



# Carty & Company, Inc.

## Weekly Market Update – May 2017, Week 1

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### Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	1.50	0.05	1.45
5	1.88	0.06	1.82
7	2.16	0.06	2.10
10	2.35	0.06	2.29
30	2.99	0.10	2.89

Agencies			
Maturity	Yield	Change	1 Week Ago
3	1.36	0.04	1.32
5	1.55	0.05	1.50
7	1.84	0.04	1.80
10	2.29	0.04	2.25
25	2.89	0.00	2.89

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	0.85	0.01	0.84
5	1.44	(0.01)	1.45
10	2.16	0.00	2.16
15	2.62	0.03	2.59
30	3.04	0.03	3.01

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	1.37	0.02	1.35
5	2.32	(0.02)	2.34
10	3.48	0.00	3.48
15	4.23	0.05	4.18
30	4.90	0.05	4.85

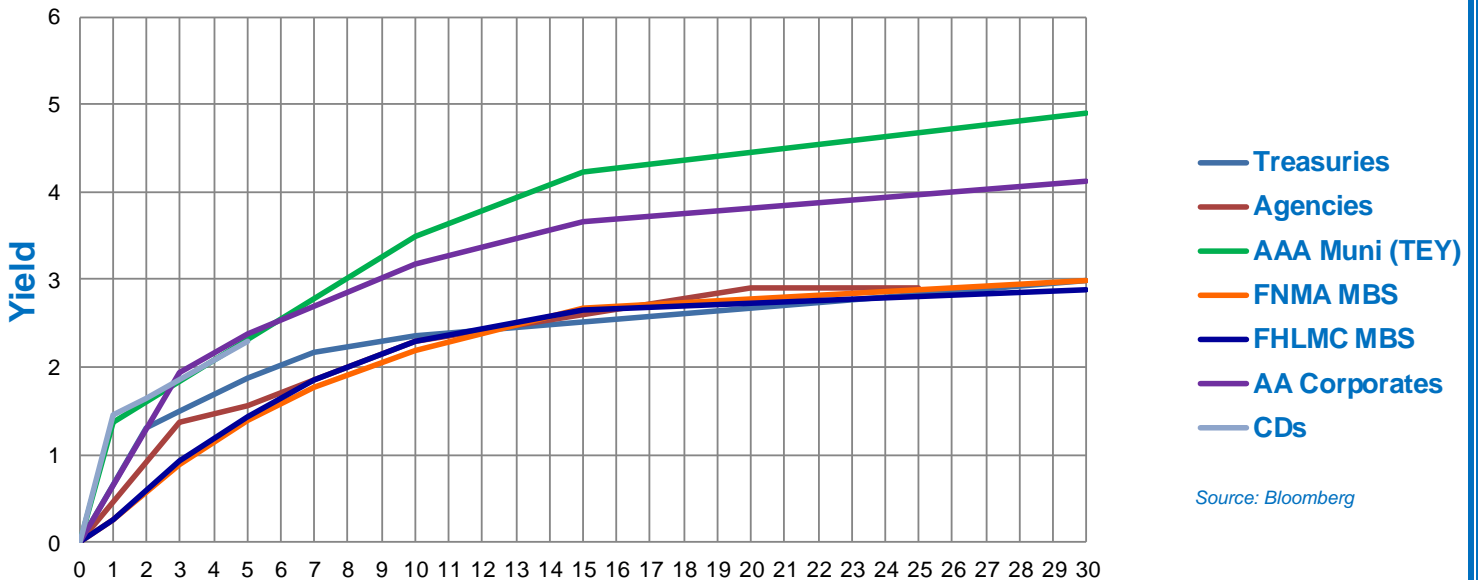
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	1.45	0.00	1.45
2	1.65	0.00	1.65
5	2.30	0.00	2.30

