

## Top Headline: Brexit Deal Turmoil

On Wednesday of last week, Prime Minister Theresa May won cabinet approval for her Brexit deal. Her deal allows for the U.K. to maintain a close relationship with the EU while also taking control of its borders, which some criticize for not being reflective of a break from or staying in the EU. This first step cleared the path for the deal to be presented to EU leaders at a summit later this month, though May still needs to secure approval from the British Parliament. On Thursday, however, six government members resigned, raising the possibility that May will encounter a challenge to her leadership position. The British pound closed 1.67% lower at the end of the day.

## Other News

Concerns of oversupply sent U.S. oil prices down last week in the sharpest decrease seen in more than three years. Prices fell following OPEC's report that production increases in Russia and the group more than offset losses from Iran. Additionally, OPEC reported a decrease in expectations for demand growth for the remainder of this year and next. While Saudi Arabia's announcement last week that it would cut exports seemed to briefly alleviate concerns, President Trump's tweet pressuring Saudi Arabia not to cut exports lead to a further drop in prices.

## On Tap This Week

This week the U.S. Commerce Department releases housing starts and permits data as well as data on October durable goods orders.

## Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
W 11/14	CPI	Oct	0.1%	0.3%	0.3%	Energy prices lifted the report, though they are expected to fall over the month
W 11/14	Core CPI	Oct	0.1%	0.2%	0.2%	
Th 11/15	Jobless Claims	11/10	214K	214K	216K	Claims remain low indicating a tight labor market
Th 11/15	Retail Sales	Oct	0.1%	0.5%	0.8%	The report was strong, though control group sales which are inputs to personal consumption expenditures was only up by 0.3%
Th 11/15	Retail Less Auto & Gas	Oct	0.0%	0.4%	0.3%	
Th 11/15	Import Prices	Oct	0.5%	0.0%	0.5%	Prices of most finished goods were flat
Th 11/15	Export Prices	Oct	0.0%	0.1%	0.4%	
Th 11/15	Business Inventories	Sep	0.5%	0.3%	0.3%	Inventories grew at a healthy rate in line with sales
F 11/16	Industrial Production	Oct	0.3%	0.2%	0.1%	Manufacturing growth indicated a potential rebound in business investment

Actual < Expected

Actual > Expected

◆ Leading Indicator

## Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25989	25413	-2.22%	-1.00%
S&P 500	2781.0	2736.3	-1.61%	-3.99%
USD*	96.91	96.47	-0.45%	0.38%
10-Year Treasury*	3.18%	3.06%	-0.12%	0.20%

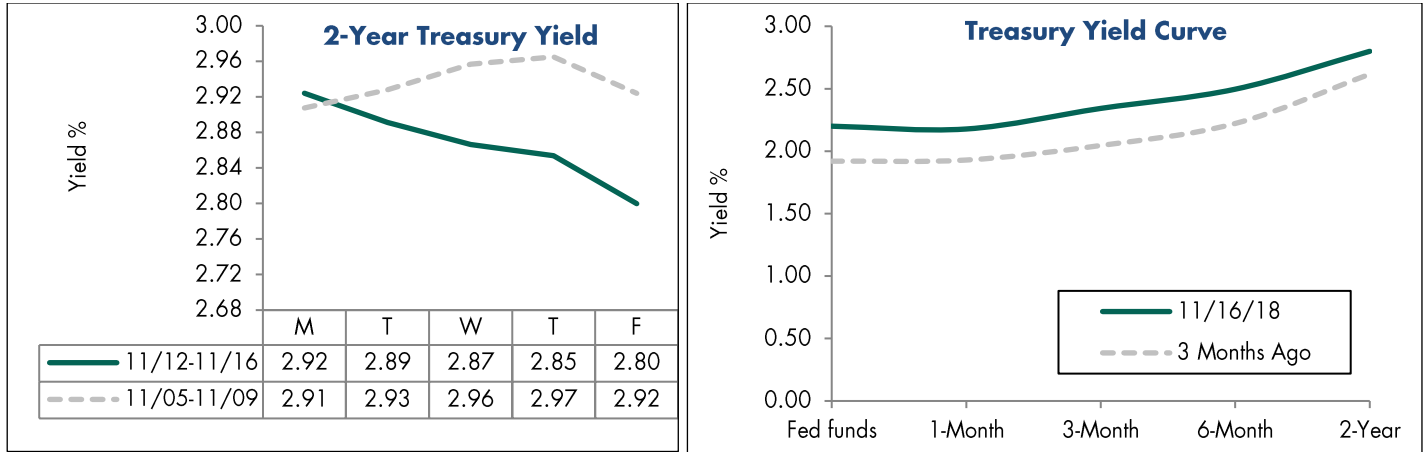
\*ICE U.S. Dollar Index Spot Price

\*Absolute change in yield over specified period

## Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 11/20	Housing Starts	Oct	1.201M	1.240M
T 11/20	Housing Permits	Oct	1.241M	1.260M
W 11/21	Durable Goods Orders	Oct	0.8%	-2.4%
W 11/21	Jobless Claims	11/17	216K	215K
W 11/21	Consumer Sentiment	Nov	98.3	98.3
W 11/21	Existing Home Sales	Oct	5.15M	5.20M

