



Carty & Company, Inc.

Weekly Market Update –March 2017, Week 1

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Compare Rates

US Treasuries			
Maturity	Yield	Change	Last Week
3	1.58	0.19	1.39
5	2.01	0.20	1.81
7	2.31	0.19	2.12
10	2.48	0.16	2.32
30	3.07	0.12	2.95

Agencies			
Maturity	Yield	Change	Last Week
3	1.37	0.15	1.22
5	1.68	0.19	1.49
7	2.00	0.20	1.80
10	2.49	0.19	2.30
25	3.09	0.14	2.95

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	Last Week
1	1.01	0.18	0.83
5	1.63	0.05	1.58
10	2.42	0.11	2.31
15	2.83	0.11	2.72
30	3.20	0.10	3.10

Municipal G.O. (AAA) - TEY @ 39.6%			
Maturity	Yield	Change	Last Week
1	1.67	0.30	1.37
5	2.70	0.08	2.62
10	4.01	0.18	3.82
15	4.69	0.18	4.50
30	5.30	0.17	5.13

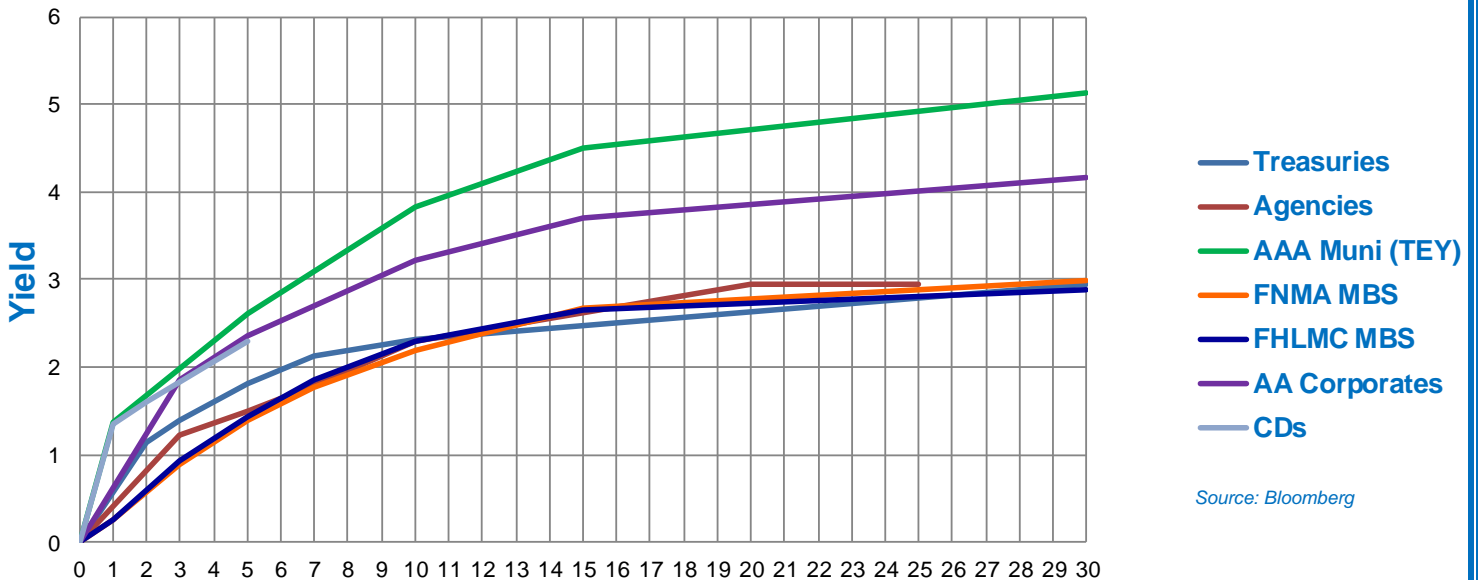
Brokered CDs			
Maturity	Yield	Change	Last Week
1	1.40	0.06	1.34
2	1.60	0.00	1.60
5	2.30	0.00	2.30

