



Carty & Company, Inc.

Weekly Market Update – September 2017, Week 1

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Compare Rates

US Treasuries			
Maturity	Yield	Change	2 Weeks Ago
3	1.38	(0.08)	1.46
5	1.64	(0.12)	1.76
7	1.88	(0.11)	1.99
10	2.06	(0.11)	2.17
30	2.68	(0.07)	2.75

Agencies			
Maturity	Yield	Change	2 Weeks Ago
3	1.40	(0.07)	1.47
5	1.60	(0.07)	1.67
7	1.97	(0.10)	2.07
10	2.47	(0.10)	2.57
25	2.83	(0.09)	2.92

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	2 Weeks Ago
1	0.76	(0.02)	0.78
5	1.10	(0.05)	1.15
10	1.80	(0.07)	1.87
15	2.28	(0.15)	2.43
30	2.70	(0.06)	2.76

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	2 Weeks Ago
1	1.22	(0.15)	1.37
5	1.78	(0.25)	2.03
10	2.90	(0.17)	3.07
15	3.68	(0.23)	3.91
30	4.35	(0.09)	4.44

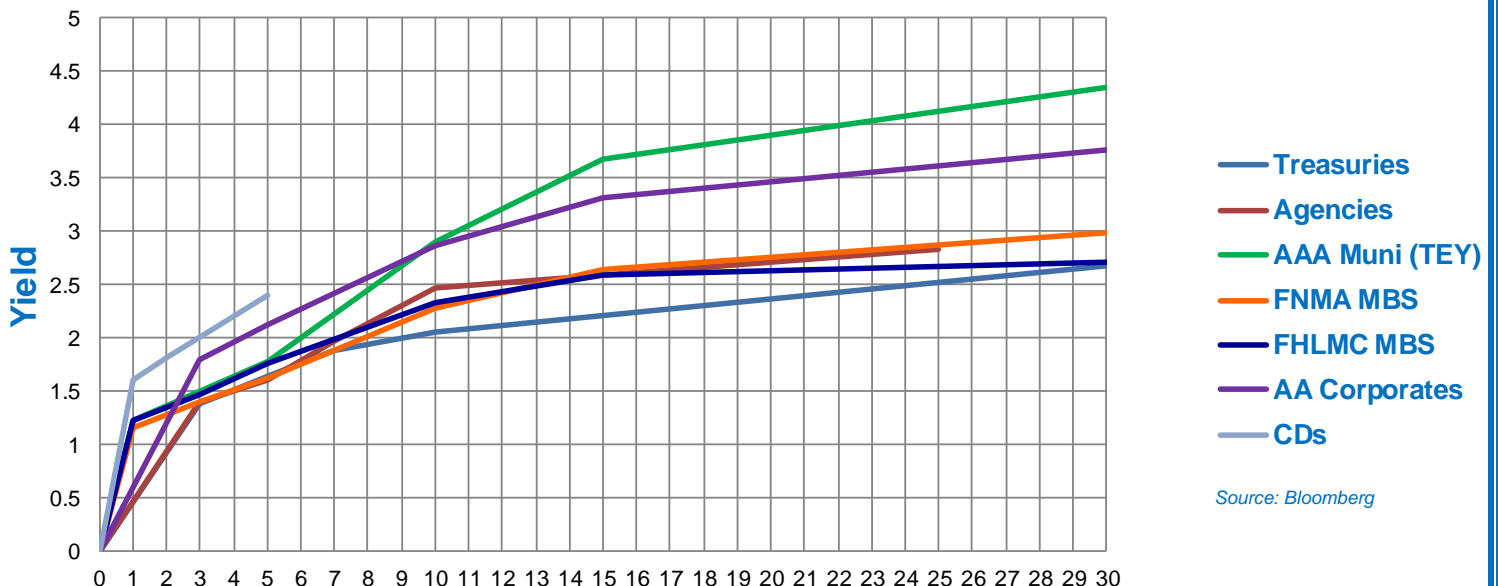
Brokered CDs			
Maturity	Yield	Change	2 Weeks Ago
1	1.60	0.04	1.56
2	1.81	0.00	1.81
5	2.40	0.05	2.35

Corporate Index (AA)			
Maturity	Yield	Change	2 Weeks Ago
3	1.78	(0.09)	1.87
5	2.12	(0.12)	2.24
10	2.86	(0.13)	2.99
15	3.32	(0.10)	3.42
30	3.76	(0.06)	3.82

