

Top Headline: Brexit Turmoil

Parliament rejected Prime Minister Theresa May's Brexit deal 432 to 202 in what was the greatest defeat in Parliament in more than 100 years. Following the rejection, Mrs. May survived another no-confidence vote called by opposition Labour Party leader Jeremy Corbyn. On Monday, Mrs. May delivered a Brexit deal to the House of Commons very similar to the old one, and said she wants to discuss making tweaks to the original plan with the EU. She also rejected calls to extend negotiation or hold a second referendum. The UK remains set to leave the EU at the end of March.

Other News

Treasury Secretary Steven Mnuchin floated the idea of scaling back tariffs on Chinese imports in order to calm markets and incentivize China to make concessions in trade negotiations. However, the proposal faces resistance from U.S. Trade Representative Robert Lighthizer, who sees the move as a sign of weakness. President Trump has not yet commented on the proposal, though he has publicly been optimistic about reaching an agreement with China ahead of the March 1 deadline.

On Tap This Week

The World Economic Forum runs from January 22nd to the 25th, but without representatives from the U.S., France, and Britain. Existing home sales and new home sales for December will be released this week.

Past Week's Releases

| Date | Indicator | Period | Prev. | Exp. | Act. | Comment |
|---------|--------------------------|--------|--------|--------|-------|---|
| T 1/15 | PPI | Dec | 0.1% | -0.1% | -0.2% | Prices were low due to low oil, services and trade prices. |
| T 1/15 | Core PPI | Dec | 0.3% | 0.2% | -0.1% | |
| Th 1/17 | Housing Starts ♦ | Dec | 1.256M | 1.253M | N/A | N/A |
| Th 1/17 | Housing Permits ♦ | Dec | 1.328M | 1.290M | N/A | N/A |
| Th 1/17 | Initial Jobless Claims ♦ | 1/12 | 216K | 220K | 213K | Claims overall fell while Federal claims rose for a second consecutive week. |
| F 1/18 | Consumer Sentiment ♦ | Jan | 98.3 | 96.8 | 90.7 | Sentiment dropped significantly and is thought to be in response to the shutdown. |

Actual < Expected

Actual > Expected

♦ Leading Indicator

Market Activity

| Indicator | Open | Close | ΔWeek | Δ3M |
|-------------------|--------|--------|-------|--------|
| DJIA | 23996 | 24706 | 2.96% | -2.90% |
| S&P 500 | 2596.3 | 2670.7 | 2.87% | -3.51% |
| USD* | 95.67 | 96.34 | 0.67% | 0.62% |
| 10-Year Treasury† | 2.70% | 2.78% | 0.08% | -0.41% |

