

## Top Headline: It's Been A Bad Week

On Monday morning, the Dow Jones and S&P 500 both fell by 7%, hard enough to trigger circuit breaks that halted trading for 15 minutes. All sectors in the S&P 500 were down, led by energy, following Saudi Arabia's announcement this weekend to increase production and cut prices. The yield on the 10-year and 30-year bonds have now fallen to 0.431% and 0.866%, respectively. The Fed said this morning that it will increase the amount of very short-term loans it has been offering to money markets, highlighting fears surrounding funding constraints and liquidity. The Fed is expected to further cut rates at its next meeting on March 18<sup>th</sup>, if not sooner.

## Other News

Oil prices fell to their lowest levels since 2016 after Saudi Aramco announced it would cut prices and increase crude production, after the Kingdom failed to reach an agreement on Friday with Russia regarding production cuts. Despite the crown prince's attempts to further production cuts since the beginning of the coronavirus, Russia has not wavered, seeming not to be concerned about the virus' long-term effects on the oil market while simultaneously being pressured by oil companies to boost crude output.

## On Tap This Week

Manufacturing numbers and employment data will be released this week.

## Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
M 3/2	ISM Mfg Index	Feb	50.9	50.4	50.1	The coronavirus hit the index and pushed down orders and production
M 3/2	Construction Spending	Jan	0.2% r↑	0.6%	1.8%	Single-family construction supported growth in home construction
W 3/4	ISM Non-Mfg Index	Feb	55.5	55.1	57.3	New orders, employment backlog orders and export orders all rose
Th 3/5	Initial Jobless Claims ♦	2/29	219K	215K	216K	Claims fell and remain low
F 3/6	Nonfarm Payrolls	Feb	273K r↑	175K	273K	Payrolls, unemployment rate, labor force participation rate and earnings all improved
F 3/6	Unemployment Rate	Feb	3.6%	3.6%	3.5%	
F 3/6	International Trade	Jan	\$48.6B r↑	\$47.2B	\$45.3B	Larger decline in imports than exports resulted in a decrease deficit
F 3/6	Consumer Credit ♦	Jan	\$20.3B r↑	\$17.0B	\$12.0B	Auto and student loans rose on the month

Actual < Expected

Actual > Expected

♦ Leading Indicator

## Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	25409	25865	1.79%	-7.68%
S&P 500	2954.2	2972.4	0.61%	-5.52%
USD*	98.1	96.0	-2.22%	-1.79%
10-Year Treasury <sup>+</sup>	1.15%	0.76%	-0.39%	-1.07%

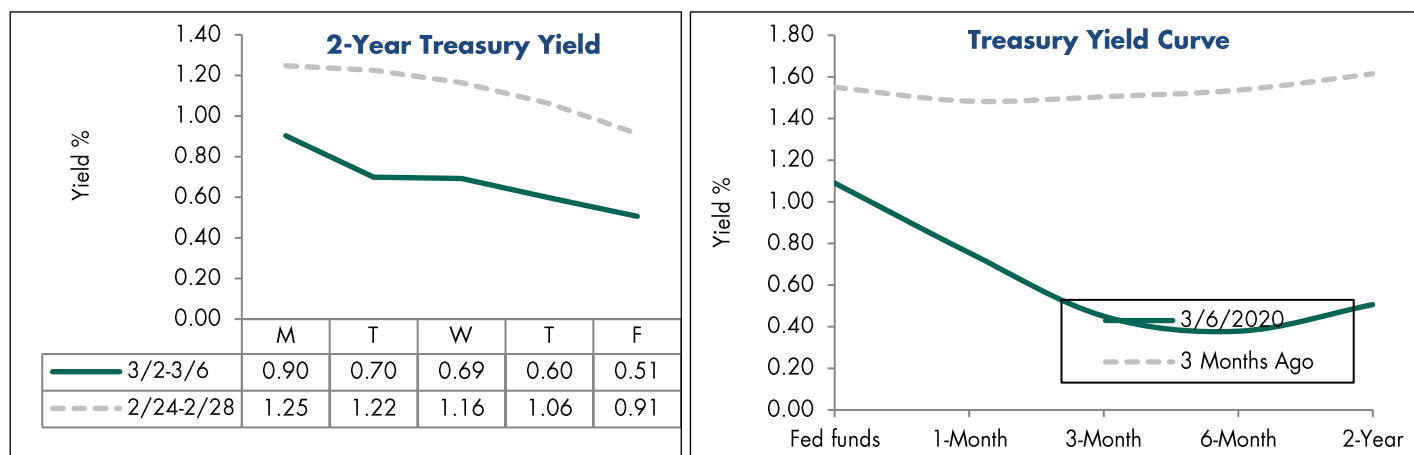
\*ICE U.S. Dollar Index Spot Price

<sup>+</sup>Absolute change in yield over specified period

## Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
W 3/11	CPI	Feb	0.1%	0.1%
W 3/11	Core CPI	Feb	0.2%	0.2%
Th 3/12	Initial Jobless Claims ♦	3/7	216K	216K
Th 3/12	PPI	Feb	0.5%	-0.1%
Th 3/12	Core PPI	Feb	0.5%	0.1%
F 3/13	Consumer Sentiment ♦	Mar(p)	101.0	95.0

## Yield Curve Highlights



## Detailed Economic Releases

3/2/2020	Prev.	Exp.	Act.
ISM Mfg Index	50.9	50.4	50.1

Manufacturing grew at a slower pace than predicted in February. The index fell from 50.9 to 50.1, marking the second consecutive month above 50 after falling for six months straight in late 2019, but hinting at another potential dip below the cutoff point. Production was down by 4.0% while the new orders index fell to 49.8 from 52 in January. The drop in the reading is thought to have stemmed from first impacts seen of the coronavirus.

