



Carty & Company, Inc.

Weekly Market Update – April 2017, Week 3

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Compare Rates

US Treasuries			
Maturity	Yield	Change	2 Weeks Ago
3	1.39	(0.11)	1.50
5	1.75	(0.17)	1.92
7	2.04	(0.16)	2.20
10	2.23	(0.15)	2.38
30	2.89	(0.12)	3.01

Agencies			
Maturity	Yield	Change	2 Weeks Ago
3	1.25	(0.09)	1.34
5	1.49	(0.09)	1.58
7	1.74	(0.18)	1.92
10	2.19	(0.19)	2.38
25	2.83	(0.19)	3.02

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	2 Weeks Ago
1	0.81	(0.02)	0.83
5	1.41	(0.11)	1.52
10	2.06	(0.13)	2.19
15	2.49	(0.13)	2.62
30	2.90	(0.08)	2.98

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	2 Weeks Ago
1	1.31	(0.03)	1.34
5	2.27	(0.18)	2.45
10	3.32	(0.21)	3.53
15	4.02	(0.21)	4.23
30	4.68	(0.13)	4.81

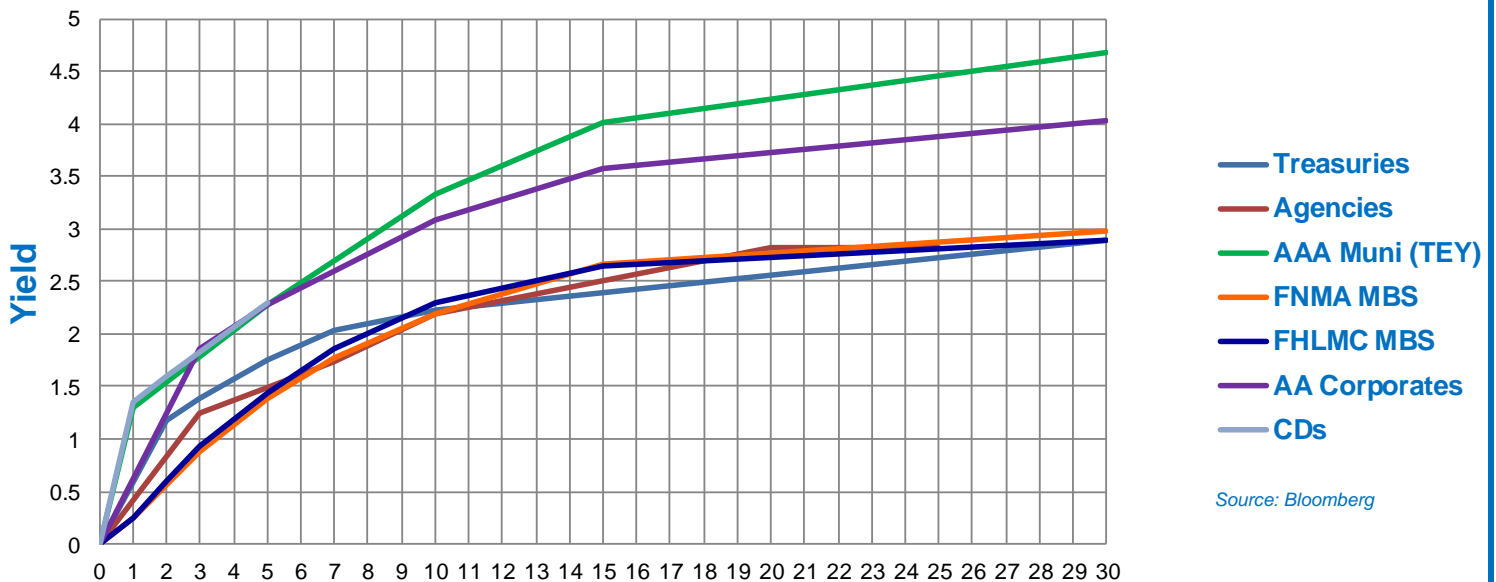
Brokered CDs			
Maturity	Yield	Change	2 Weeks Ago
1	1.35	(0.10)	1.45
2	1.60	0.00	1.60
5	2.30	0.00	2.30

