



Carty & Company, Inc.

Weekly Market Update – January 2017, Week 3

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Compare Rates

US Treasuries			
Maturity	Yield	Change	Last Week
3	1.51	0.04	1.47
5	1.97	0.08	1.89
7	2.30	0.11	2.19
10	2.50	0.11	2.39
30	3.07	0.09	2.98

Agencies			
Maturity	Yield	Change	Last Week
3	1.32	0.03	1.29
5	1.63	0.05	1.58
7	2.01	0.09	1.92
10	2.51	0.13	2.38
25	3.13	0.11	3.02

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	Last Week
1	0.91	(0.02)	0.93
5	1.72	0.07	1.65
10	2.29	0.10	2.19
15	2.65	0.12	2.53
30	3.09	0.14	2.95

Municipal G.O. (AAA) - TEY @ 39.6%			
Maturity	Yield	Change	Last Week
1	1.51	(0.03)	1.54
5	2.85	0.12	2.73
10	3.79	0.17	3.63
15	4.39	0.20	4.19
30	5.12	0.23	4.88

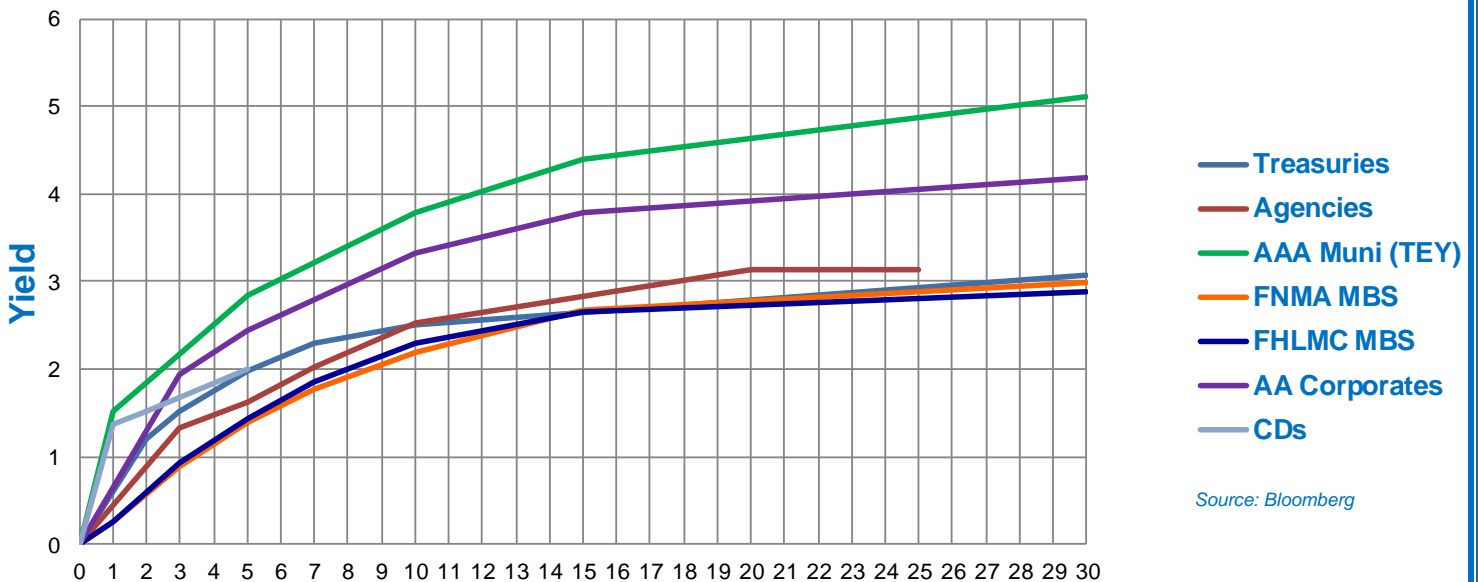
Brokered CDs			
Maturity	Yield	Change	Last Week
1	1.36	0.06	1.30
2	1.52	0.02	1.50
5	2.00	0.00	2.00

Corporate Index (AA)			
Maturity	Yield	Change	Last Week
3	1.94	0.08	1.86
5	2.45	0.10	2.35
10	3.32	0.11	3.21
15	3.78	0.11	3.67
30	4.20	0.10	4.10

MBS - Current Coupon			
FNMA	Yield	Change	Last Week
15yr	2.54	0.09	2.45
30yr	3.21	0.09	3.12
FHLMC	Yield	Change	Last Week
15yr	2.55	0.10	2.45
30yr	3.22	0.07	3.15

