

## Top Headline: U.S. and China Reach Truce

At the G20 summit in Argentina on Saturday, the U.S. and China appeared to reach a temporary truce. The two sides have agreed not to implement tariffs for 90 days during which time they will attempt to reach a trade agreement. Additionally, President Trump signaled that he would postpone current plans to increase tariffs from 10% to 25% on \$200 billion worth of goods. Chinese and U.S. interpretations of the deal vary; while the U.S. says the countries will discuss Chinese economic policy including topics such as forced technology transfer and intellectual-property protection, the Chinese said talks would aim to remove all tariffs and did not mention a deadline. Despite these inconsistencies, global markets rallied Monday morning.

## Other News

Minutes from the Federal Reserve's quarterly policy meeting released on Thursday suggest that interest rates will rise again next month. The frequency and number of rate hikes in 2019 are less certain. Officials have considered changing post-meeting statements to emphasize that moves are flexible and will depend on fresh data.

## On Tap This Week

The Federal Reserve releases its beige book report on Wednesday, and OPEC meets for two days starting on Thursday.

## Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
T 11/27	Consumer Confidence ♦	Nov	137.9	136.7	135.7	Holiday spending supported strong levels of consumer confidence
W 11/28	GDP	Q3	3.5%	3.5%	3.5%	Revised GDP data was unchanged
W 11/28	GDP Deflator	Q3	1.7%	1.7%	1.7%	
W 11/28	New Home Sales	Oct	597K r↑	575K	544K	Sales finished lower on the month and continue to fall on the year
Th 11/29	Initial Jobless Claims ♦	11/24	224K	220K	234K	Claims rose but remain at healthy levels
Th 11/29	Personal Income	Oct	0.2%	0.4%	0.5%	Consumer spending was strong while PCE was relatively subdued
Th 11/29	Consumer Spending	Oct	0.2% r↓	0.4%	0.6%	
Th 11/29	FOMC Minutes	Nov	N/A	N/A	N/A	The Fed appears to be less certain about the appropriate number and frequency of rate hikes for next year

Actual < Expected     
 Actual > Expected     
 ♦ Leading Indicator

## Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	24286	25539	5.16%	-1.64%
S&P 500	2632.6	2760.2	4.85%	-4.87%
USD*	96.92	97.27	0.36%	2.13%
10-Year Treasury*	3.04%	3.00%	-1.68%	4.46%