MBS - Current Coupon			
FNMA	Yield	Change	2 Weeks Ago
15yr	2.12	(0.07)	2.19
30yr	2.72	(0.06)	2.78
FHLMC	Yield	Change	2 Weeks Ago
15yr	2.14	(0.07)	2.21
30yr	2.74	(0.09)	2.83

Equities			
Index	Current	Change	2 Weeks Ago
DJIA	21,815	(40.58)	21,856
S&P 500	2,465	16.60	2,448
Nasdaq	6,365	87.86	6,277

Fixed Income Sector Performance



Source: Bloomberg



Economy

Hurricanes Hitting Third-Quarter U.S. Growth Outlook:

- 🌐 The U.S. is bracing for another large storm and economists are cutting their growth projections. They are anticipating the devastation caused by Hurricane Harvey in Texas will be compounded by the expected damage in Florida from Irma.
 - ➡ The latest take on home-builder sentiment showed that buyer traffic stubbornly remains in negative territory, despite some of the highest readings of the current cycle on builders' expectations for sales gains in the next six months.
 - ➡ In addition, recent mortgage rate declines have not led to an increase in applications to buy homes. Over the past few weeks, purchase activity has slumped to a six-month low, even though rates are at their lowest level since November. This defies a central tenet of the housing market that falling rates naturally lead to an uptick in sales.
 - ➡ As for actual sales volumes, both new and existing July home sales missed forecasts by wide margins. At an annualized rate of 571,000, new home sales dropped to a seven-month low, well off their long-term average pace of 727,000. The number of homes on the ground rose to 276,000 units, the highest since June 2009. At July's pace, it would take 5.8 months to clear the inventory.
 - ➡ What's certain is that the run-up in home prices has not been helpful for millennials aiming to stop renting or even move out of their parent's homes. The latest results from the University of Michigan Survey of Consumer Confidence Sentiment speak volumes. While all buyers have expressed dismay at home price gains, those between the ages of 18 and 34 have been particularly alarmed.

Home-Buying Conditions Related to Price (All Households in White, Ages 18-34 in Orange, Existing Home Sales in Blue)



Source: Bloomberg

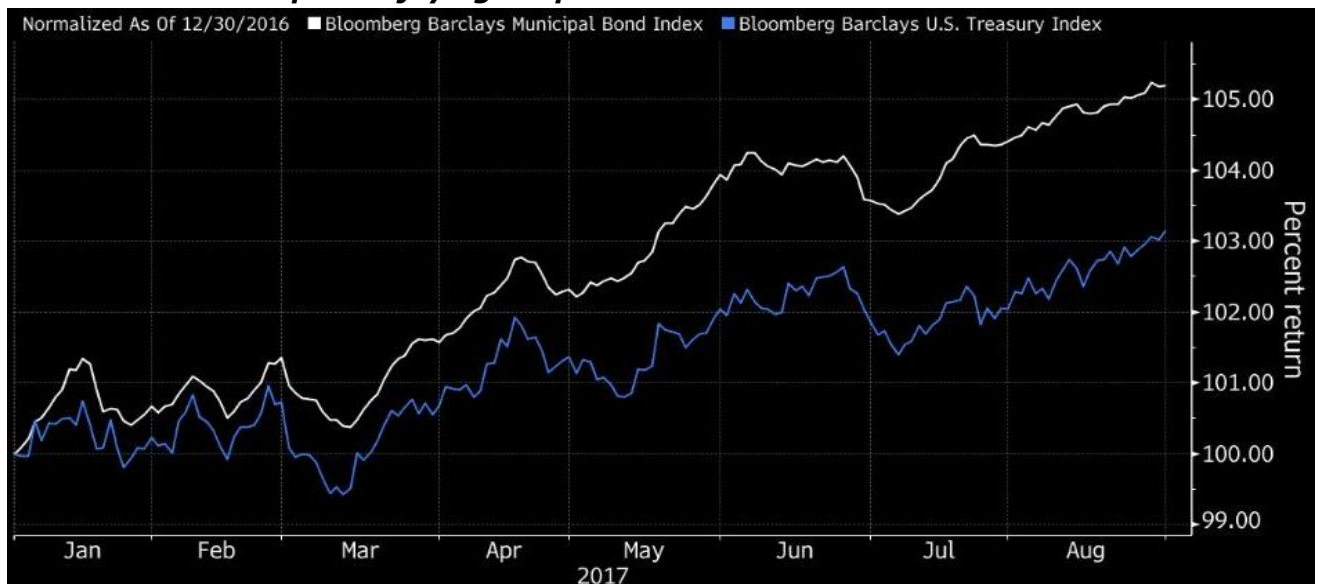


Fixed Income

Municipals Continue Outperformance:

- 🏠 Municipal performance may continue for the foreseeable future. While last September saw an 11.4 percent bump in new debt compared to August during a record-setting issuance year, the previous four September's saw supply drop an average of 29 percent from the preceding August.
 - ➡ Overall new issuance is down about 15 percent year-to-date compared to the same period in 2016 and September's demand may overwhelm supply. Adding to this is flows into municipal funds that haven't been in the red since July 5th, aggregating to almost \$6.1 billion.
 - Ⓜ Between positive technicals, tax reform looking like a 1Q 2018 event, muni volatility at multi-year lows and the debt ceiling being punted to December, sector outperformance versus Treasuries may continue through month-end.

