



Carty & Company, Inc.

Weekly Market Update – December 2016, Week 1

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Month Ago
3	1.42	0.47	0.95
5	1.87	0.63	1.24
7	2.22	0.67	1.55
10	2.43	0.65	1.78
30	3.10	0.53	2.57

Agencies			
Maturity	Yield	Change	1 Month Ago
3	1.13	0.29	0.84
5	1.53	0.47	1.06
7	1.90	0.54	1.36
10	2.40	0.62	1.78
25	3.02	0.54	2.48

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Month Ago
1	0.99	0.24	0.75
5	1.84	0.70	1.14
10	2.56	0.84	1.72
15	2.96	0.81	2.15
30	3.36	0.78	2.58

Municipal G.O. (AAA) - TEY @ 39.6%			
Maturity	Yield	Change	1 Month Ago
1	1.64	0.40	1.24
5	3.05	1.16	1.89
10	4.24	1.39	2.85
15	4.90	1.34	3.56
30	5.56	1.29	4.27

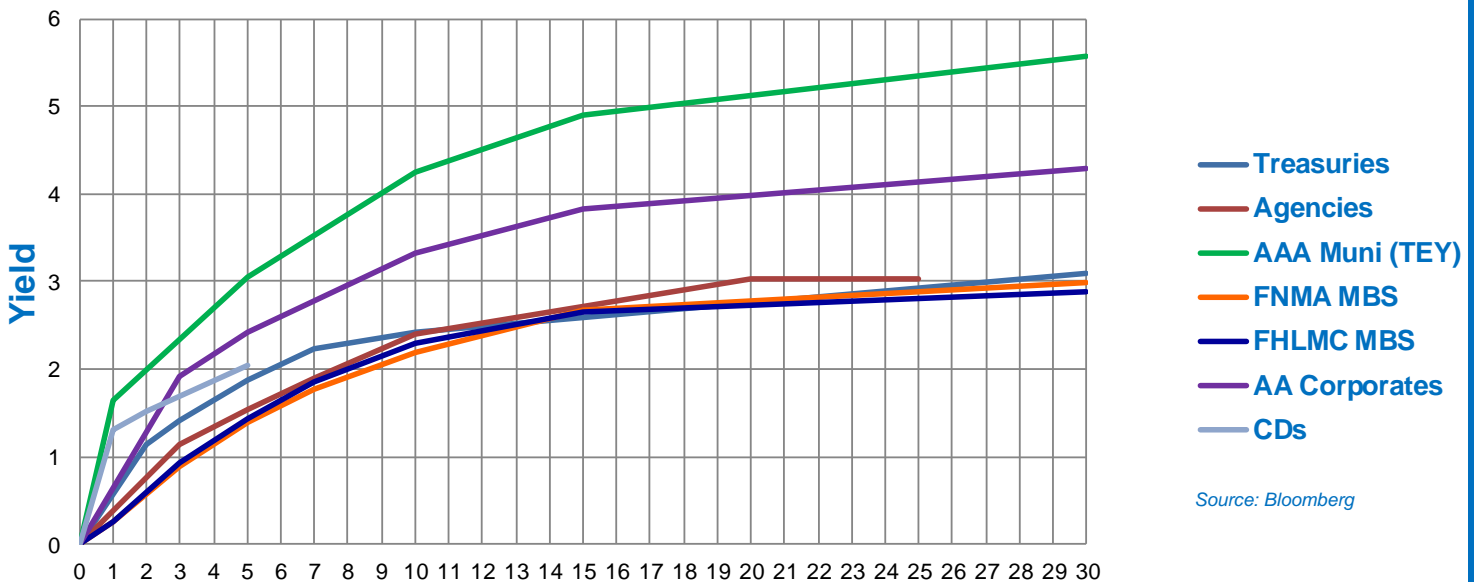
Brokered CDs			
Maturity	Yield	Change	1 Month Ago
1	1.31	0.06	1.25
2	1.52	0.07	1.45
5	2.05	0.00	2.05

Corporate Index (AA)			
Maturity	Yield	Change	1 Month Ago
3	1.91	0.43	1.48
5	2.42	0.54	1.88
10	3.33	0.63	2.70
15	3.84	0.61	3.23
30	4.29	0.44	3.85

MBS - Current Coupon			
FNMA	Yield	Change	1 Month Ago
15yr	2.43	0.52	1.91
30yr	3.08	0.54	2.54
FHLMC	Yield	Change	Last Week
15yr	2.45	0.55	1.90
30yr	3.12	0.60	2.52

