

Top Headline: House Passes \$3 Trillion Aid Package

The House passed a \$3 trillion aid package late last week, with the proposal passing narrowly on a vote of 208 to 199. The bill includes \$1 trillion in direct aid to states and localities, including grants and education assistance. Additionally, the bill sets aside funds to provide another one-time cash payment to Americans' bank accounts, extends the duration of enhanced jobless benefits, assists in covering rent and mortgage, forgives student-loan debt and pays premium levels to essential workers.

Other News

Federal Reserve Chairman Jerome Powell spoke last Wednesday, saying that further stimulus may be required to bolster the economy's recovery. Powell described conditions of great uncertainty in the time ahead, with the outlook subject to high levels of downside risk. The Chairman urged the White House and Congress to do and spend more to support the economy's revival.

On Tap This Week

Housing data will be released this week, including housing starts and permits and existing home sales.

Past Week's Releases

Date	Indicator	Period	Prev.	Exp.	Act.	Comment
T 5/12	CPI	Apr	-0.4%	-0.8%	-0.8%	Energy prices pushed the index down,
T 5/12	Core CPI	Apr	-0.1%	-0.2%	-0.4%	though food at home provided support
W 5/13	PPI	Apr	-0.2%	-0.5%	-1.3%	A drop in gasoline prices led the
W 5/13	Core PPI	Apr	0.2%	0.0%	-0.3%	decline
W 5/13	EIA Petroleum Status	5/8	4.6M	N/A	-0.7M	Inventories were drawn down as
Th 5/14	Initial Jobless Claims ♦	5/9	3.18M r↑	2.5M	2.98M	gasoline demand improved
F 5/15	Retail Sales	Apr	-8.3% r↑	-11.7%	-16.4%	Initial and continuing claims rose
F 5/15	Industrial Production	Apr	-5.4%	-11.9%	-11.2%	Nonstore retailers benefited while
F 5/15	Consumer Sentiment ♦	May(p)	71.8	68.0	73.7	stores were hit hard
F 5/15	Baker-Hughes Rig Count	5/15	374	N/A	339	Manufacturing, utilities and mining
						were down
						Current economic conditions improved
						while expectations worsened
						Permian Basin continued to lead the
						decline

Actual < Expected
Actual > Expected
♦ Leading Indicator

Market Activity

Indicator	Open	Close	ΔWeek	Δ3M
DJIA	24331.3	23685.4	-2.65%	-19.43%
S&P 500	2929.8	2863.7	-2.26%	-15.28%
USD*	99.73	100.40	0.67%	1.29%
10-Year Treasury*	0.68%	0.64%	-0.04%	-0.94%

