

Top Headline: Mexico's Presidential Election

As had been expected, left-wing politician Andres Manuel Lopez Obrador was elected as Mexico's next President on Sunday. Mr. Lopez Obrador cruised to the biggest win in nearly four decades, taking over 30% more of the vote than his next biggest rival, conservative Ricardo Anaya. Exit polls also showed Mr. Obrador's party, the Movement for National Regeneration, winning a majority in Mexico's congress. Mr. Obrador's sweeping victory follows the scandal-filled presidency of Enrique Pena Nieto, and at a time of worsening violence within the country. Obrador's candidacy was short on specific policy proposals, but focused on broad themes of rooting out corruption, reducing violence, and providing support for the working class poor. There are some signals he may be open to demands from the U.S. for Mexico to improve working standards of export industries, which could be a door to re-open NAFTA negotiations.

Other News

Amongst the number of Supreme Court rulings this past week was one which had to do with unions and collective bargaining agreements. On a 5-4 vote, split between the court's more conservative and liberal justices, the Supreme Court ruled that public sector workers who choose not to join unions must not be forced into paying fees to those unions. Samuel Alito, who wrote the opinion for the majority, stated that such an arrangement "violates the free speech rights of nonmembers by compelling them to subsidize private speech on matters of substantial public concern." The ruling comes as a significant blow to public sector unions, which figure to lose millions of dollars in funding as a result. Prior to the ruling, unions could collect "agency fees" from non-union members who benefited from the collective bargaining process.

On Tap This Week

This week is highlighted by employment data for June.

Past Week's Releases

	Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M	6/25/18	New Home Sales	May	646K r↓	665K	689K	Prices down 3.3% year-over-year
T	6/26/18	Consumer Confidence	June	128.8 r↑	128.1	126.4	Consumer confidence softens a bit
Th	6/28/18	GDP	Q1 3 rd	2.2%	2.2%	2.0%	Growth lower than previously estimated, inflation higher
Th	6/28/18	GDP Deflator	Q1 3 rd	1.9%	1.9%	2.2%	
Th	6/28/18	Initial Jobless Claims♦	Jun 23 rd	218K	220K	227K	Jobless claims remain low
F	6/29/18	Personal Income	May	0.2% r↓	0.4%	0.4%	Consumer spending growth weakens
F	6/29/18	Consumer Spending	May	0.5% r↓	0.4%	0.2%	
F	6/29/18	U. of Mich. Consumer Sentiment	May	99.3	99.0	98.2	Sentiment weakens due to expectations component

Actual < Expected

Actual > Expected

♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	24581	24271	-1.26%	0.70%
S&P 500	2754.9	2718.4	-1.33%	2.93%
USD*	94.52	94.47	-0.05%	4.79%
10-Year Treasury*	2.89%	2.86%	-0.03%	0.15%

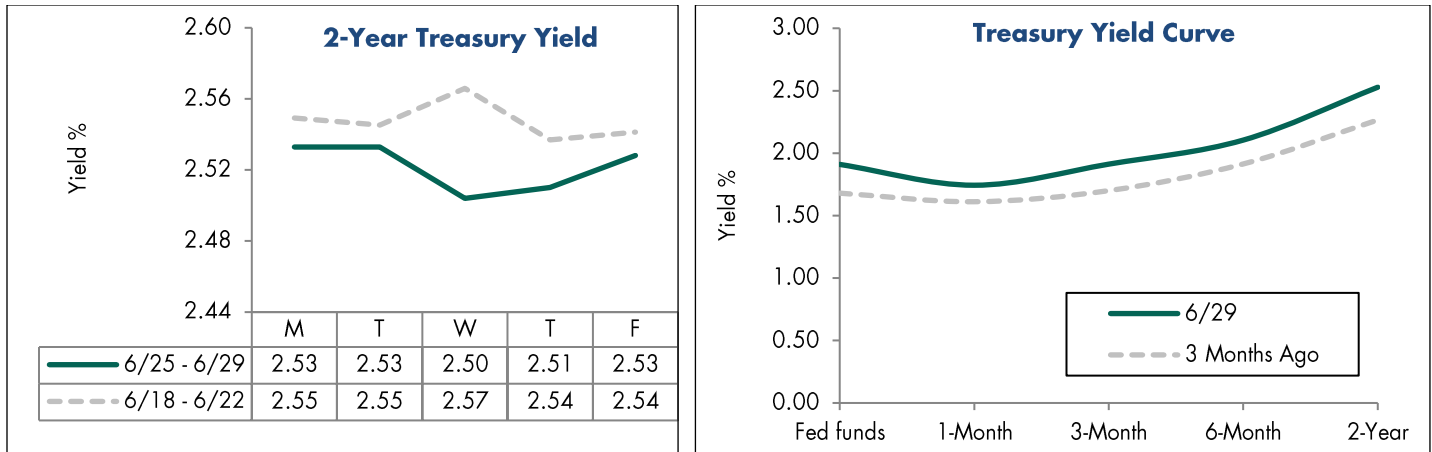
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

