



Carty & Company, Inc.

Weekly Market Update – January 2017, Week 4

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Compare Rates

US Treasuries			
Maturity	Yield	Change	Last Week
3	1.48	(0.03)	1.51
5	1.95	(0.02)	1.97
7	2.29	(0.01)	2.30
10	2.48	(0.02)	2.50
30	3.06	(0.01)	3.07

Agencies			
Maturity	Yield	Change	Last Week
3	1.29	(0.03)	1.32
5	1.58	(0.05)	1.63
7	1.97	(0.04)	2.01
10	2.45	(0.06)	2.51
25	3.13	(0.00)	3.13

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	Last Week
1	0.92	(0.01)	0.93
5	1.70	0.05	1.65
10	2.33	0.14	2.19
15	2.72	0.19	2.53
30	3.12	0.17	2.95

Municipal G.O. (AAA) - TEY @ 39.6%			
Maturity	Yield	Change	Last Week
1	1.52	(0.02)	1.54
5	2.81	0.08	2.73
10	3.86	0.23	3.63
15	4.50	0.31	4.19
30	5.17	0.28	4.88

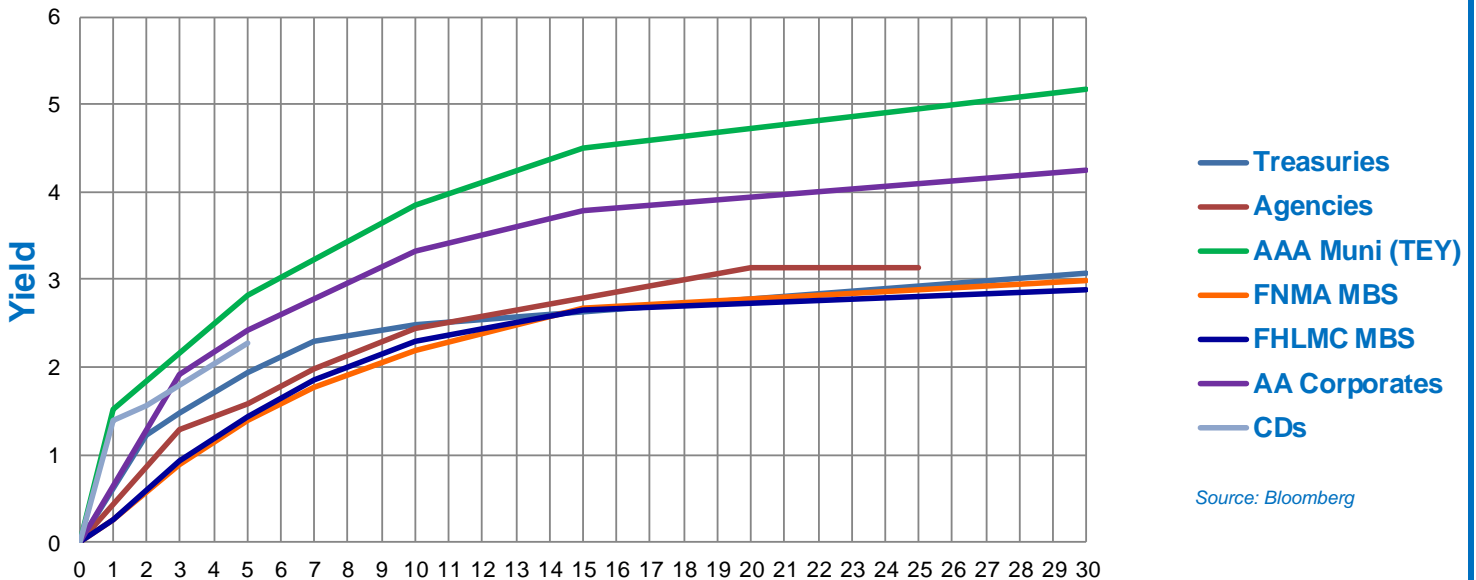
Brokered CDs			
Maturity	Yield	Change	Last Week
1	1.38	0.02	1.36
2	1.55	0.03	1.52
5	2.28	0.28	2.00

Corporate Index (AA)			
Maturity	Yield	Change	Last Week
3	1.91	(0.03)	1.94
5	2.43	(0.02)	2.45
10	3.33	0.01	3.32
15	3.80	0.02	3.78
30	4.24	0.04	4.20

MBS - Current Coupon			
FNMA	Yield	Change	Last Week
15yr	2.53	(0.01)	2.54
30yr	3.19	(0.02)	3.21
FHLMC	Yield	Change	Last Week
15yr	2.54	(0.01)	2.55
30yr	3.20	(0.02)	3.22

