



# Carty & Company, Inc.

## Weekly Market Update – August 2017, Week 1

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### Compare Rates

US Treasuries			
Maturity	Yield	Change	Last Week
3	1.50	0.00	1.50
5	1.82	(0.01)	1.83
7	2.08	(0.02)	2.10
10	2.26	(0.03)	2.29
30	2.84	(0.05)	2.89

Agencies			
Maturity	Yield	Change	Last Week
3	1.53	0.01	1.52
5	1.73	0.01	1.72
7	2.16	0.02	2.14
10	2.67	0.02	2.65
25	3.03	0.03	3.00

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	Last Week
1	0.84	(0.01)	0.85
5	1.24	(0.02)	1.26
10	1.87	(0.03)	1.90
15	2.40	(0.03)	2.43
30	2.73	(0.03)	2.76

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	Last Week
1	1.35	(0.02)	1.37
5	2.00	(0.04)	2.03
10	3.02	(0.05)	3.06
15	3.87	(0.05)	3.92
30	4.40	(0.05)	4.45

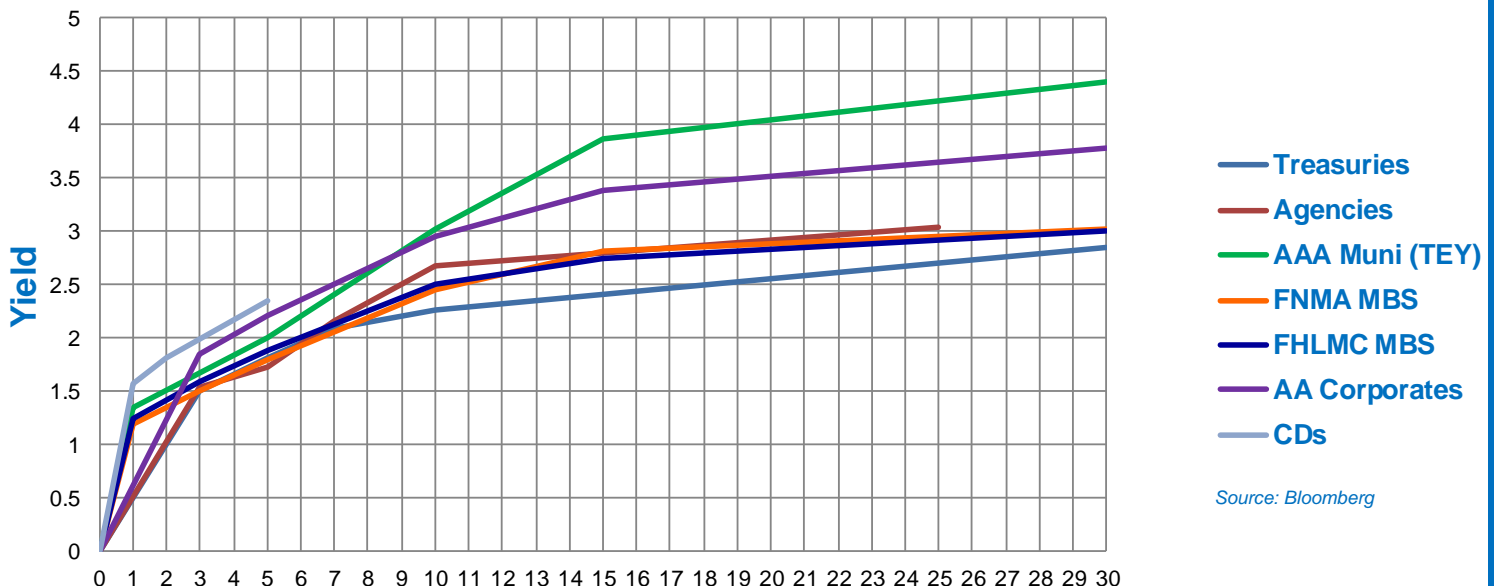
Brokered CDs			
Maturity	Yield	Change	Last Week
1	1.56	0.00	1.56
2	1.81	0.00	1.81
5	2.35	0.00	2.35

