



# Carty & Company, Inc.

## Weekly Market Update – December 2016, Week 2

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### Compare Rates

US Treasuries			
Maturity	Yield	Change	Last Week
3	1.42	0.00	1.42
5	1.90	0.03	1.87
7	2.26	0.04	2.22
10	2.49	0.06	2.43
30	3.18	0.08	3.10

Agencies			
Maturity	Yield	Change	Last Week
3	1.13	0.29	0.84
5	1.54	0.48	1.06
7	1.90	0.54	1.36
10	2.44	0.66	1.78
25	3.11	0.63	2.48

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	Last Week
1	0.95	(0.04)	0.99
5	1.73	(0.11)	1.84
10	2.34	(0.22)	2.56
15	2.69	(0.27)	2.96
30	3.16	(0.20)	3.36

Municipal G.O. (AAA) - TEY @ 39.6%			
Maturity	Yield	Change	Last Week
1	1.57	(0.07)	1.64
5	2.86	(0.18)	3.05
10	3.87	(0.36)	4.24
15	4.45	(0.45)	4.90
30	5.23	(0.33)	5.56

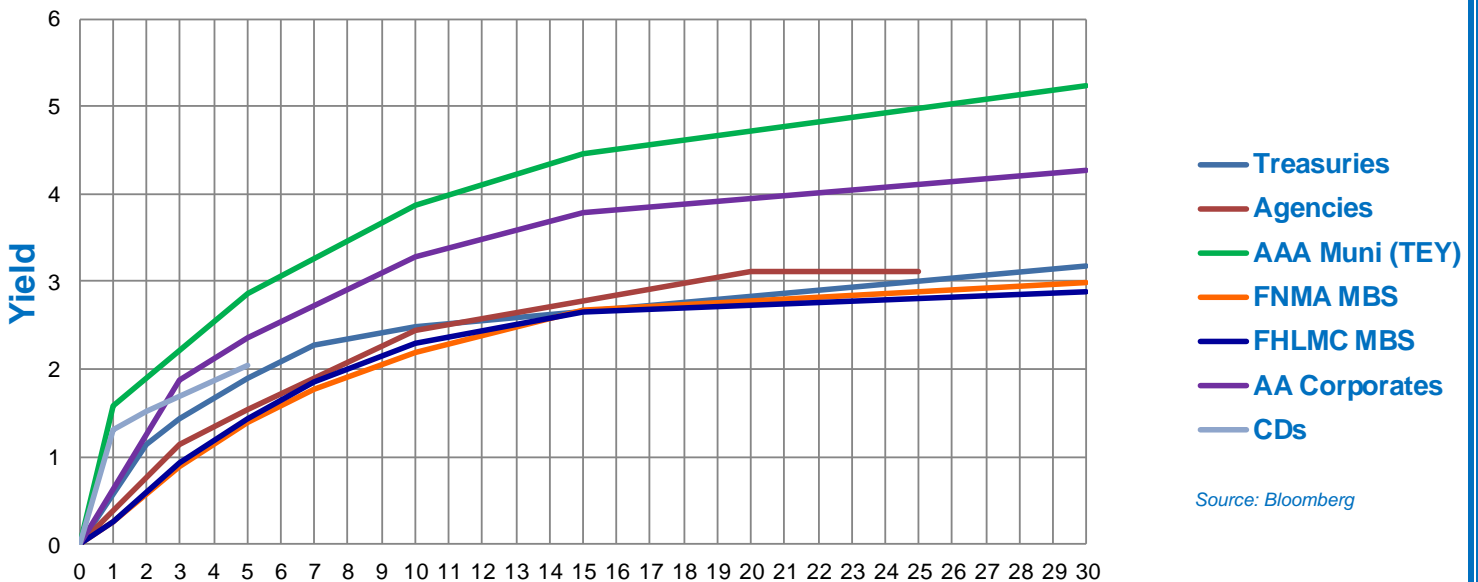
Brokered CDs			
Maturity	Yield	Change	Last Week
1	1.31	0.00	1.31
2	1.52	0.00	1.52
5	2.05	0.00	2.05

Corporate Index (AA)			
Maturity	Yield	Change	Last Week
3	1.86	(0.05)	1.91
5	2.37	(0.05)	2.42
10	3.27	(0.06)	3.33
15	3.78	(0.06)	3.84
30	4.27	(0.02)	4.29

MBS - Current Coupon			
FNMA	Yield	Change	Last Week
15yr	2.50	0.07	2.43
30yr	3.18	0.10	3.08
FHLMC	Yield	Change	Last Week
15yr	2.54	0.09	2.45
30yr	3.20	0.08	3.12

Equities			
Index	Current	Change	Last Week
DJIA	19,757	587.00	19,170
S&P 500	2,260	69.00	2,191
Nasdaq	5,445	191.00	5,254

