



Carty & Company, Inc.

Weekly Market Update – February 2017, Week 2

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Compare Rates

US Treasuries			
Maturity	Yield	Change	Last Week
3	1.49	0.03	1.46
5	1.91	0.00	1.91
7	2.24	(0.01)	2.25
10	2.44	(0.03)	2.47
30	3.03	(0.07)	3.10

Agencies			
Maturity	Yield	Change	Last Week
3	1.29	0.00	1.29
5	1.59	(0.00)	1.59
7	1.91	(0.04)	1.95
10	2.43	(0.03)	2.46
25	3.05	(0.09)	3.14

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	Last Week
1	0.88	(0.03)	0.91
5	1.61	(0.04)	1.65
10	2.31	0.00	2.31
15	2.72	0.00	2.72
30	3.13	0.00	3.13

Municipal G.O. (AAA) - TEY @ 39.6%			
Maturity	Yield	Change	Last Week
1	1.46	(0.05)	1.51
5	2.67	(0.07)	2.73
10	3.82	0.00	3.82
15	4.50	0.00	4.50
30	5.18	0.00	5.18

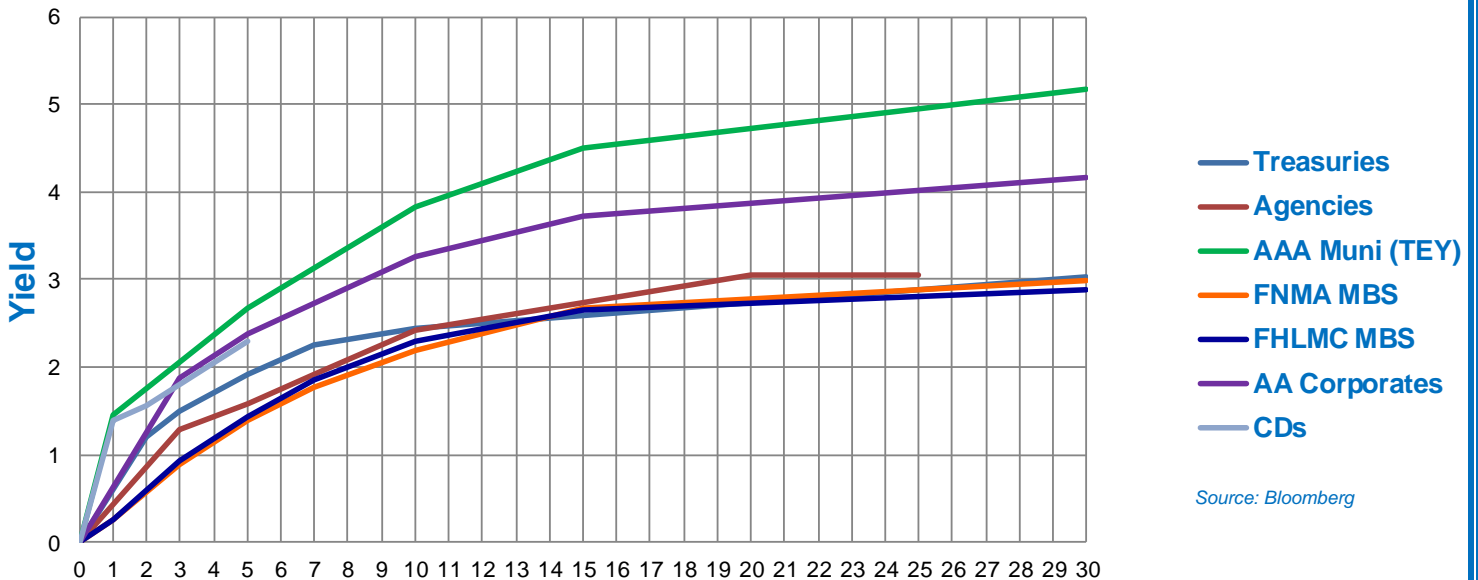
Brokered CDs			
Maturity	Yield	Change	Last Week
1	1.38	0.00	1.38
2	1.56	0.01	1.55
5	2.30	0.02	2.28

Corporate Index (AA)			
Maturity	Yield	Change	Last Week
3	1.88	(0.02)	1.90
5	2.38	(0.04)	2.42
10	3.26	(0.06)	3.32
15	3.72	(0.07)	3.79
30	4.17	(0.08)	4.25

MBS - Current Coupon			
FNMA	Yield	Change	Last Week
15yr	2.49	(0.03)	2.52
30yr	3.15	(0.03)	3.18
FHLMC	Yield	Change	Last Week
15yr	2.50	(0.03)	2.53
30yr	3.14	(0.06)	3.20

