

Top Headline: Trade Talks Renewed

Amidst the escalating trade tensions between the U.S. and China, Chinese Vice Commerce Minister Wang Shouwen and U.S. Treasury undersecretary David Malpass have agreed to sit down and renew negotiations. Expectations for the meeting are low; China was reluctant to send a top official in fear of getting nothing out of the talks. However, an open dialogue offers a potential reprieve from further escalation. As it stands, the U.S. is set to implement 25% tariffs on \$16 billion of additional goods starting Thursday, and is set to release a list of an additional \$200 billion in goods it may potentially target.

Other News

As of last Monday, the Turkish Lira had fallen 6.6% lower to 6.88 compared to the U.S. dollar, and has fallen by more than 40% this year. Because of the declining Lira, Turkish companies' energy prices have risen. To put this in perspective, oil is now 7% more expensive for international traders, but 73% more expensive for Turkish buyers. Politics, economic vulnerabilities such as foreign-currency debt, a current-account deficit and increased borrowing costs, increasing energy prices, and the trade spat with the U.S. all make Turkey a serious cause for concern in the global financial markets.

On Tap This Week

This week is highlighted by the trade talks and minutes from the most recent FOMC meeting.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
W 8/15/18	Retail Sales	Jul	0.2%	0.1%	0.5%	Sales beat expectations, bolstered by rebound in energy prices
W 8/15/18	Sales Less Autos	Jul	0.2%	0.4%	0.6%	
W 8/15/18	Industrial Production	Jul	1.0%	0.3%	0.1%	Manufacturing production fails to meet expectations
W 8/15/18	Capacity Utilization	Jul	78.1%	78.2%	78.1%	
Th 8/16/18	Housing Starts♦	Jul	1173K	1273K	1168K	Starts are down while increases in permits reflect a lack of resources inhibiting starts
Th 8/16/18	Building Permits♦	Jul	1273K	1308K	1311K	
Th 8/16/18	Initial Jobless Claims♦	Aug 11 th	213K	215K	212K	Jobless claims remain at record lows

Actual < Expected Actual > Expected ♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25313	25669	1.41%	3.87%
S&P 500	2833.3	2850.1	0.59%	4.78%
USD*	96.36	96.10	-0.27%	2.82%
10-Year Treasury*	2.87%	2.86%	-0.01%	-0.24%

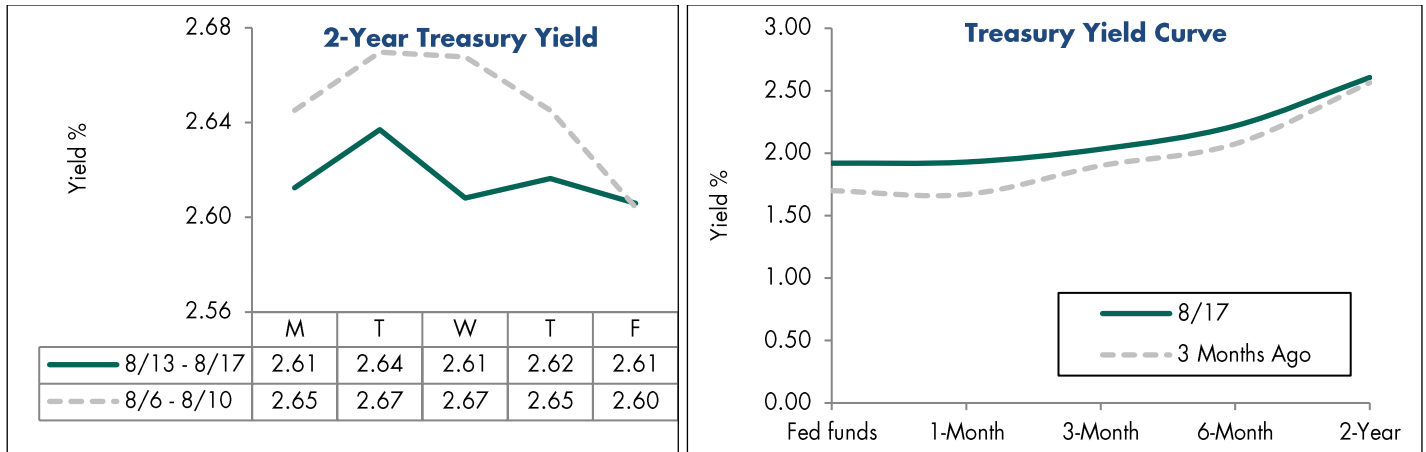
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
W 8/22/18	Existing Homes	July	5.38M	5.42M
Th 8/22/18	New Home Sales	July	631K	649K
Th 8/22/18	Initial Jobless Claims♦	Aug 18 th	212K	215K

Yield Curve Highlights



Detailed Economic Releases

8/15/2018	Prev.	Exp.	Act.
Retail Sales	0.2%	0.1%	0.5%
Sales Less Autos	0.2%	0.4%	0.6%

Total sales and sales less autos rose an unexpected amount in June, supported by a surge in gas and general merchandise sales. Gas sales have surged over the past year, as a rebound in energy prices has led to a 20% increase from June 2017 levels. Higher retail sales are in line with high consumer confidence and continued improvements in the labor market. Strength in sales was also seen at health and personal care stores, e-commerce, and restaurant sales.

Summary: Retail sales beat expectations, bolstering expectations for consumer spending in the third quarter.

8/15/2018	Prev.	Exp.	Act.
Industrial Production	1.0%	0.3%	0.1%
Capacity Utilization	78.1%	78.2%	78.1%

Manufacturing production increased by 0.3% in July, a significant reduction from the prior month's growth of 0.8%. Pulling down the headline number was a third straight decline for utility production as well as a rare 0.3% drop-off in mining activity. In the second half of the report, capacity utilization was deemed unchanged from the month prior at 78.1%.

Summary: Increases in manufacturing production were below expectations.

8/16/2018	Prev.	Exp.	Act.
Housing Starts	1158K	1271K	1168K
Building Permits	1292K	1307K	1311K

Housing starts fell even further in July and came in lower than the bottom end of expectations for the month at 1168K. Year-on-year, starts are 1.4% down, completions are down 0.8%, and homes not started is up 23.2%. Negative factors include lack of labor and high costs for lumber. Permits, however, increased by 1.5% month-on-month to 1311K. Year-on-year, permits have increased by 4.2% due to an increase in single-family home permits of 6.4% and an increase in multi-family permits of 0.2%.

Summary: Housing starts are down, though the increase in permits is a positive which highlights the lack of labor and resources inhibiting construction.

8/16/2018	Prev.	Exp.	Act.
Initial Jobless Claims	213K r↑	215K	212K

Jobless claims decreased by 2,000 for the week of August 11th to 212K which is just below the consensus range. Though the 4-week average is slightly higher than this week's jobless claims, this average is still lower than the month-ago average suggesting a positive employment report for August.

Summary: Jobless claims continue to fall reflecting strong demand for labor.

About Us

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Matthew Paniati
Research Analyst

Katja Dunlap
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