

## Top Headline: Boris Johnson Elected U.K. Prime Minister

Boris Johnson was elected last week to become the newest U.K. Prime Minister, beating out Jeremy Hunt with 66.4% of the votes. Johnson repeated in his victory speech his intent to pull the nation out of the EU by October 31<sup>st</sup>, though challenges to accomplish this are apparent. Multiple ministers resigned following Johnson's election, refusing to work with the PM unless the deal would soften the expected economic shock. Such disagreement raises the likelihood that a general election or a no-deal Brexit could occur.

## Other News

The White House and Congress reached a deal to increase federal spending, suspending the debt ceiling through July 2021. The deal approved \$2.7 trillion in spending over two years, but still requires approval by both chambers of Congress and President Trump. The deal did not meet the Trump administration's initial goal of cutting spending by \$320 billion, though the President seems to be in support of the deal.

## On Tap This Week

The week will be highlighted by the FOMC Meeting on Wednesday.

## Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
T 7/23	Existing Home Sales	Jun	5.360M r↑	5.330M	5.270M	The rate was close to the three-month average
W 7/24	New Home Sales	Jun	604K r↓	660K	646K	Sales were weak overall and down from a peak of 673K in April
Th 7/25	Durable Goods Orders	Jun	-2.3% r↓	0.7%	2.0%	Core orders were up 1.9%
Th 7/25	International Trade in Goods	Jun	\$75.1B r↓	\$72.8B	\$74.2B	The report showed slowing global trade
Th 7/25	Initial Jobless Claims ♦	7/20	216K	218K	206K	Claims remain healthy
F 7/26	GDP	Q2	3.1%	1.8%	2.1%	Consumer and government spending bolstered the headline number

Actual < Expected

Actual > Expected

♦ Leading Indicator

## Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	27154.0	27192.5	0.14%	2.45%
S&P 500	2976.6	3025.9	1.65%	2.92%
USD*	97.2	98.0	0.88%	0.00%
10-Year Treasury*	2.06%	2.07%	0.02%	-0.43%

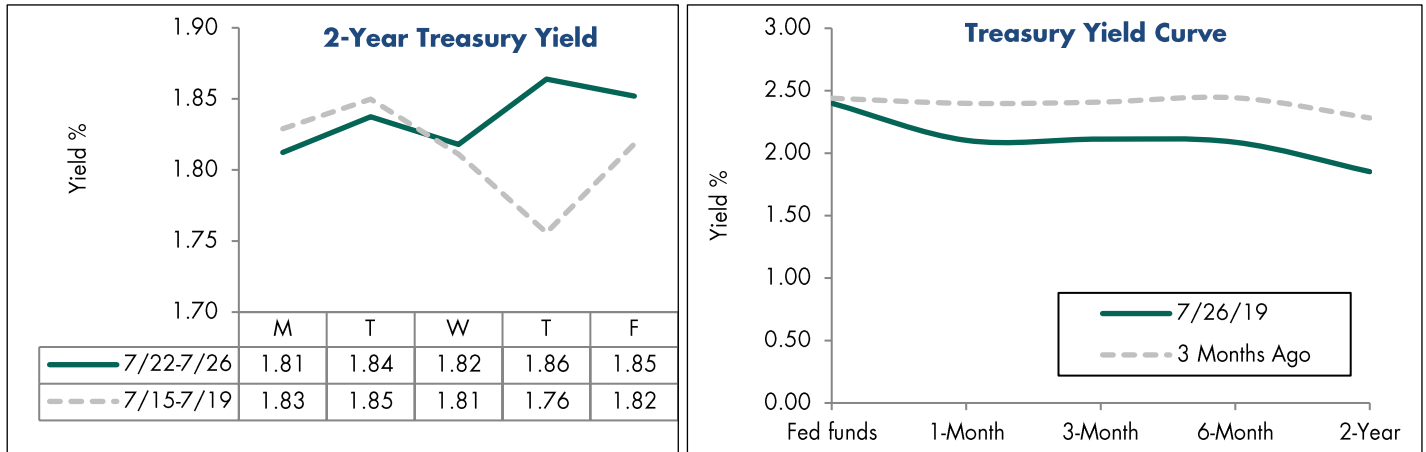
\*ICE U.S. Dollar Index Spot Price

\*Absolute change in yield over specified period

## Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 7/30	Personal Income	Jun	0.5%	0.4%
T 7/30	Consumer Spending	Jun	0.4%	0.3%
T 7/30	Consumer Confidence ♦	Jul	121.5	125.0
W 7/31	FOMC Meeting	N/A	2.25-2.5%	2.0%-2.25%
Th 8/1	Initial Jobless Claims ♦	7/27	206K	214K
Th 8/1	ISM Mfg Index	Jul	51.7	52.0
Th 8/1	Construction Spending	Jun	-0.8%	0.3%
F 8/2	Nonfarm Payrolls	Jul	224K	165K
F 8/2	Unemployment Rate	Jul	3.7%	3.7%
F 8/2	International Trade	Jun	\$55.5B	\$54.6B
F 8/2	Consumer Sentiment ♦	Jul	98.4	98.5

