



# Carty & Company, Inc.

## Weekly Market Update – February 2017, Week 1

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### Compare Rates

US Treasuries			
Maturity	Yield	Change	Last Week
3	1.46	(0.02)	1.48
5	1.91	(0.04)	1.95
7	2.25	(0.04)	2.29
10	2.47	(0.01)	2.48
30	3.10	0.04	3.06

Agencies			
Maturity	Yield	Change	Last Week
3	1.29	(0.00)	1.29
5	1.59	0.01	1.58
7	1.95	(0.02)	1.97
10	2.46	0.01	2.45
25	3.14	0.01	3.13

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	Last Week
1	0.91	(0.01)	0.92
5	1.65	(0.05)	1.70
10	2.31	(0.02)	2.33
15	2.72	0.00	2.72
30	3.13	0.01	3.12

Municipal G.O. (AAA) - TEY @ 39.6%			
Maturity	Yield	Change	Last Week
1	1.51	(0.02)	1.52
5	2.73	(0.08)	2.81
10	3.82	(0.03)	3.86
15	4.50	0.00	4.50
30	5.18	0.02	5.17

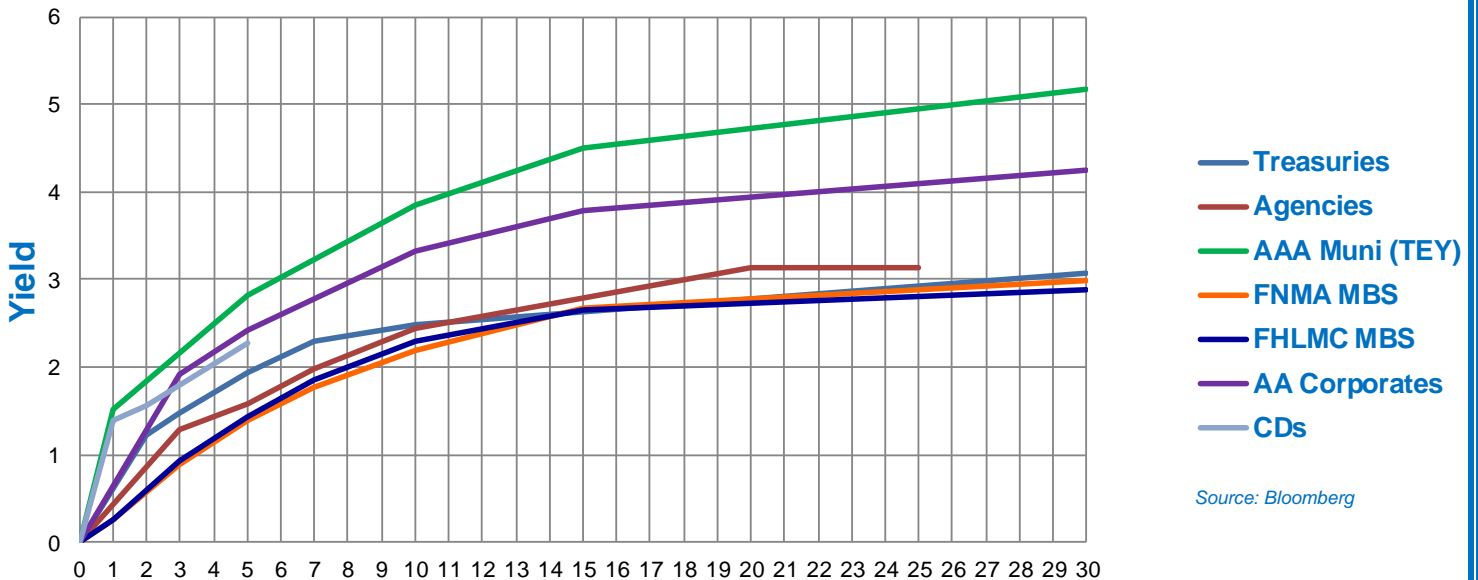
Brokered CDs			
Maturity	Yield	Change	Last Week
1	1.38	0.00	1.38
2	1.55	0.00	1.55
5	2.28	0.00	2.28

Corporate Index (AA)			
Maturity	Yield	Change	Last Week
3	1.90	(0.01)	1.91
5	2.42	(0.01)	2.43
10	3.32	(0.01)	3.33
15	3.79	(0.01)	3.80
30	4.25	0.01	4.24

