



# Carty & Company, Inc.

## Weekly Market Update – February 2017, Week 4

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### Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Month Ago
3	1.39	(0.09)	1.48
5	1.81	(0.14)	1.95
7	2.12	(0.17)	2.29
10	2.32	(0.16)	2.48
30	2.95	(0.11)	3.06

Agencies			
Maturity	Yield	Change	1 Month Ago
3	1.22	(0.07)	1.29
5	1.49	(0.09)	1.58
7	1.80	(0.17)	1.97
10	2.30	(0.15)	2.45
25	2.95	(0.18)	3.13

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Month Ago
1	0.83	(0.09)	0.92
5	1.58	(0.12)	1.70
10	2.31	(0.02)	2.33
15	2.72	0.00	2.72
30	3.10	(0.02)	3.12

Municipal G.O. (AAA) - TEY @ 39.6%			
Maturity	Yield	Change	1 Month Ago
1	1.37	(0.15)	1.52
5	2.62	(0.20)	2.81
10	3.82	(0.03)	3.86
15	4.50	0.00	4.50
30	5.13	(0.03)	5.17

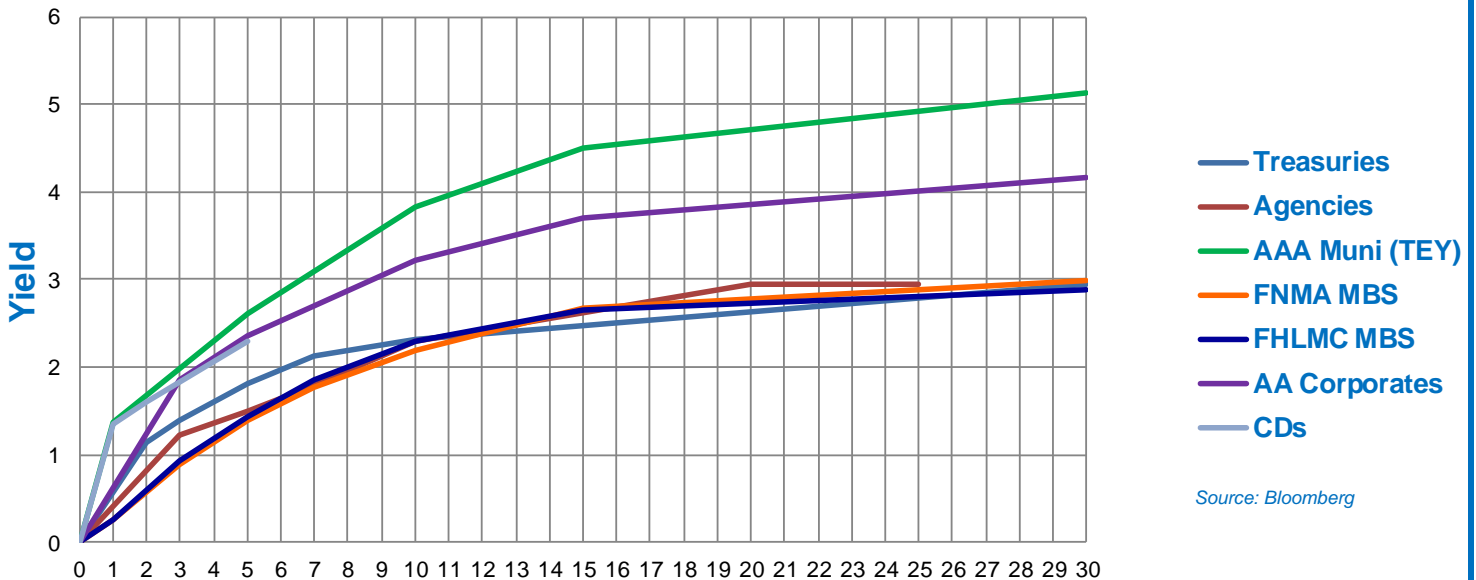
Brokered CDs			
Maturity	Yield	Change	1 Month Ago
1	1.34	(0.04)	1.38
2	1.60	0.05	1.55
5	2.30	0.02	2.28

Corporate Index (AA)			
Maturity	Yield	Change	1 Month Ago
3	1.85	(0.06)	1.91
5	2.35	(0.08)	2.43
10	3.22	(0.11)	3.33
15	3.69	(0.11)	3.80
30	4.16	(0.08)	4.24

