Carty & Company, Inc.

Weekly Market Update – November 2016, Week 1

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Compare Rates

US Treasuries			
Maturity	Yield	Change	Last Week
3	0.95	(0.06)	1.01
5	1.24	(0.08)	1.32
7	1.55	(0.08)	1.63
10	1.78	(0.07)	1.85
30	2.57	(0.05)	2.62

Agencies			
Maturity	Yield	Change	Last Week
3	0.84	(0.08)	0.92
5	1.06	(0.06)	1.12
7	1.36	(0.08)	1.44
10	1.78	(0.09)	1.87
25	2.48	(0.04)	2.52

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	Last Week
1	0.75	(0.01)	0.76
5	1.14	(0.03)	1.17
10	1.72	(0.03)	1.75
15	2.15	(0.04)	2.19
30	2.58	(0.05)	2.63

Municipal G.O. (AAA) - TEY @ 39.6%			
Maturity	Yield	Change	Last Week
1	1.24	(0.02)	1.26
5	1.89	(0.05)	1.94
10	2.85	(0.05)	2.90
15	3.56	(0.07)	3.63
30	4.27	(0.08)	4.35

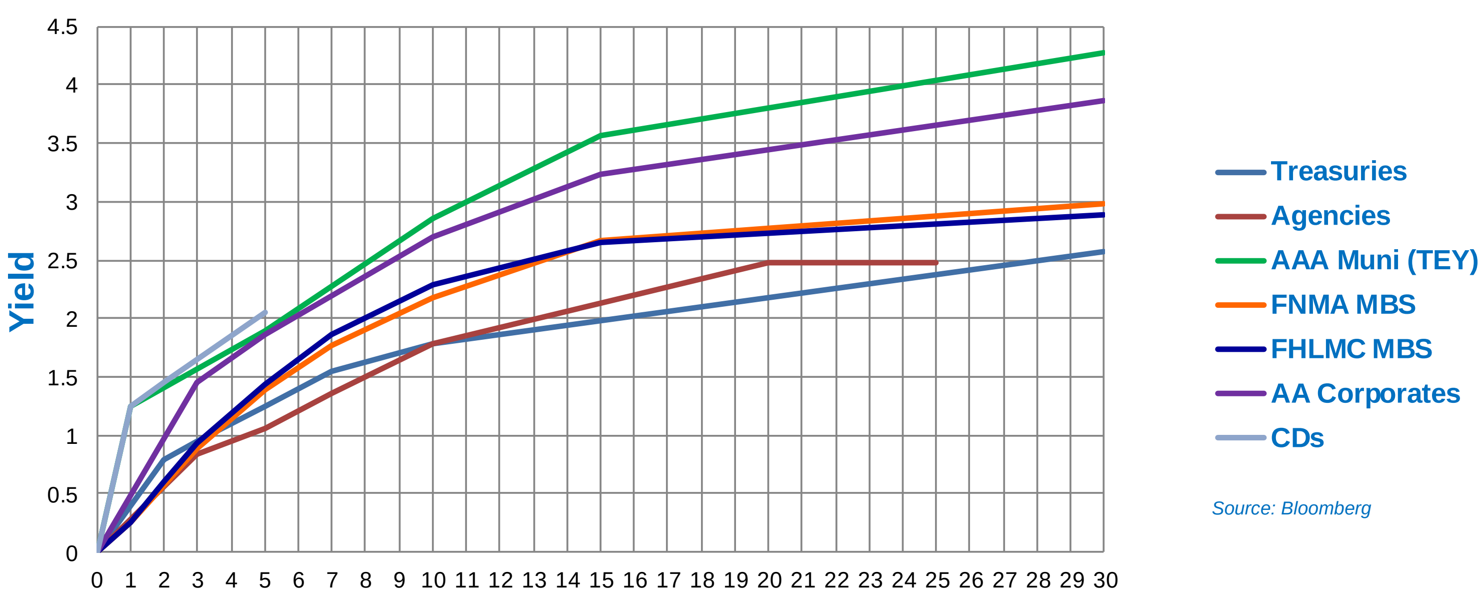
Brokered CDs			
Maturity	Yield	Change	Last Week
1	1.25	0.00	1.25
2	1.45	0.00	1.45
5	2.05	0.00	2.05

