

Top Headline: NAFTA 2.0

On Tuesday of last week, the U.S. and Mexico agreed to a new trade agreement to potentially take the place of NAFTA. The deal sets up some more stringent requirements for automobiles sold in the U.S. and Mexico. Namely, 75% of the value added to each vehicle must take place in either the U.S. or Mexico, 45% of a vehicle's value must be made in areas in which workers are paid at least \$16 an hour, and there must be an increased effort to source input materials from both countries. Though the U.S. and Canada did not meet the Friday deadline set by the Trump administration, the countries agreed to continue talks in hopes of reaching an agreement.

Other News

Bank of England Governor Mark Carney signaled that he would be willing to extend his term beyond its scheduled end in 2019 in order to provide greater stability to the Brexit transition. His term is set to end next June, only three months after a potential exit from the EU. Mr. Carney had previously expressed concerns over how Brexit has been proceeding, saying that there is a "uncomfortably high" chance of a deal not being reached before the deadline. As such, he framed his offer to stay on past June 2019 as a way to ease potential instabilities that may stem from an unorderly Brexit.

On Tap This Week

This week is highlighted by employment data for August, which is expected to be strong.

Past Week's Releases

	Date	Indicator	Period	Prev.	Exp.	Act.	Comment
T	8/28/18	Consumer Confidence♦	Aug	127.4	126.8	133.4	Consumer confidence was at the most positive level seen since 2000.
W	8/29/18	GDP	Q2 2 nd	4.1%	4.0%	4.2%	GDP growth stemmed from demand for labor, tax cuts, and increased business spending.
W	8/29/18	GDP Deflator	Q2 2 nd	3.0%	3.0%	3.0%	
Th	8/30/18	Initial Jobless Claims♦	Aug 25 th	210K	214K	213K	Jobless claims remain at record lows.
Th	8/30/18	Personal Income	Jul	0.4%	0.3%	0.3%	Both indicators met expectations and remain stable and healthy for the month.
Th	8/30/18	Consumer Spending	Jul	0.4%	0.4%	0.4%	
F	8/31/18	Consumer Sentiment	Aug	95.3	95.5	96.2	Consumer sentiment fell slightly month-on-month.

Actual < Expected

Actual > Expected

♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25790	25965	0.68%	6.34%
S&P 500	2874.7	2901.5	0.93%	7.25%
USD*	95.15	95.14	-0.01%	1.24%
10-Year Treasury*	2.81%	2.86%	0.05%	0.00%

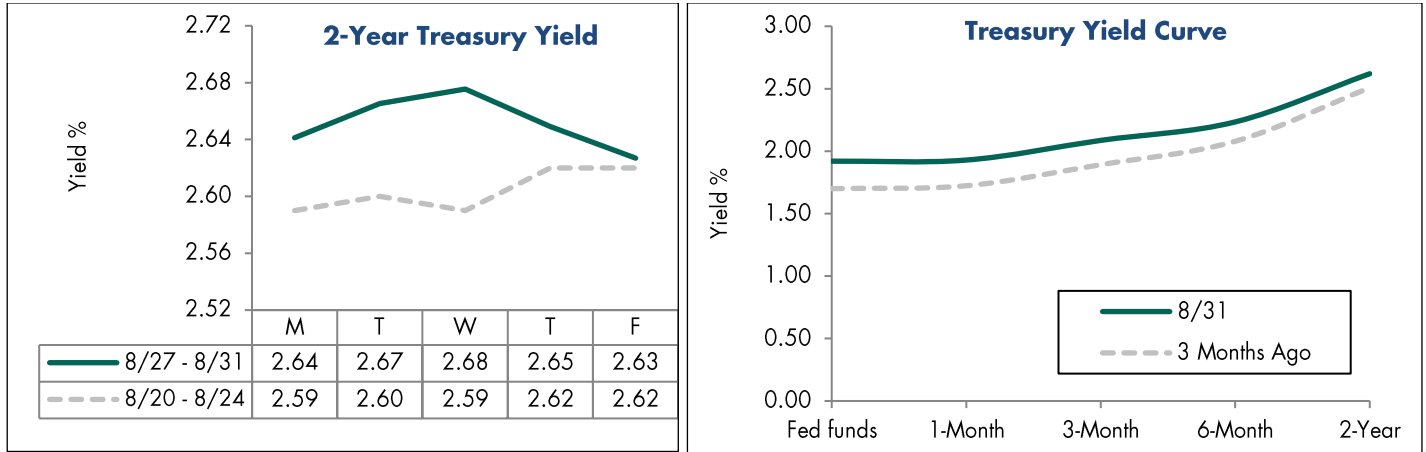
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