Equities			
Index	Current	Change	Last Week
DJIA	19,790	(100.00)	19,890
S&P 500	2,270	(4.00)	2,274
Nasdaq	5,555	(18.00)	5,573

Fixed Income Sector Performance



Source: Bloomberg



Economy

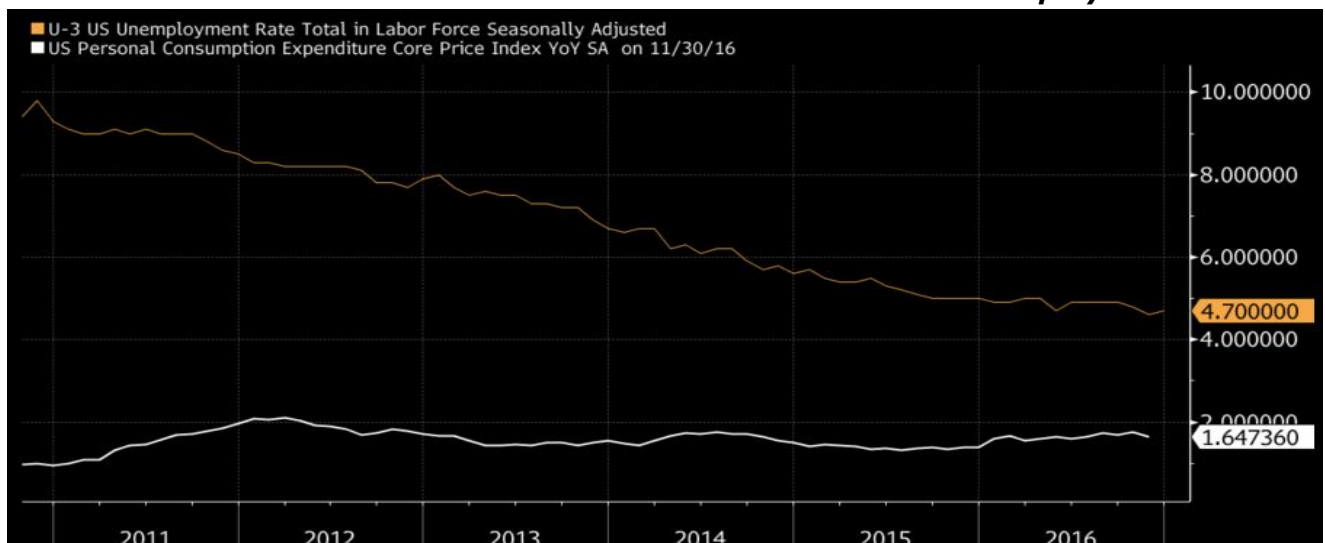
Jobless Claims:

- 👤 Filings for unemployment benefits continue an impressive streak, holding below 300,000 for a 98th consecutive week for the best run since 1970.
 - ➡ Jobless claims fell by 15,000 to 234,000 (forecast was 252,000), the second-lowest level since November 1973. The four-week moving average dropped to 246,750, also the lowest since 1973.
 - ➡ While some holiday volatility might take time to shake out of the weekly data, there is little doubt that applications for jobless benefits are well-contained as employers hold off on firings in a tightening labor market.

Yellen Backs Gradual Rate Increases:

- 🏠 Federal Reserve Chair Janet Yellen is backing a strategy for gradually raising interest rates, arguing that the central bank wasn't behind the curve in containing inflation pressures but nevertheless can't afford to allow the economy to run too hot.
 - ➡ "I consider it prudent to adjust the stance of monetary policy gradually over time," she said Thursday in remarks to the Stanford Institute for Economic Policy Research in California, while stressing the considerable doubt surrounding that outlook.
 - ➡ Payroll growth has slowed while the economic expansion "seems unlikely to pick up markedly in the near term" given weak foreign demand and prospective gradual increases in interest rates.
 - ➡ She said she still sees dangers in permitting the economy to overheat and inflation expectations to get out of control. "Allowing the economy to run markedly and persistently 'hot' would be risky and unwise," she said.
 - ➡ Another factor arguing for a gradual approach to raising interest rates is what Yellen called a "passive" removal of monetary accommodation via the Fed's balance sheet.

The Fed Closes in on its Dual Mandate of 2% Inflation & Full Employment





Fixed Income

Treasuries Extend Weekly Drop:

- 🌐 Treasuries extended weekly declines on Friday, pushing yields to the highest in two weeks, after reaching session lows during European trading amid comparable losses for most euro-zone government debt.
 - ➡ The U.S. selloff accelerated after yields topped Thursday's highs, and the 10-year note yield exceeded 2.5 percent for the first time since January 3rd.
 - ➡ The 10-year yield is higher on the week by 10 basis points, most of which occurred Wednesday after Federal Reserve Chair Janet Yellen said she agreed with the FOMC median forecast for "a few" rate increases per year through 2019.