MBS - Current Coupon			
FNMA	Yield	Change	1 Month Ago
15yr	2.42	(0.11)	2.53
30yr	3.06	(0.13)	3.19
FHLMC	Yield	Change	1 Month Ago
15yr	2.40	(0.14)	2.54
30yr	3.05	(0.15)	3.20

Equities			
Index	Current	Change	1 Month Ago
DJIA	20,800	707.00	20,093
S&P 500	2,362	69.00	2,293
Nasdaq	5,841	180.00	5,661

### Fixed Income Sector Performance



Source: Bloomberg



## Economy

### January U.S. Home Sales Slower Than Forecast:

- 🏠 Purchases of new U.S. homes in January were slower than forecast, signaling an increase in mortgage rates may be giving some potential buyers pause.
  - ➡ Sales climbed 3.7 percent to a 555,000 annualized pace, Commerce Department data showed Friday. The median forecast in a Bloomberg survey of economists called for a 571,000 rate.
  - ➡ Purchases in the previous three months were revised lower.
  - ➡ The figures indicate a more measured improvement in the housing market as buyers adjust to higher borrowing costs and prices. At the same time, steady income and job growth remain sources of support as the spring selling season approaches.

#### Housing Showing Less Momentum



Source: Commerce Department, Freddie Mac

### Consumer Sentiment Shows First Post-Election Drop:

- 🏠 Consumer confidence fell for the first time since November's election, as party lines divided Americans following a boost in enthusiasm for economic policies under President Donald Trump.
  - ➡ The University of Michigan said Friday that its final index of sentiment for February dropped to 96.3 from January's 98.5, which was the highest since 2004. That compares with the median projection of 96 in a Bloomberg survey and a preliminary reading of 95.7.
  - ➡ While confidence is still above pre-election levels, Democrats and Republicans are sharply divided on whether they expect a boom or bust, with independent voters leaning more toward optimism in a boost for the broader gauge. Democrats were also more positive than Republicans on their current financial situation; the opposite was the case for year-ahead views of finances.

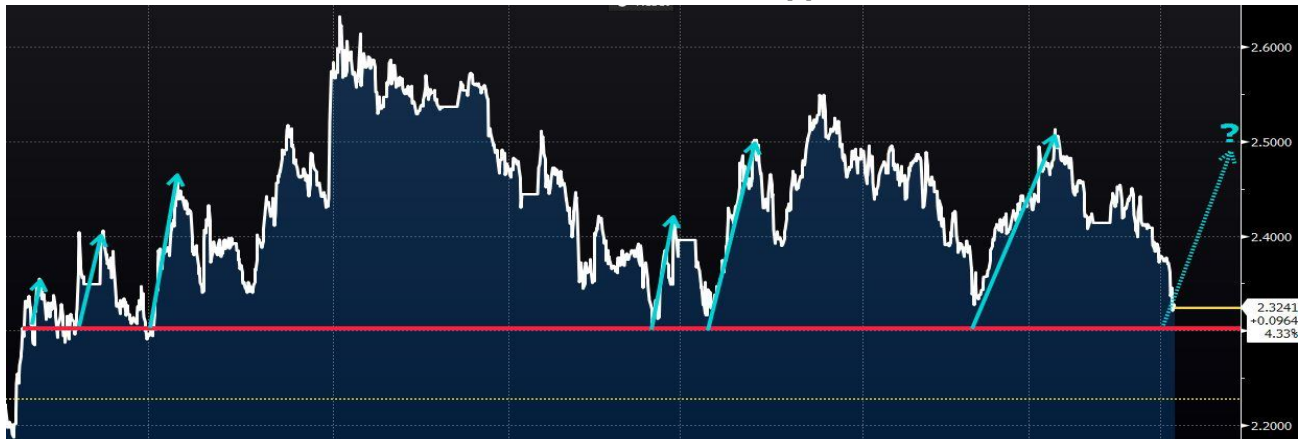


## Fixed Income

### Treasuries Extend Gains Driving 30yr Yield Below 3%:

- Treasuries yields plummeted on Friday, sending the 30-year yield below 3 percent and the 10-year note's yield to its lowest levels of 2017. The rally was spurred by a selloff in the U.K. and some euro-zone bond markets. Fading expectations for U.S. fiscal stimulus contributed as well.
- Friday's move erased what remained of the February 9<sup>th</sup> increase spurred by President Trump's pledge to unveil a tax plan within weeks. That has not occurred, and Bank of America economists said on Friday they expect "virtually no fiscal stimulus this year."
  - The 10-year yield has been in a consolidation zone, trapped between 2.30 percent and 2.64 percent dating back to mid-November. The previous 6 consecutive times yields have reached Friday's level, they bounced higher. Any breakout below 2.30% could lead to steeper declines.