Municipals Enjoying Outperformance Relative to U.S. Debt



Source: Bloomberg Barclays Indexes

Central Banks Hold Record Amount of Treasuries:

- 🏠 China and other foreign central banks are bingeing on Treasuries like never before. The amount of U.S. government bills, notes and bonds they own and hold in custody at the Federal Reserve Bank of New York rose to a record \$3.04 trillion as of September 6th, data from the bank show.
 - ➡ While the New York Fed doesn't disclose who the holders are, data from the Treasury and the People's Bank of China show the PBOC has been funneling its growing pile of foreign-exchange reserves into American debt. A weak dollar and heavy flows into emerging market nations could also be prompting reserve managers to add Treasuries to their portfolios.



Equities

Indexes:



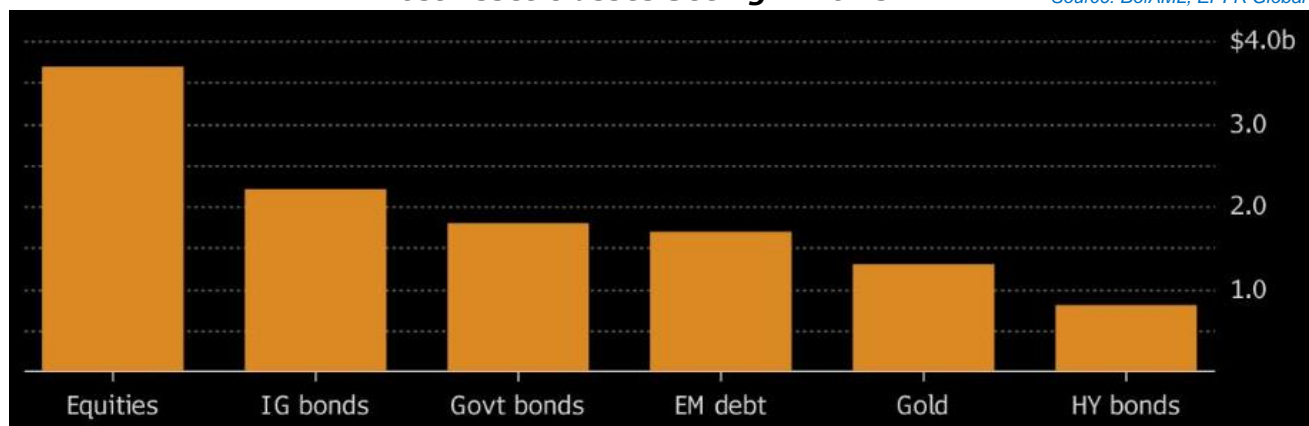
- ❖ **DJIA** – 21,815 current ▼ -0.2% the past 2 weeks
- ❖ **S&P 500** – 2,465 current ▲ 0.7% the past 2 weeks
- ❖ **Nasdaq** – 6,365 current ▲ 1.4% the past 2 weeks

Gold, Stocks, Bonds – Everything is Going Up in Value:

- 📈 Inflows were back with a vengeance the first week after the summer break as investors piled into everything from gold and government bonds to equities and high-yield credit.
- ➡ Global funds that invest in gold, equities and bonds netted inflows of \$11.6 billion for the week ended September 7th, Bank of America Merrill Lynch said in a research report, citing EPFR Global data. Precious-metal funds added the most in 30 weeks, while bond portfolios posted a 25th straight week of inflows.
 - ➡ Investors had a multitude of signals to react to in the first week of post-summer business as usual. While rising political risks including North Korean nuclear tests and American hurricanes sent some investors rushing to haven assets, fresh signals from the European Central Bank that it is prolonging monetary stimulus gave a boost to riskier securities.
 - ➡ Central-bank asset purchases which have totaled almost \$2 trillion this year alone are the “best explanation” for money flowing into both bonds and stocks, the Bank of America analysts said in their note.

Most Asset Classes Seeing Inflows

Source: BofAML, EPFR Global



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