



Carty & Company, Inc.

Weekly Market Update – January 2017, Week 2

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Month Ago
3	1.47	0.05	1.42
5	1.89	0.02	1.87
7	2.19	(0.03)	2.22
10	2.39	(0.04)	2.43
30	2.98	(0.12)	3.10

Agencies			
Maturity	Yield	Change	1 Month Ago
3	1.29	0.45	0.84
5	1.58	0.52	1.06
7	1.92	0.56	1.36
10	2.38	0.60	1.78
25	3.02	0.54	2.48

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Month Ago
1	0.93	(0.06)	0.99
5	1.65	(0.19)	1.84
10	2.19	(0.37)	2.56
15	2.53	(0.43)	2.96
30	2.95	(0.41)	3.36

Municipal G.O. (AAA) - TEY @ 39.6%			
Maturity	Yield	Change	1 Month Ago
1	1.54	(0.10)	1.64
5	2.73	(0.31)	3.05
10	3.63	(0.61)	4.24
15	4.19	(0.71)	4.90
30	4.88	(0.68)	5.56

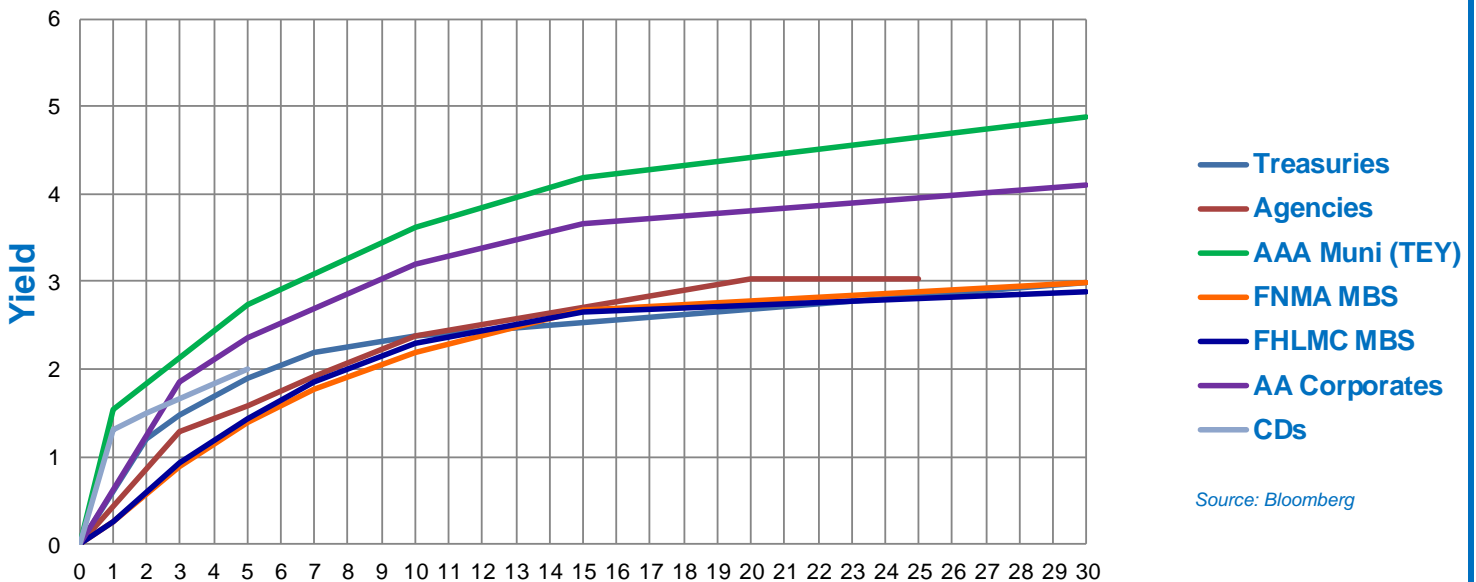
Brokered CDs			
Maturity	Yield	Change	1 Month Ago
1	1.30	(0.01)	1.31
2	1.50	(0.02)	1.52
5	2.00	(0.05)	2.05

Corporate Index (AA)			
Maturity	Yield	Change	1 Month Ago
3	1.86	(0.05)	1.91
5	2.35	(0.07)	2.42
10	3.21	(0.12)	3.33
15	3.67	(0.17)	3.84
30	4.10	(0.19)	4.29