Equities			
Index	Current	Change	1 Month Ago
DJIA	19,170	1192.00	17,978
S&P 500	2,191	93.00	2,098
Nasdaq	5,254	173.00	5,081

Fixed Income Sector Performance



Source: Bloomberg



Economy

U.S. Manufacturing Expands at Best Pace in 5 Months:

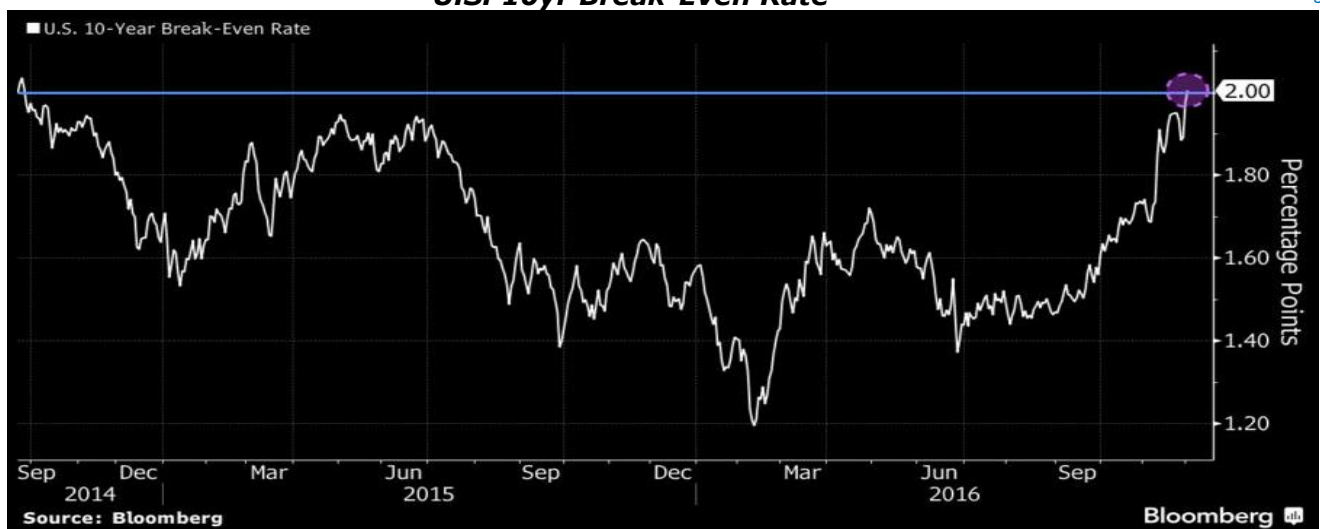
- 📊 Manufacturing expanded in November at the fastest pace in five months, indicating American producers are finding more relief in resilient domestic demand.
 - ➡ The Institute for Supply Management's index increased to 53.2 from 51.9 a month earlier. Readings above 50 indicate growth. The median forecast in a Bloomberg survey of economists was 52.5.
 - ➡ The group's production gauge climbed to an almost two-year high, propelling the overall measure higher for a third month as manufacturers continued to rebound from a late-summer swoon. The figures also showed factories waited longer for materials to be delivered, a sign of strengthening demand.

Inflation Gauge Tops 2% - First Since 2014:

- 📊 The yield spread between 10-year U.S. Treasury bonds and similar-maturity Treasury Inflation Protected Securities, or TIPS, climbed above 2 percentage points Thursday for the first time since 2014.
 - ➡ Known as the break-even rate, the measure reflects investor expectations for average annual consumer-price gains over the next decade. Inflation expectations have soared on bets that Donald Trump's policies will fast-track economic growth. PCE Core Inflation, the Federal Reserve's preferred gauge of price pressures is now closing in on the bank's 2 percent target, currently at 1.7 percent.

U.S. 10yr Break-Even Rate

Source: Bloomberg



Non-Farm Payrolls:

- 📊 U.S. hiring picked up in November, while the unemployment rate tumbled to a nine-year low. The 178,000 gain followed a 142,000 rise in October that was less than previously estimated.
 - ➡ The median forecast in a Bloomberg survey called for a 180,000 advance. The jobless rate fell 0.3 percentage point to 4.6 percent as labor participation dropped for a second month.