MBS - Current Coupon			
FNMA	Yield	Change	Last Week
15yr	2.52	(0.01)	2.53
30yr	3.18	(0.01)	3.19
FHLMC	Yield	Change	Last Week
15yr	2.53	(0.01)	2.54
30yr	3.20	0.00	3.20

Equities			
Index	Current	Change	Last Week
DJIA	20,071	(22.00)	20,093
S&P 500	2,297	4.00	2,293
Nasdaq	5,667	6.00	5,661

### Fixed Income Sector Performance



Source: Bloomberg

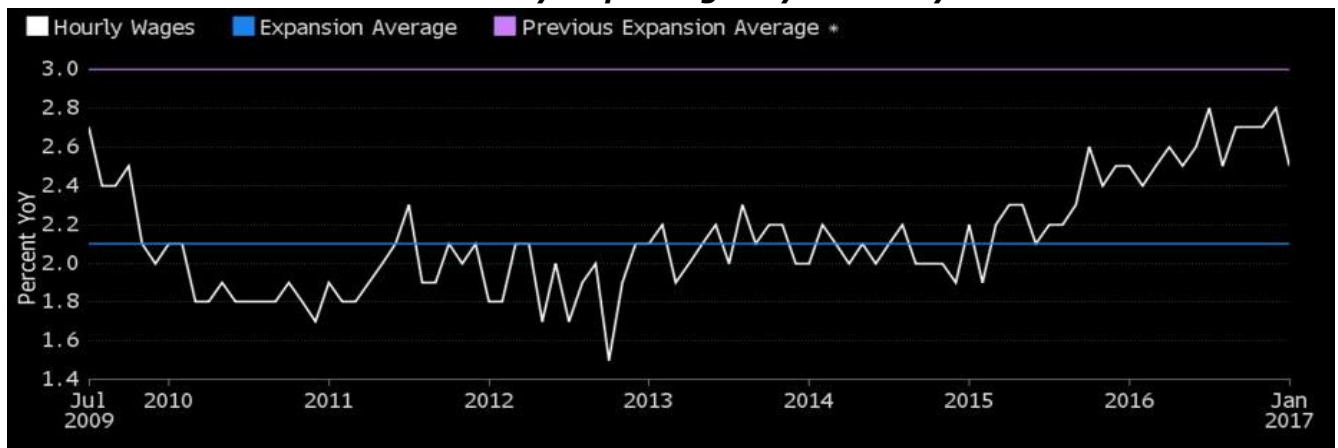


## Economy

### Payrolls Up, Wage Growth Struggles:

- 👤 Data released on Friday showed employers added 227,000 jobs to payrolls in January, the most in four months and above the 163,000 average pace projected by economists for 2017.
  - ➡ Average hourly earnings rose 2.5 percent from a year ago, the weakest since August. The unemployment rate ticked up to 4.8 percent as the participation rate increased.
  - ➡ Investors pared bets on the steepness of Federal Reserve interest-rate increases this year, as the figures suggested there's more room than previously thought for the labor market to grow without feeding into inflation.
  - ➡ While the payroll report represents the final figures under President Barack Obama, it indicates President Donald Trump could boost hiring and wages further as he plans to cut taxes, infrastructure investment and looser regulations.

### ***U.S. Worker Pay Improving Very Gradually***



Source: Bloomberg

### Federal Reserve :

- 🏛️ The moment Federal Reserve officials published their projections in December for three rate hikes in 2017, Wall Street's betting on when those would occur ratcheted higher. January's U.S. employment report gives Janet Yellen plenty of room to defer while policy makers wait for evidence that new measures from President Trump's administration are positively affecting the economy.
  - ➡ After the payrolls data, investors trimmed bets on a rate rise at the March 14-15 Fed meeting. They cut the probability to 28 percent, versus 32 percent seen on Thursday.
  - ➡ U.S. central bankers are trying to manage an unusual moment in policy. President Donald Trump's team is starting to roll out proposals on boosting growth through deregulation, tax reform, and infrastructure spending. Meanwhile, incoming data tells Fed officials the economy has yet to alter course. Growth is steady and inflation is in a gradual uptrend, but remains below their 2 percent target.



## Fixed Income

### Treasury Curve Steepens:

- Treasuries erased gains and the yield curve steepened on Friday after San Francisco Federal Reserve President John Williams said there are arguments for raising rates as soon as March.
  - The yield on 10-year Treasury notes rose toward 2.50 percent after President Williams reiterated three rate hikes this year is a reasonable guess.
  - The Fed Bank of San Francisco's comments reversed some of the effects of the latest jobs report that showed weak wage growth even as hiring picked up. The data capped a week that has seen monetary policy makers in Japan, the U.K. and the U.S. stand pat as they assess the impact of America's new leadership on global growth.