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	1.93	0.04	1.89
5	2.37	0.05	2.32
10	3.19	0.06	3.13
15	3.66	0.05	3.61
30	4.11	0.02	4.09

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	2.40	0.05	2.35
30yr	3.02	0.07	2.95
FHLMC	Yield	Change	1 Week Ago
15yr	2.40	0.05	2.35
30yr	3.02	0.07	2.95

Equities			
Index	Current	Change	1 Week Ago
DJIA	20,993	55.00	20,938
S&P 500	2,396	12.00	2,384
Nasdaq	6,097	54.00	6,043

### Fixed Income Sector Performance



Source: Bloomberg

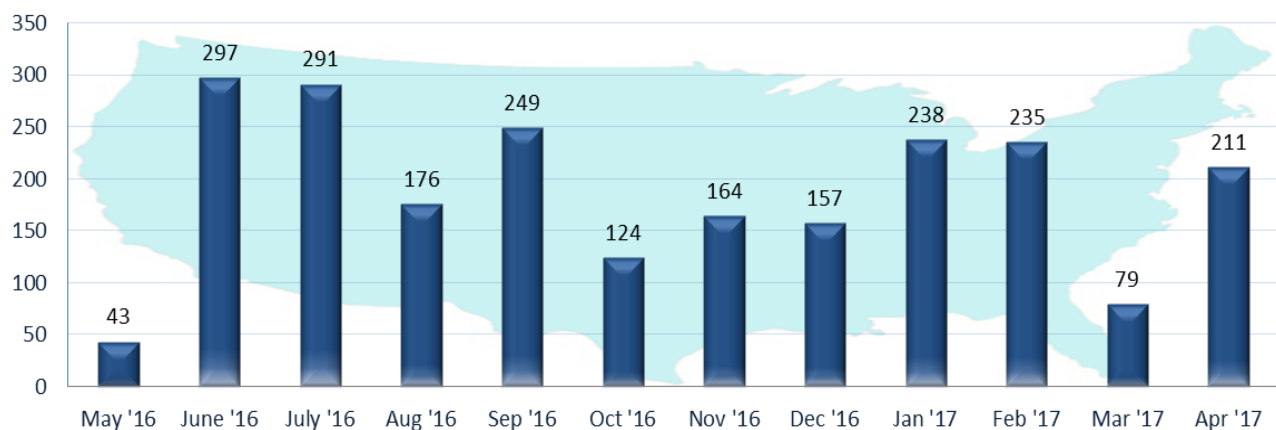


## Payrolls and Unemployment:

- 👤 Labor Department data showed on Friday payrolls increased 211,000 (estimated 190,000) in April after an anemic 79,000 revised gain for February.
  - ➡ The unemployment rate unexpectedly fell to 4.4% (estimated 4.6%), the lowest level since May 2007. Economists had instead been calling for the jobless rate to rise in April to 4.6 percent and for hourly earnings to increase at a 2.7 percent pace from the previous 12 months. The actual results imply that the labor market is even tighter than they thought, while employers may be feeling less pressure to hand out raises.
  - ➡ The underemployment rate, which includes discouraged workers and those who are working part-time but would prefer full-time positions, declined to the lowest since November 2007, one month before the last recession started.
  - ➡ Fewer Americans are registering as dissatisfied with their prospects or employment situation. People working part-time who would prefer full-time employment, also known as part-time for economic reasons, fell to 5.27 million, a nine-year low.
  - ➡ Such figures help explain why economists were looking beyond the subdued 2.5 percent year-over-year wage gain, the smallest since August. Removed from the weather-related distortions of the previous three months, the April figures indicate solid trends in employment.
  - ➡ While the tighter labor market failed to translate to a breakout in wages in April, analysts are penciling in bigger paychecks in the months to come.