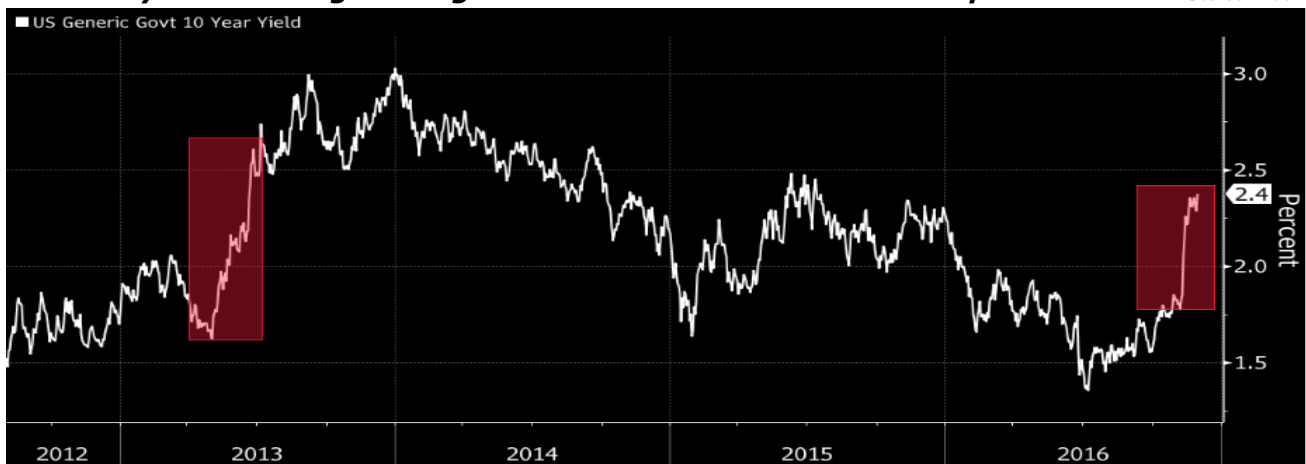
Fixed Income

Treasuries Suffer Worst Month Since 2009:

- 🌐 Treasuries wrapped up their worst month since 2009 as investors pulled money from the U.S. bond market on speculation Donald Trump's victory in the presidential election will pave the way for increased fiscal stimulus.
 - ➡ A Bloomberg Barclays index tracking the Treasuries market lost 2.4 percent this month through November 29th.
 - ➡ The difference between 10-year UST yields and German bunds, Europe's benchmark sovereign securities, is approaching the widest on record, according to closing-price data going back to 1990.

10yr Yields Surge – Largest Two-Month Increase Since Taper Tantrum

Source: Bloomberg

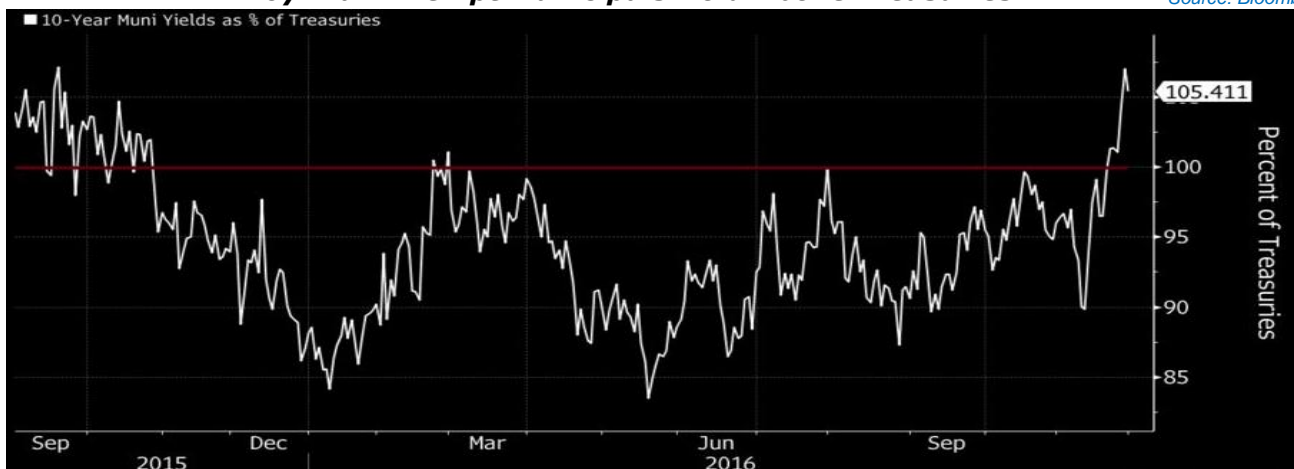


Municipal Bonds Show Value:

- 🏠 The yields on top-rated 10-year municipal bonds are exceeding those on similar-maturity Treasuries for a seventh straight day. This is the longest stretch since October 2015, according to data compiled by Bloomberg.
 - ➡ The bond-market selloff has left tax-exempt securities attractive relative to government debt, based on historical standards. The 2.56 percent yield on the state and local benchmark is 104 percent of Treasuries, up from as little as 90 percent on November 10th.

