



# Carty & Company, Inc.

## Weekly Market Update – June 2017, Week 2

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	0.00	1.45
5	1.74	0.00	1.74
7	2.01	0.01	2.00
10	2.21	0.02	2.19
30	2.86	0.02	2.84

Agencies			
Maturity	Yield	Change	1 Week Ago
3	1.00	(0.50)	1.50
5	1.72	0.01	1.71
7	2.11	0.00	2.11
10	2.64	(0.02)	2.66
25	3.03	(0.01)	3.04

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	0.75	0.00	0.75
5	1.22	0.00	1.22
10	1.86	0.00	1.86
15	2.32	0.01	2.31
30	2.72	0.01	2.71

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	1.21	0.00	1.21
5	1.97	0.00	1.97
10	3.00	0.00	3.00
15	3.74	0.02	3.73
30	4.39	0.02	4.37

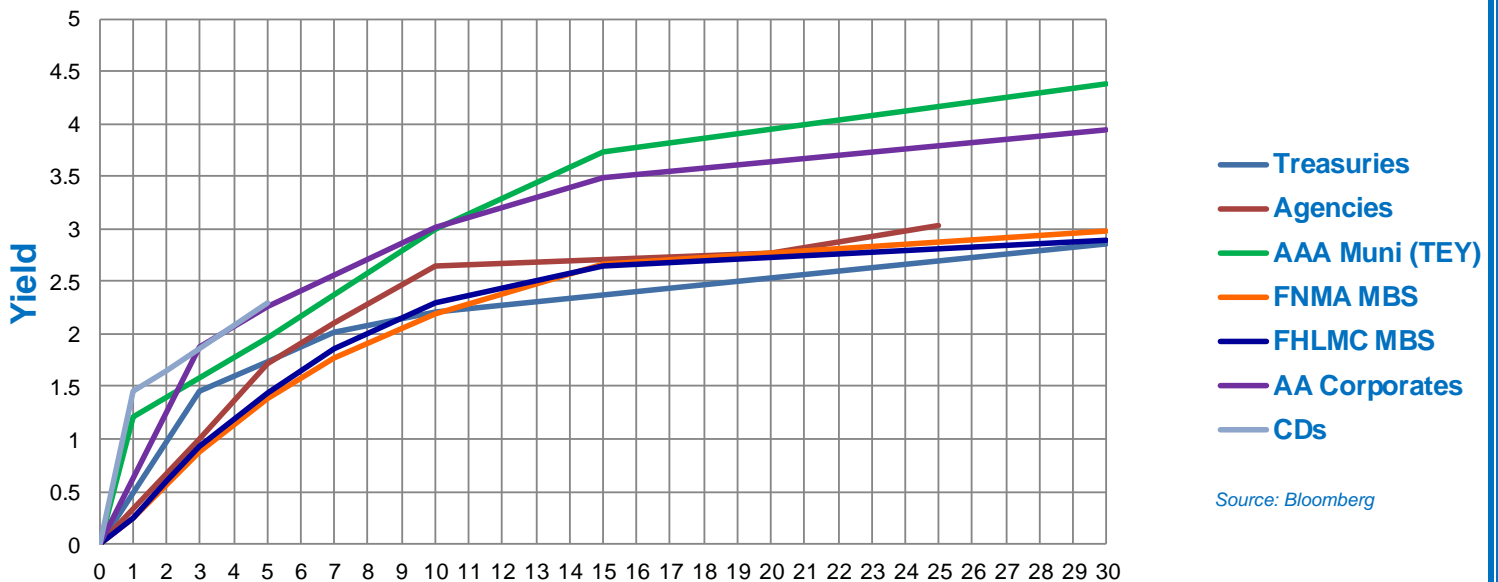
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	1.45	0.00	1.45
2	1.65	0.00	1.65
5	2.30	0.00	2.30

