



Carty & Company, Inc.

Weekly Market Update – August 2017, Week 4

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Month Ago
3	1.46	(0.04)	1.50
5	1.76	(0.07)	1.83
7	1.99	(0.11)	2.10
10	2.17	(0.12)	2.29
30	2.75	(0.14)	2.89

Agencies			
Maturity	Yield	Change	1 Month Ago
3	1.47	(0.05)	1.52
5	1.67	(0.07)	1.74
7	2.07	(0.11)	2.18
10	2.57	(0.12)	2.69
25	2.92	(0.13)	3.05

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Month Ago
1	0.78	(0.07)	0.85
5	1.15	(0.11)	1.26
10	1.87	(0.03)	1.90
15	2.35	(0.08)	2.43
30	2.75	(0.01)	2.76

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Month Ago
1	1.26	(0.11)	1.37
5	1.85	(0.18)	2.03
10	3.01	(0.06)	3.07
15	3.80	(0.11)	3.91
30	4.44	0.00	4.44

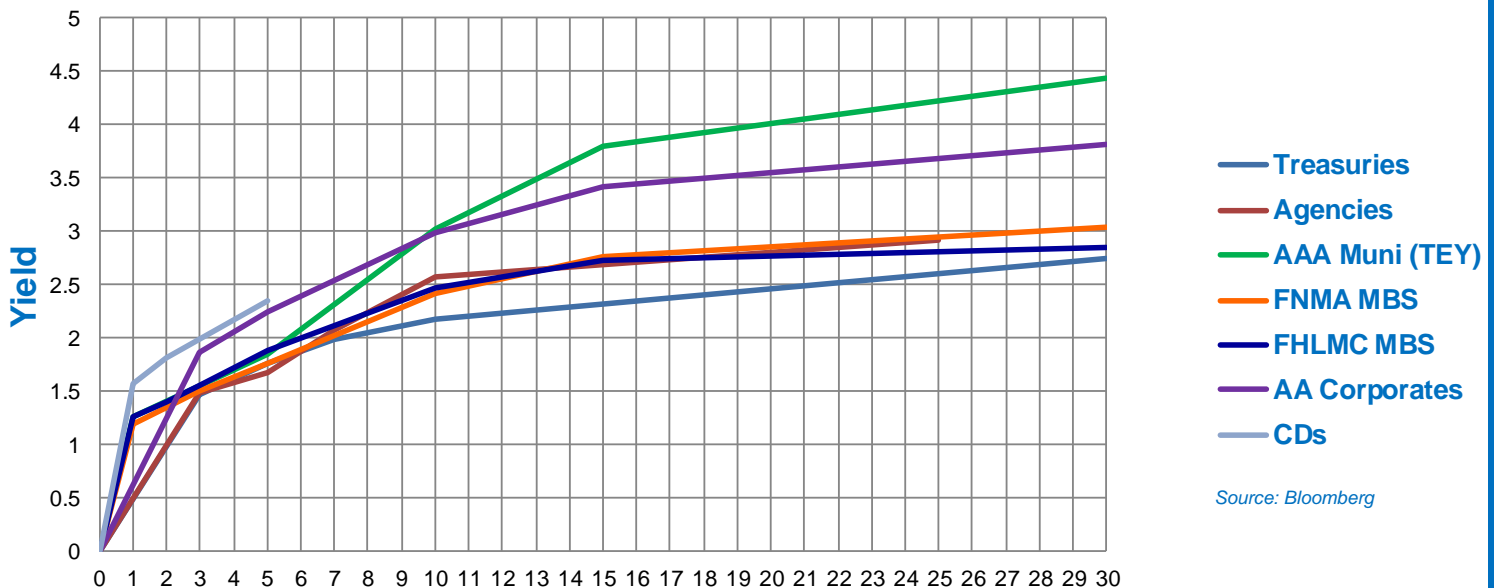
Brokered CDs			
Maturity	Yield	Change	1 Month Ago
1	1.56	0.00	1.56
2	1.81	0.00	1.81
5	2.35	0.00	2.35

Corporate Index (AA)			
Maturity	Yield	Change	1 Month Ago
3	1.87	(0.10)	1.97
5	2.24	(0.02)	2.26
10	2.99	(0.05)	3.04
15	3.42	(0.06)	3.48
30	3.82	(0.08)	3.90

MBS - Current Coupon			
FNMA	Yield	Change	1 Month Ago
15yr	2.19	(0.10)	2.29
30yr	2.78	(0.12)	2.90
FHLMC	Yield	Change	1 Month Ago
15yr	2.21	(0.09)	2.30
30yr	2.83	(0.10)	2.93

Equities			
Index	Current	Change	1 Month Ago
DJIA	21,856	26.99	21,829
S&P 500	2,448	(24.81)	2,473
Nasdaq	6,277	(97.93)	6,375

