

### Top Headline: Economy Expands by 4%

The initial estimate for second quarter GDP growth found that the economy expanded by an 4.1% annualized rate, up from 2.0% in the first quarter. Of note, consumer spending rebounded from a poor first quarter to post a 4.0% growth rate, and nonresidential investment expanded by 7.3%. Additionally, net exports added 1.06% to growth, and in doing so shaved some \$50 billion off the trade deficit. However, economists' estimate that more than 50% of the export boost was due to excess Chinese purchases of soybeans before the implementation of import tariffs. As such, it seems likely that the effect will be reversed in Q3. Additionally, residential investment was poor, declining for the second consecutive quarter. And finally, fiscal stimulus played a major part in the headline number, adding more than a third of a percent to growth. Overall then, it seems unlikely that 4% growth will sustain itself throughout the back half of the year.

### Other News

Almost two years after Qualcomm's initial announcement in October 2016 that it was acquiring NXP for \$44 billion, the company decided to scrap the deal due to legal difficulties related with the Chinese government. Though China insists that it's decision to block the acquisition was based on competition concerns and had nothing to do with the trade-war with the US, insiders insist that friction regarding new trade policies was the main reason. China imports far less from the US than the US imports from China, but China still holds the power to slow down M&A deals and approval of business licenses, for example. Qualcomm and NXP were the first to feel such large effects of the trade-war.

### On Tap This Week

The Federal Reserve is set to commence its July meeting this week. The Fed is not expected to raise rates again, however it may give further insight on the impact of further trade restrictions on its outlook for the economy.

## Past Week's Releases

	Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M	7/23/18	Existing Home Sales	Jun	5.44M	5.43M	5.38M	Sales were flat though prices and the number of houses on the market increased
W	7/25/18	New Home Sales	Jun	689K	668K	631K	Sales decreased in all regions except the Northeast
Th	7/26/18	Jobless Claims	Jul 21	207K	219K	217K	Jobless claims decreased and remain at historic lows
F	7/27/16	GDP	Q2 1 <sup>st</sup>	2.0%	4.2%	4.1%	GDP increased, driven by consumer spending and net exports
F	7/27/16	GDP Deflator	Q2 1 <sup>st</sup>	2.2%	2.2%	3.0%	
F	7/27/18	Consumer Sentiment	Jul	97.1	97.1	97.9	Consumer sentiment increased, while price data decreased

Actual < Expected

Actual > Expected

◆ Leading Indicator

## Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25058	25451	1.57%	4.69%
S&P 500	2801.8	2818.8	0.61%	5.57%
USD*	94.48	94.67	0.20%	4.82%
10-Year Treasury*	2.89%	2.95%	0.06%	-0.01%

