

Top Headline: U.S. Imposes Tariffs on China

The White House announced that in addition to measures announced two weeks ago on steel and aluminum they are moving forward with 25% tariffs on \$50 billion of imported goods from China. A list of products issued by the USTR covered 1,102 separate items, with the focus on goods that “contain industrially significant technologies.” China’s Commerce Ministry announced shortly after that they would be countering with reciprocal tariffs that will likely focus on agricultural goods such as soybeans. This comes after China offered to buy an additional \$70 billion in U.S agricultural and energy goods on the condition that the White House drop its threat of tariffs. Should China follow through with reciprocal tariffs the White House has threatened to levy further restrictions, opening up the possibility of further trade conflict.

Other News

As expected the FOMC announced their decision to raise interest rates by a further 25 bps, to a range of 1.75%-2.00%. The committee’s statement, along with Chair Powell’s remarks, painted current economic conditions as in line with the Fed’s dual mandate. As such, they the committee dropped the assertion that the fed funds rate would remain below the “neutral” level “for some time.” Additionally, the committee’s median projection for rate hikes this calendar year rose from three to four, which would constitute two further hikes this year. This is largely in line with the market’s projections, as monetary policy transitions from accommodative to more restrictive.

On Tap This Week

This week is highlighted housing data for May.

Past Week’s Releases

	Date	Indicator	Period	Prev.	Exp.	Act.	Comment
T	6/12/18	CPI	May	0.2%	0.2%	0.2%	Year-over-year headline inflation rises to 2.8%
T	6/12/18	Core CPI	May	0.1%	0.2%	0.2%	
W	6/13/18	PPI	May	0.1%	0.3%	0.5%	Headline PPI moves back above 3% y-o-y
W	6/13/18	Core PPI	May	0.2%	0.2%	0.3%	
W	6/13/18	FOMC Meeting	June	1.50% 1.75%	1.75% 2.00%	1.75% 2.00%	Fed raises rates, signals confidence in economic outlook
Th	6/14/18	Initial Jobless Claims♦	June 9	222K	225K	218K	Claims remain near all-time low levels
F	6/15/18	Industrial Production	May	0.9% r↑	0.1%	-0.1%	Industrial production declines after sharp rise in April
F	6/15/18	Capacity Utilization	May	78.1% r↑	78.0%	77.9%	

Actual < Expected Actual > Expected ♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25317	25090	-0.89%	0.87%
S&P 500	2779.0	2779.7	0.02%	1.18%
USD*	93.54	94.79	1.34%	5.16%
10-Year Treasury*	2.95%	2.92%	-0.03%	0.09%