Fixed Income Sector Performance



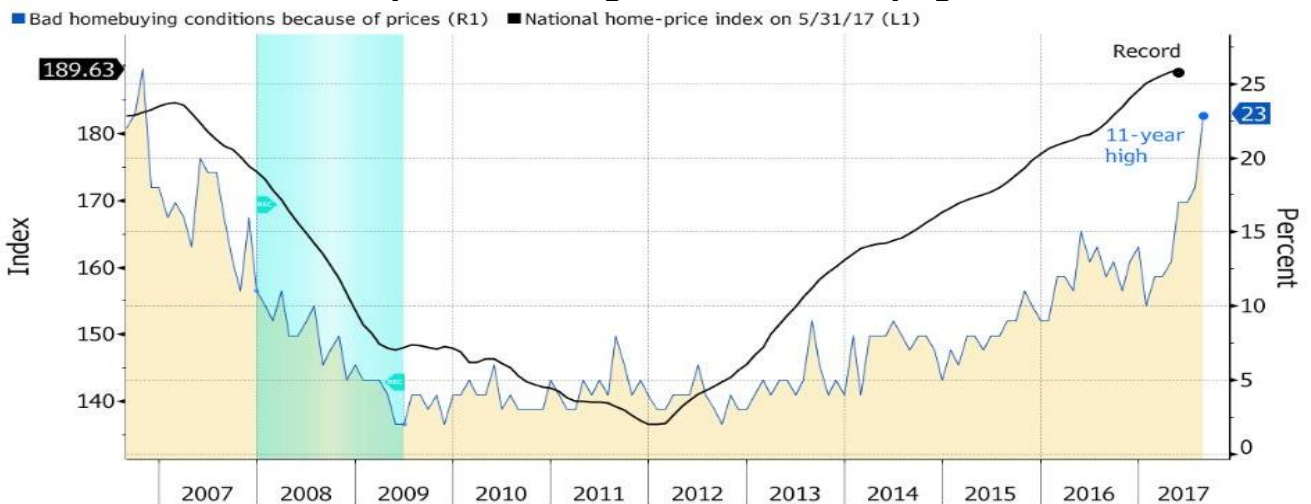
Source: Bloomberg



Higher Home Prices Risk Closing Door on U.S. Housing:

- 🏠 Signs are mounting that rising home values are starting to become too expensive for more Americans, threatening to temper the momentum in residential real estate.
 - ➡ Purchases of previously owned houses unexpectedly fell in July to an 11-month low and sales of new homes were the weakest this year, reports showed this week. While the median time on the market for existing properties was 30 days in July compared with 36 days a year ago, indicating resilient demand, the number of listings remains lean and problematic.
 - ➡ Limited inventory has been a nagging theme for the housing market and is the primary reason why home prices continue to climb and outpace wage growth. While borrowing costs remain low by historical standards, affordability is its weakest of the expansion. The number of Americans who view home-purchase conditions as “good” has fallen to a six-year low, according to the University of Michigan’s latest consumer sentiment survey.

Most Since 2006 Say Prices Making for Bad Home-Buying Conditions



Source: CoreLogic Case-Shiller University of Michigan

Rise in U.S. Business Equipment Orders:

- 🏠 An increase in U.S. orders for business equipment last month was the largest gain since February, indicating improving demand at the start of the third quarter, Commerce Department data showed Friday.
 - ➡ The pickup in core capital goods shipments and orders along with an upwardly revised gain in June sales, suggests the equipment numbers that feed into GDP calculations were improving at the start of the second half of the year.
 - ➡ That also indicates that economic growth has the potential to broaden out beyond household spending. Steady consumer demand is helping to underpin business optimism, and growth in overseas markets along with a weaker dollar may provide a boost to exports, further strengthening the outlook for manufacturing.