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	1.88	0.04	1.84
5	2.26	0.04	2.22
10	3.02	0.05	2.97
15	3.48	0.04	3.44
30	3.94	0.04	3.90

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	2.28	0.01	2.27
30yr	2.88	0.01	2.87
FHLMC	Yield	Change	1 Week Ago
15yr	2.30	0.02	2.28
30yr	2.87	0.00	2.87

Equities			
Index	Current	Change	1 Week Ago
DJIA	21,272	92.00	21,180
S&P 500	2,430	(6.00)	2,436
Nasdaq	6,208	(97.00)	6,305

### Fixed Income Sector Performance



Source: Bloomberg

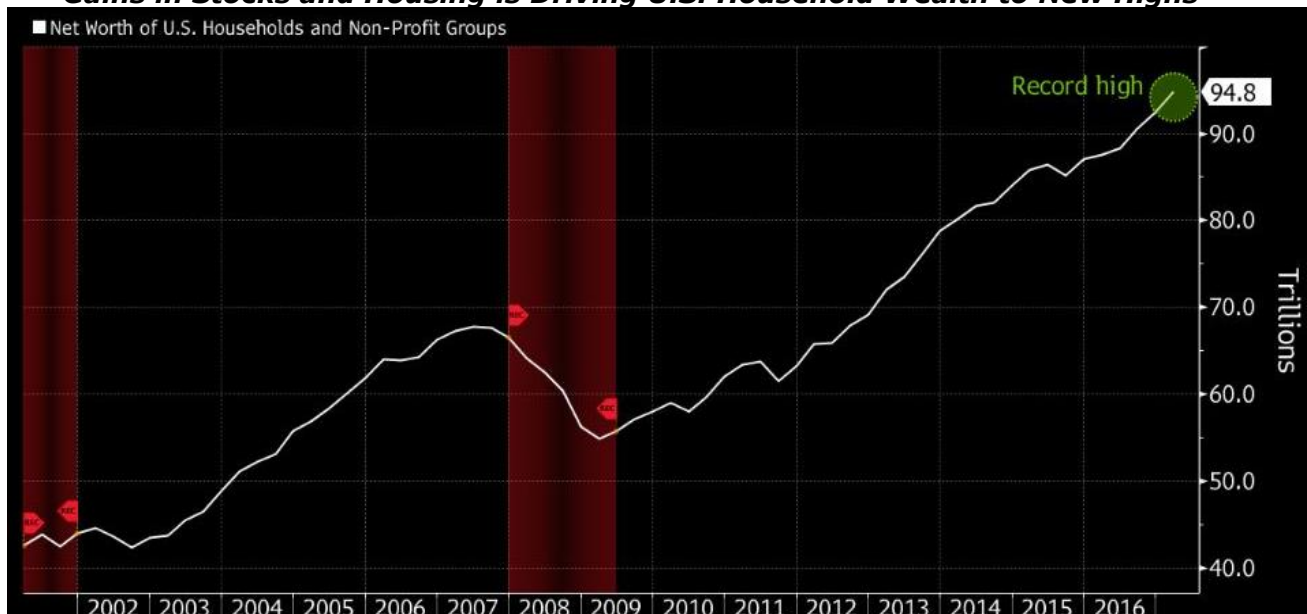


## Economy

### Household-Wealth Gains:

- iii** An increase in U.S. household wealth in the first quarter shows higher financial-asset and property values are driving an improvement in consumer finances, figures from the Federal Reserve in Washington showed Thursday.
- ➔ Net worth for households and non-profit groups rose by \$2.35 trillion, or 2.5%, to \$94.84 trillion from the previous three months, according to the Fed's financial accounts report.
  - ➔ Value of financial assets, including stocks and pension fund holdings, rose by \$1.78 trillion. Household real-estate assets climbed by \$436.2 billion. Owner's equity as share of total real-estate holdings increased to 58.3% from 57.5%.
  - ➔ Household wealth has grown, boosted mostly by a 5.5 percent gain in the Standard & Poor's 500 Index last quarter and house price appreciation that matched the biggest year-over-year increase since 2014. That along with a strong job market is underpinning consumers' ability to continue spending and will contribute to the economic expansion. The report also showed companies had \$2.21 trillion in liquid assets, giving them the means to boost investment.
  - ➔ Household debt increased at a 3.2 percent annual rate in the first quarter.
  - ➔ Mortgage borrowing advanced at a 3 percent pace. Other forms of consumer credit, including auto and student loans, climbed at a 5 percent rate, the slowest since 2013.
  - ➔ Federal government obligations declined 3.3 percent, state and local government debt fell at a 3.5 percent pace, while business borrowing increased 6.2 percent.