MBS - Current Coupon			
FNMA	Yield	Change	1 Month Ago
15yr	2.45	0.02	2.43
30yr	3.12	0.04	3.08
FHLMC	Yield	Change	1 Month Ago
15yr	2.45	0.00	2.45
30yr	3.15	0.03	3.12

Equities			
Index	Current	Change	Last Week
DJIA	19,890	(22.00)	19,912
S&P 500	2,274	2.00	2,272
Nasdaq	5,573	45.00	5,528

Fixed Income Sector Performance





Economy

Jobless Benefits:

- 👤 Fewer Americans than forecast filed applications for unemployment benefits last week, showing a healthy job market at the start of 2017.
 - ➡ Jobless claims rose by 10,000 to 247,000 in the week ending January 7th from the lowest level since 1973, a report from the Labor Department showed Thursday in Washington. The median forecast of economists surveyed by Bloomberg called for 255,000 applications. Continuing claims decreased.
 - ➡ The job market is getting tighter as unemployment is near a nine-year low, creating a shortage of skilled workers that is prompting businesses to hold on to existing employees. Few firings combined with steady hiring will help to underpin a pickup in wages and boost consumer spending, the biggest part of the economy.
 - ➡ Claims have stayed below the 300,000 level for 97 consecutive weeks, the longest stretch since 1970 and typically consistent with an improving job market.

Falling Jobless Rate



Source: U.S. Department of Labor

Fed's Evans Says Fiscal Boost Could Lift Growth:

- 🏛️ Chicago Federal Reserve President Charles Evans said government stimulus policies could boost growth and reduce the need for monetary accommodation, underscoring some investor expectations that President-elect Donald Trump's policies will lead to higher interest rates.
 - ➡ A government stimulus "might increase growth by a couple of tenths over the next two years," Evans told reporters Thursday after speaking at an event in Naples, Florida. "We look forward to refining that when we actually see proposals that are moving forward and likely to be implemented," he said about gross domestic product forecasts, adding that estimates could go even higher depending on what policies are implemented.

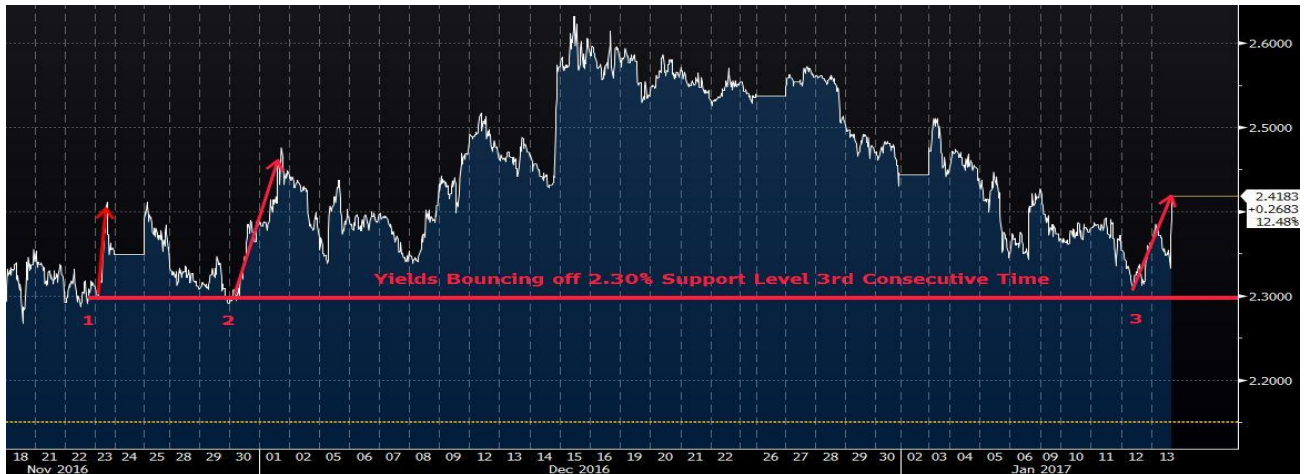


Fixed Income

Treasury Yield Curve Steepening:

- 🌐 The yield curve widened the most this year as investors showed a lack of enthusiasm at the Treasury's \$12 billion 30-year bond auction.
 - ➡ Direct bidders, including mutual funds and pension funds that place bids with the Treasury, bought 4.5 percent, the least since 2009.
 - ➡ Treasuries 10-year notes still had their first four-week advance since July as investors lose confidence that President-elect Trump's first priorities will include fiscal stimulus aimed at economic growth.