	Date	Indicator	Period	Prev.	Exp.
M	7/2/18	ISM Manufacturing	Jun	58.7	58.5
Th	7/5/18	Initial Jobless Claims♦	Jun 30 th	227K	225K
Th	7/5/18	FOMC Minutes	Jun	N/A	N/A
Th	7/5/18	Trade Deficit	May	\$46.2B	\$46.3B
F	7/6/18	Nonfarm Payrolls	Jun	223K	195K
F	7/6/18	Unemployment Rate	Jun	3.8%	3.8%

Yield Curve Highlights



Detailed Economic Releases

6/25/2018	Prev.	Exp.	Act.
New Home Sales	646K r↓	665K	689K

New single-family home sales came in well above expectations at 689K in May. Revisions pulled down the prior month's totals by 16,000, however sales generally remain on an upwards trend. The aggregate stock of new homes for sale rose by 3,000, but the inventory-to-sales ratio fell from 5.5 to 5.2 months. Prices dropped by 1.7% to a median of \$313,000 and were down 3.3% year-over-year.

Summary: The pace of new home sales rises as prices stagnate.

6/26/2018	Prev.	Exp.	Act.
Consumer Confidence	128.8 r↑	128.1	126.4

Consumer confidence fell to 126.4 in June, still near the top end of its historic range. Assessment of current conditions decreased from 161.2 to 161.1, and expectations for the next six months rose by more than four points to 103.2. The share of respondents saying jobs are hard to get decreased by 0.7% to 14.9%, and the share of those expecting more job openings over the next six months rose to 20.0%.

Summary: Consumer confidence falls slightly but remains elevated.

6/28/2018	Prev.	Exp.	Act.
GDP	2.2%	2.2%	2.0%
GDP Deflator	1.9%	1.9%	2.2%

The second revision of first quarter GDP was below expectations, as the economy expanded by an annualized rate of 2.0%. Robust expansion in gross domestic private investment contributed 1.22% to growth during the quarter, in part masking a relatively weak quarter for consumer spending (which rose by just 0.9%). Nonresidential investment in structures was particularly strong, rising by more than 10.4% during the first quarter. A rise in government spending at both the local and federal level also helped buoy activity during the quarter, and net exports subtracted 0.04% from the headline number. Final sales to domestic purchasers, which exclude net exports and inventory build-ups, rose by just 2.0% during the quarter. Inflation came in well above expectations, leaving nominal GDP growth for the quarter at 4.2%.

Summary: The second revised estimate of first quarter GDP growth indicates that growth was lower than initially thought due to weak consumer spending.

6/28/2018	Prev.	Exp.	Act.
Initial Jobless Claims	218K	220K	227K

First time claims for jobless benefits increased by 9,000 in the week ending on June 23rd to 227,000. The four-week average of initial claims, which smooths volatility inherent in the weekly number, was up slightly to 222,000. Continuing claims for unemployment benefits, in lagging data for the week of June 16th, rose to 1.72 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.

6/29/2018	Prev.	Exp.	Act.
Personal Income	0.2% r↓	0.4%	0.4%
Consumer Spending	0.5% r↓	0.4%	0.2%

Consumer spending rose by 0.2% in May, below expectations, following a 0.4% change in the previous month. Personal incomes grew by 0.4% during the month, and the wages & salaries component rose by 0.3%. In contrast to earlier CPI data, PCE data suggest negligible amounts of price pressure during the month. Headline PCE was up just 0.2% from the prior month, and core PCE rose by an equivalent amount. However, on a year-over-year basis the numbers are much brighter, with headline PCE rising by 2.3% and core PCE up 2.0%.

Summary: Consumer spending growth slowed in May after a strong April.

6/29/2018	Prev.	Exp.	Act.
U. Michigan Consumer Sentiment	99.3	99.0	98.2

The University of Michigan's Consumer Survey index of consumer sentiment decreased to 98.2 in June. Expectations for future conditions declined from 89.1 to 86.3, and the index of current conditions jumped from 111.8 to 116.58. Inflation expectations were soft, with five-year expectations coming in at 2.5% and one-year expectations remaining unchanged.

Summary: Consumer sentiment fell back slightly, but remains elevated.

About Us

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Headquartered in metropolitan Boston, Capital Advisors Group maintains multiple U.S. regional offices.

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