Equities			
Index	Current	Change	Last Week
DJIA	20,269	198.00	20,071
S&P 500	2,316	19.00	2,297
Nasdaq	5,734	67.00	5,667

Fixed Income Sector Performance



Source: Bloomberg



Economy

U.S. Consumer Sentiment Cooling in February:

- Consumer confidence retreated in February from a 13-year high as Americans tempered expectations of their finances and the economy, with sentiment remaining sharply divided among party lines.
 - The University of Michigan said Friday that its preliminary index of sentiment cooled to a three-month low of 95.7 from 98.5 in January. The median projection in a Bloomberg survey called for 98.
 - While consumers said they were better off financially than at any other time in the past 12 years, expectations for wage gains in the coming year deteriorated. A measure of consumers' views of the current financial situation climbed to 129, the highest since November 2000, even as respondents' expectations of finances fell to a six-month low.
 - Although more than half of those surveyed expect better economic conditions in the future, the results reflected stark differences between Republicans and Democrats following the election of Donald Trump as President. Republicans registered sentiment about 40 points higher than Democrats, according to the survey.

Americans' Sentiment Eased from 13-Year High



Source: University of Michigan

Federal Reserve :

- The U.S. manufacturing conditions appear to be on a prosperous path, according to January's ISM survey. Key components suggest an elevated pace of factory output as well as an accelerated pace of related inflation. Several hard indicators of industrial output have recently been weak, but the sentiment measures such as ISM have been pointing to a brighter future. The headline index rose to 56.0 exceeding consensus of 55.0, and is the fifth consecutive monthly expansionary reading above the 50.0 level.



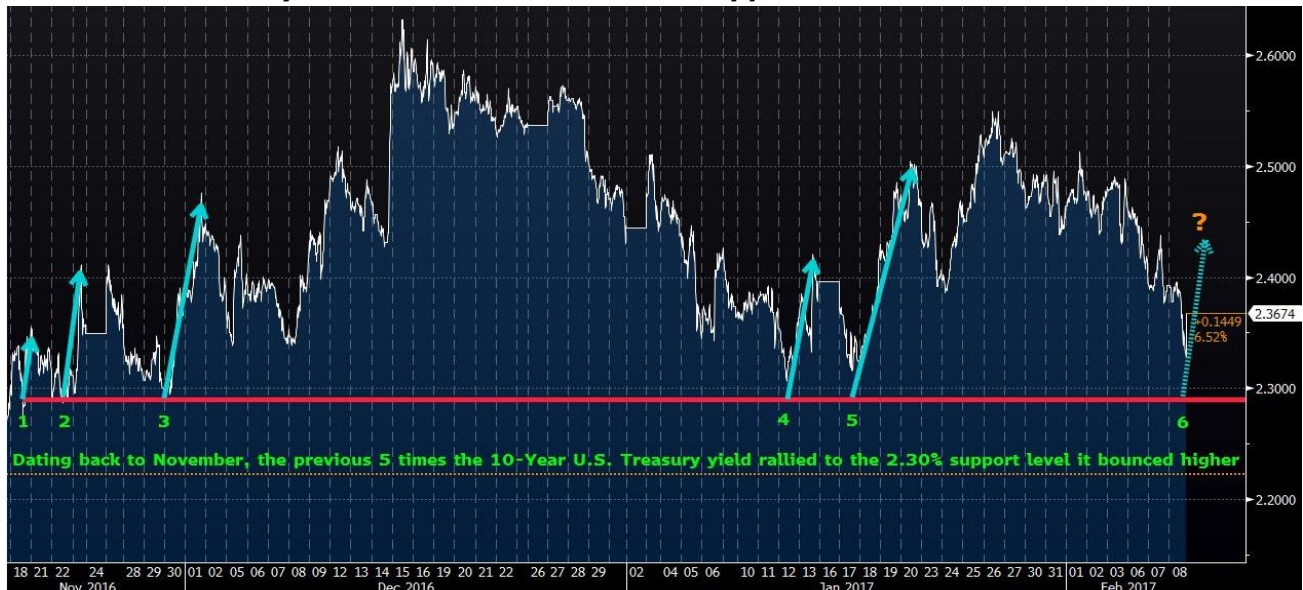
Fixed Income

Treasuries Finding Strong Support Level:

There is an interesting technical trend going on in the Treasuries market at the moment. The 10-Year U.S. Treasury has found a strong level of support at 2.30%.

- Dating back to the selloff that began with President Trump's election in November, every time the 10-Year yield has approached the 2.30% mark, it has bounced higher. The intraday low on Wednesday was 2.32% and it bounced again, closing at 2.40% on Friday and up to 2.44% as on Monday morning.
- ⓐ Capitalizing on this trend has allowed Carty & Company clients to increase gains and minimize losses when selling bonds out of their investment portfolios.

