

Top Headline: Fed President Indicates July Rate Cut Likely

Federal Reserve President Jerome Powell spoke for two days in front of Congress last week, saying that the economic environment has not improved since the FOMC's last meeting, and implying that a July rate cut is highly likely. Powell stated that low inflation may be more persistent than previously believed, potentially warranting more accommodative policy. Stock prices jumped to record highs following the statements.

Other News

Iranian ships attempted to block a U.K. ship from passing through the Strait of Hormuz, in a show of further escalation of tensions between Iran and European powers. A U.K. warship entered the scene in response, successfully pressuring Iranian ships to allow the U.K. ship to pass. The U.K. has said the attempt to block the ship's passage violated international law.

On Tap This Week

The week is highlighted by the beginning of releases of second quarter earnings reports.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
Th 7/11	CPI	Jun	0.1%	0.0%	0.1%	Retail sales were responsible for most of the strength in prices
Th 7/11	Core CPI	Jun	0.1%	0.2%	0.3%	
Th 7/11	Initial Jobless Claims ♦	7/6	222K r↑	221K	209K	Claims were lower than expected
F 7/12	PPI	Jun	0.1%	0.1%	0.1%	Core PPI was above expectations
F 7/12	Core PPI	Jun	0.2%	0.2%	0.3%	thanks to food and services

Actual < Expected

Actual > Expected

♦ Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	26922.1	27332.0	1.52%	3.48%
S&P 500	2990.4	3013.8	0.78%	3.66%
USD*	97.3	96.8	-0.49%	-0.17%
10-Year Treasury*	2.03%	2.12%	0.09%	-0.44%

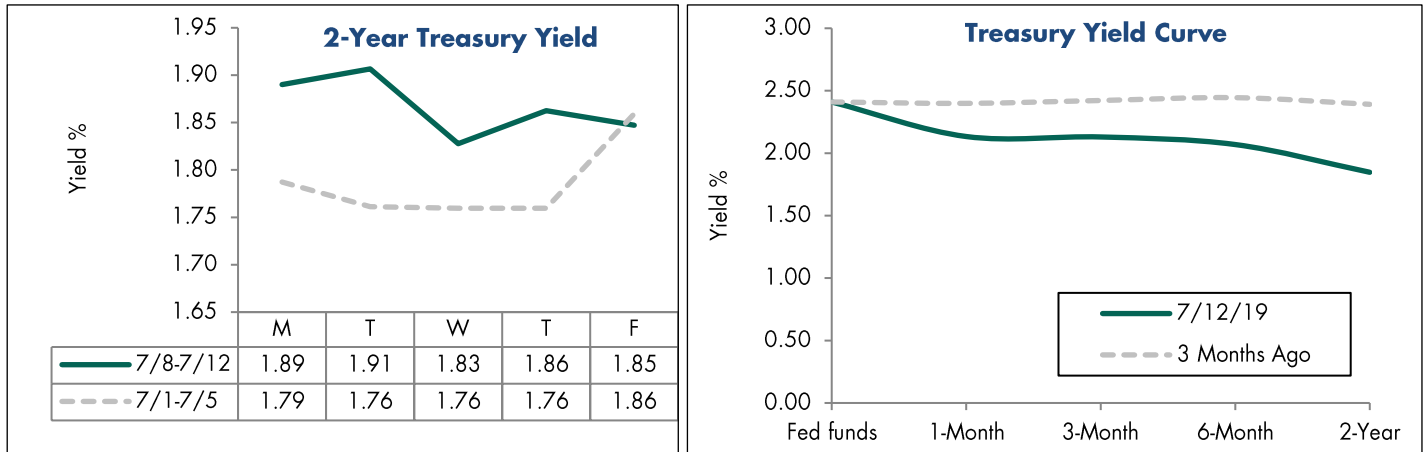
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 7/16	Retail Sales	Jun	0.5%	0.1%
T 7/16	Industrial Production	Jun	0.4%	0.1%
T 7/16	Business Inventories	May	0.5%	0.3%
W 7/17	Housing Starts	Jun	1.269M	1.260M
W 7/17	Housing Permits	Jun	1.294M	1.300M
Th 7/18	Initial Jobless Claims ♦	7/13	209K	216K
F 7/19	Consumer Sentiment ♦	Jul	98.2	98.7

Yield Curve Highlights



Detailed Economic Releases

7/11/2019	Prev.	Exp.	Act.
CPI	0.1%	0.0%	0.1%
Core CPI	0.1%	0.2%	0.3%

CPI and Core CPI indexes were above expectations at 0.1% and 0.3%, respectively. The core rate was up to 2.1% year-on-year, in part due to a 1.1% increase in apparel. Housing and medical care, which are the two key components of the core measurement, were also up by 0.3% each. With regards to housing prices, rents were up 0.4% and owners' equivalent rent was up 0.3%. Meanwhile, energy fell by 2.3% on the month and food was flat at 1.9% on the year. Overall CPI is at 1.6% for the year.

Summary: Unexpected strength in price levels defined the report and is attributable to growth in retail, housing and medical care.

7/11/2019	Prev.	Exp.	Act.
Initial Jobless Claims	222K r↑	220K	209K

Jobless claims were below expectations of 220K at 209K, bringing down the four-week average to 219,250 which is still in line with mid-June levels. Continuing claims rose by 27K with this four-week average higher at 1.695M.

Summary: Lower claims than expected are a positive indicator ahead of the FOMC meeting this month.

7/12/2019	Prev.	Exp.	Act.
PPI	0.1%	0.1%	0.1%
Core PPI	0.2%	0.2%	0.3%

While the headline number was in line with expectations, core PPI was above expectations by 0.1% at 0.3%. However, core PPI excluding trade was unchanged, 0.2% below expectations. Energy fell 3.1% on the month while finished goods were down 0.4% on the month, thanks to a 0.8% drop in computers and no change in autos and light trucks. Government purchases were also down 0.4%. Contributing to strength in the report were food, up 0.6% on the month, and total services, up 0.4% on the month. Excluding food and energy, personal consumption was up 0.5%, bringing the yearly rate to 2.5%, which, however, was not much higher than last month's reading of 2.4%.

Summary: Despite strength in the core PPI reading, the overall report is not as strong as the CPI reading and likely will not be good enough reason alone for the Fed not to cut interest rates.

About Us

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Katja Dunlap
Research Analyst

Matthew Paniati
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