### Spread Between 5- and 30-Year Treasuries Currently Steepest in 2017



Source: Bloomberg

### Municipal Bond Yields Fall:

- Debt issued by U.S. states and local governments maturing in 10 years yields 94.011 percent of Treasuries, compared with 96.237 percent a month ago. The rate for municipalities to swap from 10-year fixed-rate to floating-rate liabilities widened to 2.3955 percent on Friday.
  - Trading in the municipal market totaled \$11.5 billion last week. This figure is down 4.8 percent from the \$12 billion a week earlier, according to the Municipal Securities Rulemaking Board.
  - Municipalities plan to sell \$11.6 billion of bonds in the February, while redemptions and announced calls total \$23.2 billion.



# Equities

## Indexes:

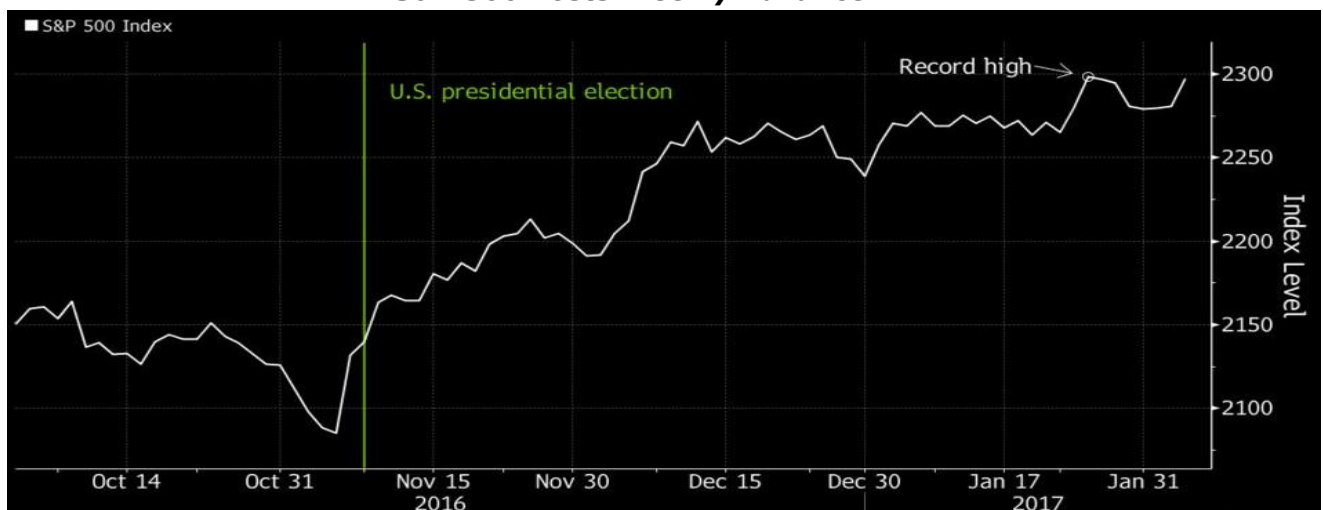


- ❖ **DJIA** – 20,071 current – ▼ .11% on the week
- ❖ **S&P 500** – 2,297 current – Flat on the week
- ❖ **Nasdaq** – 5,667 current – Flat on the week

## Friday Bank Rally Lifts S&P 500:

- 📌 A one-day rally in financial stocks on Friday helped push U.S. equities into positive territory for the week after the S&P 500 Index spent most of the period fluctuating between gains and losses against the backdrop of a slew of executive orders by President Donald Trump.
  - ➔ The S&P 500 added 0.1 percent to 2,297.36 on the week as the Dow Jones Industrial Average lost 0.1 percent to 20,072.28. Both gauges trailed the Russell 2000 Index as small-cap shares added 0.5 percent for the fourth gain in five weeks.
  - ➔ While health-care stocks had the biggest five-day gain with a 2.4 percent advance, it was a 2 percent rally in financial companies that pushed the index into positive territory late Friday after Trump signed directives aimed at reducing regulation on banks and examining the Dodd-Frank rule.
  - ➔ Investors continue to watch corporate earnings. With more than half of S&P 500 companies having reported, profits are beating expectations by an average 3.3 percent, even as revenue figures fall in line with analyst projections. Earnings are up 5.5 percent on average, with eight of 11 industry groups posting gains.

### **S&P 500 Posts Weekly Advance**



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