Corporate Index (AA)			
Maturity	Yield	Change	Last Week
3	1.45	(0.03)	1.48
5	1.86	(0.02)	1.88
10	2.70	(0.00)	2.70
15	3.24	0.01	3.23
30	3.87	0.02	3.85

MBS - Current Coupon			
FNMA	Yield	Change	Last Week
15yr	1.91	0.02	1.89
30yr	2.54	0.03	2.51
FHLMC	Yield	Change	Last Week
15yr	1.90	0.00	1.90
30yr	2.52	(0.01)	2.53

Equities			
Index	Current	Change	Last Week
DJIA	17,888	(183.00)	18,161
S&P 500	2,085	(28.00)	2,126
Nasdaq	5,046	(109.00)	5,190

Fixed Income Sector Performance



Source: Bloomberg

Economy

Payrolls Accelerate:

U.S. jobs continued to rise at a steady pace in October and wage gains accelerated, signs that the labor market and economy made steady progress at the start of the fourth quarter.

- Payrolls climbed by 161,000 last month following a 191,000 gain in September that was larger than previously estimated, a Labor Department report showed Friday. The median forecast in a Bloomberg survey called for 173,000. The jobless rate fell to 4.9 percent, while wages rose from a year earlier by the most since June 2009.
- The figures are likely to keep the Federal Reserve on track to raise borrowing costs next month for the first time in 2016. Underlying the steady gains in employment is a balance between hiring managers' need to keep up with stable domestic demand and the struggle to match more limited labor with skilled-job vacancies.

Bigger Paychecks –October Advance was Largest Since June 2009

Source: Bureau of Economic Analysis

Trade Deficit Narrows:

The U.S. trade deficit shrank in September to the lowest level in more than a year on stronger exports of goods and travel services.

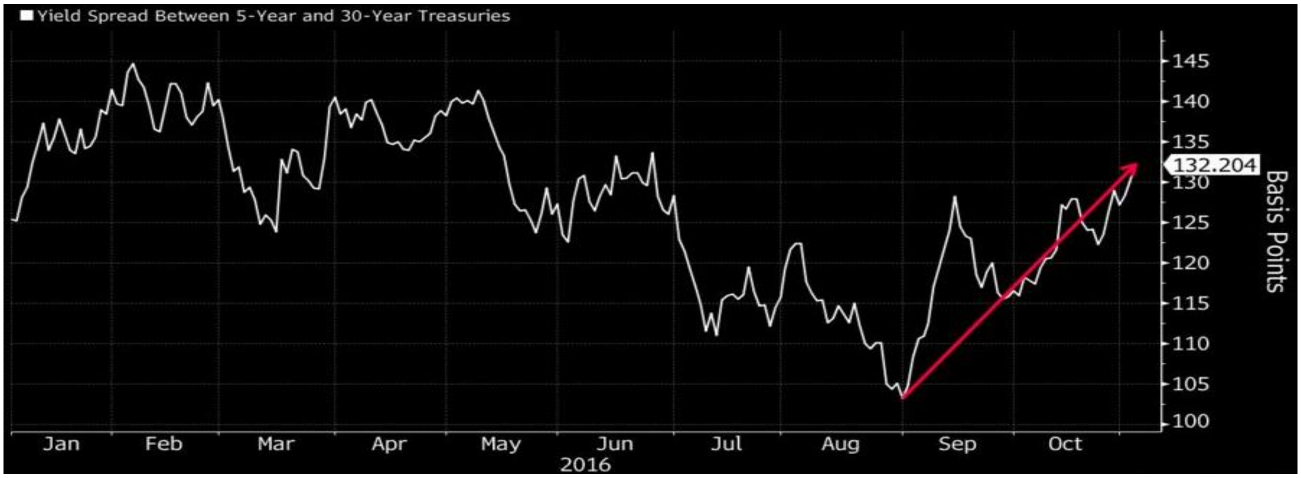
- The gap narrowed by 9.9 percent to $36.4 billion, the smallest since February 2015, Commerce Department figures showed Friday in Washington. The median forecast in a Bloomberg survey called for a deficit of $38 billion. The value of exports was the highest since July of last year, while imports declined by the most since March.
- The latest results complete the trade picture for the third quarter, when net exports contributed to economic growth by the most since late 2013. The pickup in U.S. shipments overseas was led by exports of commercial aircraft and artwork that are volatile categories.