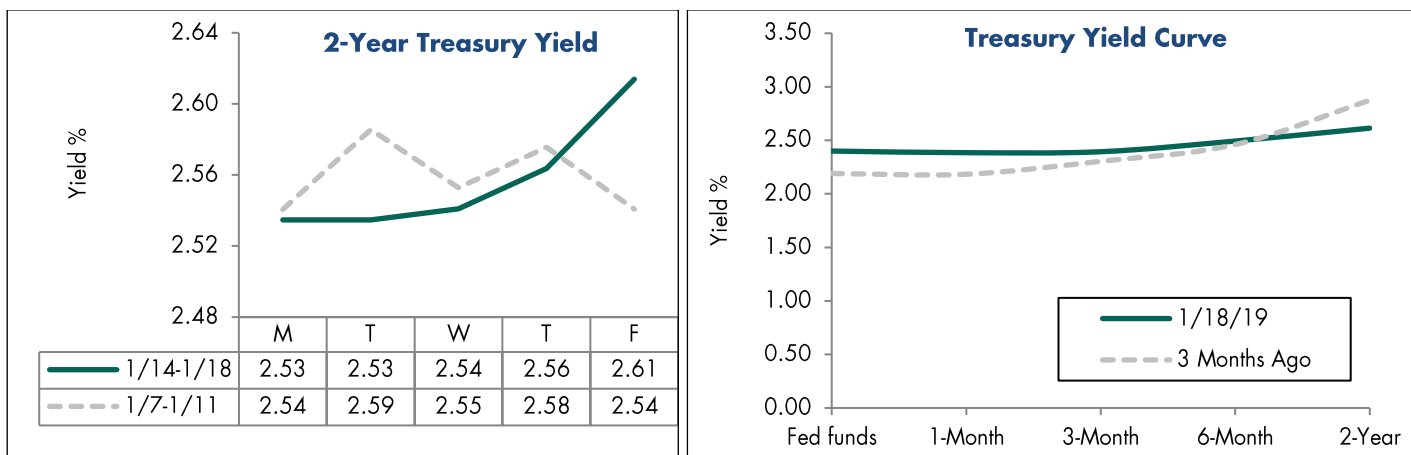
*ICE U.S. Dollar Index Spot Price

†Absolute change in yield over specified period

Upcoming Releases

| Date | Indicator | Period | Prev. | Exp. |
|---------|--------------------------|--------|--------|-------|
| T 1/22 | Existing Home Sales | Dec | 5.320M | 5.24M |
| Th 1/24 | Initial Jobless Claims ♦ | 1/19 | 213K | 220K |
| F 1/25 | New Home Sales | Dec | N/A | 572K |

Yield Curve Highlights



Detailed Economic Releases

| 1/15/2018 | Prev. | Exp. | Act. |
|-----------|-------|------|-------|
| PPI | 0.1% | 0.0% | -0.2% |
| Core PPI | 0.3% | 0.2% | -0.1% |

Oil prices were partially to blame for lower prices, though the core PPI was only slightly higher than overall PPI including food and energy prices. Oil prices fell by 5.4% in December following the 5.0% decline in November, though the recent recovery in prices suggests higher prices in the January report. Meanwhile, total services fell 0.1% and trade services which accounts for the retail and wholesale sectors fell 0.3%. Personal consumption is down 0.2% and finished consumer goods fell 0.6%.

Summary: The report does not indicate price pressures or increasing demand and gives the Fed little reason to move quickly to raise rates.

| 1/17/2018 | Prev. | Exp. | Act. |
|-----------------|--------|--------|------|
| Housing Starts | 1.256M | 1.256M | N/A |
| Housing Permits | 1.328M | 1.293M | N/A |

Housing data will be delayed due to the government shutdown.

| 1/17/2018 | Prev. | Exp. | Act. |
|------------------------|-------|------|------|
| Initial Jobless Claims | 216K | 221K | 213K |

Overall jobless claims were well below the consensus of 221K and below the low-end estimate of 219K. However, claims filed by Federal employees increased by 5,694 to 10,454, reflecting effects of the government shutdown. Continuing claims for the January 5th week increased by 18K and lead to an increase of 8K in the four-week average to 1.729 million.

Summary: The report points to another strong month for employment despite increases in claims filed by Federal employees.

| 1/18/2018 | Prev. | Exp. | Act. |
|--------------------|-------|------|------|
| Consumer Sentiment | 98.3 | 97.0 | 90.7 |

Consumer sentiment dropped significantly month-on-month and compared to the low-end of the consensus range of 95.5. Expectations fell by 9 points to 78.3 in addition to current conditions which was down by 6 points to 110.0. The report cites the government shutdown, tariffs, and volatility in financial markets as potential causes for decreasing consumer confidence.

Summary: Consumer sentiment dropped significantly, primarily due to concerns regarding the government shutdown.

About Us

Capital Advisors Group, Inc. is an independent SEC-registered investment advisor specializing in institutional cash investments, risk management, and debt finance consulting. Our clients range from venture capital-funded startups and emerging growth companies to Fortune 100 companies.

Drawing upon more than a quarter of a century of experience through varied interest rate cycles, the firm has built its reputation upon deep, research-driven investment strategies and solutions for its clientele.

Capital Advisors Group manages customized separately managed accounts (SMAs) that seek to protect principal and maximize risk-adjusted returns within the context of each client's investment guidelines and specific liquidity needs. Capital Advisors Group also provides FundIQ[®] money market fund research; CounterpartyIQ[®] aggregation and credit analysis of counterparty exposures; risk assessment on short-term fixed income securities and portfolios; and independent debt finance consulting services.

Headquartered in metropolitan Boston, Capital Advisors Group maintains multiple U.S. regional offices.

Matthew Paniati
Research Analyst

Katja Dunlap
Research Analyst



Capital Advisors Group, Inc.
29 Crafts Street, Suite 270
Newton, MA 02458
Tel: 617.630.8100
Fax: 617.630.0023
www.capitaladvisors.com
info@capitaladvisors.com