

## Top Headline: Tensions in Iran Continue to Escalate

Tensions with Iran escalated further last week after a series of events, beginning with Iran's seizure of a foreign tanker on Thursday, which it accused of smuggling oil. On Friday, President Trump asserted that the U.S. downed an Iranian drone in the Strait of Hormuz, though Iran later rejected the claim. Finally, Iran seized a British tanker on Friday, hours after a court in the British territory of Gibraltar announced that the Iranian tanker seized by British authorities in the week prior would remain in their custody.

## Other News

Fed officials continued to signal the likelihood that a rate cut would be implemented at the next FOMC meeting on July 31<sup>st</sup>. In his comments during the week, Federal Reserve President Jerome Powell downplayed positive economic indicators, calling them "muted".

## On Tap This Week

The week is highlighted by the first report of second quarter GDP released on Friday.

## Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
T 7/16	Retail Sales	Jun	0.4% r↓	0.1%	0.4%	Sales were up with sales less autos & gas up 0.7%
T 7/16	Industrial Production	Jun	0.4%	0.1%	0.0%	Manufacturing led the report, up by 0.4%
T 7/16	Business Inventories	May	0.5%	0.3%	0.3%	Inventories slowed which may not be a bad thing as it is compared with seemingly slowing demand
W 7/17	Housing Starts	Jun	1.265M r↓	1.260M	1.253M	The report was mostly negative with weaknesses in starts and permits
W 7/17	Housing Permits	Jun	1.299M r↑	1.300M	1.220M	
Th 7/18	Initial Jobless Claims ♦	7/13	208K r↓	216K	216K	Claims remain low and healthy
F 7/19	Consumer Sentiment ♦	Jul	98.2	98.6	98.4	Current conditions and expectations remained strong

Actual < Expected      Actual > Expected      ♦ Leading Indicator

## Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	27332.0	27154.0	-0.65%	2.24%
S&P 500	3013.8	2976.6	-1.23%	2.46%
USD*	96.8	97.2	0.35%	-0.33%
10-Year Treasury*	2.12%	2.06%	-0.07%	-0.50%

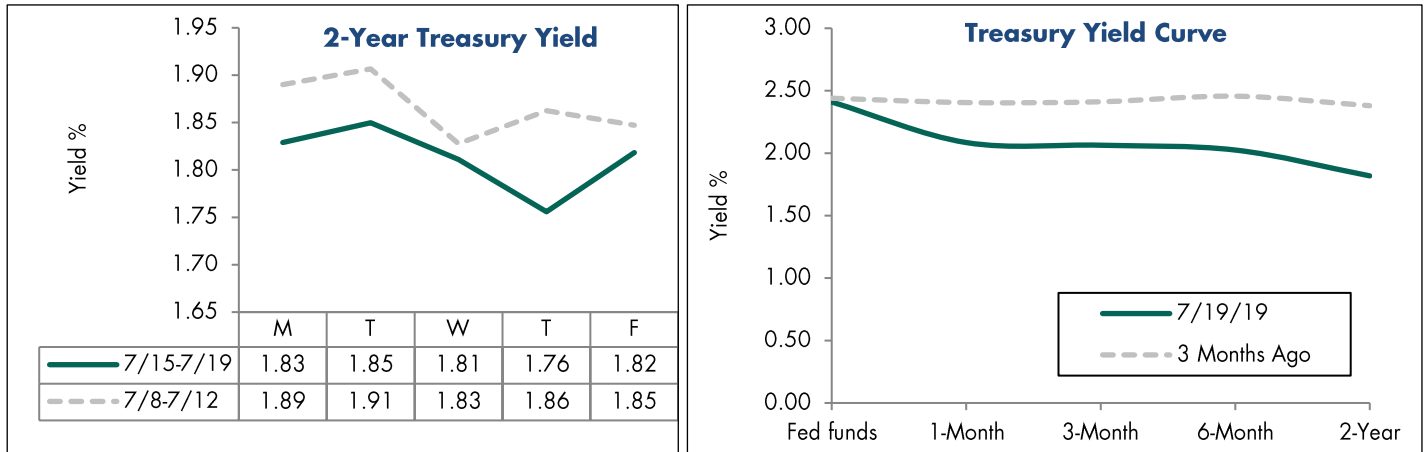
\*ICE U.S. Dollar Index Spot Price

\*Absolute change in yield over specified period

## Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 7/23	Existing Home Sales	Jun	5.340M	5.330M
W 7/24	New Home Sales	Jun	626K	660K
Th 7/25	Durable Goods Orders	Jun	-1.3%	0.7%
Th 7/25	International Trade in Goods	Jun	\$74.6B	\$72.8B
Th 7/25	Initial Jobless Claims ♦	7/20	216K	218K
F 7/26	GDP	Q2	3.1%	1.8%