**Summary: The coronavirus hit the index, with the survey reflecting weakness in February's manufacturing production and new orders indexes.**

3/2/2020	Prev.	Exp.	Act.
Construction Spending	0.2% r↑	0.6%	1.8%

Gains in home construction and government building projects pushed the report to an all-time high in January, and up by its highest in almost two years. Home construction spending jumped by 2.1%, thanks to single-family home construction up 2.7%. Nonresidential construction was also up 0.8%, while government building projects were up 2.6% thanks to a 2% increase in state and local government spending and a 9.9% increase in federal level spending.

**Summary: Spending increased by the most in almost two years, with single-family supporting a 2.1% jump in home construction spending.**

3/4/2020	Prev.	Exp.	Act.
ISM Non-Mfg Index	55.5	55.1	57.3

The non-manufacturing index rose to its highest level since February 2019 to 57.3, indicating expansion in the services sector despite preliminary impacts of the coronavirus. New orders jumped to 63.1 in February from 56.2 in January, while order backlogs rebounded following contraction in January. Services industry employment rose to 55.6 from 53.1 in January. Export orders were also a positive for the report.

**Summary: The services industry flourished in February, despite early fears of the coronavirus.**

3/5/2020	Prev.	Exp.	Act.
Initial Jobless Claims	219K	215K	216K

Jobless claims fell for the week ended February 29<sup>th</sup>, reflecting little impact of the virus on employment numbers at that point. The four-week average of initial claims, meanwhile, rose by 3,250 to 213K. Continuing claims rose by 7K to 1.73M, with this four-week average down 7,500 to 1.72M. As the coronavirus has been seen to be impacting supply chains, exports and demand for transportation, leisure and hospitality services, it is likely that this effect will be reflected in jobless claims numbers as the weeks go on and the virus continues to spread.

**Summary: Initial claims were down on the week, though they may be impacted in the coming weeks by ripple effects of the coronavirus.**

3/5/2020	Prev.	Exp.	Act.
Nonfarm Payrolls	273K r↑	175K	273K
Unemployment Rate	3.6%	3.6%	3.5%

Payrolls increased by 273K in February, above expectations and matching last month's upwardly revised number. Following upward revisions in January and December, the three-month average up to 243K compared to the 2019 average monthly gain of 178K. Also of note, the unemployment rate fell back down to 3.5%, while the labor force participation rate remained at 63.4%. Average hourly earnings were up 3% on the year, with the average work week also up slightly to 34.4 hours. Job gains were widespread, with health care and social assistance up 57K, food services and drinking places up 53K each, and government employment up 45K. Additionally, construction rose by 42K, professional and technical services was up 32K, and finance rose by 26K.

**Summary: Payrolls rose, the unemployment rate fell, and earnings improved. Though employment was robust at the time of this report, the coronavirus is expected to negatively impact next month's report, with the first impact expected to be seen on the services industry.**

3/6/2020	Prev.	Exp.	Act.
International Trade	\$-48.6B r↑	\$-47.2B	\$-45.3B

The deficit in trade in goods and services narrowed, with exports down 0.4% to \$208.6B, but imports down by a more significant 1.6% to \$253.9B. The decrease in the deficit reflected a drop in the goods deficit of \$2.6B to \$67.0B, as well as an increase in the services surplus of \$0.6B to \$21.7B. On the year, the deficit fell by \$8.5B, with exports up by 1.1%, and imports down by 2.4%. Capital goods exports fell by \$1.0B, with civilian aircraft down \$1.7B, while industrial supplies and materials also down \$1.0B, with crude and fuel oil down by \$0.8B and \$0.6B, respectively. Exports of services were up \$0.5B, with gains in business, financial, maintenance and transport services. Imports of goods also fell, with industrial supplies and materials down by \$2.4B.

**Summary: The deficit narrowed, with decreases seen in exports and imports.**

3/6/2020	Prev.	Exp.	Act.
Consumer Credit	\$20.3B r↑	\$17.0B	\$12.0B

Consumer credit rose by \$12 billion, just after a \$20.3B surge in December. Auto loans and student loans rose by \$15.1B in January, also up from a \$9.2B increase in December in what was its largest increase since August.

**Summary: Credit rose on the month, with auto and student accounting for a large part of the gain.**

## About Us

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Headquartered in metropolitan Boston, Capital Advisors Group maintains multiple U.S. regional offices.

**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)