

Top Headline:

The U.S. and Canada struck a deal late Sunday night, creating the USMCA, which will need to be ratified by Congress next year. The deal includes a 16-year sunset clause, exchange-rate curbs which would prohibit countries from artificially weakening their currency, the ability to implement tariff reviews on other countries, and tariff relief for Canada and Mexico. It also changes some of the rules for the auto industry, requiring a greater amount of the input labor to be relatively high wage in order to qualify for duty free sale.

Other News

Optimism resulting from relaxed trade tensions and strong economic data resulted in a boost to the yield on the 10-year U.S. Treasury note on Tuesday from 3.06% to 3.16%, returning it to its highest level since 2011. The yield on the two-year Treasury note also rose from 2.815% to 2.860% on Tuesday.

On Tap This Week

On Wednesday and Thursday of this week the U.S. Labor Department will release September's producer price index data and consumer price index data.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M 10/1	ISM Mfg Index	Sep	61.3	59.9	59.8	Report points to strong levels of activity
W 10/3	ISM Non-Mfg Index	Sep	58.5	58.0	61.6	Business activity hits 14-year high; employment levels robust
Th 10/4	Jobless Claims♦	Oct 4 th	215K	213K	207K	Claims remain extremely low
F 10/5	Nonfarm Payrolls	Sept	214K	213K	207K	Payrolls remained strong while the unemployment rate fell
F 10/5	Unemployment Rate	Sept	3.9%	3.8%	3.7%	
F 10/5	Trade Deficit	Aug	\$-50.1B	\$-53.7B	\$-53.2B	Deepening net exports is expected to have a substantially negative effect on third quarter GDP
F 10/5	Consumer Credit	Aug	\$16.6B	\$15.0B	\$20.1B	Increased numbers reflect growth in nonrevolving and revolving credit

Actual < Expected

Actual > Expected

♦Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	26458	26447	-0.04%	8.14%
S&P 500	2914.0	2885.6	-0.97%	4.56%
USD*	95.13	95.62	0.52%	1.77%
10-Year Treasury*	3.06%	3.23%	0.17%	0.41%

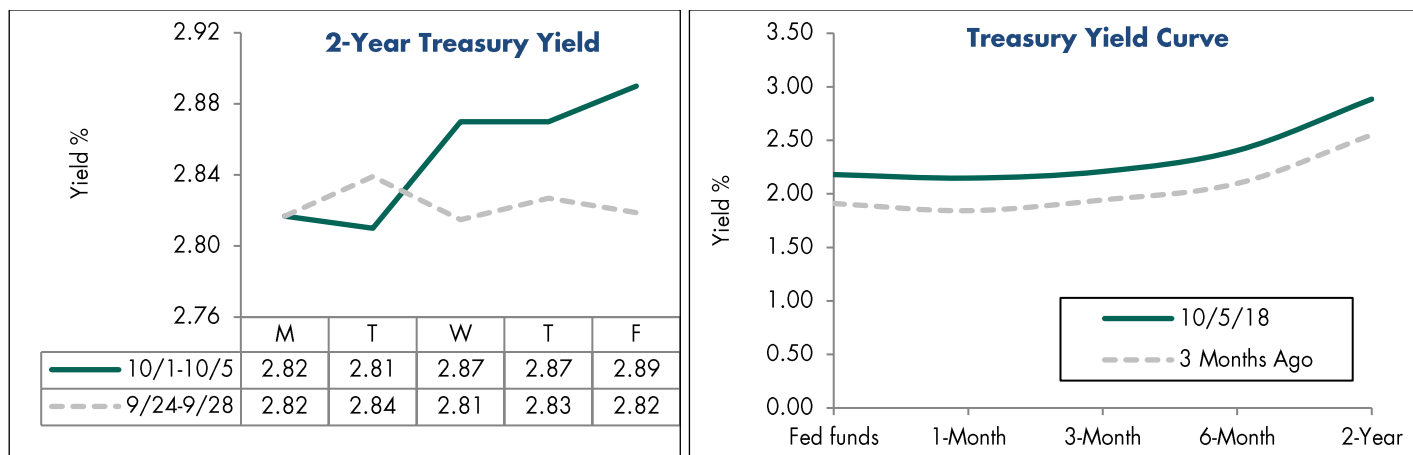
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
W 10/10	PPI	Sep	-0.1%	0.2%
W 10/10	Core PPI	Sep	0.1%	0.2%
Th 10/11	CPI	Sep	0.2%	0.2%
Th 10/11	Core CPI	Sep	0.1%	0.2%
Th 10/11	Jobless Claims♦	Oct 6	207K	209K

