

Top Headline: Inflation Moving Higher

Thursday's Consumer Price Index report confirmed that prices are rising at a faster pace, with core CPI up 2.3% year-over-year. After a long period of dormancy, rising commodity prices, along with ongoing impacts of fiscal stimulus and more restrictive trade policy are putting upwards pressure on both core and headline (which rose by an even greater 2.9%) numbers. This is expected to bleed over to PCE data, which tend to run slightly lower but are also on the upswing. Most analysts expect core PCE to exceed the Fed's 2% target for the first time since April 2012. Such a move would land the Fed in the position of having accomplished its dual mandate and would arguably increase the case for a faster pace of rate hikes. Fed officials have spoken of being wary of letting the economy run too hot, however they are also dealing with the downside threats of international trade conflict and a flattening yield curve.

Other News

China's economy expanded by an annualized 6.7% rate in the second quarter, virtually unchanged from the previous three quarters. Of note, industrial output and fixed investment growth were lower than in prior quarters, underlying concerns about a drop off in investment as the government continues its campaign against debt. To counteract this the fiscal and monetary authorities have turned accommodative, with central bank lowering reserve requirements and the government opening up avenues for further private investment. Furthermore, the yuan has undergone a 5% devaluation against the dollar over the past month, as the central bank seeks to offset the impact of the newly imposed tariffs on \$50 billion in exports.

On Tap This Week

This week is highlighted by President Trump's summit with Russia President Vladimir Putin.

Past Week's Releases

	Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M	7/9/18	Consumer Credit	May	\$10.3B r↑	\$12.4B	\$24.6B	Revolving credit shoots up by nearly \$10B
W	7/11/18	PPI	Jun	0.5%	0.2%	0.3%	PPI putting upwards pressure on inflation expectations
W	7/11/18	Core PPI	Jun	0.3%	0.3%	0.3%	
Th	7/12/18	CPI	Jun	0.2%	0.2%	0.1%	Headline CPI inflation nears 3% year-over-year
Th	7/12/18	Core CPI	Jun	0.2%	0.2%	0.2%	
Th	7/12/18	Initial Jobless Claims♦	Jul 7 th	231K	225K	214K	Claims remain extremely low

Actual < Expected
Actual > Expected
♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	24456	25019	2.30%	2.71%
S&P 500	2759.8	2801.3	1.50%	5.46%
USD*	94.0	94.7	0.76%	5.43%
10-Year Treasury*	2.82%	2.83%	0.01%	0.00%

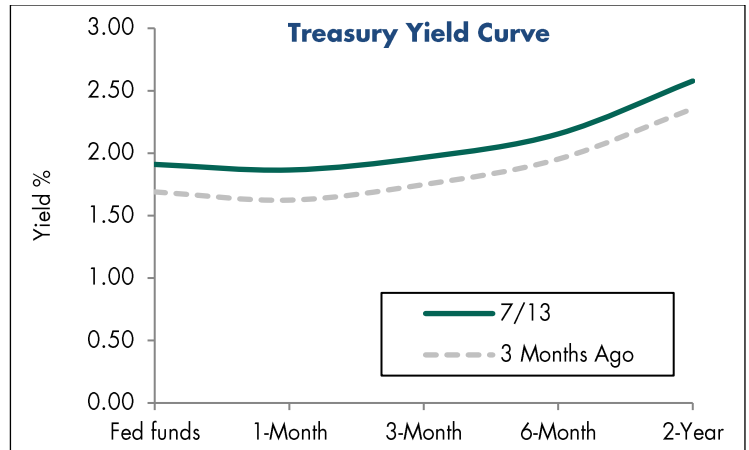
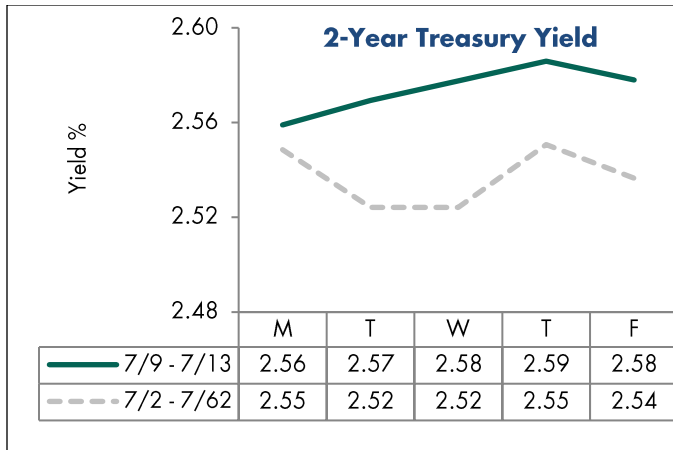
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