### Fixed Income Sector Performance



Source: Bloomberg



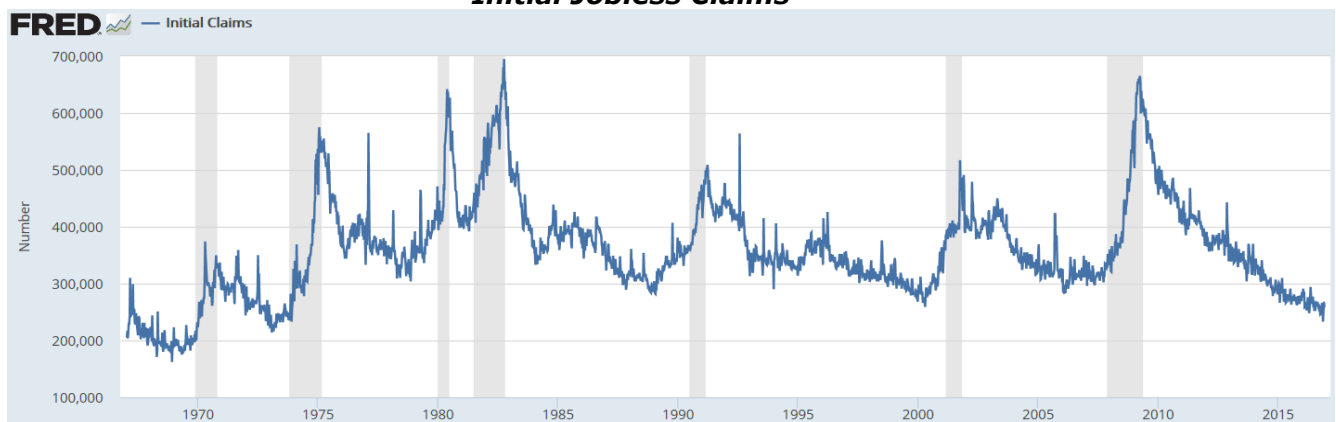
## U.S. Consumer Sentiment Rises to Highest since January:

- Consumer confidence jumped more than forecast this month as Americans expressed the sunniest picture of their financial situation in 11 years, extending a boost following Donald Trump's election victory.
  - The University of Michigan said Friday that its preliminary index of sentiment rose to 98, the highest since January 2015, from 93.8 in November. The median projection in a Bloomberg survey called for 94.5. The current conditions index, which measures Americans' perceptions of their personal finances, increased by 4.8 points to 112.1, the highest since 2005.
  - A record share of respondents "spontaneously mentioned" the positive impact from new policies, according to the survey, with more people expecting the economy and job market to strengthen in the coming year. At the same time, recent gains in confidence could prove temporary unless economic conditions improve under the new administration.

## Jobless Claims Drop:

- Last week the number of Americans who applied for unemployment benefits in early December fell by 10,000 to 258,000, keeping the pace of layoffs near the lowest level in more than 40 years as the holiday season got under way. The level of claims matched Wall Street estimates.
  - Initial jobless claims have now been extremely low for the past two years. They fell under 300,000 in early 2015 and have remained below that key threshold for 92 straight weeks, the longest such streak since 1970.
  - New claims had hit a five-month high the week before, though they often swing up and down during the holiday season that stretches from Thanksgiving to early January.

**Initial Jobless Claims**





## Fixed Income

### Municipal Market Stabilizes:

- U.S. state and local government bonds are stabilizing from their worst rout in three years as the record pace of debt sales slows and investors plow principal and interest income back into the market.
  - Municipal bonds extended gains last week and held steady on Thursday, with the yield on benchmark 10-year securities unchanged at 2.34 percent, even as Treasuries declined after the European Central Bank said it would slow its pace of monthly asset purchases starting in April.
  - The divergence comes as municipal bondholders are forecasted to receive around \$41.5 billion of securities payments this month, the most ever for December, according to Citigroup Inc.

### Municipals Pare Losses – Longer Securities Dropped 23bps since December 1<sup>st</sup>



Source: Bloomberg

### Treasuries Near 18-Month Highs:

- Treasuries declined last week with benchmark yields approaching 2016 highs, as stronger-than-forecast U.S. consumer sentiment bolstered bets that the Federal Reserve will raise interest rates next week.
  - The U.S. 10-year yield rose six basis points to 2.47 percent on Friday, nearing the 2.49 percent level reached last week, the highest since June 2015. The benchmark 30-year yield set a 17-month high at 3.17 percent.
  - Debt from Portugal and Italy led declines in developed markets after the ECB expanded its quantitative-easing program to exceed 2.2 trillion euros (\$2.4 trillion) by the end of 2017.
  - This extends the program from April at a slower speed of 60 billion euros a month, from 80 billion euros currently.



# Equities

## Indexes:



- ❖ **DJIA** – 19,757 current – ▲ 3.1% on the month
- ❖ **S&P 500** – 2,260 current – ▲ 3.1% on the month
- ❖ **Nasdaq** – 5,445 current – ▲ 3.6% on the month

## Stocks Soaring & Setting Records:

Gains in consumer staples stocks, health-care companies and tech firms sent U.S. equities higher for a sixth day after the S&P 500 Index and Dow Jones Industrial Average closed at records Friday. Small caps fell, with the Russell 2000 posting its first decline of the week.

- ⓑ Last Thursday afternoon as the lunch hour approached, S&P futures were only up 2 points. But in the afternoon, stocks rose far enough to wipe out any topping scenario. The Relative Strength Index (14-day) moved from overbought to historically overbought, pushing to its highest extreme in 20 years.
- ⓑ It is rare for stocks to top on peak momentum, suggesting additional bullish potential in the near-term. On Thursday, the Dow Transports also made a new closing high, canceling any bearish Dow Theory non-confirmation.

### Stocks Break Through Resistance

Source: Bloomberg



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