

## Top Headline: U.S. Issues Further Tariffs

President Trump announced that starting September 1<sup>st</sup> the U.S. would issue 10% tariffs on the remaining \$300 billion in imports from China unaffected by prior measures. Following this, the Treasury department labeled China as a “currency manipulator”, stating that it purposely allowed its currency to devalue for unfair competitive gain. The latter move is largely symbolic, as it simply requires the government to meet with the IMF in an attempt to rectify the situation. However, the combined impact of the two moves had a serious impact in markets. Stocks sold off, the 10-Year Treasury yield fell to just 1.7% (its lowest level since 2015), and expectations for further Fed rate cuts rose.

## Other News

Negative yielding debt across the globe continues to climb, highlighted this past week by the entire German government bond curve turning negative. After a brief decline, negative yielding debt has skyrocketed in 2019 to over \$15 trillion in outstanding market value. The culprits for this include both cyclical and secular trends, from central bank policy to demographic changes. The U.S. has so far avoided this fate but facing an environment of low growth and below target inflation, it cannot be ruled out in the future.

## On Tap This Week

This upcoming week is highlighted by CPI, manufacturing and retail sales data

## Past Week's Releases

| Date   | Indicator                | Period | Prev.      | Exp.    | Act.    | Comment                                                                               |
|--------|--------------------------|--------|------------|---------|---------|---------------------------------------------------------------------------------------|
| M 8/5  | ISM Non-Mfg Index        | Jul    | 55.1       | 55.5    | 53.7    | The headline number concealed strength within the report in new orders and employment |
| W 8/7  | Consumer Credit ♦        | Jun    | \$17.8B r↑ | \$16.0B | \$14.6B | Revolving credit was down due to debt repayment while nonrevolving credit was up      |
| Th 8/8 | Initial Jobless Claims ♦ | 8/3    | 217K r↑    | 215K    | 209K    | Initial and continuing claims fell lower                                              |
| F 8/9  | PPI                      | Jul    | 0.1%       | 0.2%    | 0.2%    | Energy prices bolster headline number, underlying pressures weak                      |
| F 8/9  | Core PPI                 | Jul    | 0.3%       | 0.2%    | -0.1%   |                                                                                       |

Actual < Expected     
 Actual > Expected     
 ♦ Leading Indicator

## Market Activity

| Indicator         | Open   | Close  | ΔWeek  | Δ3M    |
|-------------------|--------|--------|--------|--------|
| DJIA              | 26485  | 26287  | -0.75% | 1.78%  |
| S&P 500           | 2932.1 | 2918.7 | -0.46% | 1.67%  |
| USD*              | 98.1   | 97.5   | -0.59% | 0.12%  |
| 10-Year Treasury† | 1.85%  | 1.75%  | -0.10% | -0.69% |