10-Year Treasury Yields Bouncing off 2.30% Support for 5th Consecutive Time



Source: Bloomberg

Muni Yields Rise 1st Time in a Month:

- 🏠 Municipal bonds fell yesterday as yields on benchmark 10-year notes rose 10 basis points to 2.293 percent, the first increase in a month. Institutional investors offered \$1.23 billion through bids-wanted lists. The gap between yields on short-term and long-term securities widened, steepening the curve.
 - ➡ Yields of securities due in 10 years on Bloomberg's high grade benchmark municipal yield curve advanced last week for the first time since December 15, when they climbed 11 basis points.
 - ➡ Debt issued by U.S. states and local governments maturing in 10 years yields 89.868 percent of Treasuries, compared with 92.562 percent in the previous session and 105.411 percent six weeks ago.



Equities

Indexes:

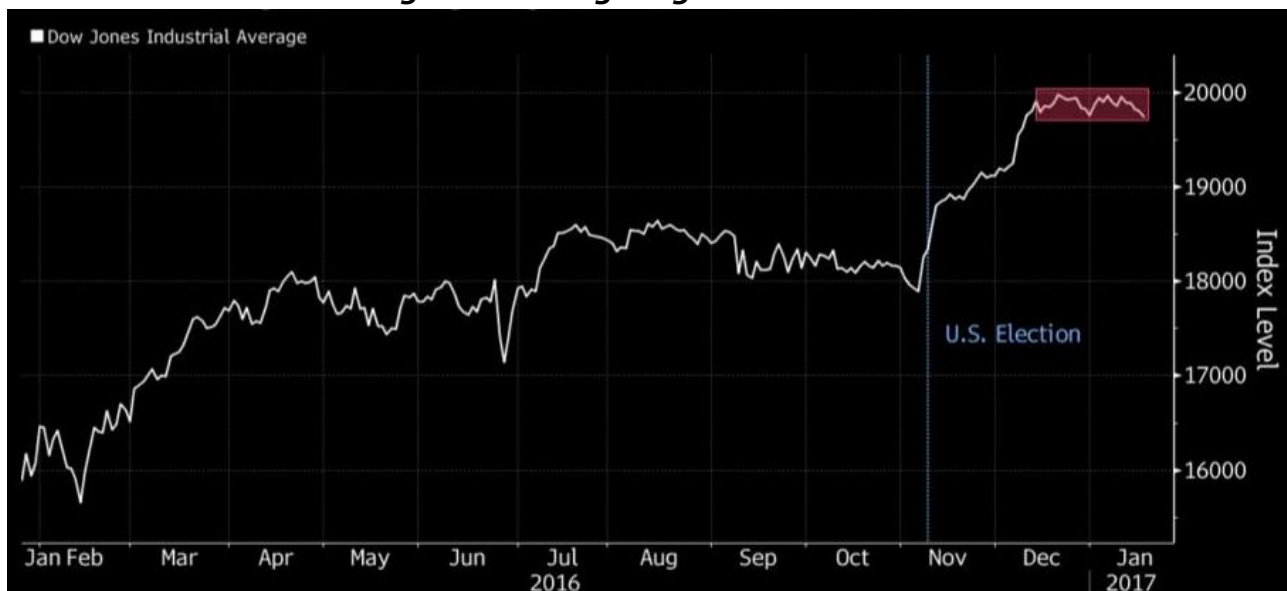


- ❖ **DJIA** – 19,790 current – ▼ .50% on the week
- ❖ **S&P 500** – 2,270 current – ▼ .20% on the week
- ❖ **Nasdaq** – 5,555 current – ▼ .33% on the week

Stocks Mixed in Consolidation:

- 📌 U.S. stocks remained higher, Treasuries fell and the dollar was little changed as Donald Trump addressed the nation for the first time as president on Friday.
 - ➡ The Dow Jones Industrial Average hovered near 19,800 after erasing its gain for the year Thursday. The measure is more than 200 points below its record as trades sparked by Trump's election have stalled in the past month.
 - ➡ Investors have been cutting their exposure to U.S. stocks just prior to Donald Trump being sworn in as the 45th American president.
 - ➡ U.S. equity funds saw \$2.5 billion in net outflows in the week to January 18th, marking a fourth time for outflows in the past five weeks, according to a note from Bank of America-Merrill Lynch that cited EPFR data.

Trump Rally Fades into Inauguration Dow locked in tightest trading range ever since mid-December



Source: Bloomberg

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