10yr Tax-Exempt Municipals Hold Above Treasuries

Source: Bloomberg





Equities

Indexes:

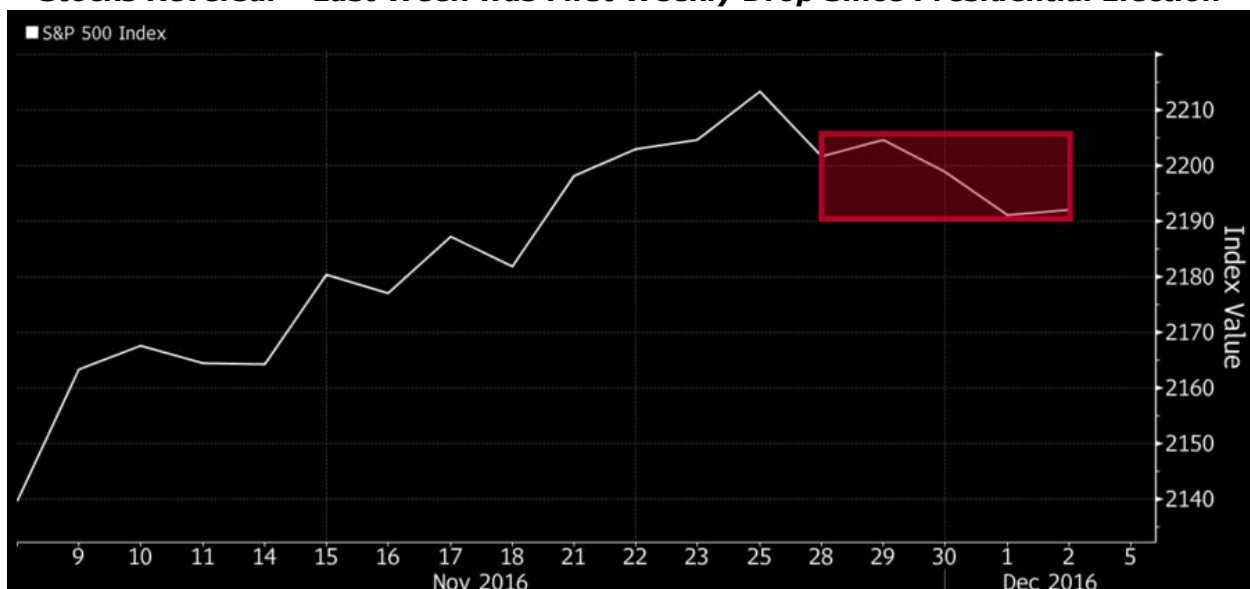


- ❖ **DJIA** – 19,170 current – ▲ 6.6% on the month
- ❖ **S&P 500** – 2,191 current – ▲ 4.4% on the month
- ❖ **Nasdaq** – 5,254 current – ▲ 3.4% on the month

Stocks Continue to Rally:

- Stocks opened higher Monday as markets in Europe backed off early highs. They ended last week lower for the first time since the election.
- ➔ The Dow industrials and S&P 500 popped 0.4% while the Nasdaq added 0.3%. The small-cap Russell 2000 was nearly flat.
 - ➔ Global action was mixed on the stock market Monday morning. Eurozone stocks trimmed gains from the rally following a turnover in Italy's government Sunday, spurred by voters' rejection of constitutional proposals. Already-fragile Italian banks were the referendum's losers, weakened further as Italian bonds spiked and bank stocks traded sharply lower on Italy's market.
 - ➔ Italy's FTSE MIB index dropped 1.3%, while the DAX in Frankfurt held a 1.4% advance and Paris' CAC 40 was up 0.8%. In the U.K., London's FTSE 100 ticked 0.2% higher in afternoon trade.
 - ➔ In Japan, Tokyo's Nikkei 225 dropped 0.8%, pulling back from last week's 11-month highs. China's Shanghai Composite fell 1.2%. The Hang Seng Index in Hong Kong shed 0.3%.

Stocks Reversal – Last Week was First Weekly Drop Since Presidential Election



Source: Bloomberg

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