	Date	Indicator	Period	Prev.	Exp.
T	9/4/18	ISM Manufacturing	Aug	58.1	57.7
W	9/5/18	Trade Deficit	Jul	\$46.3B	\$50.2B
Th	9/6/18	Initial Jobless Claims♦	Sep 1 st	213K	213K
Th	9/6/18	Nonfarm Productivity	Q2 2 nd	2.9%	3.0%
Th	9/6/18	Unit Labor Costs	Q2 2 nd	-0.9%	-1.0%
Th	9/6/18	ISM Non-Manufacturing	Aug	55.7	56.8
F	9/7/18	Nonfarm Payrolls	Aug	157K	195K
F	9/7/18	Unemployment Rate	Aug	3.8%	3.9%

Yield Curve Highlights



Detailed Economic Releases

8/28/2018	Prev.	Exp.	Act.
Consumer Confidence	127.4	126.8	133.4

Consumer sentiment easily topped expectations for the month at 133.4. In fact, this is the most positive result since October of 2000. The percentage of people who said it is hard to get a job also fell from an already low 14.8% to 12.7%. In addition, the outlook on income improved with optimists increasing to 25.5% and pessimists decreasing to 7.0%. As a result, the present situation index and the expectations index rose to 172.2 and 107.6, respectively. Year-ahead inflation expectations decreased by 0.2% to 4.8%, and 69.4% of respondents expect inflation rates to move higher. Buying plans are strong across the board in autos, homes and major appliances.

Summary: Consumer confidence is at strong levels along with all other indicators in the report.

8/29/2018	Prev.	Exp.	Act.
GDP	4.1%	4.0%	4.2%
GDP Deflator	3.0%	3.0%	3.0%

GDP came in above expectations at 4.2% due to a decrease in consumer spending and residential investment offset by favorable revisions in nonresidential fixed investment, government purchases, inventories and net exports. Consumer spending was revised from 4.0% in the first estimate to 3.8% due to decreased spending in durables and nondurables. Residential investment also fell from the first estimate of 1.1% to 1.6%, though nonresidential fixed investment was upgraded by 1.2% to 8.5%. Inventories and net exports subtracted less than previously estimated, and government purchases were upgraded by 0.2% to a 2.3% growth rate.

Summary: Overall, the second quarter was led by strong consumer spending stemming from strong demand for labor, the tax cut, and increased business spending.

8/30/2018	Prev.	Exp.	Act.
Initial Jobless Claims	210K	214K	213K

Jobless claims continue to remain stable, coming in slightly below expectations at 213K. The four-week average also fell by 1,500 to 212,250, the lowest report since December 1969. This average comes in 5,000 below the average one month ago, suggesting more positive results for next week's employment report. Continuing claims also fell by 20,000 to 1.708 million.

Summary: Jobless claims remain at record lows and reflect strong demand for labor.

8/30/2018	Prev.	Exp.	Act.
Personal Income	0.4%	0.3%	0.3%
Consumer Spending	0.4%	0.4%	0.4%

Both indicators met expectations with personal income growing 0.3% and consumer spending growing 0.4%. Wages and salaries both rose by 0.4%, while the savings rate decreased by 0.1% to a still strong 6.7%. Despite this good news, real disposable income only increased by 0.2% in July, which is expected to limit the strength of consumer spending in the future.

Summary: Personal income and consumer spending both met expectations and inflation readings were on target.

8/31/2018	Prev.	Exp.	Act.
Consumer Sentiment	95.3	95.5	96.2

Though consumer sentiment was slightly higher than the top end of expectations at 96.2 and is higher than the mid-month report of 95.3, the indicator is still lower than July's strong 97.9. Current conditions fell 4.1 points to 110.3 for the month, and as a result dragged down the rating. Expectations for consumer spending were also lower at 87.1, and expectations for inflation were up by 0.1% to 3.0% at a four-year high.

Summary: Consumer sentiment declined slightly month-on-month because of a drop in current conditions and expectations for consumer spending.

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