Fixed Income

Longer Duration Leads Selloff:

- Bond traders and Federal Reserve officials are on the same page about the prospect for U.S. inflation to accelerate.
  - Gauges of the Treasury yield curve rose to the steepest since June and market-based measures of inflation expectations held near the highest in 16 months as traders bet the Fed will raise interest rates next month. Policy makers, in leaving their benchmark rate unchanged Wednesday, upgraded their inflation assessment, acknowledging that the pace of price increases “has increased somewhat since earlier this year.”
  - The Fed’s nod to price growth, combined with expectations that Friday’s October employment report will show a pickup from the prior month, is boosting bond traders’ confidence that the central bank is close to its dual mandate and will raise rates before year-end. They’re assigning a 78 percent probability to a hike next month, compared with less than 70 percent earlier in the week.
  - Yields on U.S. 30-year bonds climbed three basis points to 2.6 percent, while those on five-year notes were little changed at 1.26 percent. The spread between the two maturities increased to about 1.33 percentage points, the widest closing level since June 24. That means longer-dated bonds, which are more sensitive to inflation expectations, are experiencing a bigger selloff.
  - At the same time, the yield spread between 10-year Treasury bonds and similar-maturity Treasury Inflation Protected Securities, or TIPS, climbed to 1.74 percentage points earlier this week, the highest since July 2015 on a closing basis. Known as the break-even rate, the measure shows investor expectations for average annual consumer-price gains over the period.

Inflation Outlook Steepens U.S. Yield Curve – 5yr / 30yr Spread Widens



Source: Bloomberg

Equities

Indexes:

- **DJIA –** 17,888 current – ▼ 1.5% on the week
- **S&P 500 –** 2,085 current – ▼ 2.0% on the week
- **Nasdaq –** 5,046 current - ▼ 2.8% on the week

U.S. Stocks Decline a 9th Straight Day:

The S&P 500 Index extended its longest losing streak in more than three decades, as data bolstered speculation that interest rates will rise before year-end and investors remained wary before the looming presidential election.

- Equities faded in afternoon trading on Friday as an advance led by drug makers lost momentum, overshadowed by declines among consumer, financial and energy shares. Procter & Gamble Co. and Amazon.com Inc. were among the biggest drags. Insurer Willis Towers Watson Plc tumbled 5.6 percent after cutting its full-year revenue forecast.

- The S&P 500 fell 0.2 percent to 2,085.33 at 3 p.m. in Memphis, after erasing a 0.5 percent advance. The gauge capped a ninth straight drop, the longest since 1980, during which it has declined 3.1 percent.

- While shares have almost always risen in the days before a presidential election, anxiety about the outcome of the November 8th vote has weighed on stocks, also overshadowing the Fed meeting earlier this week. The S&P 500 fell Friday as low as 2,083 near the close, its average price during the past 200 days. This technical level hasn't been breached since the rout that followed the U.K.'s June vote to leave the European Union.

- Traders are also parsing corporate results as the earnings season winds down. More than four out of five S&P 500 companies have reported so far, with 56 percent beating sales estimates and 75 percent topping profit forecasts. Analysts predict earnings for members of the index grew 2.5 percent in the July-September period, snapping a five-quarter stretch of declines.