### 10-Year UST Yields Have Bounced off 2.30% Support 6 Consecutive Times



Source: Bloomberg

### Municipal-Bond Trading Volume Reaches 6-Year High:

- The pace on Wall Street's municipal-bond trading desks appears to be picking up as the market contends with speculation about the direction of interest rates, as well as potential shifts to federal tax and spending policy under President Donald Trump.
- As of mid-week, the daily trading volume of state and local-government securities averaged \$11.2 billion this year, up from \$7.9 billion during the first two months of 2016, according to data compiled by Bloomberg. The gauge of activity hasn't been that high since 2011.
  - The municipal bond market recorded its seventh straight week of inflows as yields increased. Higher, more attractive, yields offered investors an opportunity to return to the market even as new issuance declined.



# Equities

## Indexes:

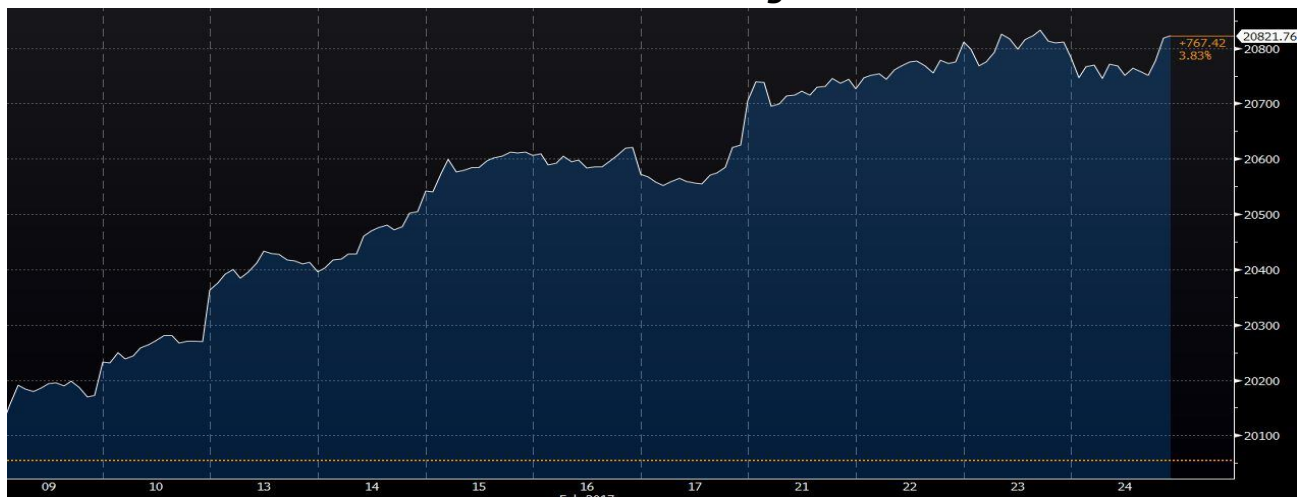


- ❖ **DJIA** – 20,800 current ▲ 3.5% on the month
- ❖ **S&P 500** – 2,362 current ▲ 3.0% on the month
- ❖ **Nasdaq** – 5,841 current ▲ 3.8% on the month

## DJIA Records 11<sup>th</sup> Straight Record Close:

- 📌 U.S. equities closed mostly flat Friday, taking a breath from their most recent run at record levels, while investors awaited President Donald Trump's speech to Congress next week.
  - ➡ Trump is expected to indicate that some of his key proposals, especially tax reform, deregulation and repealing Obamacare can be put into law sometime this year. However, experts are concerned that this timetable may not be feasible, given Congress' agenda already includes repealing Obamacare and a Supreme Court nomination. Trump is set to speak at a joint Congress session Tuesday night.
  - ➡ The Dow Jones industrial average ended marginally higher, recording its 11th straight record close.
  - ➡ Shares of J.C. Penney fell more than 5 percent after reporting mixed quarterly results and announcing it will close up to 140 stores. Hewlett Packard Enterprise saw its stock decline more than 7 percent after missing revenue estimates and slashing its full-year guidance.

**DJIA over the Past 11 Trading Sessions**



Source: Bloomberg

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