

## Top Headline: Oil Production Cut

On Friday, OPEC and Russia agreed to jointly cut production by 1.2 million barrels per day with OPEC cutting 800K per day and Russia cutting the remainder. In response, crude rose 2.2% to \$52.61 and Brent rose by 2.7% to \$61.67 a barrel. Iran will not participate in production cuts given that their oil industry is already facing pressure from U.S. sanctions. Friday's deal may be adjusted if the U.S. makes any changes to sanctions on Iran and once waivers allowing countries to temporarily continue trade with Iran expire.

## Other News

Meng Wanzhou, CFO and potential successor to the telecommunications company Huawei, was arrested in Canada on Thursday at the order of U.S. authorities and is facing possible extradition to the U.S. Wanzhou's arrest was linked to the U.S. investigation into whether or not Huawei violated sanctions on sales to Iran. Just the previous weekend President Jinping and President Trump had agreed to a temporary truce of their trade war.

## On Tap This Week

This week is highlighted by inflation data released on Wednesday and consumer spending data released on Friday.

## Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M 12/3	ISM Mfg Index	Nov	57.7	57.2	59.3	New orders were up extending one of the longest runs in history to a year and a half
M 12/3	Construction Spending	Oct	-0.1% r↓	0.3%	-0.1%	Spending fell for the third consecutive month and for the fourth time in the last five months
W 12/6	ISM Non-Mfg Index	Nov	60.3	59.0	60.7	New orders and backlogs increased
Th 12/6	Initial Jobless Claims ♦	12/1	235K r↑	225K	231K	Claims fell slightly though not as much as expected but remain strong
Th 12/7	Nonfarm Payrolls	Nov	237K r↓	190K	155K	Payrolls and earnings increased
Th 12/7	Unemployment Rate	Nov	3.7%	3.7%	3.7%	
F 12/7	Consumer Sentiment ♦	Dec	97.5	97.4	97.5	Current conditions lifted consumer sentiment despite a decrease in the expectations component

Actual < Expected     
 Actual > Expected     
 ♦ Leading Indicator

## Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25539	24389	-4.50%	-5.89%
S&P 500	2760.2	2633.0	-4.60%	-8.31%
USD*	97.27	96.51	-0.78%	1.20%
10-Year Treasury*	2.99%	2.85%	-0.14%	-0.09%

