



# Carty & Company, Inc.

## Weekly Market Update – April 2017, Week 4

By Ryan R. Coombs - Vice President, Research & Strategies

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### Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	1.45	0.06	1.39
5	1.82	0.07	1.75
7	2.10	0.06	2.04
10	2.29	0.06	2.23
30	2.96	0.07	2.89

Agencies			
Maturity	Yield	Change	1 Week Ago
3	1.32	(0.02)	1.34
5	1.50	(0.08)	1.58
7	1.80	(0.12)	1.92
10	2.25	(0.13)	2.38
25	2.89	(0.13)	3.02

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	0.84	0.03	0.81
5	1.45	0.04	1.41
10	2.16	0.10	2.06
15	2.59	0.10	2.49
30	3.01	0.11	2.90

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	1.35	0.05	1.31
5	2.34	0.06	2.27
10	3.48	0.16	3.32
15	4.18	0.16	4.02
30	4.85	0.18	4.68

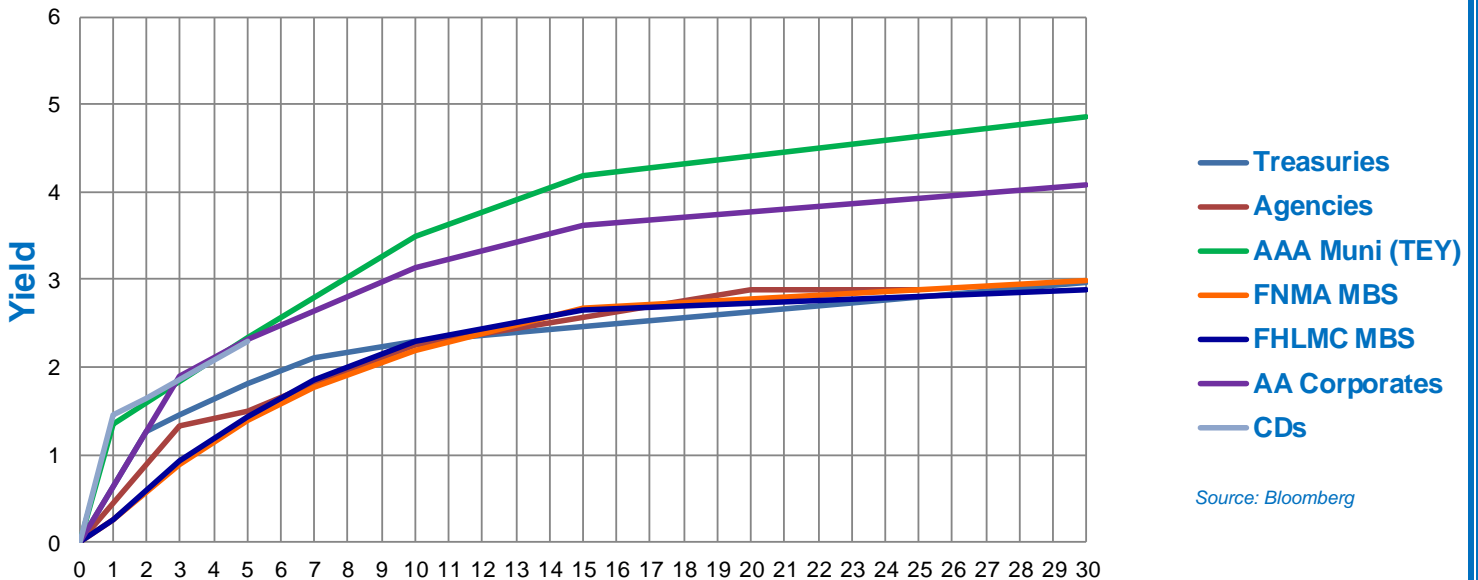
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	1.45	0.10	1.35
2	1.65	0.05	1.60
5	2.30	0.00	2.30

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	1.89	0.04	1.85
5	2.32	0.03	2.29
10	3.13	0.04	3.09
15	3.61	0.04	3.57
30	4.09	0.06	4.03

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	2.35	0.06	2.29
30yr	2.95	0.03	2.92
FHLMC	Yield	Change	1 Week Ago
15yr	2.35	0.06	2.29
30yr	2.95	0.06	2.89

Equities			
Index	Current	Change	1 Week Ago
DJIA	20,938	372.00	20,566
S&P 500	2,384	34.00	2,350
Nasdaq	6,043	133.00	5,910