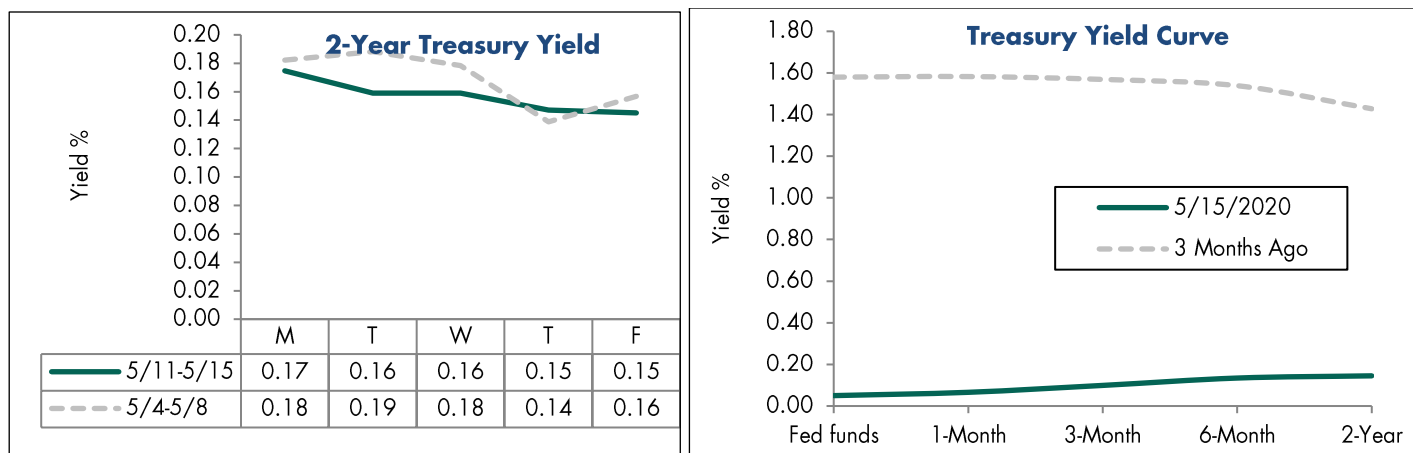
*ICE U.S. Dollar Index Spot Price

*Absolute change in yield over specified period

Upcoming Releases

Date	Indicator	Period	Prev.	Exp.
T 5/19	Housing Starts ♦	Apr	1.22M	908K
T 5/19	Housing Permits ♦	Apr	1.0M	1.4M
W 5/20	EIA Petroleum Status	5/15	-0.7M	N/A
W 5/20	FOMC Minutes	4/29	N/A	N/A
Th 5/21	Initial Jobless Claims ♦	5/16	2.98M	2.40M
Th 5/21	Existing Home Sales	Apr	5.27M	4.30M
F 5/22	Baker-Hughes Rig Count	5/22	339	N/A

Yield Curve Highlights



Detailed Economic Releases

5/12/2020	Prev.	Exp.	Act.
CPI	-0.4%	-0.8%	-0.8%
Core CPI	-0.1%	-0.2%	-0.4%

CPI fell by 0.8% in April, with a 20.6% drop in the gasoline index leading the decline. Indexes for apparel, motor vehicle insurance, airline fares, and lodging away from home all fell as well. Meanwhile, the index for food at home saw its largest monthly increase since February of 1974. Core CPI fell by the largest monthly amount since the index was created in 1957. In addition to the aforementioned categories, indexes for used cars and trucks and recreation also fell. Areas that saw prices increases included rent, owners' equivalent rent, medical care and household furnishings and operations. On the year, the energy index fell by 17.7%, while the food index rose by 3.5%.

Summary: Energy drove the decline in CPI, while food at home supported the index.

5/13/2020	Prev.	Exp.	Act.
PPI	-0.2%	-0.5%	-1.3%
Core PPI	0.2%	0.0%	-0.3%

Headline PPI fell by 1.3% in April, while core PPI fell by 0.3%. The headline decline is the largest since the beginning of the index in December of 2009. More than 80% of the fall in the final demand index can be attributed to a 3.3% drop in prices for final demand goods. Most of this fall stems from a 19.0% fall in prices for final demand energy. Specifically, prices for gasoline fell by 56.6%, the largest decrease since the beginning of the series in 1947. Jet fuel, diesel fuel, basic organic chemicals, home heating oil and corn were also lower. The index for final demand services moved down by a comparably low amount of 0.2%. Prices for portfolio management fell, as did airline passenger services, traveler accommodation services, hospital outpatient care, and apparel, footwear and accessories retailing. Core PPI excluding trade services fell by 0.9%.

Summary: Prices for final demand fell largely due to a drop in gasoline prices.

5/13/2020	Prev.	Exp.	Act.
EIA Petroleum Status	4.6M	N/A	-0.7M

Commercial crude oil inventories decreased by 0.7M barrels on the week, leaving total inventories excluding the Strategic Petroleum Reserve at 531.5M barrels, 11% above the five-year average. Total motor gasoline inventories fell by 3.5M barrels, while gasoline, distillate fuel, propane, and commercial petroleum inventories all increased. Total products supplied over the last four-week period averaged 15.5M barrels per day, down 22.8% on the year.