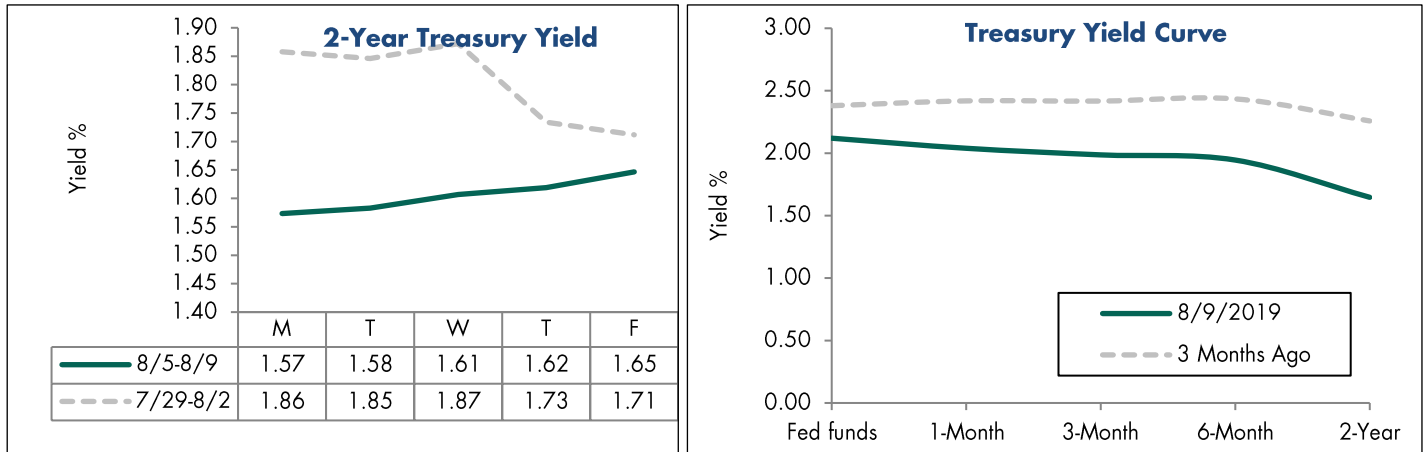
\*ICE U.S. Dollar Index Spot Price

†Absolute change in yield over specified period

## Upcoming Releases

| Date    | Indicator                | Period | Prev.  | Exp.  |
|---------|--------------------------|--------|--------|-------|
| T 8/13  | CPI                      | Jul    | 0.1%   | 0.3%  |
| T 8/13  | Core CPI                 | Jul    | 0.3%   | 0.2%  |
| Th 8/15 | Initial Jobless Claims ♦ | 8/10   | 209K   | 213K  |
| Th 8/15 | Retail Sales             | Jul    | 0.4%   | 0.3%  |
| Th 8/15 | Industrial Production    | Jul    | 0.0%   | 0.1%  |
| F 8/16  | Housing Starts ♦         | Jul    | 1.253M | 1255K |
| F 8/16  | Housing Permits ♦        | Jul    | 1.220M | 1270K |
| F 8/16  | Consumer Sentiment ♦     | Aug    | 98.4   | 97.0  |

## Yield Curve Highlights



## Detailed Economic Releases

| 8/5/2019          | Prev. | Exp. | Act. |
|-------------------|-------|------|------|
| ISM Non-Mfg Index | 55.1  | 55.5 | 53.7 |

Despite strength in previous reports, the index for July was below the consensus range at 53.7 and at a 3-year low. Despite obvious weakness in the headline number, new orders at 54.1 and employment at 56.2 were signs of strength. The index is also one of the only ones to report rising input prices at a reading of 56.5, though this was down from June. Business activity was, however, down by 5 points at 53.1.

**Summary: Though the index slowed, strength in new orders and employment reflect demand continuing through the second quarter.**

| 8/7/2019        | Prev.      | Exp.    | Act.    |
|-----------------|------------|---------|---------|
| Consumer Credit | \$17.8B r↑ | \$16.0B | \$14.6B |

Revolving credit was down \$0.1B in June following a \$7.5B uptick in the previous month. Meanwhile, nonrevolving credit reflecting student and auto loans increased by \$14.7B compared to \$10.3B in May.

**Summary: Despite paydowns in credit card debt resulting in a lower headline number, second quarter revolving credit still rose at an annualized rate of 5.3%, up by 1.5% on the quarter.**

| 8/8/2019               | Prev.   | Exp. | Act. |
|------------------------|---------|------|------|
| Initial Jobless Claims | 217K r↑ | 215K | 209K |

Jobless claims fell further to 209K, with the four-week average of 212,250 around 5K lower on the month. Continuing claims also fell by 15K to 1.684M, bringing the four-week average down by 11K to 1.687M.

**Summary: Even lower jobless claims reflect still-strengthening demand for labor.**

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| 8/9/2019 | Prev. | Exp. | Act.  |
|----------|-------|------|-------|
| PPI      | 0.1%  | 0.2% | 0.2%  |
| Core PPI | 0.3%  | 0.2% | -0.1% |

Headline PPI rose by 0.2% during the month of July, in line with expectations. Energy prices, which have been a drag on the index for most of the year, jumped 2.3% due to bumps in gasoline and home heating oil. Outside of energy though, price pressures were relatively tepid, evidenced by the 0.1% decline in Core PPI. Year-on-year core PPI is still running above headline PPI, at 2.1% and 1.7%, respectively.

**Summary: Weak price pressures outside of energy another indicator of cyclical drawback in demand.**

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## 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](http://www.capitaladvisors.com)  
[info@capitaladvisors.com](mailto:info@capitaladvisors.com)