## Yield Curve Highlights



## Detailed Economic Releases

7/23/2019	Prev.	Exp.	Act.
Existing Home Sales	5.360M r↑	5.320M	5.270M

Sales were slightly below expectations and down on the month at 5.270M, roughly in line with the three-month average of 5.280M. Single-family resales were down 1.5% on the month, while condos, which are the second biggest component of the report fell, by 3.3%. While the Northeast and Midwest showed gains, the South and West were down by mid-single digits. Prices were up 2.7% to a median home price of \$285,700. Though the year-on-year rate is at minus 2.2%, this still compares positively to an even weaker 2018.

**Summary: Though sales were down on the month, the three-month average of 5.280M is still above where it stood in January at 5.1M.**

7/24/2019	Prev.	Exp.	Act.
New Home Sales	604K r↓	660K	646K

Sales were up on the month but below expectations, and while the rate is above the three-month average of 636K, it is also down from a peak of 673K in April. The median price of \$310,400 is now in line with the price in June of 2018, and supply of 338K new homes is now on the market, equivalent to 6.3 months of supply at the current pace of sales. Sales increased in the West and South but fell in the South and Northeast.

**Summary: The report reflecting waning sales of new homes likely reflects decreased investment by foreign buyers in the U.S. due to trade tensions. The report supports a rate cut which would be expected to lower mortgage rates further, in a positive for housing.**

7/25/2019	Prev.	Exp.	Act.
Durable Goods Orders	-2.3% r↓	0.5%	2.0%

New orders were up 2.0%, orders excluding transportation were up 1.2%, and most impressively, core goods were up 1.9%. Orders for machinery, fabrications and primary metals were all up on the month by 2.4%, 2.1% and 0.8%, respectively. Additionally, motor vehicles were up by 3.1%, and civilian aircraft orders were up by 75.5%. Strength can also be seen in the core goods orders, which reflect a 0.6% increase in shipments of core capital goods, and supported a 1.4% increase in total shipments. Despite the positives, unfilled orders fell for a third consecutive month. May's orders were also revised downward by 1.0%.

**Summary: All key indicators of the report were positive, with core capital goods up 1.9% on the month.**

7/25/2019	Prev.	Exp.	Act.
International Trade in Goods	\$75.1B r↓	\$72.5B	\$74.2B

Exports fell by 2.7% while imports fell by 2.2%, resulting in a slight decrease in the trade deficit to \$74.2B, though it exceeded expectations. The report reflects a continuation of contraction in net global trade. Capital goods fell 2.6% with consumer goods and autos down 10.9% and 4.0%, respectively. Meanwhile, food exports increased by 0.5%, though this did not reverse its deeply negative position on the year. For imports, industrial supplies, consumer goods, vehicles and food were all down.

**Summary: The greater-than-expected deficit and slowing global trade provides good ammunition for the Fed to implement a rate cut at its upcoming policy meeting.**

7/25/2019	Prev.	Exp.	Act.
Initial Jobless Claims	216K	219K	206K

Claims fell by 10K over week which was below expectations, bringing the four-week average down by 5,750. The new average of 213K is down almost 10K from the month-ago comparison. Continuing claims were down by 13K with this four-week average down as well.

**Summary: Jobless claims continue to be strong and do not imply the need for a rate cut.**

7/26/2019	Prev.	Exp.	Act.
GDP	3.1%	1.9%	2.1%

Personal consumption expenditures and government spending supported second-quarter GDP of 2.1%, above expectations by 0.1%. Real consumer spending was also at 4.3%, 0.4% above expectations and significantly higher than the previously revised rate of 1.1% in the first quarter. Consumer spending and government spending contributed 2.85 and 0.85 points, respectively. All other components of GDP pulled the report down, with nonresidential fixed investment down by 0.6%, though this only accounted for a 0.08-point decrease in GDP. Residential investment was down for the sixth consecutive quarter by 1.5% and net exports were down, pulling down the headline number by 0.65 points. The price index and core reading were both up to 2.4% in a sign of strength.

***Summary: Personal consumption expenditures and government spending supported the report, while most remaining indicators, in particular residential investment, dragged it down.***

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## About Us

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