Equities			
Index	Current	Change	Last Week
DJIA	20,093	303.00	19,790
S&P 500	2,293	23.00	2,270
Nasdaq	5,661	106.00	5,555

Fixed Income Sector Performance



Source: Bloomberg

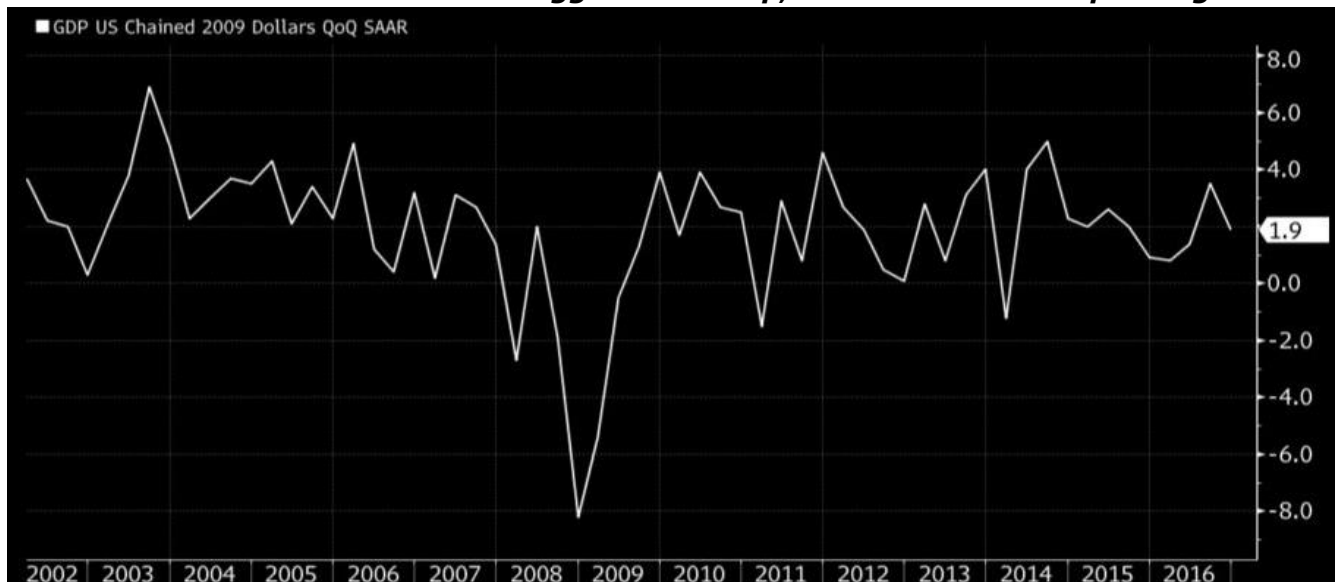


Economy

U.S. Economic Growth Cools:

- 👤 U.S. economic growth slowed more than forecast last quarter on the biggest drag from trade in six years and more moderate consumer spending. Business investment picked up, which may be a harbinger for faster expansion in 2017.
 - ➡ Gross domestic product, the value of all goods and services produced, rose at a 1.9 percent annualized rate following the prior quarter's 3.5 percent gain, Commerce Department data showed Friday in Washington. The median forecast in a Bloomberg survey called for 2.2 percent. Consumer spending, the biggest part of the economy, rose 2.5 percent, in line with projections.
 - ➡ The result caps growth of 1.9 percent for the full year and is in line with the average pace of the current expansion. It also reinforces the leading role of household purchases while showing that businesses are starting to spend again. The strong job market and optimism among consumers and companies for President Donald Trump's policies are likely to keep growth humming along in 2017, though tensions over trade could temper any gains.

U.S. GDP Growth Moderates on Bigger Trade Gap, Slower Consumer Spending



Source: Bloomberg


Dollar has Longest Losing Streak Since May 2015:

- 🌐 The Bloomberg Dollar Spot Index experienced its fifth weekly decline, the longest run of losses since May 2015. Back then the gauge dropped 4.5 percent over five weeks only to rebound by 2.6 percent the week after. That was the biggest five-day jump in more than three and a half years.



Fixed Income

U.S. Treasuries Yields Whipsawing:

 The U.S. Treasury market is little changed this month in terms of returns, a big victory for a market almost everyone thought had nowhere to go but down as Donald Trump and his pro-growth, debt and deficit spending plans settled into the White House.

