

Top Headline: Shutdown Now Longest in History

The government shutdown is now on its 24th day, making it the longest in U.S. history. The shutdown has caused everything from infrastructure projects to food-processing inspections to slow. This in turn has put downward pressure on economic growth, which was already expected to fall short this quarter. The furlough of 380K workers is estimated to cost \$1 billion to \$2 billion per week in lost economic output, and while this is marginal compared to \$20 trillion in goods and services per year, the lost output will accumulate over time.

Other News

Huawei Technologies Sales Director in Poland was arrested on Friday and charged with espionage on China's behalf. This arrest is in line with Washington's claim that the company is a national security threat and could contradict Huawei's claim that it has not worked with China to access or disable foreign communication networks. The arrest follows the December arrest of Huawei's CFO in Canada.

On Tap This Week

British lawmakers vote on Prime Minister Theresa May's Brexit deal on Tuesday.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M 1/7	ISM Non-Mfg Index	Dec	60.7	58.4	57.6	New orders grew while delivery times improved and business activity slowed
T 1/8	Consumer Credit	Nov	\$25.0B r↓	\$16.0B	\$22.1B	Credit growth and healthy credit metrics reflect sustainable overall growth
T 1/8	Trade Deficit	Nov	55.5B	53.9B	N/A	N/A
W 1/9	FOMC Minutes	12/19	N/A	N/A	N/A	Minutes suggest uncertainty regarding global growth and patience when making policy decisions
Th 1/10	Initial Jobless Claims ♦	1/5	233K r↑	225K	216K	Claims from Federal workers increased while the overall rate remained steady
F 1/11	CPI	Dec	0.0%	-0.1%	-0.1%	Prices remained subdued largely because of low energy prices
F 1/11	Core CPI	Dec	0.2%	0.2%	0.2%	

Actual < Expected
 Actual > Expected
 ♦ Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	23433	23996	2.40%	-5.30%
S&P 500	2531.9	2596.3	2.54%	-6.17%
USD*	96.18	95.67	-0.51%	0.45%
10-Year Treasury*	2.67%	2.70%	0.03%	-0.46%

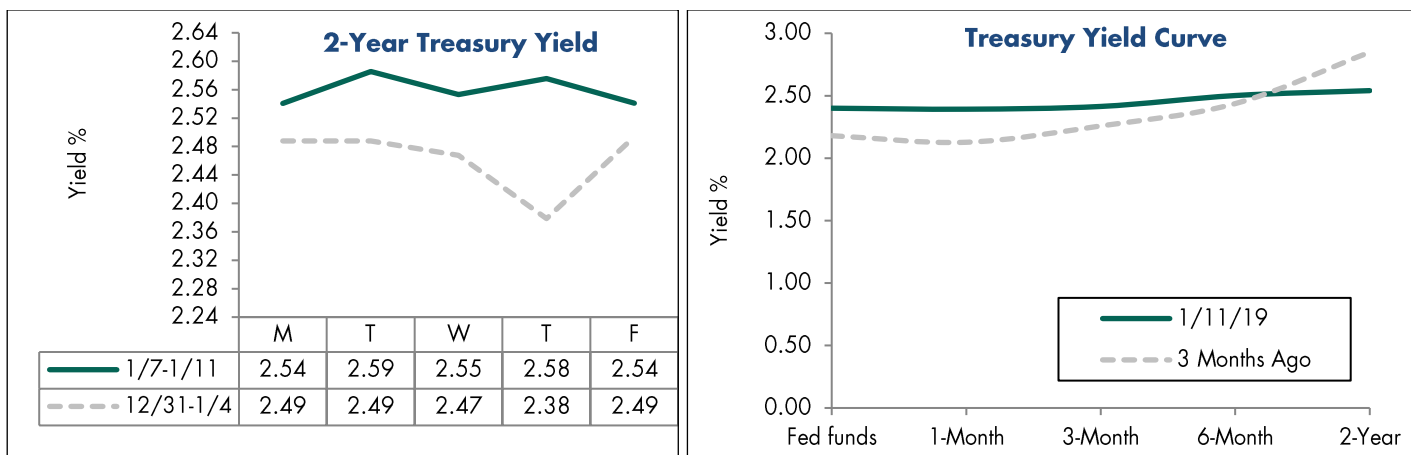
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 1/15	PPI	Dec	0.1%	-0.1%
T 1/15	Core PPI	Dec	0.3%	0.2%
Th 1/17	Housing Starts ♦	Dec	1.256M	1.253M
Th 1/17	Housing Permits ♦	Dec	1.328M	1.290M
Th 1/17	Initial Jobless Claims ♦	1/12	216K	220K
F 1/18	Consumer Sentiment ♦	Jan	98.3	96.8