Corporate Index (AA)			
Maturity	Yield	Change	2 Weeks Ago
3	1.85	(0.05)	1.90
5	2.29	(0.06)	2.35
10	3.09	(0.09)	3.19
15	3.57	(0.09)	3.66
30	4.03	(0.09)	4.12

MBS - Current Coupon			
FNMA	Yield	Change	2 Weeks Ago
15yr	2.29	(0.17)	2.46
30yr	2.92	(0.14)	3.06
FHLMC	Yield	Change	2 Weeks Ago
15yr	2.29	(0.14)	2.43
30yr	2.89	(0.17)	3.06

Equities			
Index	Current	Change	2 Weeks Ago
DJIA	20,566	(106.00)	20,672
S&P 500	2,350	(9.00)	2,359
Nasdaq	5,910	29.00	5,881

Fixed Income Sector Performance



Source: Bloomberg



Economy

Existing Home Sales Rise Fastest in Decade:

- 🏠 Sales of previously owned U.S. homes rose more than forecast in March to the fastest pace in a decade. This could be signaling sustained momentum in the housing market despite higher prices and scarce supply, a report from the National Association of Realtors showed Friday.
 - ➡ The stronger-than-expected pickup indicates that steady hiring and healthier household finances continue to underpin demand. That is coming even as the tight supply keeps boosting property prices faster than wage growth, making them more of a hurdle for potential buyers despite mortgage rates falling in recent weeks.
 - ➡ Contract closings jumped 4.4 percent to a 5.71 million annual rate, the highest since February 2007.
 - ➡ Median sales price rose 6.8 percent from a year earlier to \$236,400.
 - ➡ Inventory of available properties fell 6.6 percent from March 2016 to 1.83 million, marking the 22nd straight year-over-year decline.

More Homes Being Purchased Despite Rising Rates



Source: Bloomberg

Fed's Fischer Says Two More 2017 Hikes:

- 🏠 Federal Reserve Vice Chairman Stanley Fischer said a recent patch of weak economic data likely won't throw the U.S. central bank off track for two more interest-rate increases this year.
 - ➡ Fed officials raised rates in March and stuck to projections that signaled they would make a total of three quarter-point moves this year. Since then, investors have waned on their expectations for rate hikes after a closely watched measure of inflation unexpectedly fell and estimates of first quarter growth have declined.
 - ➡ The Atlanta Fed's GDPNow gauge currently estimates that from January through March, the economy grew at an annualized pace of just 0.5 percent.

