

Top Headline: Brexit Turmoil

UK Prime Minister Theresa May delayed Parliament's vote on Brexit that was originally scheduled for Tuesday. This followed an emergency cabinet meeting Monday night at which time the serious level of opposition to the bill became clear to May. It was almost certain that the bill would've been defeated by a combination of Labour opposition along with deflections from conservative Tories. Shortly following her suspension of the vote, UK Conservative lawmakers triggered a no-confidence vote for Wednesday evening. May survived the vote, with 200 lawmakers supporting her and 117 voting in opposition.

Other News

On Tuesday, China agreed to lower tariffs on auto imports from 40% to 15%. The timing of the tariff adjustment was not made clear. Additionally, China announced plans to revamp an industrial policy labeled by the Trump administration as protectionist in order to increase access for foreign companies.

On Tap This Week

The week ahead is highlighted by third-quarter trade data released by the U.S. Commerce Department, and by the Federal Reserve's monetary policy decision, both released on Wednesday.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
T 12/11	PPI	Nov	0.6%	0.0%	0.1%	PPI grew at a healthy rate despite decreases in energy prices
T 12/11	Core PPI	Nov	0.5%	0.1%	0.3%	
W 12/12	CPI	Nov	0.3%	0.0%	0.0%	Overall and core CPI remained close to the Fed's policy goal of 2.0%
W 12/12	Core CPI	Nov	0.3%	0.2%	0.2%	
Th 12/13	Initial Jobless Claims ♦	12/8	233K r↑	228K	206K	Claims fell to near historic lows last seen in mid-September
F 12/14	Retail Sales	Nov	1.1% r↑	0.1%	0.2%	Sales were held down by gasoline prices, but still met or beat expectations
F 12/14	Sales Less Autos	Nov	1.0% r↑	0.2%	0.2%	
F 12/14	Industrial Production	Nov	-0.2% r↓	0.3%	0.6%	Flat manufacturing was offset by growth in utilities and mining
F 12/14	Capacity Utilization	Nov	78.1% r↓	78.5%	78.5%	

Actual < Expected

Actual > Expected

♦ Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	24389	24101	-1.18%	-7.85%
S&P 500	2633.1	2560.0	-1.26%	-10.50%
USD*	96.51	97.44	0.96%	2.65%
10-Year Treasury*	2.85%	2.89%	0.04%	-0.11%

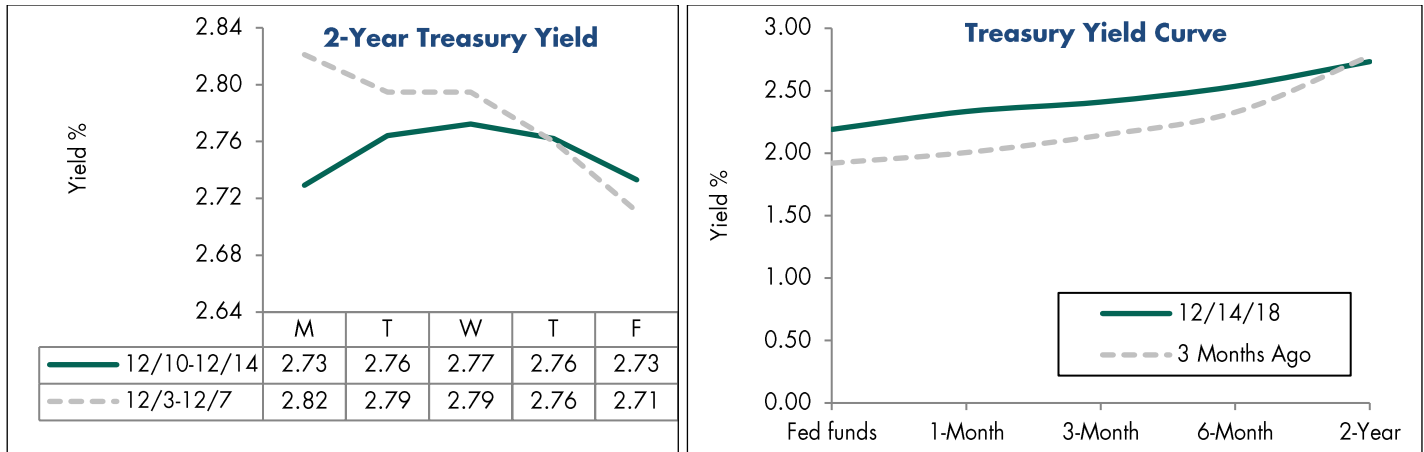
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 12/18	Housing Starts ♦	Nov	1.228M	1.226M
T 12/18	Building Permits ♦	Nov	1.263M	1.260M
W 12/19	Existing Home Sales	Nov	1.4%	-0.4%
W 12/19	FOMC Announcement	Dec	2.00%-2.25%	2.25%-2.50%
Th 12/20	Initial Jobless Claims ♦	12/15	206K	215K
F 12/21	GDP	Q3	3.5%	3.5%
F 12/21	GDP Deflator	Q3	1.7%	1.7%
F 12/21	Personal Income	Nov	0.5%	0.3%
F 12/21	Consumer Spending	Nov	0.6%	0.3%
F 12/21	Consumer Sentiment ♦	Dec	97.5	97.5