Yield Curve Highlights



Detailed Economic Releases

1/7/2018	Prev.	Exp.	Act.
ISM Non-Mfg Index	60.7	58.4	57.6

The index was pulled down by improved delivery times and moderating business activity from what otherwise would have been a strong score supported by growth in new orders. New orders had increased the month-on-month score by 0.2, underpinned by an increase of 2 in export orders to 59.5. Meanwhile, delivery times were at their best since the summer of 2017 and business activity fell by 5 points, both signs of decreasing demand.

Summary: Slowing activity is expected to be temporary given the large increase in new orders.

1/8/2018	Prev.	Exp.	Act.
Consumer Credit	\$25.0B r↓	\$19.0B	\$22.1B

Revolving debt rose, though at a slightly slower pace, up by \$4.8 billion compared to the previous month's increase of \$9.3 billion. Nonrevolving debt also rose by \$17.4 billion compared to the previous month's gain of \$15.6 billion.

Summary: Considering healthy credit requirements, the increase in consumer credit represents sustainable growth in consumer spending.

1/8/2018	Prev.	Exp.	Act.
Trade Deficit	\$55.5B	\$53.9B	N/A

Trade data will be delayed due to the government shutdown.

1/9/2018	Prev.	Exp.	Act.
FOMC Minutes	N/A	N/A	N/A

The FOMC minutes from December's policy meeting revealed that a few of the 17 members on the committee were not in favor of raising rates at the meeting. Many other members were hesitant and agreed that they could afford to be patient when making decisions regarding upcoming rate hikes. Members agreed that the Fed's reserves were ample and there wasn't a need to quickly unwind the balance sheet.

Summary: FOMC minutes revealed uncertainty regarding growth in the global markets and patience regarding policy decisions.

1/10/2018	Prev.	Exp.	Act.
Initial Jobless Claims	233K r↑	224K	216k

The first jobless claims report of January was positive, with initial claims at the low end of the consensus range. Though the four-week average rose slightly, it was still lower than in early December. Among Federal employees, there was a 3,831 weekly increase to 4,760 claims, likely reflecting the initial effects of the government shutdown. Continuing claims fell, while the four-week average rose, reflecting a mid-December increase in claims.

Summary: The labor market remains healthy and steady overall, though the effect on Federal workers will be unpredictable as the government shutdown continues.

1/11/2018	Prev.	Exp.	Act.
CPI	0.0%	-0.1%	-0.1%
Core CPI	0.2%	0.2%	0.2%

Headline prices were pulled down by lower energy prices. The price index fell by 0.1% on the month contributing to a decline year-on-year of 0.3% to finish at 1.9%. Gas prices were down for the second month in a row, resulting in a 3.5% drop in energy prices. Transportation costs fell, while housing and medical costs were up 0.4% and 0.3%, respectively. Food was up 0.4%, apparel costs were flat, and wireless telephone services finished the year 3.2% lower.

Summary: The report may turn positive depending on price movement in the energy industry, but for now price pressures are moderate and do not raise concern for rate hikes.

About Us

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