U.S. Treasury Yields Bounced of 2.30% Support a 6th Consecutive Time



Source: Bloomberg

Municipal Bond Yields Rise:

The municipal bond market recorded \$304.2 million of inflows in the week ended February 8th, extending inflows for a fifth consecutive week.

- It was the first week in four that inflows came in above the four-week moving average, according to funds that report weekly to Lipper US Fund Flows. Inflows topped the four-week moving average of \$209.2 million.
- Municipal debt maturing in 10 years yield 95.284 percent of Treasuries, compared with 96.834 percent on Thursday and 95.647 percent a month ago. The rate for municipalities to swap from 10-year fixed-rate to floating-rate liabilities widened to 2.3365 percent on Friday.



Equities

Indexes:

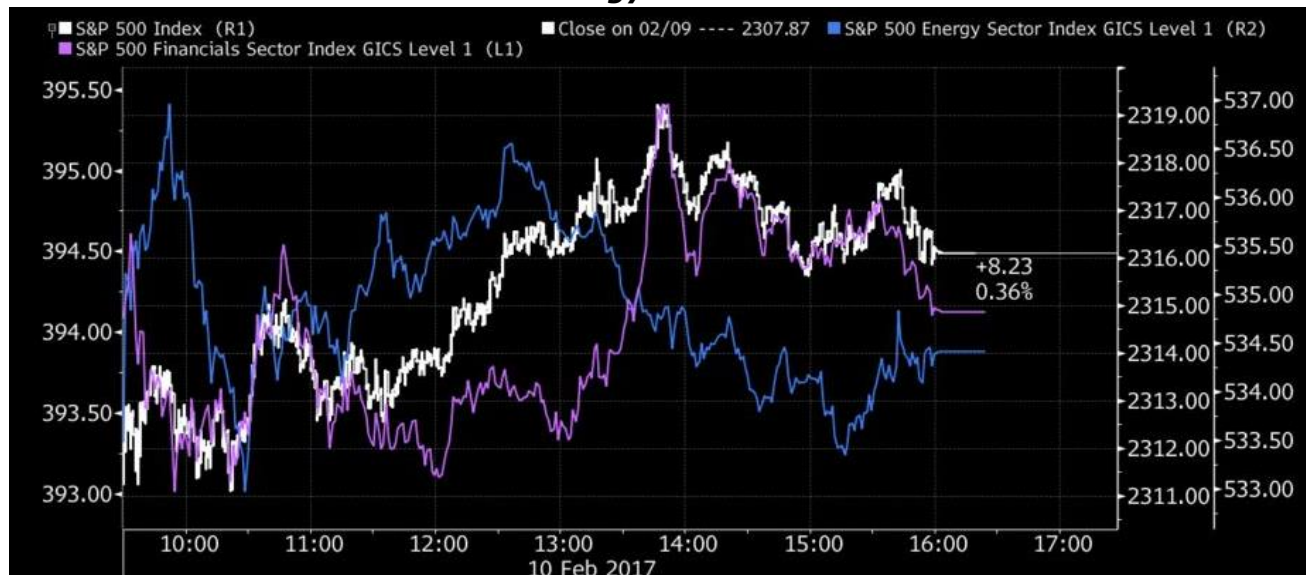


- ❖ **DJIA** – 20,269 current – ▲ .98% on the week
- ❖ **S&P 500** – 2,316 current – ▲ .83% on the week
- ❖ **Nasdaq** – 5,734 current – ▲ 1.2% on the week

Financial Stocks Spike on Fed Chief's Resignation:

- 📌 Financial stocks took a leg up after news that the Federal Reserve's toughest watchdog on the industry resigned.
 - ➡ The Financial Select Sector SPDR ETF gained as much as 0.6 percent on Friday after Federal Reserve Governor Daniel Tarullo announced he will retire on or around April 5th. Tarullo, who started his term a week after Barack Obama took office, also served as the central bank's top regulator of Wall Street banks. The 64-year-old's stint as governor wasn't due to expire until 2022.
 - ➡ The policy maker was the point man in the development on new rules and regulations to safeguard the financial system in the wake of the 2008 financial crisis, and drew praise from Fed Chair Janet Yellen for his efforts. President Donald Trump has vowed to roll back financial regulation.
 - ➡ In a note to clients four minutes after the announcement, Neil Dutta, head of U.S. economics at Renaissance Macro Research, said simply, "Buy banks." Financials stocks spiked before coming off their intraday highs.

The S&P 500 Climbed as Energy Rallied and Banks Rebounded



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Source: Bloomberg