## Yield Curve Highlights



## Detailed Economic Releases

7/16/2019	Prev.	Exp.	Act.
Retail Sales	0.4% r↓	0.1%	0.4%

Retail sales and sales less autos and gas were both above expectations at 0.4% and 0.7%, respectively. The main weak points in the report stemmed from lower oil prices, which pulled sales down by 2.8%, in addition to continually weakening department stores. Auto sales gained by 0.7% on the month, nonretailers grew by 1.7% for a second consecutive month, and restaurants were also up by 0.9%, following previous monthly increases of 1.0%, 0.7% and 0.8%. Strength was also seen in furniture, building materials, clothing stores, and health & personal care stores, all up by 0.5%.

**Summary: Retail sales were surprisingly strong for the month, with auto sales significantly higher.**

7/16/2019	Prev.	Exp.	Act.
Industrial Production	0.4%	0.1%	0.0%

Despite no change in overall production, the manufacturing component of the report increased by 0.4% on the month and mining also rose by 0.2% on the month. Manufacturing is the largest component of the report, however, and much strength can be seen in its components. Motor vehicle production was up 2.9% while selected hi-tech was up 0.7%. Business equipment production also rose by 0.5% following a 0.4% increase in May. Construction supplies were also up by 0.5%, following 0.6% growth in May.

**Summary: Despite obvious strength in the report, long-term manufacturing growth of 0.4% is weak compared to the 8.7% annual rate of growth in mining.**

7/16/2019	Prev.	Exp.	Act.
Business Inventories	0.5%	0.4%	0.3%

Inventories were up by 0.3%, which was slightly below expectations, though it does follow a gain of 0.5% in April. All in all, the impact on GDP from inventories is expected to be flat. There is suspicion in fact that business inventories are surpassing demand, given that inventories rose by 5.3% on the year while sales only rose by 1.5%. Despite this information, the inventory-to-sales ratio has remained constant at 1.39. Inventory growth in manufacturing was the slowest at 0.2%, matching what seems to be a slowing sector overall.

**Summary: Business inventories grew by less than expected, with manufacturing at the slowest compared to wholesalers and retailers.**

7/17/2019	Prev.	Exp.	Act.
Housing Starts	1.265M r↓	1.260M	1.253M
Housing Permits	1.299M r↑	1.300M	1.220M

Starts fell below expectations following a downward revision to last month's report. Permits also fell by 6.1% to 1.220M, also below expectations and at the lowest level in more than two years. Weakness in permits stemmed from a drop in multi-family units to a 407K annual rate, with a year-on-year drop of 10.2%. Though single-family homes were up 0.4% on the month to an 813K annualized rate, homes are still down 4.7% on the year. Despite bad news in permits, single-family home starts were up 3.5% on the month to an 847K rate, though still down 0.8% over the past year. Multi-family starts were down to a 406K annualized rate, though the year-on-year rate was stronger at 24.5%. Completions for single-family homes fell 1.8% on the month, and multi-family completions fell 12.9%.

**Summary: Despite some positive results, the report was mostly negative, with multi-family and single-family home permits down and with multi-family starts down.**

7/18/2019	Prev.	Exp.	Act.
Initial Jobless Claims	208K r↓	215K	216K

Jobless claims were favorable, at just 1K larger than expected. Compared with the reporting week for last month, both the headline number and four-week averages both fell. Continuing claims also fell by 42K with the four-week average unchanged at 1.701M.

**Summary: Jobless claims reflect a still-healthy labor market.**

7/19/2019	Prev.	Exp.	Act.
Consumer Sentiment	98.2	98.6	98.4

Consumer sentiment was mostly unchanged from the last reading in June, moving up from 98.2 to 98.4. The current conditions component fell slightly to 111.1, though it is still at very strong levels. Meanwhile, the expectations component rose slightly to 90.1, also very strong. The year-ahead and five-year outlook for inflation expectations were down 0.1% and up 0.3%, respectively.

**Summary: Sentiment was mostly unchanged, with strong current conditions and expectations components.**

## About Us

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