



Carty & Company, Inc.

Weekly Market Update – September 2017, Week 2

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	1.52	0.14	1.38
5	1.80	0.16	1.64
7	2.03	0.15	1.88
10	2.20	0.14	2.06
30	2.77	0.09	2.68

Agencies			
Maturity	Yield	Change	1 Week Ago
3	1.53	0.13	1.40
5	1.72	0.12	1.60
7	2.11	0.14	1.97
10	2.61	0.14	2.47
25	2.92	0.09	2.83

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	0.77	0.01	0.76
5	1.17	0.07	1.10
10	1.86	0.06	1.80
15	2.35	0.07	2.28
30	2.80	0.09	2.70

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	1.25	0.03	1.22
5	1.89	0.11	1.78
10	3.01	0.11	2.90
15	3.80	0.12	3.68
30	4.51	0.16	4.35

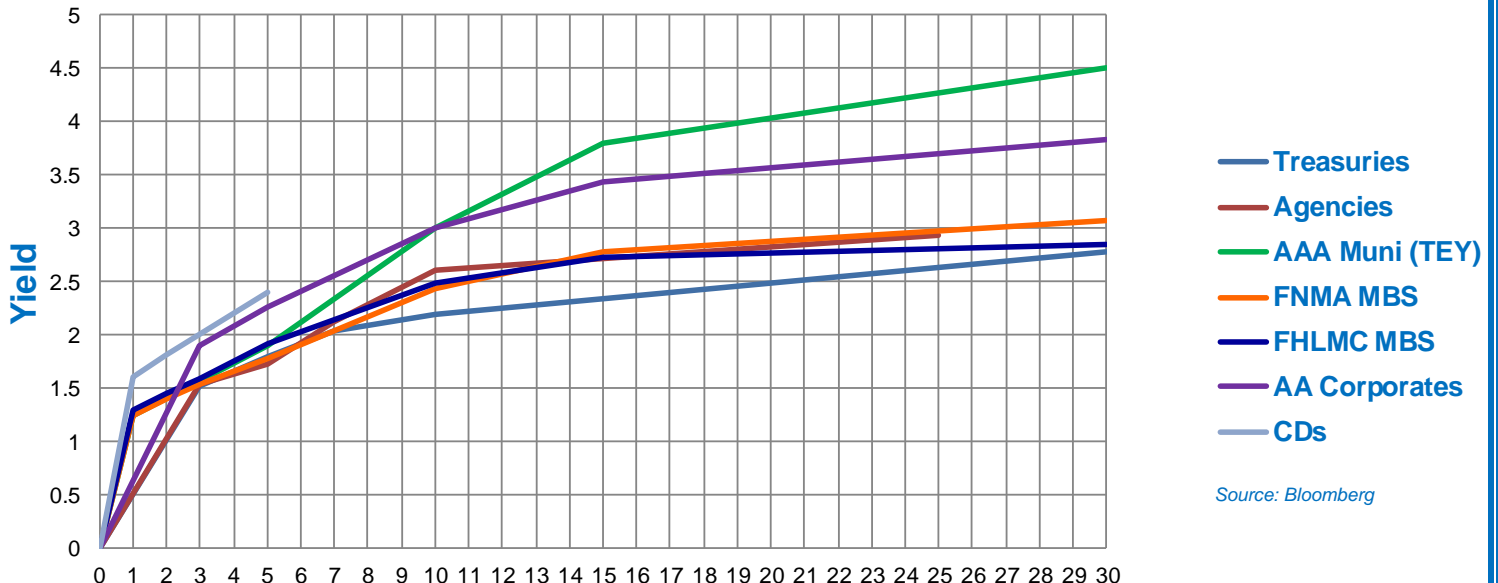
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	1.60	0.00	1.60
2	1.81	0.00	1.81
5	2.40	0.00	2.40

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	1.90	0.12	1.78
5	2.26	0.14	2.12
10	2.99	0.13	2.86
15	3.43	0.11	3.32
30	3.83	0.07	3.76

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	2.25	0.13	2.12
30yr	2.80	0.08	2.72
FHLMC	Yield	Change	1 Week Ago
15yr	2.18	0.04	2.14
30yr	2.81	0.07	2.74

Equities			
Index	Current	Change	1 Week Ago
DJIA	22,247	431.86	21,815
S&P 500	2,498	32.58	2,465
Nasdaq	6,446	81.28	6,365