## Yield Curve Highlights



## Detailed Economic Releases

11/14/2018	Prev.	Exp.	Act.
CPI	0.1%	0.3%	0.3%
Core CPI	0.1%	0.2%	0.2%

CPI grew in line with expectations at 0.3% and Core CPI also rose to meet expectations at 0.2%. Much of this lift was due to increased energy prices, with gasoline prices having increased by 3.0% in October, though subsequently prices have fallen and are expected to be down in November. Housing price growth was moderate, with rents up only 2% and owners' equivalent rent up 0.3%. Food prices were down by 0.1% and new vehicle prices were down by 0.2%, though used vehicle prices were up by 2.6% and apparel was also up though only by 0.1%. Year-on-year CPI is up 2.5% while the core rate is up 2.1%.

**Summary: This overall subdued report was lifted by higher energy prices that are expected to fall over the month.**

11/15/2018	Prev.	Exp.	Act.
Jobless Claims	214K	214K	216K

Jobless claims rose by a mere 2K over the previous week to a level that continues to reflect a tight labor market. Continuing claims did move up, however, by 46K to 1.676 million with the four-week average up by 9K to 1.644 million.

**Summary: Despite the increase in continuing claims from what have been consistent 45-year lows, initial claims remain low indicating a tight labor market and high retention rates.**

11/15/2018	Prev.	Exp.	Act.
Retail Sales	0.1%	0.5%	0.8%
Retail Less Auto & Gas	0.0%	0.4%	0.3%

This report indicates strong consumer spending for the fourth quarter, though not quite as strong as the 0.8% growth in retail sales would suggest. Control group sales, which include important components to personal consumption expenditures and excludes categories that were particularly strong for the month, only rose by 0.3%. Indicators that are not in the control group and rose include autos up by 1.1%, building materials up by 1.0%, and gasoline up by 3.5%. Restaurant sales fell by 0.2%, on top of two previous months of declines. Consistent declines in restaurant sales, which can be a strong indicator of discretionary spending, suggests slowing consumer spending. Despite positive building material sales, furniture sales fell by 0.3%.

**Summary: The report is strong, though the headline number is somewhat misleading. Control group sales include important indicators for personal consumption expenditures, but exclude autos, building materials and gasoline, which were especially strong in October.**

11/15/2018	Prev.	Exp.	Act.
Import Prices	0.5%	0.1%	0.5%
Export Prices	0.0%	0.1%	0.4%

Import prices rose by 0.5% and export prices rose by 0.4%, both significantly above expectations. Import prices were largely boosted due to petroleum prices, up by 2.8% on the month. Excluding petroleum prices, however, import prices were only up by 0.2%. With regards to export prices, agriculture prices fell by 0.3% on the month and by 4.5% on the year. This drop compares to an overall yearly increase in export prices of 3.1% and a 3.9% increase when excluding farm products. Import prices for farm products rose by 2.2% on the month. Prices for most finished goods including capital goods, consumer goods and autos were either flat or almost completely flat and had little effect on prices.

**Summary: Despite implications of increases in import and export prices, mostly flat prices of finished goods reflects globally moderate price pressures.**

11/15/2018	Prev.	Exp.	Act.
Business Inventories	0.5%	0.3%	0.3%

Business inventories increased by 0.3% in September, just below the previous month's rate of 0.5%. Inventories at manufacturers rose by 0.5%, inventories at wholesalers rose by 0.4%, and inventories at retailers rose by 0.1%. Given sales' slightly higher rate of 0.4% in September, inventories are likely to continue to rise to match this level. This expectation also stems from signs of lagging inventories reflected in the year-on-year sales to inventories ratio. Inventories contributed a significant 2.1 points to the 3.5% third-quarter GDP growth rate.

**Summary: Inventories continue to grow at a healthy rate mostly in line with sales, contributing significantly to third-quarter GDP.**

11/15/2018	Prev.	Exp.	Act.
Industrial Production	0.2%	0.2%	0.1%

Production fell slightly below expectations but was still healthy at 0.1%. Utility output was down by 0.5% due to outages affecting 1.7 million electricity customers following Hurricane Michael, and mining was down 0.3%. The decline in utility production is more in line with the year-on-year increase of 1.7%, unlike the year-on-year mining rate of 13.1%. Manufacturing grew in line with expectations at 0.3%, with production of business equipment and construction supplies up 0.8% and 0.6%, respectively. Manufacturing was pulled down by a 2.8% decline in motor vehicles and no change in the hi-tech component. Overall capacity utilization came in above expectations on the back of a positively revised September report.

**Summary: Hurricane effects brought down production slightly, though manufacturing growth was positive and suggested a potential rebound in business investment and increased demand in construction.**

## About Us

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