Summary: Inventories seemed to be drawn down rather than added to in a change from recent weeks, as demand grew at a slightly faster rate than expected.

5/14/2020	Prev.	Exp.	Act.
Initial Jobless Claims	3.18M r↑	2.5M	2.98M

Initial jobless claims for the week ended May 9th were 2.98M, down by 195K from the previous week's upwardly revised number. The four-week average was down by 564K from the previous week's upwardly revised average to 3.62M. The number of continuing claims reached 22.83M as of the week ending May 2nd.

Summary: Initial and continuing claims continued to post unprecedented numbers.

5/15/2020	Prev.	Exp.	Act.
Retail Sales	-8.3% r↑	-11.7%	-16.4%

Retail sales for April totaled \$403.9B, down 16.4% from March, and down 21.6% on the year. Retail trade sales were down by 17.8% on the year, while clothing and clothing accessories stores were down 89.3% on the year. Nonstore retailers were up 21.6% on the year.

Summary: Clothing stores were hit hard, while non-store retailers benefited from increased demand given social distancing guidelines.

5/15/2020	Prev.	Exp.	Act.
Industrial Production	-5.4%	-11.9%	-11.2%

Total production fell by 11.2% on the month in the largest monthly drop in the history of the index started 101 years ago. Manufacturing output fell 13.7% in its largest drop on record. Output of motor vehicles and parts fell by more than 70%, while other manufacturing production fell by 10.3%. utilities and mining fell by 0.9% and 6.1%, respectively. At 92.6% of the 2012 average, industrial production was down 15.0% on the year. Capacity utilization was also down 8.3% to 64.9%, 14.9% below the long-run average.

Summary: Production and capacity utilization were down due to factory closures.

5/15/2020	Prev.	Exp.	Act.
Consumer Sentiment	71.8	68.0	73.7

Consumer sentiment was up 2.6% from April's reading of 71.8 to 73.7, though this is still down 26.3% on the year. The current economic conditions index was up 11.7% on the week from 74.3 to 83.0, while the index of consumer expectations was down 3.4% from 70.1 to 67.7. The change in sentiment came as the CARES relief checks provided support to consumers' financial situations, with improvement in buying conditions stemming from lower prices and interest rates. Health appeared to be respondents' main concern regarding the pandemic, ahead of social isolation or family finances, in that order.

Summary: Sentiment improved given support from the government and the federal reserve, though health remained of utmost concern among respondents, with implications regarding the timing of the reopening of the economy.

5/15/2020	Prev.	Exp.	Act.
Baker-Hughes Rig Count	374	N/A	339

The number of active rigs in the U.S. continued to fall on the week, from 374 to 339. 23 of the 35-rig drop was seen in the Permian, continuing the trend of the majority of the decline stemming from the Basin. Eagle Ford and Williston accounted for the bulk of the remainder of the drop.

Summary: The decline in active rigs continued, though at a slower pace given the already historic lows.

About Us

Capital Advisors Group, Inc. is an independent SEC-registered investment advisor specializing in institutional cash investments, risk management, and debt finance consulting. Our clients range from venture capital-funded startups and emerging growth companies to Fortune 100 companies.

Drawing upon more than a quarter of a century of experience through varied interest rate cycles, the firm has built its reputation upon deep, research-driven investment strategies and solutions for its clientele.

Capital Advisors Group manages customized separately managed accounts (SMAs) that seek to protect principal and maximize risk-adjusted returns within the context of each client's investment guidelines and specific liquidity needs. Capital Advisors Group also provides FundIQ® money market fund research; CounterpartyIQ® aggregation and credit analysis of counterparty exposures; risk assessment on short-term fixed income securities and portfolios; and independent debt finance consulting services.

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
info@capitaladvisors.com