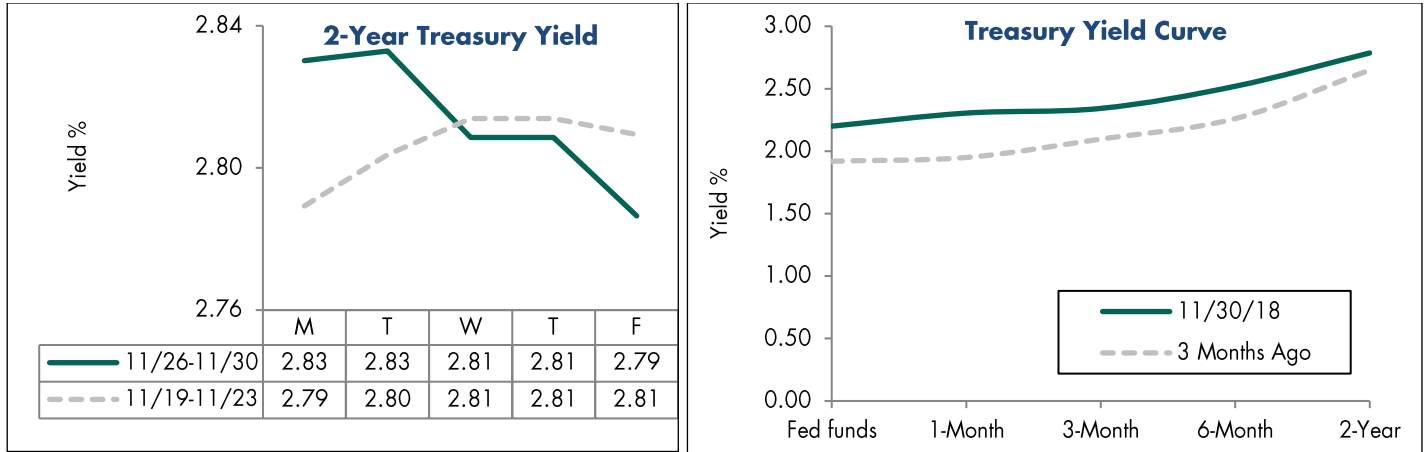
\*ICE U.S. Dollar Index Spot Price

\*Absolute change in yield over specified period

## Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
M 12/3	ISM Mfg Index	Nov	57.7	57.2
M 12/3	Construction Spending	Oct	0.0%	0.3%
W 12/5	ISM Non-Mfg Index	Nov	60.3	59.0
Th 12/6	Initial Jobless Claims ♦	12/1	234K	225K
Th 12/7	Nonfarm Payrolls	Nov	250K	190K
Th 12/7	Unemployment Rate	Nov	3.7%	3.7%
F 12/7	Consumer Sentiment ♦	Dec	97.5	97.4

## Yield Curve Highlights



## Detailed Economic Releases

11/27/2018	Prev.	Exp.	Act.
Consumer Confidence	137.9	136.5	135.7

Consumer confidence remains strong at 135.7, just below last month’s reading. The report was driven by high levels of holiday spending at 172.7, while expectations fell slightly to 111.0 reflecting strong but lessening confidence regarding future job and income opportunities. Those who said jobs were hard to get fell by 1.2% to 12.2%, and those saying jobs are plentiful rose by 1.2% to 46.6%. Inflation expectations increased slowly to 4.9%, and interest rate expectations continued to increase to 74.4%.

**Summary: Consumer confidence remained strong, supported by holiday spending. The report reflected continued increases in inflation and interest rate expectations.**

11/28/2018	Prev.	Exp.	Act.
GDP	3.5%	3.5%	3.5%
GDP Deflator	1.7%	1.7%	1.7%

Revised GDP data show growth was unchanged at 3.5%, though inventories contributed slightly more and net exports contributed less than originally reported. The consumer spending growth rate was 0.4% lower than was stated in the initial report, and residential investment pulled down GDP by slightly less than was initially reported. Business investment contributed more than initially reported.

**Summary: Revised GDP was in line with what was initially reported, though some inputs contributed slightly more or less than what was originally stated.**

11/28/2018	Prev.	Exp.	Act.
New Home Sales	597K r↑	575K	544K

Despite a 50K upward revision in each of the last two months, new home sales were significantly below expectations in October at 544K. On the year, new home sales have fallen by 12% and the median price has fallen by 3.1%. The fall in prices is much less than the fall in sales, suggesting that prices could continue to fall. New homes remain on the market for 7.4 months now compared to 5.6 months in October of last year.

**Summary: Sales finished lower month-on-month, supply increased and prices decreased.**

11/29/2018	Prev.	Exp.	Act.
Initial Jobless Claims	224K	220K	234K

Claims rose for a third consecutive week to 234K, above the high end of the consensus range. This is the highest reading since July. Continuing claims also rose by 50K to 1.635 million.

**Summary: Claims increased but remain at low levels.**

11/29/2018	Prev.	Exp.	Act.
Personal Income	0.2%	0.4%	0.5%
Consumer Spending	0.2% r↓	0.4%	0.6%

Personal income was up 0.5%, consumer spending was up 0.6%, and inflation data was moderate. While income did increase due to higher proprietor income and interest income, subdued growth in wages and salaries put downward pressure on income growth. Spending on services led growth in consumer spending for the month to a strong 0.6%. PCE increased slightly less than expected, from 0.1% to 0.2%. The yearly PCE rate is at 1.8%, also just below the Fed's target rate of 2.0%.

**Summary: Inflation is stable, and consumers continue strong spending patterns as the holidays begin.**

11/29/2018	Prev.	Exp.	Act.
FOMC Minutes	N/A	N/A	N/A

Most FOMC members agreed that rate hikes would be needed soon, though there were uncertainties regarding how many rate hikes were needed and when. While a rate hike at next month's meeting is widely expected, some participants viewed the 2.125% funds rate as close to the neutral rate. Conversation was also centered around changing statement and report language to be more flexible and imply decisions based on fresh data as opposed to continued gradual rate increases.

***Summary: The FOMC moved away from the hawkish position it took in September when it considered moving rates into the restrictive zone. A December rate hike is likely, but policy is less certain after that.***

## About Us

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