### Fixed Income Sector Performance



Source: Bloomberg

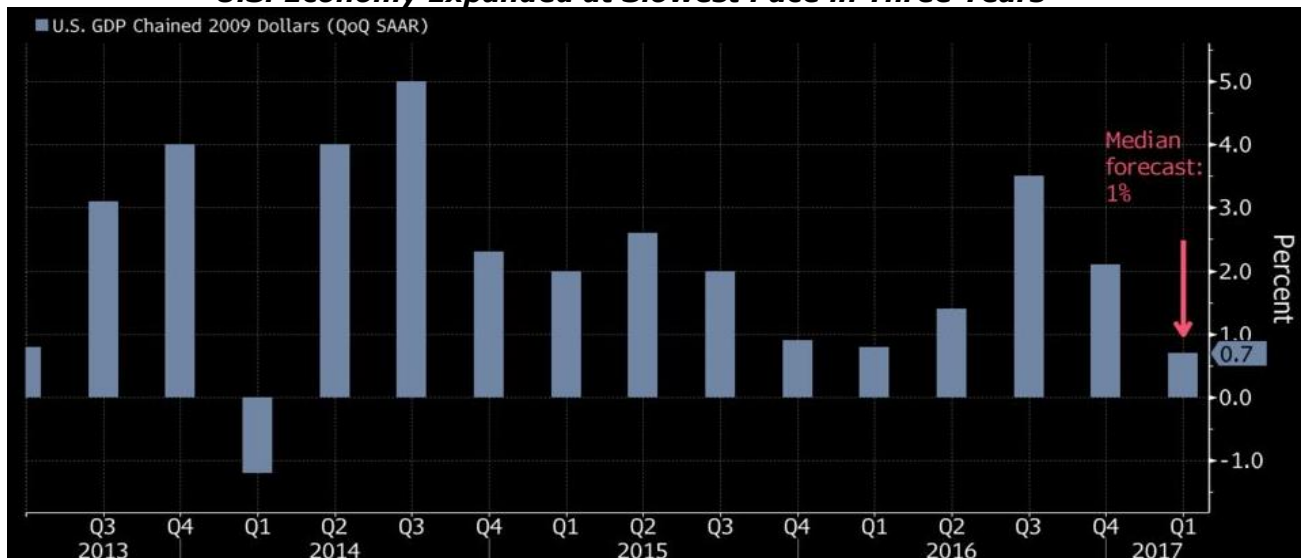


## Economy

### U.S. Economy Grew 0.7% in First Quarter:

- 🚚 The U.S. economy expanded at the slowest pace in three years as weak auto sales and lower home-heating bills dragged down consumer spending, offsetting a pickup in investment led by housing and oil drilling.
  - ➡ Gross domestic product, the value of all goods and services produced, rose at a 0.7 percent annualized rate after advancing 2.1 percent in the prior quarter, Commerce Department data showed Friday in Washington. The median forecast of economists surveyed by Bloomberg called for a 1 percent gain. Consumer spending, the biggest part of the economy, rose 0.3 percent, the worst performance since 2009.
  - ➡ The GDP slowdown is partially due to transitory forces such as warm weather and volatility in inventories. This supports forecasts for a rebound as high confidence among companies, consumers and a solid job market underpin growth. Even so, the weakness at car dealers could weigh on expansion. Also, further gains in business investment could depend on the extent of policy support such as tax cuts.
  - ➡ Although the first-quarter figure isn't a verdict on President Donald Trump's policies, economists are generally skeptical that growth will reach his goal of 3 to 4 percent on a sustained basis. Analysts' estimates indicate just 2.2 to 2.3 percent annual growth through 2019, slightly above the average pace during the almost eight-year expansion.
  - ➡ The report also showed price pressures were picking up. The GDP price index rose 2.3 percent in the first quarter. A measure of inflation tied to consumer spending and excluding volatile food and energy costs was up 2 percent, the fastest in four quarters.