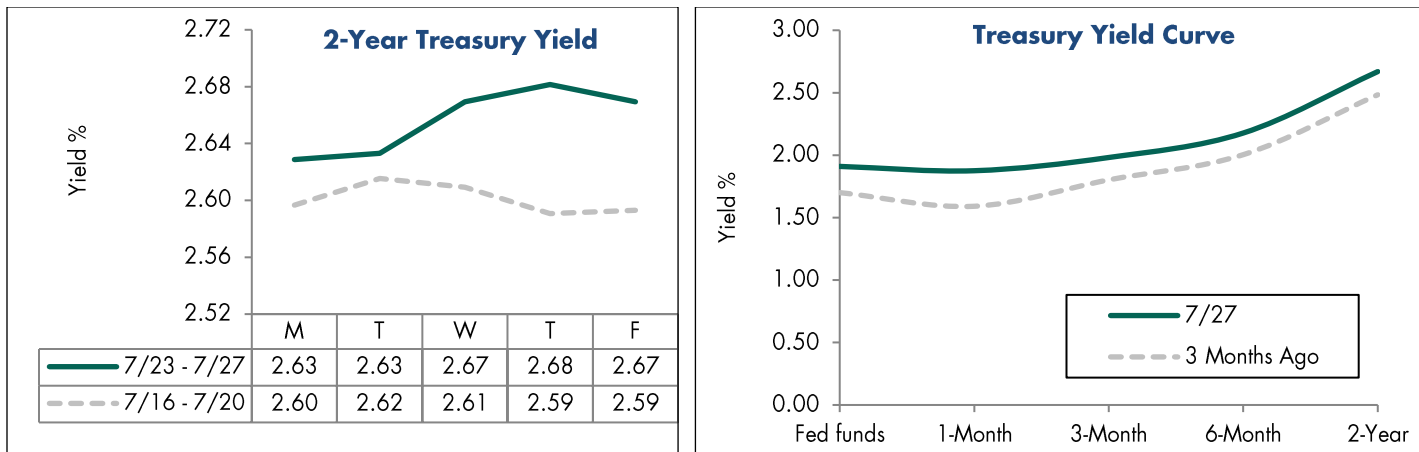
\*ICE U.S. Dollar Index Spot Price

\*Absolute change in yield over specified period

## Upcoming Releases

	Date	Indicator	Period	Prev.	Exp.
T	7/31/18	Personal Income	Jun	0.4%	0.4%
T	7/31/18	Consumer Spending	Jun	0.2%	0.4%
T	7/31/18	Consumer Confidence	Jul	126.4	126.5
W	8/1/18	ISM Manufacturing	Jul	60.2	59.4
Th	8/2/18	Jobless Claims	Jul 28	217K	218K
F	8/3/18	Trade Balance	Jun	-\$43.1B	-\$46.1B
F	8/3/18	Nonfarm Payrolls	Jul	213K	190K
F	8/3/18	Unemployment Rate	Jul	4.0%	3.9%

## Yield Curve Highlights



## Detailed Economic Releases

7/23/2018	Prev.	Exp.	Act.
Existing Home Sales	5.44M	5.43M	5.38M

Existing home sales for June decreased by 0.6% month-on-month, coming in below the consensus at 5.38M. However, median prices were up by 4.5% to \$276,900, with a 5.2% increase year-on-year. In addition, the number of homes on the market rose by 4.3% to a median value of 1.95 million and inventories increased from 4.1 months to 4.3 months based on the current pace of sales.

**Summary: Existing home sales were flat, though buyers and sellers will be pleased to hear that median prices increased and the number of houses on the market increased.**

7/25/2018	Prev.	Exp.	Act.
New Home Sales	689K	668K	631K

New home sales decreased by 5.3% and came in below expectations at 631K. In the West, new home sales decreased by 5.2%, with a year-on-year decrease of 15%. Midwest and South sales were also down by 13.4% and 7.7%, respectively. Sales in the Northeast, which is typically a small market for new home sales, increased by 37% on the month, for a 21% overall increase year-on-year. Unfavorable mortgage rates and a lack of skilled construction labor and materials are two possible causes of slow growth in existing and new home sales.

**Summary: New home sales came in below expectations, driven by weak markets in the West, Midwest and South, only slightly offset by increased sales in the Northeast.**

7/26/2018	Prev.	Exp.	Act.
Jobless Claims	207K	219K	217K

Jobless claims of 217K for the week suggest that employers are retaining workers. Continuing claims also fell by 8,000 to 1.745 million, though the four-week average rose by 10,000 to 1.746 million. Despite this slight increase, all indicators remain at historic lows.

**Summary: Both jobless claims and continuing claims decreased for the week.**

7/27/2018	Prev.	Exp.	Act.
GDP	2.0%	4.2%	4.1%
GDP Deflator	2.2%	2.2%	3.0%

GDP rose to a 4.1% annualized rate, driven by a 4% increase in consumer spending, with spending on services and spending on goods accounting for 1.5 points and 0.6 points of growth, respectively. Net exports were the second largest contributor to GDP growth, with increases in exports offsetting slight increases in imports. Inventories fell by \$27.9 billion leading to a decrease in GDP by 1.0 points, though this has potential to be a positive for next quarter. Not accounting for inventories, GDP would come in at 5.1%. The GDP Deflator also came in above expectations at 3.0%. This report suggests the possibility of overheating and is supported by near record high levels of delivery delays and input costs.

**Summary: GDP came in at 4.1% driven largely by increased consumer spending and net exports.**

7/26/2018	Prev.	Exp.	Act.
Consumer Sentiment	97.1	97.1	97.9

Consumer sentiment rose 0.8 above expectations to 97.9 for the month of June. Consumer sentiment was lower in June because of expectations in the lead up to the trade-war but increased by 1.0 in July. Current conditions decreased by 2.1 points to 114.4, however, implying a slightly weaker month in terms of consumer spending. This report also demonstrated a decrease in price data, with expectations for full-year inflation down 0.1 from June and with the five-year rate down 0.2.

**Summary: Increased consumer sentiment and decreases in price data constitute a good report and a healthy consumer.**

## About Us

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