

Top Headline: Trade War Continues

The White House sent an invitation to China to re-open trade discussions this week. This comes on the heels of the White Houses' announcement that it intends to impose tariffs on an additional \$200 billion of Chinese exports. They expect the tariff rate to be set at 10%, significantly less than the 25% level initially thrown out by the administration. The talks hold out a relatively slim potential of averting those tariffs. As is, it's uncertain whether the Chinese will accept invitations for further talks. The country is on the back foot due to a slow down in domestic investment, however they have expressed limited willingness to negotiate on the backdrop of renewed threats.

Other News

The University of Michigan's consumer sentiment index released this Friday showed that sentiment hit its second-highest level since 2004. From July to August, sales at U.S. retail stores increased by 0.1%. The index came in at 100.8, which is most closely similar to levels seen in 1966. In contrast, both producer and consumer price index numbers showed that inflation slowed in August. Neither of these developments are likely to materially impact the outlook for monetary policy. It's almost certain that the Fed will raise rates at its meeting next week.

On Tap This Week

This upcoming week is highlighted by ongoing conversations amidst European Union leaders regarding Brexit.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M 9/10	Consumer Credit	Jul	\$10.2B	\$13.9B	\$16.6B	Strong credit reflected healthy employment levels.
W 9/12	PPI	Aug	0.0%	0.2%	-0.1%	Producer prices were mostly unchanged despite inflationary pressures.
W 9/12	Core PPI	Aug	0.1%	0.2%	-0.1%	
Th 9/13	CPI	Aug	0.2%	0.3%	0.2%	Consumer inflation also remained low due to lower medical costs and apparel prices.
Th 9/13	Core CPI	Aug	0.2%	0.2%	0.1%	
Th 9/13	Initial Jobless Claims♦	9/8	203K	210K	204K	Jobless claims remain at historic lows.
F 9/14	Industrial Production	Aug	0.1%	0.3%	0.4%	Mining and utilities were strong, but weak manufacturing results pulled down the report.
F 9/14	Capacity Utilization	Aug	78.1%	78.2%	78.1%	
F 9/14	Retail Sales	Aug	0.7%	0.4%	0.1%	Despite a weak month in terms of sales, July's revised numbers balances out the report.
F 9/14	Sales Less Autos & Gas	Aug	0.9%	0.5%	0.2%	
F 9/14	Consumer Sentiment	Sep	96.2	97.0	100.8	Improved expectations and current conditions boosted consumer sentiment.

Actual < Expected

Actual > Expected

♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25917	26155	0.92%	4.24%
S&P 500	2871.7	2905.0	1.16%	4.51%
USD*	95.37	94.93	-0.46%	0.15%
10-Year Treasury*	2.94%	3.00%	.06	.08

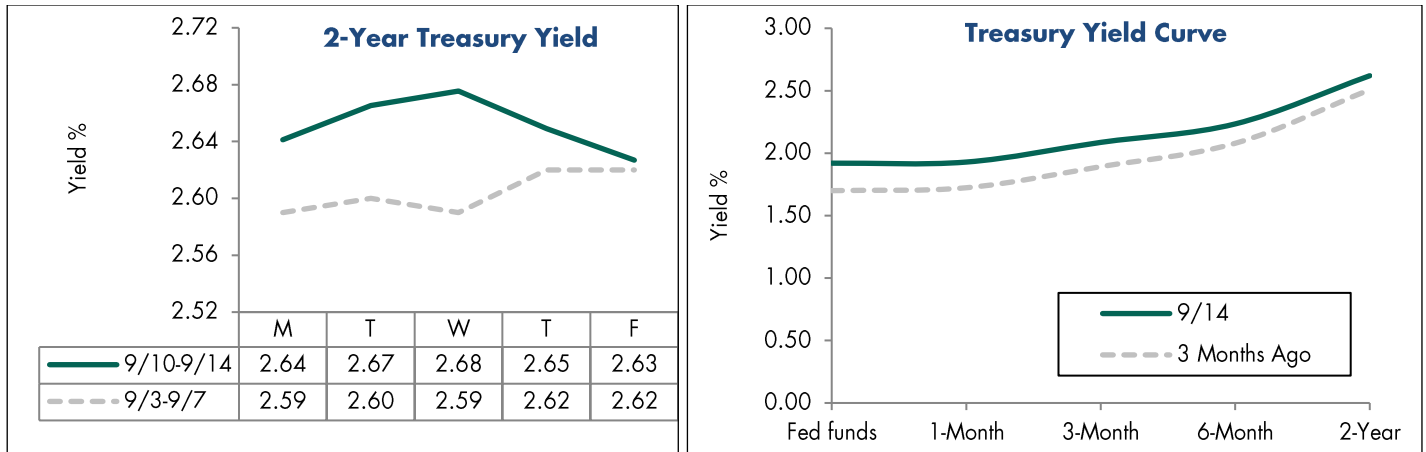
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
W 9/19	Housing Starts	Aug	1.168M	1.240M
W 9/19	Housing Permits	Aug	1.311M	1.320M
Th 9/20	Jobless Claims	9/15	204K	210K
Th 9/20	Existing Home Sales	Aug	5.340M	5.360M