Fixed Income Sector Performance



Source: Bloomberg

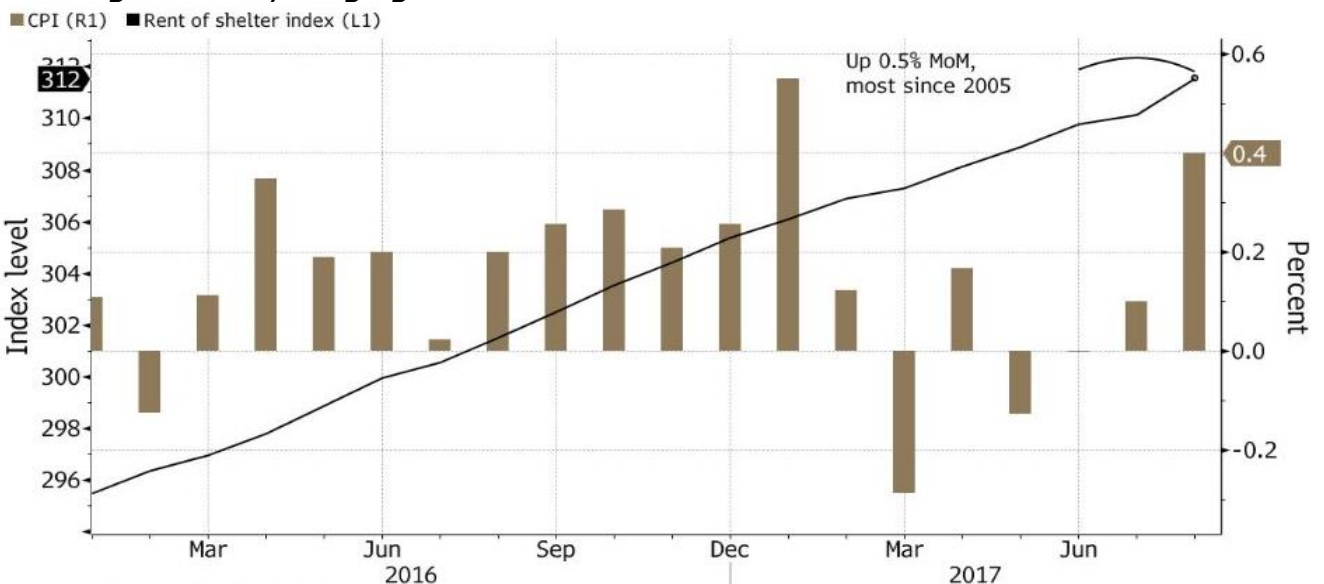


Economy

Inflation Increases, Ending Five-Month Losing Streak:

- 🏠 Inflation may finally be getting back on track to reach the Federal Reserve's goal, as the U.S. cost of living accelerated following a weak stretch, Labor Department data showed Thursday.
 - ➡ The 0.2 percent rise in the core gauge ends a five-month streak of weaker-than-expected readings, and may soothe some concerns that inflation is slowing more broadly, though it will take more readings to determine whether the pickup can be sustained. An increase in the lodging category indicates the earlier decline in the sector was transitory.
 - ➡ Economists have said headline inflation measures could remain elevated for several months as the data more fully incorporates fallout from Harvey and Irma. The improvement, were it to persist, would make it more likely that the Fed will raise interest rates in December.

Higher Rents, Lodging and Gasoline Drive Gain in U.S. Consumer Prices



Source: Bureau of Labor Statistics

U.S. Retail Sales Fall:

- 🌐 An unexpected decline in August retail sales and downward revisions to the prior two months mainly reflected weaker results at auto dealerships, Commerce Department figures showed Friday.
 - ➡ The latest results make it more likely that consumption, the biggest part of the economy, will be hard-pressed to match the 3.3 percent growth pace of the prior quarter.
 - ➡ Retail control group sales rose an annualized 1.1 percent in the three months ended in August, slowing from the 3.9 percent pace during May through July, the report showed. At the same time, an increase in purchases at furniture outlets and restaurants indicates demand is being supported by a healthy job market.