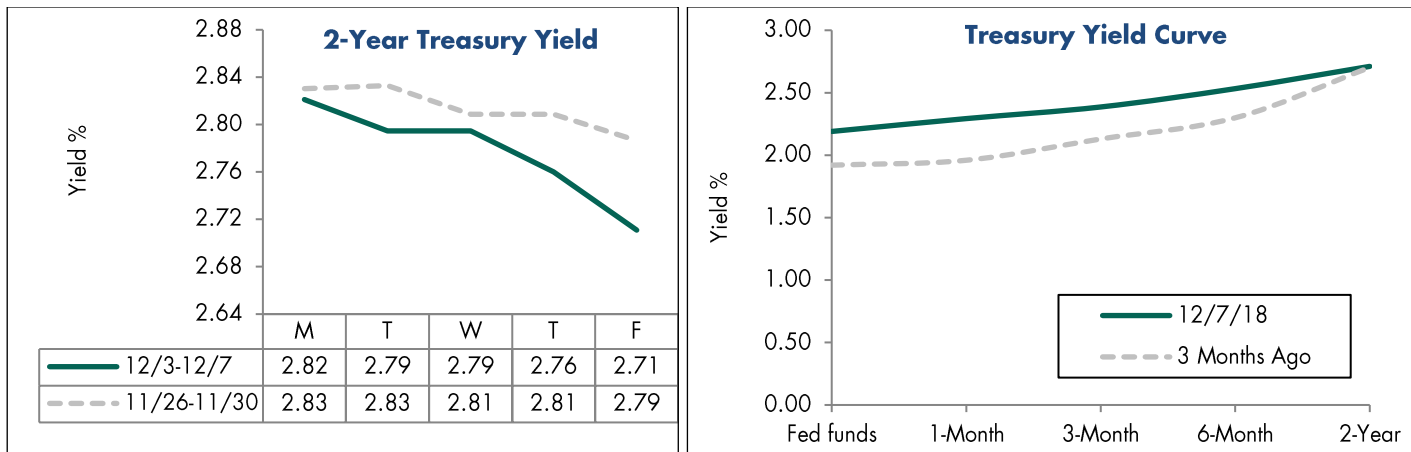
\*ICE U.S. Dollar Index Spot Price

\*Absolute change in yield over specified period

## Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 12/11	PPI	Nov	0.6%	0.0%
T 12/11	Core PPI	Nov	0.5%	0.1%
W 12/12	CPI	Nov	0.3%	0.0%
W 12/12	Core CPI	Nov	0.3%	0.2%
Th 12/13	Initial Jobless Claims ♦	12/8	231K	228K
F 12/14	Retail Sales	Nov	0.8%	0.1%
F 12/14	Sales Less Autos	Nov	0.7%	0.2%
F 12/14	Industrial Production	Nov	0.1%	0.3%
F 12/14	Capacity Utilization	Nov	78.4%	78.5%

## Yield Curve Highlights



## Detailed Economic Releases

12/3/2018	Prev.	Exp.	Act.
ISM Mfg Index	57.7	57.2	59.3

ISM manufacturing was up on the month to 59.3, and new orders were up by 4.7 points, extending one of the longest positive runs in the index’s history to a year and a half. Backlogs increased, reflecting greater demand for labor, and supplier deliveries rose to 62.5. With respect to inventories, raw materials rose slightly but finished goods decreased. Input costs were down by almost 10 points at 60.7. Export orders remained flat at 52.2; tariffs, labor, and resource shortages remain of concern.

**Summary: The report came in strong underpinned by higher new orders and backlogs. Tariffs, labor, and resource shortages are potential constraints on the sector going forward.**

12/3/2018	Prev.	Exp.	Act.
Construction Spending	-0.1% r↓	0.3%	-0.1%

Construction spending fell by 0.1%, constituting the third consecutive decline in this indicator. While multi-family homes rose by 1.0%, spending on new single-family homes fell 0.5% and spending on home improvement fell by 0.9%. Private nonresidential construction fell and is expected to see further weakness because of rising mortgage rates. Public and educational building increased, though highway and street spending fell by 0.1%. Despite monthly declines in some areas, all year-on-year rates are up. Overall, construction spending on the year is up 4.9%.

**Summary: Construction continues to be a weak point in the economy, with spending down for the third consecutive month.**

12/6/2018	Prev.	Exp.	Act.
ISM Non-Mfg	60.3	59.0	60.7

ISM non-manufacturing beat the consensus for the fourth consecutive month, coming in at 60.7. New orders were up by 1 point, and though export orders slowed they stood at a strong 57.5. Backlogs were also up, suggesting an increased demand for labor which has been met with increased hiring. Supply-side capacity stress could be seen with higher cost pressures and stretched supplier deliveries. Agriculture was the only one of 18 industries that did not report month-on-month growth, likely a result of tariff pressures and weakness in exports.

**Summary: Overall non-manufacturing growth remains strong.**

12/6/2018	Prev.	Exp.	Act.
Initial Jobless Claims	235K r↑	225K	231K

Though jobless claims decreased from last month's report, they were still above expectations at 231K. Continuing claims fell by 74K, reversing a large increase in previous weeks.

**Summary: Initial and continuing claims remained low at healthy levels.**

12/7/2018	Prev.	Exp.	Act.
Nonfarm Payrolls	237K r↓	190K	155K
Unemployment Rate	3.7%	3.7%	3.7%

Nonfarm payrolls increased by 155K with manufacturing up by 27K, trade and transportation up by 53K, and professional and business services up by 32K. Average hourly earnings rose by 0.2%, and year-on-year earnings was unchanged at 3.1%. The unemployment rate and the labor participation rate were both unchanged at 3.7% and 62.9%, respectively.

**Summary: Payrolls and average hourly earnings were both strong and positive indicators for the month.**

12/7/2018	Prev.	Exp.	Act.
Consumer Sentiment	97.5	97.4	97.5

Consumer sentiment was flat on the month at a strong 97.5. This comprised of higher current conditions, a positive going into the holiday shopping season. The expectations component fell slightly reflecting a negative outlook for future job prospects.

**Summary: Current conditions were high going into the holiday shopping season and was a positive indicator for consumer sentiment.**

## About Us

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