

Top Headline: Brexit Turmoil Part 3,000

UK Prime Minister Boris Johnson announced a suspension of Parliament for several weeks in mid-September, a move that's widely seen as an attempt to avoid dissent against his plan to force the UK out of the EU by October 31st. The announcement lead to a further devaluation of the pound back to the low points reached shortly after the referendum, as markets continue to price in a possible no-deal exit. Opposition lawmakers are taking to Parliament this week in hopes of forcing a vote against a no-deal scenario, though it is unclear how this would be enforced.

Other News

Last Monday, President Trump said China contacted the U.S. to return to negotiations, simultaneously striking a conciliatory tone the final day of the G7 summit. The change eased markets, until the Trump administration implemented additional tariffs of 15% on tools, apparel, footwear and electronics on Sunday. Last year, the value of these goods totaled \$111 billion. Implementation of tariffs of 15% on the remaining \$156 billion worth of goods are still set to begin on the delayed December 15th date.

On Tap This Week

Manufacturing, trade and employment data will all be released this week, providing key insight into the economic situation across the country.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M 8/26	Durable Goods Orders	Jul	1.8% r↓	1.2%	2.1%	The report was mostly strong with a few points of weakness
T 8/27	Consumer Confidence ♦	Aug	135.8 r↑	130.0	135.1	Report reflects strength with only some signs of uncertainty
Th 8/29	GDP	Q2(p)	2.1%	2.0%	2.0%	Consumer spending offset weakness in other areas of the report
Th 8/29	Real Consumer Spending	Q2(p)	4.3%	4.3%	4.7%	
Th 8/29	International Trade in Goods	Jul	\$74.2B	\$74.4B	\$72.3B	Strength in exports offset any gains in imports
Th 8/29	Initial Jobless Claims ♦	8/24	211K r↑	215K	215K	Levels remain at favorable levels
F 8/30	Personal Income	Jul	0.5% r↑	0.3%	0.1%	Consumer spending jumped despite almost flat income growth
F 8/30	Consumer Spending	Jul	0.3%	0.5%	0.6%	
F 8/30	Consumer Sentiment ♦	Aug	92.1	92.3	89.8	All components were down and tariffs were cited as a main concern

Actual < Expected

Actual > Expected

♦ Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25629	26403	3.02%	6.40%
S&P 500	2847.1	2926.5	2.79%	6.34%
USD*	97.6	98.9	1.31%	1.19%
10-Year Treasury*	1.54%	1.50%	-0.04%	-0.63%

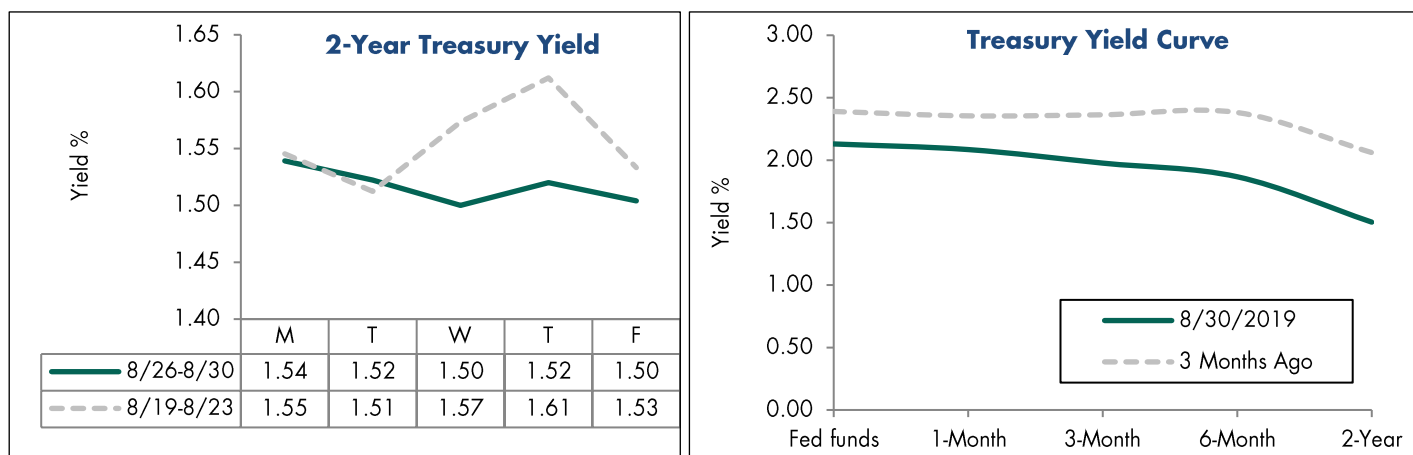
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 9/3	ISM Mfg Index	Aug	51.2	51.3
T 9/3	Construction Spending	Jul	-1.3%	0.3%
W 9/4	International Trade	Jul	\$55.2B	\$53.4B
Th 9/5	Initial Jobless Claims ♦	8/31	215K	215K
Th 9/5	ISM Non-Mfg Index	Aug	53.7	54.0
F 9/6	Nonfarm Payrolls	Aug	164K	160K
F 9/6	Unemployment Rate	Aug	3.7%	3.7%

Yield Curve Highlights



Detailed Economic Releases

8/26/2019	Prev.	Exp.	Act.
Durable Goods Orders	1.8% r↓	1.2%	2.1%

Core capital goods fell from 1.9% to 0.4%, while headline orders grew from a downwardly revised June figure of 1.8% to 2.1%. This was in large part thanks to aircraft orders, which showed a second consecutive month of strength, with civilian aircraft orders up 101% in June and 49% in July. Excluding transportation, however, orders were down 0.4% on the month. Despite perceived strength in the headline number, the breakdown shows some weaknesses in the report. Primary metals, fabricated metals and machinery were down 1.0%, 0.9%, and 0.6%, respectively. Bright spots include a 1.9% increase in communications equipment, and a 1.1% increase in electrical equipment. In an additional sign of weakness, unfilled orders increased by 0.1% and inventories increased by 0.4%, implying the potential for overhang given the decreased total shipments.