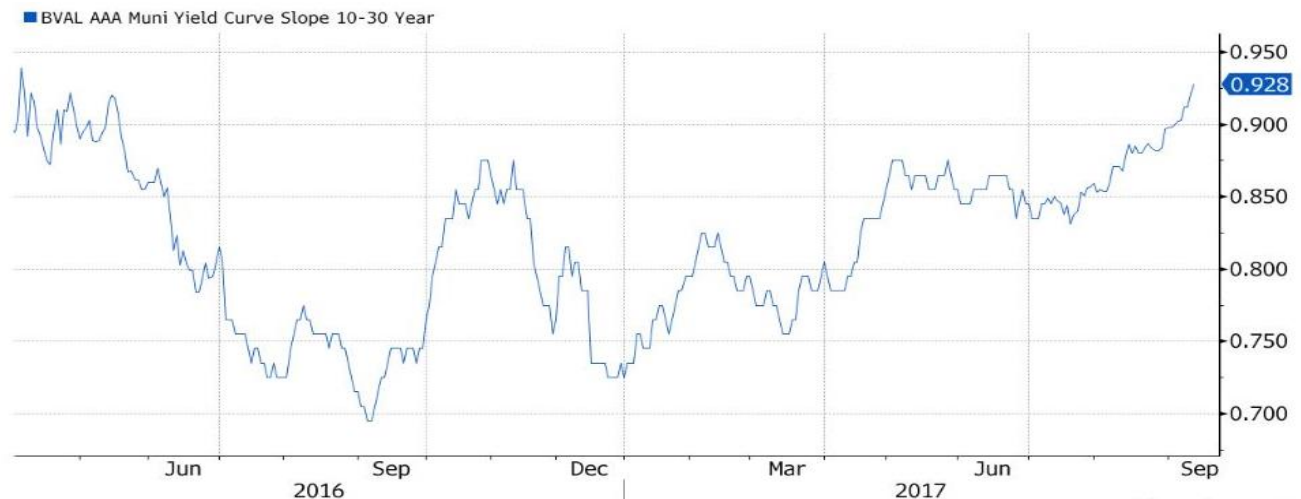


Fixed Income

Long-Term Munis Cheapest Since April 2016:

- 🏠 Municipal bond investors willing to take on duration risk haven't been this relatively well compensated in more than 17 months.
 - ➡ Yields on 30-year AAA tax-exempt debt on Wednesday offered 93 basis points more than yields on those maturing in 10-years, according to data compiled by Bloomberg. That's the biggest yield difference since April 5th, 2016.
 - ➡ Year-to-date the long-end of the Bloomberg Barclays Municipal Long Bond Index has returned 6.47 percent, besting all shorter maturity indexes.

Yields on 30-Year Municipal Bonds 93bps More than 10-Year Bonds



Source: Bloomberg

Yield Debate Heats Up With Latest U.S. Inflation Read:

- 🏠 Investors are taking sides in one of the biggest debates driving financial markets: whether inflation is finally set to become a trigger for higher yields, or if secular stagnation of sorts will persist, keeping rates near historic lows.
 - ➡ Thursday's U.S. economic data favor the camp girding for higher yields. Consumer prices rose 1.9 percent in August from a year earlier, beating the median forecast and signaling that inflation may be creeping back toward the Federal Reserve's 2 percent goal. Five-year Treasury yields touched the highest in a month on the report, while the dollar briefly extended a rebound from the lowest in more than two years.
 - ➡ Traders also ramped up bets on another 2017 Fed hike. Goldman Sachs Group Inc. now sees a 60 percent chance of a third rate hike this year. The path of the Fed, after an expected announcement next week on the timing of its balance-sheet tapering, looms as the key to the yield debate.



Equities

Indexes:



- ❖ **DJIA** – 22,247 current ▲ 2.0% the past week
- ❖ **S&P 500** – 2,498 current ▲ 1.3% the past week
- ❖ **Nasdaq** – 6,446 current ▲ 1.3% the past week

U.S. Equities Receive Biggest Inflows in 13 Weeks:

- 📊 Last week investors added the most money into U.S. stock funds since June, as the Trump administration plotted strategy for pushing a tax overhaul and the S&P 500 rose to a new record high.
- ➡ Investors poured \$1.9 billion into the securities in the week to September 14th, Bank of America Merrill Lynch said in a research report, citing EPFR Global data. It was just the second week of inflows since June. U.S. Treasury funds saw inflows of \$2.2 billion, the biggest in 62 weeks, in keeping with the quest for yield, the bank said. Investment-grade bond funds received \$4.8 billion of new money, the 38th consecutive week of inflows.
 - ➡ Investors had been shifting funds from U.S. equities to stock markets in Europe, Japan and emerging markets. A net \$4.7 billion has been taken out of U.S. equity funds since the beginning of the year, while European stocks are sitting on an inflow of \$31.7 billion and Japanese equities \$36.4 billion.

Broad Global Market United States Index

Source: Bloomberg

Sector	Year			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Consumer Discretionary 17 Industries	-0.15%	-0.33%	+10.79%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	-0.37%	-3.06%	+5.88%	15.1x	1.0x	2.86%
Energy 3 Industries	+4.34%	+0.49%	-13.76%	14.0x	1.2x	1.74%
Financials 12 Industries	-1.39%	+0.31%	+4.81%	15.2x	2.1x	1.91%
Health Care 8 Industries	+5.03%	+6.64%	+21.23%	18.2x	1.2x	1.86%
Industrials 17 Industries	+1.04%	+1.04%	+8.93%	15.7x	1.1x	1.85%
Information Technology 10 Industries	+1.85%	+5.83%	+24.26%	14.8x	2.1x	0.90%
Materials 6 Industries	+3.92%	+3.23%	+11.92%	13.2x	1.1x	1.79%
Telecommunication Services 3 Industries	-4.89%	-4.41%	-12.27%	22.6x	1.3x	4.83%
Utilities 6 Industries	+1.45%	+2.02%	+12.16%	17.1x	1.3x	3.78%

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