### **Gains in Stocks and Housing is Driving U.S. Household Wealth to New Highs**



Source: Federal Reserve

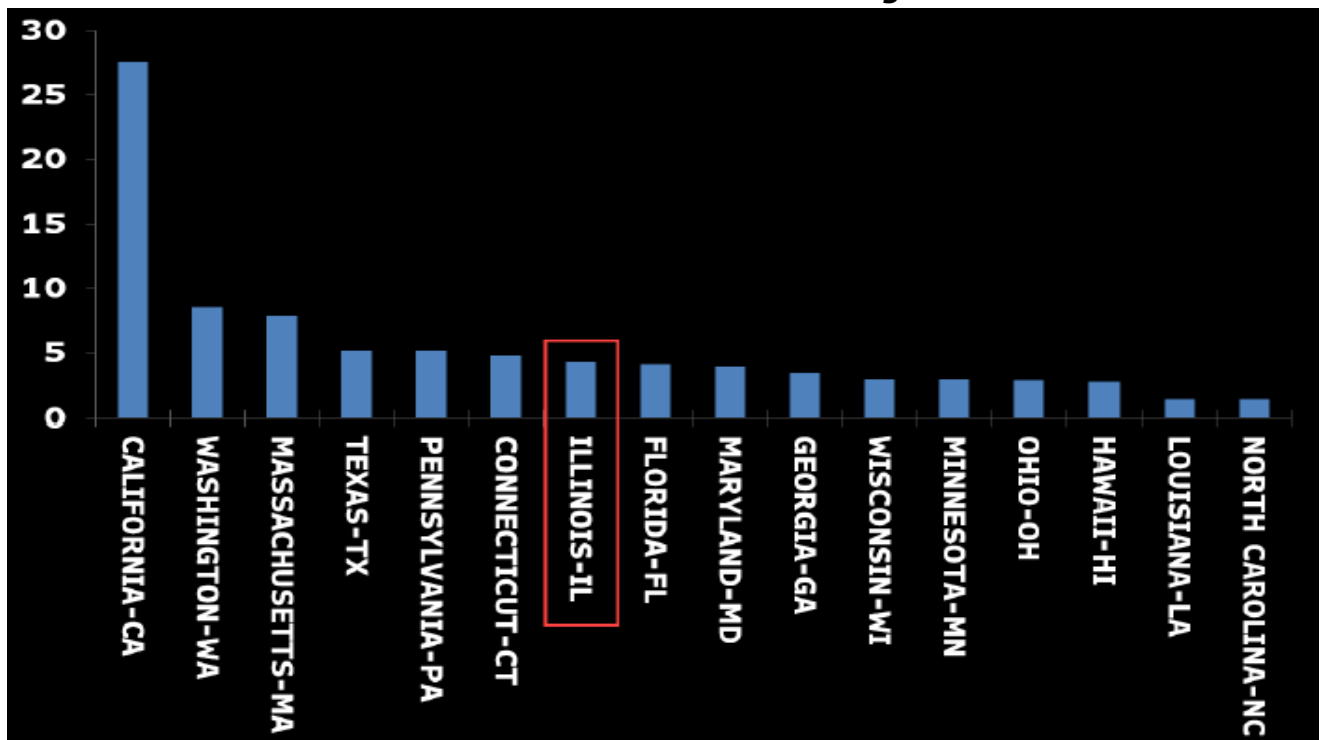


## Fixed Income

### State Muni Credits Underperforming Local Bonds:

- Year-to-date performance of the Bloomberg Barclays State General Obligation index stands at 3.73%, compared to 4.22% for the Local GO counterpart. Given the downgrades in Illinois and the growing likelihood that there may be further credit degradation, it may be worth considering a more local-credit biased approach or revenue-backed bonds.
  - The Bloomberg Barclays Revenue Bond Index has returned 4.09% so far in 2017. On a market-value basis, Illinois GO credit makes up 4.35% of the State General Obligation index and could prove a drag on performance.
  - For those investors wanting to stay the course on state municipals, the downgrades of Illinois, New Jersey, Connecticut and local issuers would suggest a focus on those credits with better pension funding ratios and/or those with a higher supply-and-demand imbalance such as Oregon, New York or Washington.
  - With ongoing credit spread compression in municipals, many investors would like to worry solely about duration. However, recent correlation calculations demonstrate that credit is still very much a factor in performance, with correlation to Treasuries improving year-over-year but still moderate in nature.

**Illinois Credit a Factor in its State General Obligation Index**





# Equities

## Indexes:



- ❖ **DJIA** – 21,272 current – ▲ 0.4% on the week
- ❖ **S&P 500** – 2,430 current ▼ -0.2% on the week
- ❖ **Nasdaq** – 6,208 current ▼ -1.5% on the week