Yield Curve Highlights



Detailed Economic Releases

9/10/2018	Prev.	Exp.	Act.
Consumer Credit	\$10.2B	\$13.9B	\$16.6B

Consumer credit was above expectations at \$16.6 billion, up from June’s revised \$8.5 billion. Revolving credit rose by \$1.3 billion in July after having fallen by \$1.2 billion in June, while nonrevolving credit grew substantially from \$9.6 billion in June to \$15.4 billion in July.

Summary: Strong credit reflected a healthy economy and employment levels, supported by consistent revolving credit and increased nonrevolving credit.

9/12/2018	Prev.	Exp.	Act.
PPI	0.0%	0.2%	-0.1%
Core PPI	0.1%	0.2%	-0.1%

Both producer prices and core producer prices fell from July levels and came in at or below the low end of expectations at -0.1% each. Food prices decreased by 0.6%, energy rose by 0.4%, trade services decreased by 0.9%, construction rose by 0.1%, and passenger cars rose by 0.7%. Despite generally minimal price changes, tariff-impacted areas continue to show the effects of pressure with steel mill products and aluminum mill shapes prices up 18.6% and 14.0% on the year.

Summary: Mostly unchanging prices despite growing inflationary pressure on wages.

9/13/2018	Prev.	Exp.	Act.
CPI	0.2%	0.3%	0.2%
Core CPI	0.2%	0.2%	0.1%

Consumer prices remained low due to declines in medical and apparel prices, and only a slight uptick in prices of food. Both consumer prices and core consumer prices came in slightly below expectations, with year-on-year changes decreasing after peaking in July. Housing, which accounts for 40% of the index, rose by 0.3% month-on-month and 2.9% year-on-year. Energy is also up by 1.9% month-on-month and 10.2% year-on-year, though it accounts for less than 10% of the index.

Summary: Consumer inflation remained low despite rising housing and energy prices.

9/13/2018	Prev.	Exp.	Act.
Initial Jobless Claims	205Kr	210K	204K

Jobless claims came in at another historic low of 204K following last months result of 205K. The four-week average of 208K also is at a record low for the last 50 years.

Summary: Jobless claims continue to remain at record lows, indicating a strong month for employment and wage growth.

9/14/2018	Prev.	Exp.	Act.
Industrial Production	0.1%	0.4%	0.4%
Capacity Utilization	78.1%	78.3%	78.1%

Mining and utilities production level increases offset decreases in manufacturing to round out industrial production to 0.4%. Mining rose by 0.7% and utilities rose by 1.2%, while manufacturing production growth fell slightly from 0.3% to 0.2% month-on-month. In addition, auto production increased by 4.0% in August.

Summary: While mining and utilities production were strong, manufacturing levels were relatively flat despite strong readings from sample reports.

9/14/2018	Prev.	Exp.	Act.
Retail Sales	0.7%	0.4%	0.1%
Sales Less Auto & Gas	0.9%	0.4%	0.2%

Weak retail sales for the month of August were offset by upwardly revised numbers for July. Retail sales and sales less auto and gas came in below expectations at 0.1% and 0.2%, respectively. The low numbers are attributed to a 0.8% decline in auto sales, 1.7% decline in apparel stores, 1.0% decline in department stores, and a 0.3% decline at furniture stores. On the other hand, non-store retailers saw sales increase by 0.7%, gas station sales increased by 1.7%, and restaurants increased by 0.2%. Despite a weak monthly report, year-on-year sales are strong with 6.6% growth, just slightly down from July's 6.7% growth.

Summary: August sales were relatively slow due to decreased sales from in-store locations, which may have negative implications for residential investment.

9/14/2018	Prev.	Exp.	Act.
Consumer Sentiment	96.2	97.0	100.8

Consumer sentiment increased significantly month-on-month from 96.2 to 100.8, supported by better forward-looking expectations as well as an increase of 6 points to 116.1 in current conditions, both of which portend well for consumer spending numbers. In addition, major socio-economic subgroups are strong, though 1/3 respondents reported being concerned about tariffs, compared to 1/5 in the prior month.

Summary: Consumer sentiment jumped month-on-month due to improved expectations and current conditions.

About Us

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