Yield Curve Highlights



Detailed Economic Releases

10/1/2018	Prev.	Exp.	Act.
ISM Manufacturing	61.3	59.9	59.8

ISM Manufacturing came in in line with consensus, supported by new orders above 60, and backlogs at 55.7. Production increased, though there was stress on capacity reflected by higher delivery times and input costs. Despite these drawbacks, inventories of raw materials and finished goods both increased.

Summary: The ISM Manufacturing Index was strong once again in September, despite declining slightly from August’s level.

10/3/2018	Prev.	Exp.	Act.
ISM Non-Manufacturing	58.5	58.0	61.6

The ISM Non-Manufacturing index improved significantly from 58.5 to 61.6. This growth was led by a surge in business activity to a fourteen-year high of 65.2, along with a five-point jump in employment to 62.4. New orders, supplier delivery times, and backlog orders all point towards robust levels of demand, consistent with elevated growth levels and a tight labor market.

Summary: The ISM Non-Manufacturing Index reflects robust levels of activity in September, as the business activity component reached a fourteen-year high.

10/4/2018	Prev.	Exp.	Act.
Jobless Claims	215K	213K	207K

Jobless claims decreased month-over-month to a new eight-month low of 207K. The four-week average of initial claims rose slightly to 207K, while the four-week average of continuing claims declined to a forty-five year low of 1.67 million. Impacts from Hurricane Florence were minimal; claims in North Carolina fell by nearly 5,000 after spiking the week after the hurricane.

Summary: Jobless claims remain extremely low, as the impact of Hurricane Florence was minimal.

10/5/2018	Prev.	Exp.	Act.
Nonfarm Payrolls	270Kr	180K	134K
Unemployment Rate	3.9%	3.8%	3.7%

Hourly wages fell from 0.4% to 0.3% on the month, while nonfarm payroll growth came in strong but below expectations at 134K. Manufacturing jobs increased by 18,000, and construction and mining were up 23,000 and 5,000 respectively. Additionally, trade & transportation and professional services both increased. Steady growth in wages and jobs available as well as a decrease in the number of people looking for a job are all positive indicators.

Summary: Nonfarm payrolls were below expectations though still strong and the unemployment rate continued to fall, both positive indicators that the Fed will continue implementing gradual rate hikes.

10/5/2018	Prev.	Exp.	Act.
Trade Deficit	\$50.1B	\$53.7B	\$53.2B

The trade deficit widened for the month of August, from \$50.1B to \$53.2B. Exports fell by 1.0% in July, followed by a 0.8% decrease in August. While export of services grew by 0.3%, export of goods fell by 1.4%. The fall in goods was driven by weakness in exports of agricultural products which fell from \$13.2B in July to \$12.0B in August. Imported goods increased by 0.6%, driven by vehicles and imported consumer goods. Month-on-month, the deficit with China increased from \$36.8B to \$38.6B, the deficit with Mexico rose from \$5.5B to \$8.7B, and the deficit with Canada decreased slightly.

Summary: Tariffs have an uncertain impact on trade deficit but are expected to negatively impact third quarter GDP.

10/5/2018	Prev.	Exp.	Act.
Consumer Credit	\$16.6B	\$15.0B	\$20.1B

Consumer credit increased substantially month-on-month, from \$16.6B to \$20.1B. Nonrevolving and revolving credit both increased, driven by vehicle financing, student loan needs, and credit-card debt. Given the healthy economy, increased consumer spending and borrowing is a positive indicator.

Summary: Nonrevolving and revolving credit both rose on the month, serving as positive indicators of the health of the economy.

About Us

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