

Top Headline: Shutdown Continues

The U.S. government shutdown finished off its second week with no apparent end in sight. As Democrats retook the House last week, their first order of business was to pass two bills aimed at ending the shutdown. However, the prospect of the bills passing in the Senate was unlikely given funds were allocated for border security, not a border wall. President Trump has since put forward the idea of declaring a “national emergency” in order to secure funding for the wall.

Other News

Apple issued a downward revision to its first fiscal quarter of 2019 revenue on Wednesday. The company attributed the decline to a weakening Chinese economy and lower than expected iPhone sales in China and elsewhere. The news raises questions about the changing market for smartphones, as well as questions about how trade tensions may be affecting the global economy.

On Tap This Week

The Fed will release a readout from its mid-December meeting on Wednesday, likely to explain officials’ views on conflicting economic signals at the end of last year.

Past Week’s Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
Th 1/3	Initial Jobless Claims ♦	12/29	216K	221K r↑	231K	Initial and continuing claims increased, but remained low overall
Th 1/3	ISM Manufacturing	Dec	59.3	57.5	54.1	Manufacturing fell far below expectations because of a 10-point drop in new orders
F 1/4	Nonfarm Payrolls	Dec	155K	180K	312K	Payrolls jumped in all industries and the employment rate rose due to an increasing participation rate
F 1/4	Unemployment Rate	Dec	3.7%	3.7%	3.9%	

Actual < Expected

Actual > Expected

♦ Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	23062	23433	1.61%	-11.40%
S&P 500	2485.7	2531.9	1.86%	-12.26%
USD*	96.40	96.18	-0.22%	0.56%
10-Year Treasury*	2.72%	2.67%	-0.05%	-0.57%

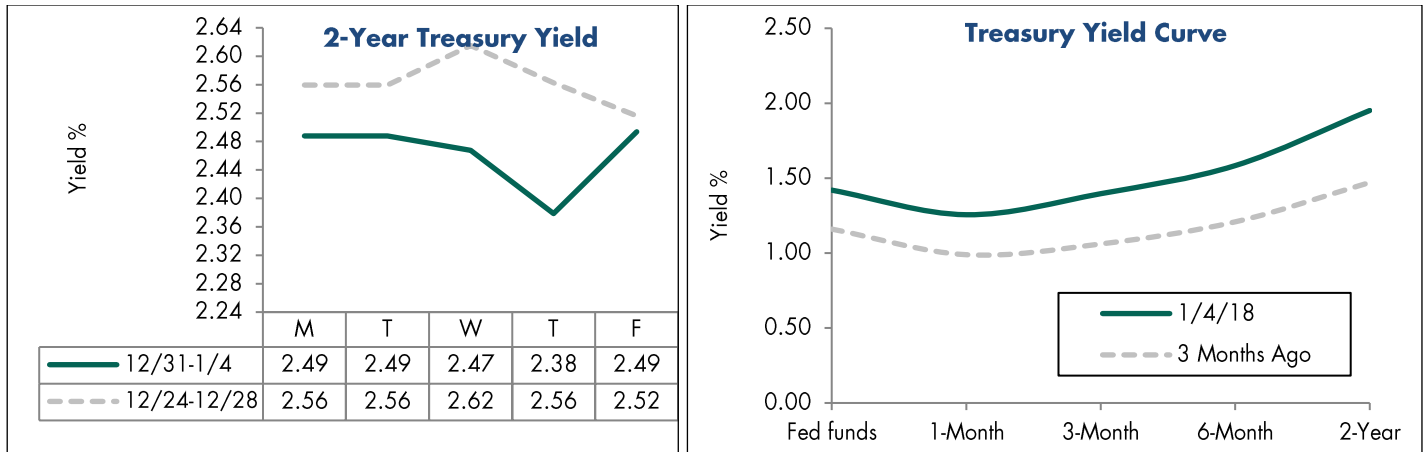
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
M 1/7	ISM Non-Mfg Index	Dec	60.7	58.5
T 1/8	Consumer Credit	Nov	\$25.4B	\$16.0B
T 1/8	Trade Deficit	Nov	55.5B	53.9B
W 1/9	FOMC Minutes	12/19	N/A	N/A
Th 1/10	Initial Jobless Claims ♦	1/5	231K	225K
F 1/11	CPI	Dec	0.0%	-0.1%
F 1/11	Core CPI	Dec	0.2%	0.2%

Yield Curve Highlights



Detailed Economic Releases

1/3/2018	Prev.	Exp.	Act.
Initial Jobless Claims	221k r↑	217K	231K

Despite declines to historic lows in past weeks, initial jobless claims were above expectations at 231K for the last full week of December. The four-week average decreased for the fourth consecutive week to 218,750.

Continuing claims also increased by 32K, the largest increase seen since July, and brought up the four-week average by 26K.

Summary: Claims increased for the week but remain close to historic lows.

1/3/2018	Prev.	Exp.	Act.
ISM Mfg Index	59.3	57.9	54.1

December’s manufacturing index came in 2 points below the consensus range at 54.1, the lowest report seen since November of 2016. Much of the decrease was due to the 10-point drop in new orders to 51.1, just above the breakeven score of 50. New export orders increased by 0.6 to 52.8 and total backlog orders were unchanged at 50.0. Production and employment fell, supplier deliveries improved, and cost pressures relaxed, all indications of declining activity. Lower oil prices, and tariffs and sourcing concerns from China all negatively impacted the report.

Summary: The report was the lowest seen since November of 2016, stemming mainly from a 10-point drop in new orders.

1/4/2018	Prev.	Exp.	Act.
Nonfarm Payrolls	176K r↑	180K	312K
Unemployment Rate	3.7%	3.7%	3.9%

The 312K increase in nonfarm payrolls was the strongest seen since February of 2018, far surpassing expectations of 180K. Average hourly earnings also increased on the month by 0.4% suggesting signs of inflation, with the year-on-year rate up by 0.1% to 3.2%. The increase in the unemployment rate from 3.7% to 3.9% reflects an increase in those looking for work, from 6.018 million to 6.294 million. This led to an increase of 0.2% in the participation rate to 63.1%. Industries including manufacturing, construction, mining, retail, trade and transportation, and professional and business services all saw increased job gains.

Summary: The employment report for December was unexpectedly positive, characterized by a 312K increase in nonfarm payrolls and an increase in the unemployment rate due to a higher labor force participation rate.

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