## Tech Selloff:

- 📌 A selloff in technology shares spoiled an otherwise buoyant Friday in the U.S. stock market as companies from Apple Inc. to Nvidia Corp. tumbled.
  - ➡ The move lower began when Robert Boroujerdi, Global Chief Investment Officer at Goldman Sachs Group Inc., warned that low volatility in Facebook Inc., Amazon.com Inc., Apple, Microsoft Corp. and Google parent Alphabet Inc. may be blinding investors to risks such as cyclical and regulation. The S&P 500 technology index plunged 2.7 percent.
  - ➡ The S&P 500 fell 0.1 percent on Friday, while the Dow Jones Industrial Average rose 0.4 percent. The tech-heavy Nasdaq Composite Index dropped 1.8 percent, and the Nasdaq 100 Stock Index plunged 2.4 percent.
  - ➡ Apple led decliners in the S&P 500, sinking 3.7 percent, while Microsoft, Amazon, Facebook and Google all lost more than one percent.

### Broad Global Market United States Stock Index

Source: Bloomberg

Sector	Year			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
<b>Consumer Discretionary</b> 17 Industries	+0.64%	+5.03%	+11.01%	16.5x	1.0x	1.27%
<b>Consumer Staples</b> 9 Industries	+2.51%	+3.63%	+8.67%	15.1x	1.0x	2.86%
<b>Energy</b> 3 Industries	-5.59%	-7.63%	-15.78%	14.0x	1.2x	1.74%
<b>Financials</b> 12 Industries	-0.10%	-3.20%	+1.78%	15.2x	2.1x	1.91%
<b>Health Care</b> 8 Industries	+2.26%	+2.97%	+12.63%	18.2x	1.2x	1.86%
<b>Industrials</b> 17 Industries	+0.65%	+2.50%	+6.71%	15.7x	1.1x	1.85%
<b>Information Technology</b> 10 Industries	+4.42%	+10.29%	+21.32%	14.8x	2.1x	0.90%
<b>Materials</b> 6 Industries	+1.47%	+2.92%	+7.64%	13.2x	1.1x	1.79%
<b>Telecommunication Services</b> 3 Industries	-0.15%	-5.02%	-8.93%	22.6x	1.3x	4.83%
<b>Utilities</b> 6 Industries	+3.25%	+5.95%	+9.24%	17.1x	1.3x	3.78%

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