Corporate Index (AA)			
Maturity	Yield	Change	Last Week
3	1.97	0.12	1.85
5	2.47	0.12	2.35
10	3.32	0.10	3.22
15	3.77	0.08	3.69
30	4.19	0.03	4.16

MBS - Current Coupon			
FNMA	Yield	Change	Last Week
15yr	2.59	0.17	2.42
30yr	3.22	0.16	3.06
FHLMC	Yield	Change	Last Week
15yr	2.61	0.21	2.40
30yr	3.23	0.18	3.05

Equities			
Index	Current	Change	Last Week
DJIA	21,006	206.00	20,800
S&P 500	2,383	23.00	2,360
Nasdaq	5,871	30.00	5,841

Fixed Income Sector Performance



Source: Bloomberg



Economy

Service Industries Grow at Fastest Pace Since 2015:

- 🏠 American service companies expanded in February at the fastest rate since October 2015 amid stronger orders, signaling momentum in the economy's biggest sector.
 - ➡ The Institute for Supply Management's non-manufacturing index, which covers almost 90 percent of the economy, increased to 57.6 from 56.5 in January, the Tempe, Arizona-based group's data showed Friday. Readings above 50 signal growth. The median forecast in a Bloomberg survey called for the gauge to hold at the previous month's level.
 - ➡ A measure of business activity climbed to the second-highest level since 2005 and order growth quickened, the report showed. Combined with the ISM's latest reading on manufacturing, which grew at the fastest clip since August 2014, the services figures signal widespread optimism about the economy.

Expansion in Manufacturing & Services Gain Momentum



Source: Institute for Supply Management


Yellen Says March Hike 'Likely Appropriate':

- 🏠 Federal Reserve Chair Janet Yellen said an interest-rate increase would "likely be appropriate" at the central bank's upcoming meeting if employment and inflation continue to meet policy makers' expectations.
 - ➡ Markets see a 92 percent chance of a rate hike this month, up from just 40 percent a week ago, after top Fed officials including New York Fed President William Dudley and Governor Lael Brainard signaled they're willing to lift rates soon.
 - ➡ The timing and pace of interest-rate hikes this year will depend on how quickly the economy begins to exhibit characteristics consistent with reaching full employment. In other words, rate policy will be particularly sensitive to the relationship between intensifying labor scarcity, mounting wage pressures and accelerating economic growth. Ultimately, these factors will drive inflation higher as well.



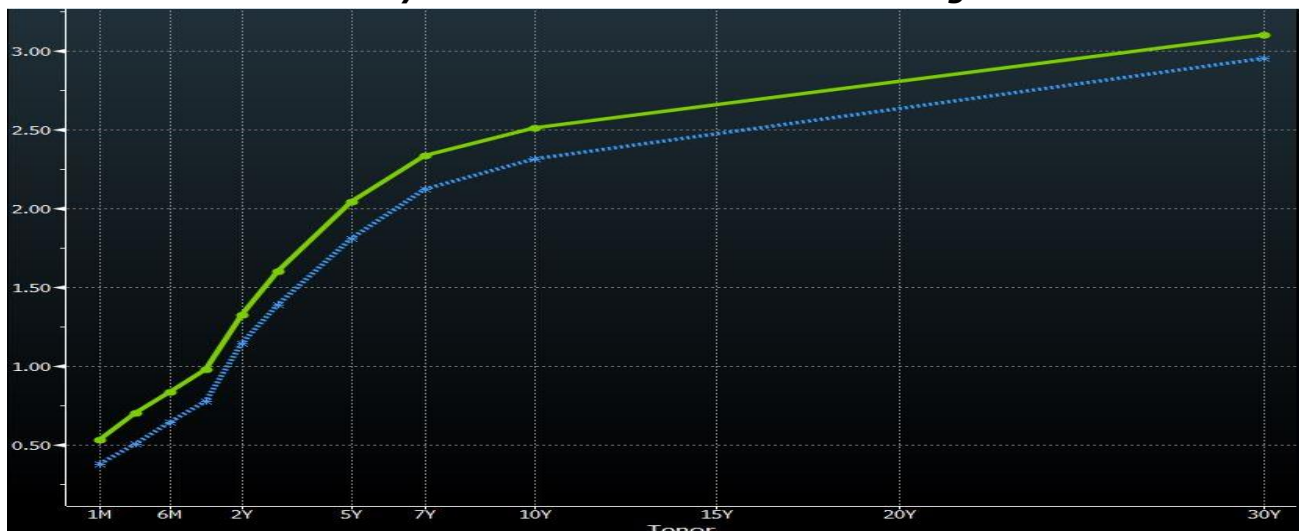
Fixed Income

Treasury Bulls Gather at Long End of the Curve:

 Bond bulls are converging at the longer end of the U.S. yield curve. While investors may have almost fully priced in a rate increase by the Federal Reserve this month, those in the options market seem skeptical about higher longer-term interest rates.


- The difference in implied volatilities between payers and receivers on 10-year yields has turned negative from about eight basis points a week after Trump's election, suggesting increased demand to protect short bond positions.
- Benchmark 10-year yields have been trapped between 2.30 percent and 2.50 percent for about a month now. If the rate manages to break through resistance at 2.50 percent, it could seek 2.64 percent, the high on December 15th.

Current Treasury Curve in Green versus One Week Ago in Blue



Source: Bloomberg

Municipal-Bond Curve Steepens:

 Municipal bonds fell for a second day as yields on benchmark 10-year notes increased 3 basis points to 2.403 percent.

- The gap between yields on short-term and long-term securities widened to the steepest level in more than 11 months. Yields of securities due in 10 years on Bloomberg's high grade benchmark municipal yield curve climbed to the highest since February 16th.
- The yield curve widened for the fourth day to 217 basis points from 215 basis points. The last time the gap was steeper was March 10th, 2016, according to data compiled by Bloomberg.
- Debt issued by U.S. states and local governments maturing in 10 years yields 96.934 percent of Treasuries, compared with 93.859 percent a month ago.



Equities

Indexes:



- ❖ **DJIA** – 21,006 current ▲ .99% on the week
- ❖ **S&P 500** – 2,383 current ▲ .97% on the week
- ❖ **Nasdaq** – 5,841 current ▲ .51% on the week

DJIA Records 11th Straight Record Close:

- 📌 U.S. stocks eked out gains on Friday extending a weekly advance, as comments from Janet Yellen and other key Federal Reserve officials confirmed growing expectations of a March interest-rate increase.
 - ➡ The S&P 500 index closed up 1.2 points on Friday with six of the 11 main sectors finishing in negative territory. The index posted its biggest decline of 2017 on Thursday a day after notching its biggest gains a day earlier, when it closed a few points below 2,400. For the week, the benchmark booked a 0.97% gain, its sixth consecutive weekly advance.
 - ➡ All three main indexes were up between 6% and 9% year to date, as investors continue to bid up the prices on hopes of fiscal stimulus.
 - ➡ Shares of Snap Inc., parent of messaging app Snapchat, rose 11% on Friday on top of 44% gains after the company's debut Thursday. That gives Snap a public market capitalization of \$28.4 billion, making it more valuable than Twitter Inc. and Facebook Inc. among others.

Global Market United States Index

Source: Bloomberg

Sector	Year			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Consumer Discretionary 17 Industries	+2.97%	+7.15%	+6.50%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	+4.90%	+9.50%	+6.31%	15.1x	1.0x	2.86%
Energy 3 Industries	-0.91%	-3.11%	-4.28%	14.0x	1.2x	1.74%
Financials 12 Industries	+7.84%	+11.13%	+7.56%	15.2x	2.1x	1.91%
Health Care 8 Industries	+6.57%	+11.30%	+10.28%	18.2x	1.2x	1.86%
Industrials 17 Industries	+5.28%	+6.26%	+6.36%	15.7x	1.1x	1.85%
Information Technology 10 Industries	+5.36%	+14.37%	+10.68%	14.8x	2.1x	0.90%
Materials 6 Industries	+2.63%	+7.35%	+7.64%	13.2x	1.1x	1.79%
Telecommunication Services 3 Industries	+2.13%	+5.04%	-2.65%	22.6x	1.3x	4.83%
Utilities 6 Industries	+4.48%	+9.49%	+4.79%	17.1x	1.3x	3.78%

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