Corporate Index (AA)			
Maturity	Yield	Change	Last Week
3	1.84	(0.04)	1.87
5	2.21	(0.05)	2.26
10	2.95	(0.09)	3.04
15	3.38	(0.10)	3.48
30	3.79	(0.11)	3.90

MBS - Current Coupon			
FNMA	Yield	Change	Last Week
15yr	2.30	0.01	2.29
30yr	2.90	0.00	2.90
FHLMC	Yield	Change	Last Week
15yr	2.27	(0.03)	2.30
30yr	2.89	(0.04)	2.93

Equities			
Index	Current	Change	Last Week
DJIA	22,083	254.15	21,829
S&P 500	2,475	1.51	2,473
Nasdaq	6,352	(23.44)	6,375

### Fixed Income Sector Performance



Source: Bloomberg



## Economy

### U.S. Economy Closes Job Gap With Strong July Payrolls:

- 📍 Eight years after the end of the last recession, the U.S. economy has returned to employment levels from before the downturn.
  - ➡ The better-than-estimated 209,000 payroll gain in July was more than enough to close the “jobs gap.” The measure, which adjusts for growth and aging of the population, accounts for total employment and what’s needed to absorb the number of new labor-market entrants, according to the Brookings Institution.
  - ➡ With the July payrolls gain, employment in 2017 has averaged 184,000 which is in line with the 187,000 average from 2016. At the same time wage growth has remained sluggish, rising at a 2.5 percent year-on-year rate in July. That matches the average of the past two years.

### Narrowing of U.S. Trade Deficit Shows Export Swing:

- 📍 Commerce Department data showed Friday that America’s trade deficit narrowed to an eight-month low in June, helped by the biggest outflow of goods and services since the end of 2014. This is a positive signal for the economy entering the third quarter.
  - ➡ Firmer overseas demand has helped boost sales of American-made goods and services, with trade contributing to economic growth in four of the last five quarters. A weaker dollar may also be benefiting U.S. exporters. Net exports added almost 0.2 percentage point to gross domestic product growth in the second quarter.
  - ➡ On the other side of the trade ledger, imports of consumer goods declined for a second month, underscoring a softer demand picture as advertised by weaker retail sales in May and June. America’s merchandise trade gap with Mexico narrowed to a seasonally adjusted \$5.5 billion, while the gap with China increased to \$31.3 billion in June.

### U.S. Exports of Goods & Services Climbed to Highest Since Late 2014

■ US Trade Balance of Exports SA




Source: Bureau of Economic Analysis, Census




## Fixed Income

### Treasuries Fall on Jobs Data, Pare Weekly Advance:

 Treasuries fell in U.S. trading Friday after July employment data exceeded economists' median forecasts for nonfarm payroll growth and average hourly earnings. However, the data alone wasn't strong enough to significantly alter skepticism the Fed will hike rates again this year.

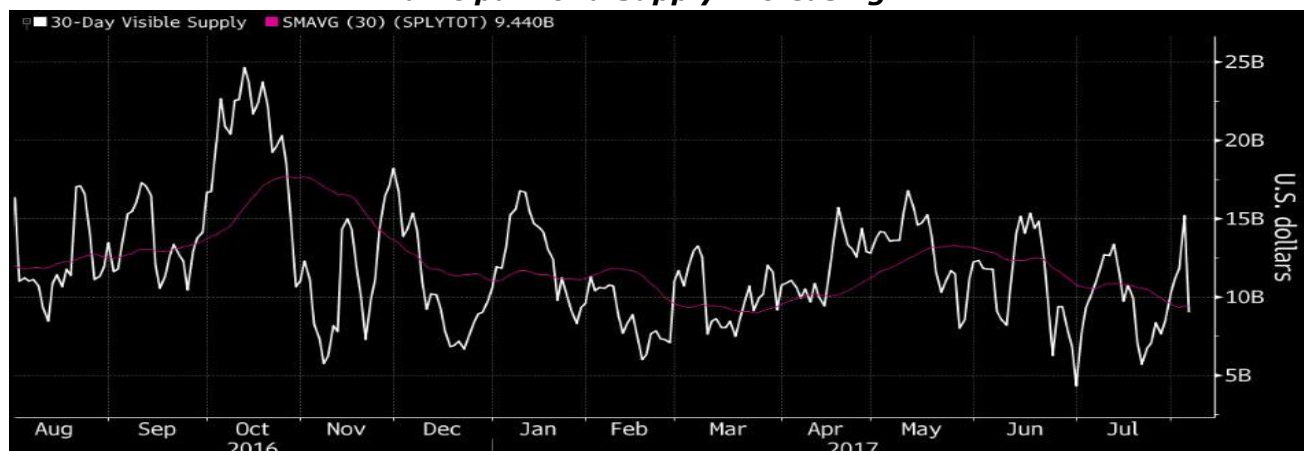
- Average hourly earnings data eased concerns about slowing inflation that Fed Chair Yellen fanned in July 12 remarks, when she highlighted the risk that inflation will fail to respond to tightening resource utilization. It appears as though the bond market remains convinced that the Fed is on hold for the foreseeable future.
- The Treasury selloff eroded a weekly move that pushed yields to lowest levels in a month on Thursday. 10-Year U.S. Treasury yields were lower on week by 2.5bps with declines of more than 4bps on both Tuesday (spurred by weak auto sales) and Thursday (led by gilts after the Bank of England's policy decision).