10-Year Treasury Yields Bouncing off 2.30% Support Once Again

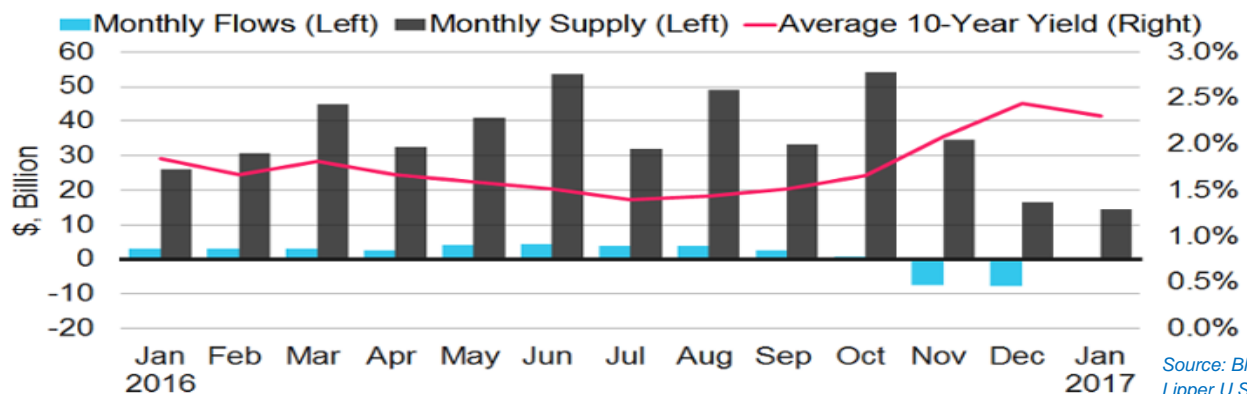


Source: Bloomberg

Municipal Inflows at Highest Pace Since September:

- 🏠 The municipal bond market posted inflows for the first time in nine weeks, adding \$974.1 million in net cash in the week ended January 11th. The inflows followed eight straight weeks of outflows that totaled more than \$16 billion, according to Lipper US Fund Flows.
 - ➡ The weekly average 10-year AAA muni yield declined to 2.27 percent from the previous week's 2.35 percent. It was the third straight weekly decline in yields.
 - ➡ Municipal issuers took advantage of the slight drop in yields, selling \$10.5 billion in debt this week. It was the most in five weeks.

Municipal Flows, Supply, Yield



Source: Bloomberg, Lipper U.S. Fund Flows



Equities

Indexes:



- ❖ **DJIA** – 19,890 current – ▼ .11% on the month
- ❖ **S&P 500** – 2,274 current – ▲ .08% on the month
- ❖ **Nasdaq** – 5,573 current – ▲ .81% on the month

Bank Earnings Fuel Rally:

- 📌 Surprisingly strong results from JPMorgan Chase & Co. to Wells Fargo Corp. are pushing bank stocks toward their best 12-month returns in more than four years. The process of putting the financial crisis behind them is also nearing a milestone.
 - ➡ Boosted by back-to-back weekly advances, companies in the S&P 500 banks index are on the verge of regaining two-thirds of the value lost during the recession almost a decade ago. A 25 percent rally since the U.S. presidential election is the most recent leg in a steady climb that has driven the index up almost fourfold since 2009, but still short of where it stood before the crisis.
 - ➡ While a 490 percent rally is nothing to scoff at, financial stocks are the only industry in the S&P 500 that have yet to recoup the entirety of their losses since the financial crisis.
 - ➡ JPMorgan touched a record high Friday as CFO Jamie Dimon highlighted better economic growth, citing retail spending, auto sales, household formation and confidence measures.

Banks Approach Pre-Crisis Levels

The S&P 500 industry group has rallied almost 500 percent from its 2009 low



Important Information Regarding This Report

Source: Bloomberg

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