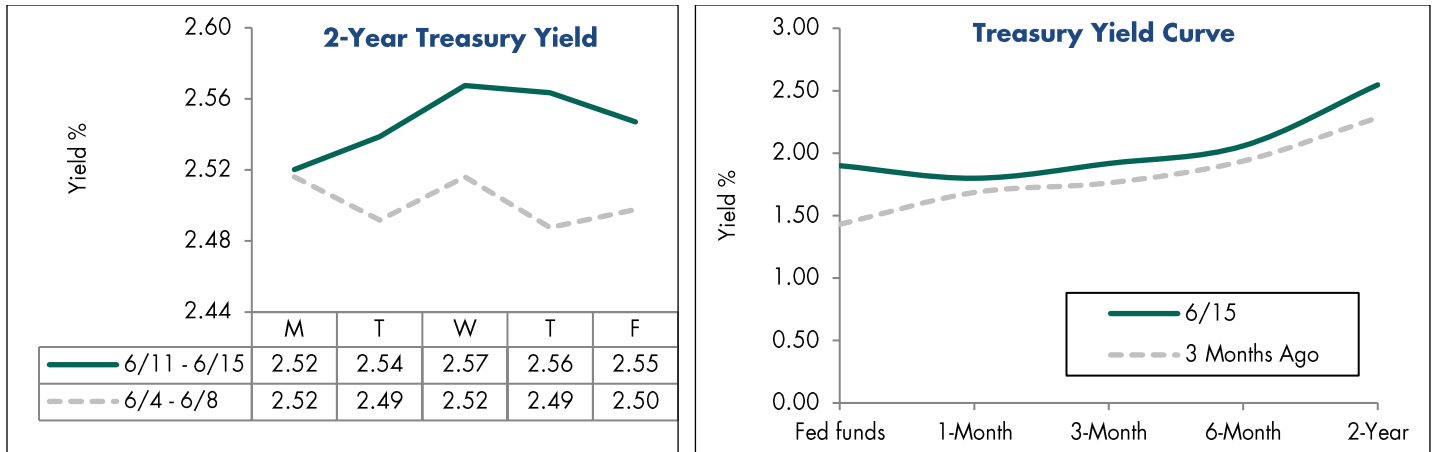
Upcoming Releases

	Date	Indicator	Period	Prev.	Exp.
T	6/19/18	Housing Starts	May	1287K	1312K
T	6/19/18	Building Permits♦	May	1352K	1352K
W	6/20/18	Existing Home Sales	May	5.46M	5.52M
Th	6/21/18	Initial Jobless Claims♦	June 16	218K	220K

*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Yield Curve Highlights



Detailed Economic Releases

6/12/2018	Prev.	Exp.	Act.
CPI	0.2%	0.2%	0.2%
Core CPI	0.1%	0.2%	0.2%

Consumer prices increased by 0.2% in May, after rising by an equivalent amount the month before. Excluding food and energy price effects, the data was similar with core prices rising by 0.2% following a 0.1% rise in the prior month. Gasoline led the price gains for the month, rising by 1.7%, and housing prices rose by 0.3%. Year-over-year headline CPI and core CPI rose by 2.8% and 2.2%, respectively.

Summary: Oil prices continue to rise, pushing headline CPI inflation up to 2.8%.

6/13/2018	Prev.	Exp.	Act.
PPI	0.1%	0.3%	0.5%
Core PPI	0.2%	0.2%	0.3%

May's producer price index came in above expectations for the month. PPI less food & energy finished at 0.3%, while the headline price index rose by an outsized 0.5%. As a result of the stronger monthly data, year-over-year headline PPI rose from 2.6% to 3.1%, core PPI came in at 2.6%, and PPI less food, energy, & trade services increased to 2.6%.

Summary: Monthly PPI numbers suggest that supply-side price pressures are building.

6/13/2018	Prev.	Exp.	Act.
FOMC Meeting Decision	1.50%-1.75%	1.75%-2.00%	1.75%-2.00%

Information received since the Federal Open Market Committee met in May indicates that the labor market has continued to strengthen and that economic activity has been rising at a solid rate. Job gains have been strong, on average, in recent months, and the unemployment rate has declined. Recent data suggest that growth in household spending has picked up, while business fixed investment has continued to grow strongly. On a 12-month basis, both overall inflation and inflation for items other than food and energy have moved close to 2 percent. Indicators of longer-term inflation expectations are little changed, on balance.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective over the medium term. Risks to the economic outlook appear roughly balanced.

In view of realized and expected labor market conditions and inflation, the Committee decided to raise the target range for the federal funds rate to 1-3/4 to 2 percent. The stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return to 2 percent inflation.

In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

Voting for the FOMC monetary policy action were Jerome H. Powell, Chairman; William C. Dudley, Vice Chairman; Thomas I. Barkin; Raphael W. Bostic; Lael Brainard; Loretta J. Mester; Randal K. Quarles; and John C. Williams.

Source: FOMC <https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

6/14/2018	Prev.	Exp.	Act.
Initial Jobless Claims	222K	225K	218K

First time claims for jobless benefits decreased by 4,000 in the week ending on June 9th to 218,000. The four-week average of initial claims, which smooths volatility inherent in the weekly number, was down slightly to 224,250. Continuing claims for unemployment benefits, in lagging data for the week of June 2nd, 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.

6/15/2018	Prev.	Exp.	Act.
Industrial Production	0.9% r↑	0.1%	-0.1%
Capacity Utilization	78.1% r↑	78.0%	77.9%

Industrial production fell by 0.1% in May following an upwardly revised 0.9% increase in the previous month. Mining production increased by 1.8% while utility output expanded by 1.1%. Manufacturing production posted a 0.7% decline during the month and year-over-year is up by a modest 1.7%. Capacity utilization saw a slight decline, falling from 78.1% to 77.9%.

Summary: Industrial production decreased slightly in May on the back of soft automobile manufacturing numbers.

About Us

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