### Municipal Bonds Outperforming:

 Municipal-bond mutual funds drew in \$144 million for the week ending Wednesday, according to Lipper US Fund Flows data, the third consecutive week of inflows. The tepid supply seen so far this summer may reverse in the coming weeks as 30-day visible supply of state and local bonds increased 78 percent to \$15.19 billion as of Thursday from last week's closing level.

- While the 30-day visible municipal bond supply spiked to \$15.1 billion last week, its highest level since June, the gauge's trailing 30-day average sits at just \$9.4 billion. That is a 20 percent drop from where it was at this time last year. While supply typically tapers off during the summer months, this year has seen a particular shortage due to the drop in refundings.

#### **Municipal Bond Supply Increasing**



Source: Bloomberg



# Equities

## Indexes:



- ❖ **DJIA** – 22,083 current – ▲ 1.2% the past week
- ❖ **S&P 500** – 2,475 current – ▲ 0.1% the past week
- ❖ **Nasdaq** – 6,352 current – ▼ 0.4% the past week

## Strong Hiring Report Sends Stocks Higher:

- 📊 Stocks are closed higher on Wall Street after the government reported another solid month of hiring by U.S. employers.
  - ➡ Bond prices fell and yields rose Friday, which sent shares of banks and financial companies surging. Bank of America gained 2.5 percent.
  - ➡ Technology companies also climbed Friday with Microchip Technology rising 3.5 percent.
  - ➡ Weight Watchers soared 25 percent after reporting a strong quarter while Viacom, the media company that owns Comedy Central and MTV, sank 13.8 percent.

### Broad Global Market United States Index

Sector	Year			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
<b>Consumer Discretionary</b> 17 Industries	+1.27%	+1.62%	+11.53%	16.5x	1.0x	1.27%
<b>Consumer Staples</b> 9 Industries	+0.12%	+0.82%	+5.85%	15.1x	1.0x	2.86%
<b>Energy</b> 3 Industries	-1.64%	-4.10%	-14.83%	14.0x	1.2x	1.74%
<b>Financials</b> 12 Industries	+0.44%	+5.05%	+7.07%	15.2x	2.1x	1.91%
<b>Health Care</b> 8 Industries	-0.19%	+5.29%	+16.26%	18.2x	1.2x	1.86%
<b>Industrials</b> 17 Industries	-0.01%	+2.32%	+8.25%	15.7x	1.1x	1.85%
<b>Information Technology</b> 10 Industries	+5.38%	+5.25%	+21.19%	14.8x	2.1x	0.90%
<b>Materials</b> 6 Industries	-0.30%	+2.92%	+8.64%	13.2x	1.1x	1.79%
<b>Telecommunication Services</b> 3 Industries	+3.11%	+1.14%	-8.23%	22.6x	1.3x	4.83%
<b>Utilities</b> 6 Industries	+4.16%	+5.40%	+10.55%	17.1x	1.3x	3.78%

Source: Bloomberg

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