	Date	Indicator	Period	Prev.	Exp.
M	7/16/18	Retail Sales	Jun	0.8%	0.5%
M	7/16/18	Sales Less Autos	Jun	0.9%	0.3%
T	7/16/18	Industrial Production	Jun	-0.1%	0.5%
T	7/16/18	Capacity Utilization	Jun	77.9%	0.7%
W	7/18/18	Housing Starts	Jun	1350K	1320K
W	7/18/18	Building Permits	Jun	1301K	1330K
Th	7/19/18	Initial Jobless Claims♦	Jul 14 th	214K	221K

Yield Curve Highlights



Detailed Economic Releases

7/9/2018	Prev.	Exp.	Act.
Consumer Credit	\$9.3B r↑	\$12.4B	\$24.6B

Consumer credit rose sharply this month to \$24.6 billion, beating the consensus range by \$12 billion. Revolving credit and nonrevolving credit increased by \$9.8 billion and \$14.8 billion, respectively. While the increase in revolving credit is the sharpest rise seen since November of last year, nonrevolving credit increased as expected. The increase in revolving credit is a positive indicator for consumer spending which has been moderate so far this year, though it is not necessarily a plus for household wealth.

Summary: Revolving credit increased significantly and is a positive indicator of high levels of consumer spending

7/11/2018	Prev.	Exp.	Act.
PPI	0.5%	0.2%	0.3%
Core PPI	0.3%	0.3%	0.3%

Producer price index for June fell slightly compared to the previous month, but still came in at 0.3%, above expectations. Core PPI was unchanged from the previous month, also at 0.3%. Trade services rose by 0.7% in June, adding onto the 0.9% increase seen in May. These numbers may raise the risk of the effect of inflation being passed on to consumers. Prices for steel mill products and aluminum mill shapes increased by 1.9% and 2.1% respectively, with both rises following three prior months of increases. Energy rose by 0.8%, gasoline rose by 0.5% and home heating oil rose by 8.0%. Food decreased by 1.1%, comprised by a decrease of 13.8% in vegetables and 2.1% decrease in food exports. Year-over-year PPI and core PPI continue to increase.

Summary: Monthly PPI numbers are mostly constant but continue to put upward pressure on year-over-year results.

7/12/2018	Prev.	Exp.	Act.
CPI	0.2%	0.2%	0.1%
Core CPI	0.2%	0.2%	0.2%

Consumer prices continued to increase, though at a slightly slower rate than as seen previously. CPI fell by 0.1% on the month, and core CPI remained at 0.2%, though year-on-year results for both indicators increased by 0.1% to 2.9% and 2.3%, respectively. Medical care increased by 0.4%, vehicle prices increased by 0.4%, and used vehicles prices increased by 0.7% for the month. However, housing remained unchanged as a result of a 3.7% decrease in the away-from-home indicator despite a 0.3% increase in owners' equivalent rent. Energy also fell by 0.2% and largely contributed to the downward pressure on the report.

Summary: Core prices were subdued though still leading to increases in year-over-year numbers.

7/12/2018	Prev.	Exp.	Act.
Initial Jobless Claims	232K r↑	225K	214K

First time claims for jobless benefits decreased by 18,000 in the week ending on July 7th to 214,000. The four-week average of initial claims, which smooths volatility inherent in the weekly number, was down slightly to 223,000. Continuing claims for unemployment benefits, in lagging data for the week of June 30th, fell to 1.74 million. The insured unemployment rate, which tends to track the overall jobless rate, held at 1.2%.

Summary: Initial claims remain at very low levels.

About Us

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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
info@capitaladvisors.com