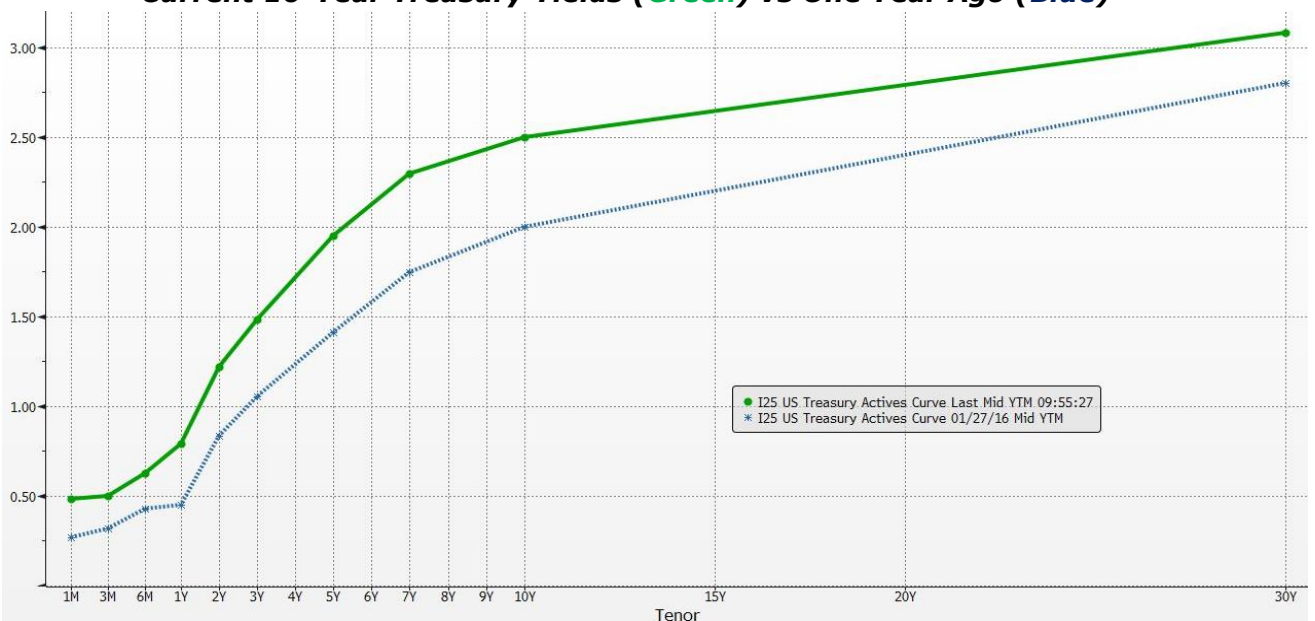
- Close followers of the bond market know that positioning has leaned heavily bearish in recent Januaries, mainly due to a chronic case of economic over-optimism on the part of traders and Federal Reserve policy makers. Those so-called short positions then had to be unwound as growth proved less robust than anticipated.
- Luckily for the bears, who have been particularly restless of late, setting up record bets against bonds as measured by futures data, there's reason to believe that the recent past will not be prolonged this year.

Ⓜ The economy is showing few signs of weakness, as evidenced by gains in jobs, manufacturing and consumer confidence.

Speculation may be rife over the death of the bond bull market, but Friday's GDP miss and slower core PCE inflation strengthens our conviction that Treasury yields will have a lid on them unless U.S. growth and inflation sustain an upward trajectory rather than the current whipsaw pattern.

Ⓜ It has been great for bond buyers to find the 50bps yield pickup on the 10-Year U.S. Treasury from 2016's level, making current levels a good bargain from 12 months ago:

Current 10-Year Treasury Yields (Green) vs One Year Ago (Blue)



Source: Bloomberg



Equities

Indexes:



- ❖ **DJIA** – 20,093 current – ▲ 1.5% on the week
- ❖ **S&P 500** – 2,293 current – ▲ 1.0% on the week
- ❖ **Nasdaq** – 5,661 current – ▲ 1.9% on the week

DJIA Breaks 20,000 While Volatility Reaches Low:

- ◆ The DJIA broke above 20,000 on the week, however declined on Friday as benchmark indexes slipped from records reached earlier in the week as data showed economic growth slowed more than forecasted last quarter.
 - As volatility measured by the VIX index dives to levels unseen in more than two years and the S&P 500 Index climbs to fresh records, the number of bearish bets changing hands relative to bullish ones has fallen to the lowest levels since 2009, according to data compiled by Bloomberg.
 - There have been an average of 1.4 puts for every S&P 500 call that traded in the past 50 days, a ratio that has occurred only in two instances since 2000; when the stock market bottomed following the dot-com bubble burst and the peak of the financial crisis.
 - The abundance of calls might be due to investors seeking to get long stocks while avoiding paying record prices. With the low VIX, calls offer speculators a relatively inexpensive way to stay vested in an extended rally.

Volatility Options Projecting Bullish Sentiment Ratio of Puts vs Calls Traded Hits Lows



Important Information Regarding This Report

Source: Bloomberg

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