Summary: Despite some points of weakness, the report should assuage concerns given significant growth in aircraft orders.

8/27/2019	Prev.	Exp.	Act.
Consumer Confidence	135.8 r↑	130.0	135.1

Despite recent market volatility, confidence levels were above expectations at 135.1. Strength in the number came from the present situation component up more than 6 points at 177.2, marking a 19-year high. The expectations component fell by 5 points but stood at a solid 107.0. Within the present situation component, the jobs-hard-to-get subcomponent fell from 12.5% to 11.8%, in a positive for the report. Additionally, those believe jobs are plentiful increased by 4.6% to 51.2%. Within the expectations component, those who believe more jobs will be available in six months fell, while those who believe fewer jobs will be available rose. However, expectations for income levels was mostly unchanged. The key indication of uncertainty is the drop in the spread between bulls and bears in the market, moving from 41.3% versus 22.3% in July to 36.3% and 30.5% in August. Additionally, more expect to see interest rates decrease a year from now.

Summary: Though in conflict with the mid-month consumer sentiment report by the University of Michigan, this report reflects confidence in the jobs market.

8/29/2019	Prev.	Exp.	Act.
GDP	2.1%	2.0%	2.0%
Real Consumer Spending	4.3%	4.3%	4.7%

Consumer spending rose from 4.3% in the first estimate to 4.7%, lifting the report in the face of soft global growth. Thanks to the strength of the labor market reflecting on the consumer, the second estimate only fell by 0.1% to a still-strong 2.0%. Government spending was also a bright spot in the report, up by 4.5% thanks to stimulus at all levels of government. Unsurprisingly, nonresidential fixed investment and residential investment pulled GDP down, with a 6.1% and 2.9% contraction, respectively. A 0.71% decrease in net exports was also a negative for the report, with exports down and imports unchanged. The 0.91% decrease in inventories is also a negative for the quarter, though it provides an opportunity for strength in third quarter GDP.

Summary: Consumer spending was the highlight of this report and confirms that strength in the labor market is supporting GDP and offsetting global weaknesses reflected elsewhere in the report.

8/29/2019	Prev.	Exp.	Act.
International Trade in Goods	\$74.2B	\$74.4B	\$72.3B

Thanks to a 0.7% increase in exports and a 0.4% decrease in imports in the month, net exports fell below expectations and was down almost \$2 billion on the month. Weakness in the report include exports of foods, feeds and beverages which were down by 2.4% on the month and 2.2% on the year, and exports of industrial supplies which reflect oil prices and were also down. Meanwhile, exports of consumer goods and autos provided reprieve for the report. In another negative, however, imports of capital goods fell, suggesting weakness in domestic business investment. Additionally, imports of foods, autos and consumer goods all rose.

Summary: Strength in exports offset gains in some imports, combining for an overall solid report.

8/29/2019	Prev.	Exp.	Act.
Initial Jobless Claims	211K r↑	213K	215K

Initial claims rose by 4K but remain at historically low levels at 215K, with the four-week average also down slightly on the week at 214,500. Continuing claims were up by 22K, but the four-week average still fell lower to 1.697M.

Summary: Despite a slight increase in initial claims, levels remain low.

8/30/2019	Prev.	Exp.	Act.
Personal Income	0.5% r↑	0.3%	0.1%
Consumer Spending	0.3%	0.5%	0.6%

Consumer spending grew from 0.3% to 0.6%, while the PCE price index was up 0.2% on the month, which was flat but in line with expectations. All components of consumer spending were up, led by a 1.1% increase in nondurable goods, not to mention a 0.6% and 0.5% gain in durable goods and services, respectively. Meanwhile, though the PCE index was in line with expectations, the year-on-year rate did not meet the 2.0%, falling instead at 1.6%. While personal income gained 0.1%, personal interest income fell by 1.8% due to the decline in interest rates. This offset increases of 0.5% in rental income and proprietors' income. Wages and salaries were not strong either, up only 0.2% on the month.

Summary: Consumer spending remains strong, despite weakness in income and inflation growth.

8/30/2019	Prev.	Exp.	Act.
Consumer Sentiment	92.1	92.3	89.8

Consumer sentiment for the first half of August fell at 89.8, which marks the lowest reading since October 2016. The expectations component was down by more than 10 points to 79.9, while the current conditions component was also down by more than 5 points to 105.3. Rising tariffs were a main cause for concern, with 1/3 of people surveyed by phone mentioning them unwarranted.

Summary: The consumer sentiment report was weak with all components down, contradicting strength in the consumer confidence report released Tuesday.

About Us

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