Yield Curve Highlights



Detailed Economic Releases

12/11/2018	Prev.	Exp.	Act.
PPI	0.6%	0.0%	0.1%
Core PPI	0.5%	0.1%	0.3%

A decrease in energy prices was offset by a jump in food prices bringing overall PPI growth to 0.1%, just over expectations of 0.0%. Excluding food and energy prices, PPI rose a healthy 0.3%, also over the consensus expectation of 0.1%. Service prices including trade services rose just 0.3% on the month but is so far up 2.2% on the year. Oil prices fell as expected 5.0% on the month, while the year-on-year rate still stands at a stable 2.9%.

Summary: Increased food prices offset a 5.0% decrease in oil prices on the month to bring overall PPI and core PPI above expectations.

12/12/2018	Prev.	Exp.	Act.
CPI	0.3%	0.0%	0.0%
Core CPI	0.2%	0.2%	0.2%

CPI came in at 0.0% and core CPI came in at 0.2%, both in line with expectations. Energy and gas prices fell in line with the \$20 drop in oil, and apparel, transportation and education were down by 0.9%, 0.8% and 0.5%, respectively. Offsetting these components and supporting the core rate were housing up by 0.3% and medical care up by 0.4%. Year-on-year rates for the overall and core rates are at 2.2%, roughly in line with the Fed's 2.0% target.

Summary: CPI levels remained close to the Fed's 2.0% policy goal supported by housing and medical care despite declines in energy prices.

12/13/2018	Prev.	Exp.	Act.
Initial Jobless Claims	233K r↑	228K	206K

Initial jobless claims fell to 206K, the best showing since claims reported in mid-September. After five weeks of a rising four-week average, the average fell by 3,750 to 224,750. Continuing claims rose by 25,000 to 1.661 million and the four-week average is 23,000 higher than at the beginning of November.

Summary: Initial claims came in significantly below expectations at 206K, the lowest level since mid-September.

12/14/2018	Prev.	Exp.	Act.
Retail Sales	1.1% r↑	0.1%	0.2%
Sales less autos	1.0% r↑	0.2%	0.2%

Sales and sales less autos rose by 0.2% despite downward pressure from low gasoline sales. Excluding gasoline and autos, sales rose by 0.5%, and excluding gasoline and select other components, sales rose by 0.9%. Control group sales which are used to estimate personal consumption expenditures exclude autos and building materials, came in at a mere 0.2%. The control group represents non-store retailers, electronics and appliance stores, furniture, and health and personal care stores. All of these components increased month-on-month. Year-on-year, control group sales are only up by 4.4%, comparing unfavorably to last year's growth.

Summary: Retail sales were held down by low gasoline prices and auto prices. The report did, however, follow upward revisions to October's sales growth.

12/14/2018	Prev.	Exp.	Act.
Industrial Production	-0.2% r↓	0.3%	0.6%
Capacity Utilization	78.1% r↓	78.5%	78.5%

Despite flat growth for manufacturers, growth in utilities and mining brought up industrial production to 0.6%. Both of these components soared following two months of flat results due to hurricane related issues. Production of construction supplies was also down for a third consecutive month. Last month's report was downgraded from -.1% to -0.2%.

Summary: Last month's downward revision and slowing manufacturing growth result in a negative indicator as the year ends.

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