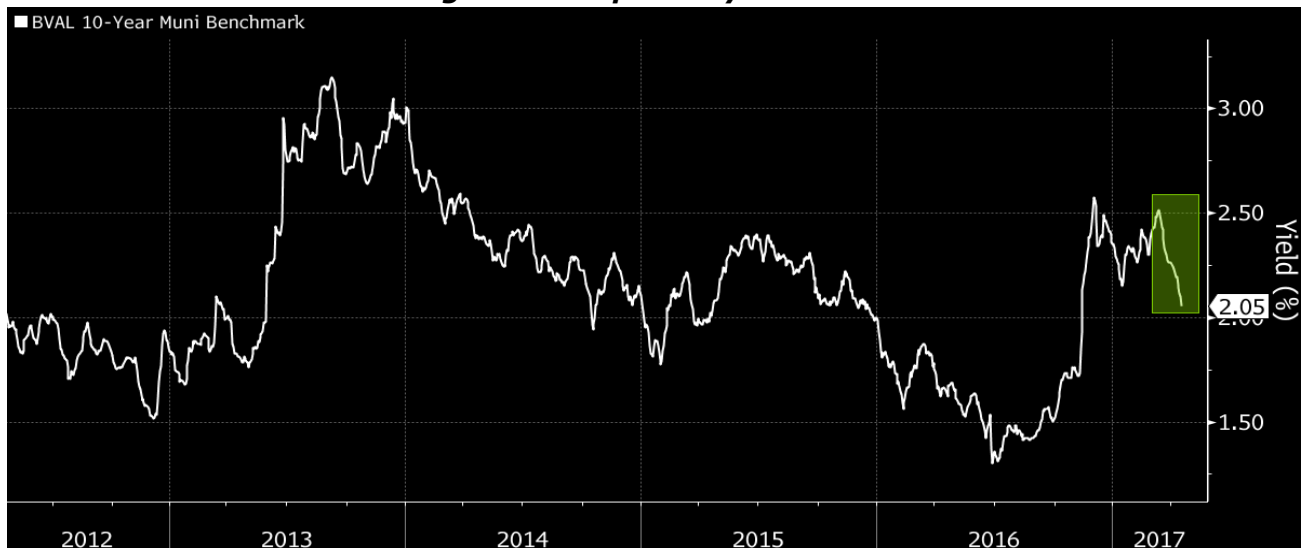


Fixed Income

Municipals See Record Winning Streak:

- 🏠 Municipal bonds are having an unprecedented winning streak. The price of benchmark 10-year state and local government debt has risen -- or held steady -- every day since March 14th. That marks the longest stretch without a single daily decline since the Bloomberg index began in January 2009.
 - ➡ The rally pushed 10-year tax-exempt yields down by nearly half a percentage point to 2.05 percent, as investors retreat from post-election speculation that President Trump would swiftly push through infrastructure and tax-cut plans.
 - ➡ The price gains have wiped out much of the losses suffered late last year, when investors wagered that Trump's fiscal plans would prod the Federal Reserve to raise interest rates more aggressively to head off inflation. The potential for lower tax rates also threatened to reduce demand for municipal bonds. That fear is subsiding as tax reform has not yet materialized.
 - ➡ Municipal bonds have returned 2.5 percent this year; nearly a full percentage point more than Treasuries, according to Bloomberg Barclays indexes.

Longest Municipal Rally in Years



Source: Bloomberg

Inflation Expectations Decelerating:

- 🏠 The difference between two-year yields and similar-maturity Treasury Inflation Protected Securities, a gauge of trader expectations for consumer prices over the life of the debt, tumbled to 1.37 percentage points last week. It plunged from this year's high of 2.19, suggesting traders doubt the Fed's ability to meet its inflation target of 2 percent.



Equities

Indexes:



- ❖ **DJIA** – 20,566 current – ▼ .5% on the week
- ❖ **S&P 500** – 2,350 current ▼ .4% on the week
- ❖ **Nasdaq** – 5,910 current ▲ .5% on the week

U.S. Stocks Mixed:

U.S. assets churned in tight ranges, as optimism that the Trump administration will soon deliver on its promise to overhaul corporate taxes contended with a note of caution ahead of this weekend’s French presidential election.

- ➔ The S&P 500 Index slumped in the final minutes of trading on volume 16 percent above the 30-day average. Stocks ended above session lows after Donald Trump said the White House will present a tax-reform plan next week.
- ➔ Treasury Secretary Steven Mnuchin on Thursday signaled that tax reform remained a priority. Investors continue to grapple with a spate of geopolitical risk events, with the murder of a policeman on the Champs-Elysees adding to uncertainty before France’s vote.

Broad 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	+1.54%	+5.41%	+8.28%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	-0.14%	+4.68%	+5.98%	15.1x	1.0x	2.86%
Energy 3 Industries	-2.35%	-9.45%	-10.36%	14.0x	1.2x	1.74%
Financials 12 Industries	-3.28%	+1.01%	+0.37%	15.2x	2.1x	1.91%
Health Care 8 Industries	-1.29%	+6.33%	+8.19%	18.2x	1.2x	1.86%
Industrials 17 Industries	-0.25%	+2.64%	+4.14%	15.7x	1.1x	1.85%
Information Technology 10 Industries	-0.12%	+7.79%	+11.37%	14.8x	2.1x	0.90%
Materials 6 Industries	-1.11%	+2.39%	+5.18%	13.2x	1.1x	1.79%
Telecommunication Services 3 Industries	-3.23%	-4.19%	-5.23%	22.6x	1.3x	4.83%
Utilities 6 Industries	+1.04%	+5.41%	+5.43%	17.1x	1.3x	3.78%

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