### U.S. Economy Expanded at Slowest Pace in Three Years



Source: U.S. Commerce Department

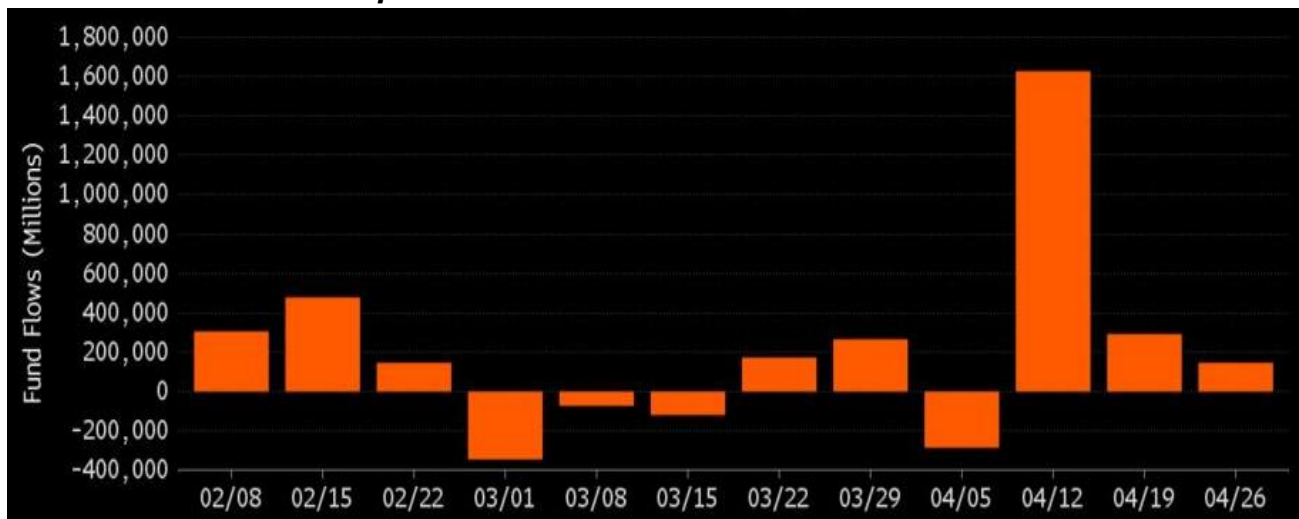


## Fixed Income

### Municipal Bond Yields Up:

- 🏠 Municipal bonds increased last week as yields on benchmark 10-year notes closed at 2.15 percent on Friday, up from 2.06 percent a week prior. The gap between yields on short-term and long-term securities also widened.
  - ➡ Debt issued by U.S. states and local governments maturing in 10 years yields 94.166 percent of Treasuries, compared with 93.88 percent in the previous session and 95.544 percent a month ago. The rate for municipalities to swap from 10-year fixed-rate to floating-rate liabilities widened to 2.2742 percent Friday from 2.267 percent.
  - ➡ U.S. municipal-bond mutual funds saw inflows of \$144.5 million during the week ended April 26<sup>th</sup>, according to Lipper US Fund Flows data, compared to previous week's tally of \$290 million. Year-to-date average weekly inflows have been relatively tepid at \$188,526, the lowest level over the same time period since 2014 saw just under \$11,000. Yet investors should not find that reason for despair, as 2014's 9.05 percent annual performance is the best seen over the last half-decade, according to Bloomberg Barclays Municipal Bond Index.

### Municipal Investment Inflows Remain Positive



Source: Lipper U.S. Fund Flows

### U.S. Treasuries Slide on Inflation Data:

- 🌐 Treasuries remained under pressure on Friday after the 1Q employment cost index rose 0.8%, largest gain since Q1 2007. This indicated a sign of inflationary wage pressures as both pay and benefits accelerated.
  - ➡ The selloff was led by the belly of the curve; sharply flattening the 5yr-30yr spread to 113.5bps from session highs around 115bps.



# Equities

## Indexes:



- ❖ **DJIA** – 20,938 current – ▲ 1.8% on the week
- ❖ **S&P 500** – 2,384 current ▲ 1.4% on the week
- ❖ **Nasdaq** – 6,043 current ▲ 2.3% on the week

## Stocks Slip as Lenders Offset Technology Gains:

Although up on the week, U.S. stocks declined on Friday. Losses in credit-card providers offset gains in technology companies that were sparked following better-than-expected results from Amazon.com Inc. and Google parent, Alphabet Inc.

- Since earnings season began, 81 percent of S&P 500 companies have exceeded profit estimates and 65 percent beat on sales, data compiled by Bloomberg show.
- Synchrony Financial tumbled the most in the S&P 500, sinking 22 percent, after the issuer of private-label credit cards set aside more money for soured loans in the first quarter than analysts expected.
- Amazon advanced 2.6 percent to record highs after it showed no signs of slowing an unbroken 20-year streak of double-digit revenue growth.
- Alphabet gained 4.2 percent, also a record, after beating analysts' sales projections in the first quarter. This ended a four-year streak of missing Wall Street estimates after the holidays.

### Broad Global Market United States Index

Source: Bloomberg

Sector	Year			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
<b>Consumer Discretionary</b> 17 Industries	+4.63%	+6.36%	+10.73%	16.5x	1.0x	1.27%
<b>Consumer Staples</b> 9 Industries	+0.87%	+5.26%	+6.16%	15.1x	1.0x	2.86%
<b>Energy</b> 3 Industries	-0.66%	-9.47%	-10.73%	14.0x	1.2x	1.74%
<b>Financials</b> 12 Industries	+1.86%	+0.65%	+2.10%	15.2x	2.1x	1.91%
<b>Health Care</b> 8 Industries	+1.26%	+8.39%	+10.21%	18.2x	1.2x	1.86%
<b>Industrials</b> 17 Industries	+3.93%	+3.08%	+6.26%	15.7x	1.1x	1.85%
<b>Information Technology</b> 10 Industries	+3.15%	+7.84%	+13.93%	14.8x	2.1x	0.90%
<b>Materials</b> 6 Industries	+3.21%	+1.30%	+7.58%	13.2x	1.1x	1.79%
<b>Telecommunication Services</b> 3 Industries	-2.51%	-4.37%	-6.68%	22.6x	1.3x	4.83%
<b>Utilities</b> 6 Industries	+0.55%	+6.78%	+6.42%	17.1x	1.3x	3.78%

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