Fixed Income

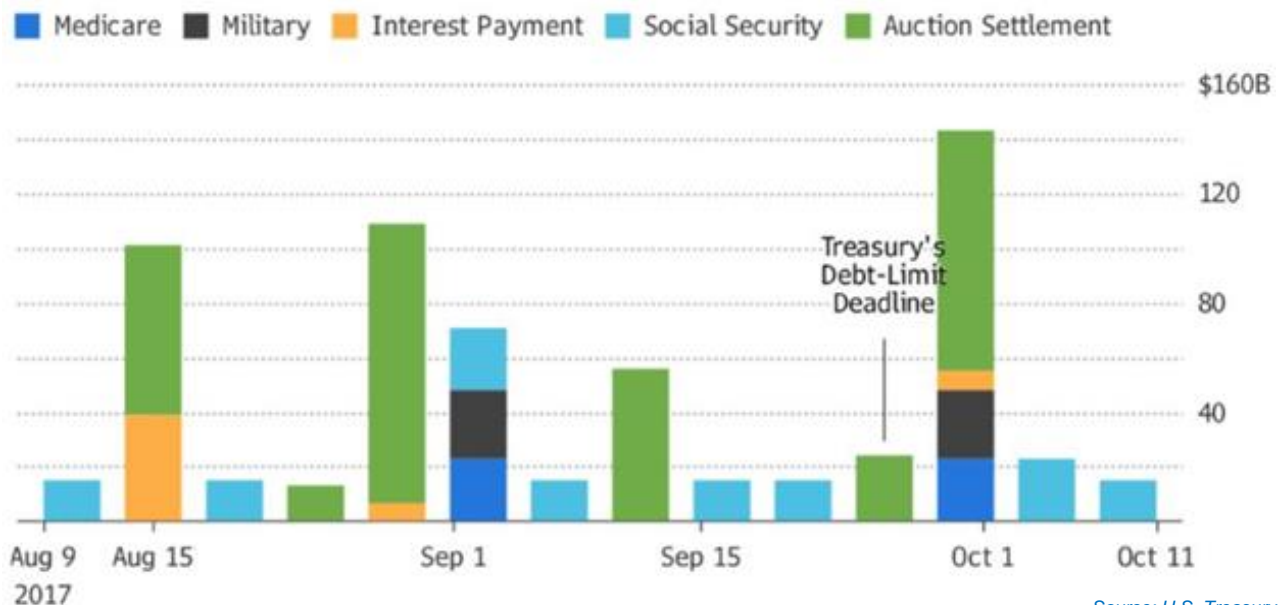
Markets Taking Notice of Debt Ceiling:

Investor angst over the U.S. debt ceiling is building with a little more than a month to go before the deadline.

The Treasury Department has some large payments to make as it approaches its \$19.8 trillion borrowing authority. On Oct. 2, it must account for \$55 billion of Medicare, military and interest payments, as well as settlement of \$88 billion of 2, 5 and 7 year note auctions.

It gets worse. The Treasury's cash balance has fallen by more than \$100 billion since the end of July and is within \$7 billion of the forecast included in the borrowing estimates released last month. A smaller cash balance means the government has less of a buffer to pay its bills in case of disruptions in debt markets.

U.S. Treasury Payment Schedule



Source: U.S. Treasury

Odds of U.S. Technical Default About 15%:

The Treasury bill yield curve says the probability that the U.S. government won't raise the debt ceiling in time to avert a technical default -- a failure to make an interest payment on time -- is about 15%.

This number is based on a simple formula that looks at the elevated yields on bills that mature around the time the government is expected to exhaust its borrowing authority in mid-October, compared with the yields on bills due before and after.

Bills due in late September and early November yield about 0.975%. Until a couple of months ago, so did bills maturing in mid-October. Since then, mid-October yields have climbed into the 1.10% to 1.15% range, approaching yields on bills due in one year.



Equities

Indexes:



- ❖ **DJIA** – 21,856 current – ▲ 0.1% the past week
- ❖ **S&P 500** – 2,448 current – ▼ -1.0% the past week
- ❖ **Nasdaq** – 6,277 current – ▼ -1.5% the past week

Strong Hiring Report Sends Stocks Higher:

- 📄 U.S. stocks and bonds rose on Friday while the dollar sank as investors digested Janet Yellen’s Jackson Hole speech, which didn’t take the hawkish tone the market feared.
 - ➡ Oil stocks edged higher with Hurricane Harvey grinding toward the energy-rich Texas coast. The S&P 500 Index enjoyed its best week in over a month and the Nasdaq Composite Index slipped after a disappointing forecast from Broadcom Corp. weighed on semiconductor shares.
 - ➡ Stocks also jumped on Friday after remarks by President Trump’s top economic adviser, Gary Cohn, said in an interview that he expects tax reform to pass this year and that he didn’t intend to resign in protest over the president’s reaction to protests in Charlottesville, Virginia.

Broad Global Market United States Index

Sector	Year			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Consumer Discretionary 17 Industries	-2.64%	-0.82%	+8.37%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	-1.18%	-2.74%	+4.46%	15.1x	1.0x	2.86%
Energy 3 Industries	-4.39%	-8.54%	-18.87%	14.0x	1.2x	1.74%
Financials 12 Industries	-1.22%	+4.21%	+4.81%	15.2x	2.1x	1.91%
Health Care 8 Industries	-2.83%	+4.42%	+15.33%	18.2x	1.2x	1.86%
Industrials 17 Industries	-2.82%	-0.29%	+5.20%	15.7x	1.1x	1.85%
Information Technology 10 Industries	-0.79%	+2.92%	+21.45%	14.8x	2.1x	0.90%
Materials 6 Industries	-2.33%	+1.99%	+8.06%	13.2x	1.1x	1.79%
Telecommunication Services 3 Industries	+5.53%	+1.16%	-9.38%	22.6x	1.3x	4.83%
Utilities 6 Industries	+3.40%	+3.72%	+12.08%	17.1x	1.3x	3.78%

Important Information Regarding This Report

Source: Bloomberg

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