## United States Non-Farm Payrolls

Thousands of Jobs



Source: Bureau of Labor Statistics



## Fixed Income

### Ultra-Long Bonds?:

- 🏠 The U.S. Treasury is studying the “costs and benefits” of ultra-long bonds, even as the department’s borrowing advisory panel said it prefers boosting sales of debt with maturities of 30 years or less.
  - ➡ Treasury Secretary Steven Mnuchin has formed an internal working group to study ultra-long bonds, a department official told reporters Wednesday. Their work will be assessed along with feedback from the Treasury Borrowing Advisory Committee, whose members include representatives from JPMorgan Chase, Bank of America, Citadel, Pimco and Goldman Sachs.

### Corporate Bond Spreads:

- 🏠 President Donald Trump’s tax reform proposals have the potential to unleash a short-term wave of enthusiasm in the corporate bond market.
  - ➡ A lowering of the corporate tax rate and a one-time repatriation for overseas cash holdings of U.S. companies may tighten credit spreads, resulting in gains for corporate debt.
  - ➡ Corporate bonds currently trade 116 basis points over Treasuries, according to the Bloomberg Barclays U.S. IG Corporate Bond Index, the lowest level since October 2014.

#### **Corporate Bonds Trading at Lowest Spread to Treasuries since 2014**



Source: Bloomberg

### June Rate-Hike Odds Skyrocket:

- 🌐 Despite the downward revision to March data, the World Interest Rate Probability (WIRP) still implies the market is expecting a 98.8% chance the Federal Reserve raises their target Fed Funds rate to 1-1.25% during the June meeting. These odds are up from 61.1% just one week ago.



# Equities

## Indexes:



- ❖ **DJIA** – 20,993 current – ▲ 0.3% on the week
- ❖ **S&P 500** – 2,396 current ▲ 0.5% on the week
- ❖ **Nasdaq** – 6,097 current ▲ 0.9% on the week

## U.S. Stocks Rise on Fed Speak, Job Data:

U.S. stocks pushed higher in afternoon trading on Friday, sending the S&P 500 Index toward a closing record. The dollar and Treasuries fluctuated as investors assessed a robust jobs report and Federal Reserve comments for clues on the pace of rate hikes.

- ➔ The S&P 500 added 0.3 percent to top its March 1<sup>st</sup> record as commodities producers rebounded with the price of crude and copper. The index remains mired in the tight range it has held for the past seven sessions. Oil climbed above \$46 a barrel. The Euro Stoxx 600 Index advanced ahead of French presidential elections. Gold climbed from a seven-week low.
- ➔ Caterpillar Inc. and Chevron Corp. led declines in the Dow Jones Industrial Average, with losses that topped 1.9 percent.
- ➔ Facebook Inc. slipped 0.7 percent after its results disappointed, while AIG added 1.9 percent.

### 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	+2.49%	+5.92%	+9.54%	16.5x	1.0x	1.27%
<b>Consumer Staples</b> 9 Industries	+0.44%	+3.75%	+5.73%	15.1x	1.0x	2.86%
<b>Energy</b> 3 Industries	-6.68%	-10.95%	-13.13%	14.0x	1.2x	1.74%
<b>Financials</b> 12 Industries	+0.89%	+0.44%	+2.12%	15.2x	2.1x	1.91%
<b>Health Care</b> 8 Industries	+2.35%	+6.56%	+11.01%	18.2x	1.2x	1.86%
<b>Industrials</b> 17 Industries	+2.26%	+3.69%	+5.77%	15.7x	1.1x	1.85%
<b>Information Technology</b> 10 Industries	+3.75%	+8.87%	+15.30%	14.8x	2.1x	0.90%
<b>Materials</b> 6 Industries	+0.08%	+0.46%	+5.63%	13.2x	1.1x	1.79%
<b>Telecommunication Services</b> 3 Industries	-7.01%	-6.28%	-10.29%	22.6x	1.3x	4.83%
<b>Utilities</b> 6 Industries	-0.27%	+4.64%	+5.23%	17.1x	1.3x	3.78%

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