2018	Prev.	Exp.	Act.
ISM Non-Manufacturing	56.8	58.0	58.6

The Institute for Supply Management's Non-Manufacturing Index came in above expectations for May at 58.6, 1.8 points down from the previous reading. Growth in new orders remains very strong, but the employment index signals the beginning of some labor shortages. 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.

6/6/2018	Prev.	Exp.	Act.
Trade Deficit	\$47.2B r↓	\$49.0B	\$46.2B

The U.S. trade deficit for April came in at \$46.2 billion, smaller than expectations of \$49.0 billion. Exports climbed 0.3% to \$221.2 billion, and imports fell by a nearly equivalent percentage to \$257.4 billion. Imports of goods saw a decrease for the month with industrial supplies and capital goods orders falling. On the flip side, exports of goods expanded to \$141.3 billion due to stronger demand for food products and industrial supplies. 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 narrowed in April, as trade restrictions are set to ramp up.

6/6/2018	Prev.	Exp.	Act.
Nonfarm Productivity	0.7%	0.7%	0.4%
Unit Labor Costs	2.7%	2.8%	2.9%

Productivity growth during the first quarter was lower than initially estimated, with the final revision coming in at 0.4%. The flat growth was in spite of a 2.5% increase in output, as hours worked increased by 2.1% in the same period. Unit labor costs were up by 2.9%, and nominal compensation rose by 3.3%. The increase in unit costs appears to have been absorbed into firms' margins as inflation remains relatively subdued.

Summary: The first quarter saw mediocre productivity growth.

6/7/2018	Prev.	Exp.	Act.
Initial Jobless Claims	223K r↑	225K	222K

First time claims for jobless benefits decreased by 1,000 in the week ending on June 2nd to 222,000. The four-week average of initial claims, which smooths volatility inherent in the weekly number, was up slightly to 222,250. Continuing claims for unemployment benefits, in lagging data for the week of May 26th, rose to 1.73 million. The insured unemployment rate, which tends to track the overall jobless rate, held at 1.2%.

Summary: Initial claims remain near all-time low.

6/7/2018	Prev.	Exp.	Act.
Consumer Credit	\$12.3B r↑	\$14.0B	\$9.3B

Consumer credit rose a lower-than-expected \$9.3 billion in April, compared to an upwardly revised \$12.3 billion in March. The component for revolving credit rose \$2.3 billion compared to a decline in the previous month. In addition, non-revolving credit rose by only \$7.0 billion.

Summary: Revolving credit rises after two consecutive months of decline

About Us

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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
info@capitaladvisors.com