



Carty & Company, Inc.

Weekly Market Update – September 2017, Week 4

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	1.60	0.02	1.58
5	1.92	0.05	1.87
7	2.15	0.05	2.10
10	2.32	0.06	2.26
30	2.85	0.05	2.80

Agencies			
Maturity	Yield	Change	1 Week Ago
3	1.62	0.03	1.59
5	1.80	0.02	1.78
7	2.23	0.05	2.18
10	2.73	0.07	2.66
25	3.03	0.07	2.96

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	0.92	0.12	0.80
5	1.37	0.09	1.28
10	2.00	0.07	1.93
15	2.45	0.06	2.39
30	2.90	0.07	2.83

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	1.48	0.19	1.29
5	2.21	0.14	2.06
10	3.23	0.11	3.11
15	3.95	0.10	3.85
30	4.68	0.12	4.56

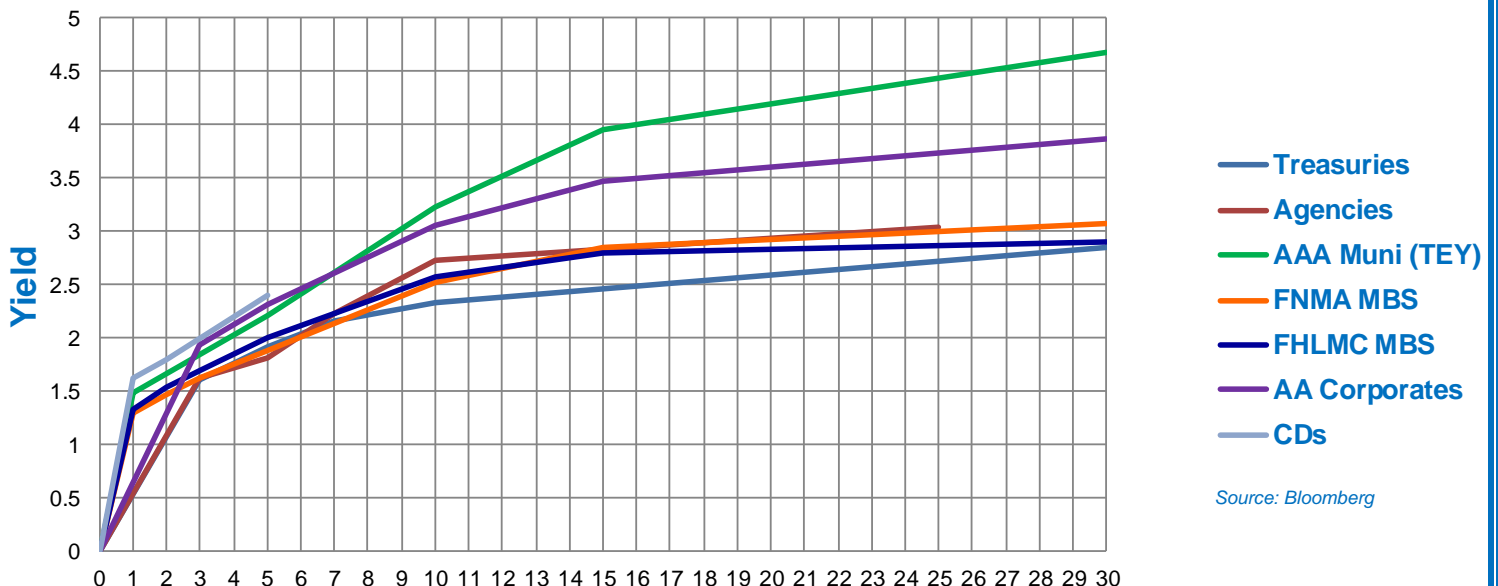
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	1.62	0.00	1.62
2	1.80	(0.01)	1.81
5	2.40	0.00	2.40

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	1.94	(0.03)	1.97
5	2.31	(0.03)	2.34
10	3.05	(0.01)	3.06
15	3.47	(0.01)	3.48
30	3.87	0.02	3.85

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	2.28	0.00	2.28
30yr	2.86	(0.02)	2.88
FHLMC	Yield	Change	1 Week Ago
15yr	2.30	0.00	2.30
30yr	2.87	(0.01)	2.88

Equities			
Index	Current	Change	1 Week Ago
DJIA	22,373	45.48	22,328
S&P 500	2,517	17.16	2,500
Nasdaq	6,490	70.21	6,420

Fixed Income Sector Performance



Source: Bloomberg



Economy

Second-Quarter Growth Revised Upward to 3.1%:

- 🌐 U.S. second-quarter growth was revised up slightly without altering the bigger picture of a consumer-driven economy that also got a healthy contribution from business spending during the period, Commerce Department data showed Thursday.
 - ➡ Gross domestic product rose at a 3.1% annualized rate from the first quarter, revised upward from a second estimate of 3.0%. Consumer spending, the biggest part of the economy, grew at an unrevised 3.3% rate. The GDP revision reflects adjustments on farm inventories, health spending and sales of motor vehicles.
 - ➡ The third and final reading on second-quarter growth precedes what will likely be significant storm-related distortions in the third quarter, with hurricanes Harvey and Irma seen depressing growth before rebuilding efforts help boost GDP in the months ahead.
 - ➡ The latest release on GDP in the April-June period shows American consumers, which account for almost 70 percent of the economy, remain the primary growth engine, backed by a strong job market, contained inflation and low borrowing costs. The rate of expansion was the fastest since the first quarter of 2015, and while it's above the Trump administration's 3 percent goal, most economists expect the pace to slow.

Merchandise Trade Deficit Shrinks to 10 Month Low:

- 🌐 The U.S. merchandise trade deficit narrowed to a 10-month low in August, underscoring improving overseas markets, according to preliminary figures released Thursday by the Commerce Department. The report also showed a pickup in inventories at wholesalers and retailers.
 - ➡ Improving overseas markets are helping boost exports of American goods. Along with a spike in inventories in August, the latest data signal support for economic growth this quarter.
 - ➡ Economists look to the monthly advance report on trade and inventories -- the two most volatile parts of the calculation for gross domestic product -- to refine their forecasts for quarterly growth.
 - ➡ At the same time, analysts have already penciled in a small hit to the economy due to supply chain disruptions and other fallout from hurricanes Harvey and Irma, though rebuilding efforts may provide a boost heading into 2018.

Jobless Claims Rise on Irma's Effects:

- 👤 U.S. filings for unemployment benefits rose last week on increases in Florida and Georgia after the southeastern states were hit by Hurricane Irma, Labor Department figures showed Thursday.
 - ➡ Unadjusted figures showed applications for unemployment insurance surged by more than 8,000 in Florida to 18,212, while claims in Georgia jumped by about 3,000 to 7,917. Filings in Texas fell by about 8,200, as the state recovers from Hurricane Harvey.



Fixed Income

Treasuries in Tightest Trading Range Since 1965:

- ☰ Ten-year U.S. Treasury yields have been locked between 2.01 percent and 2.63 percent in 2017 -- a narrow 62 basis points. That's the tightest trading range since 1965 and less than half the annual average span of 175 basis points, according to data compiled by Bloomberg.
 - Analysts who less than six months ago predicted that the 10-year yield would end the year at about 3 percent have since brought their median forecast down more than 50 basis points.
 - Investors say yields will continue to be constrained by mediocre growth, tepid inflation and a Fed that's revised down its estimate of the terminal fed funds rate amid a well-telegraphed tightening cycle.
 - The Fed this month unveiled plans to start shrinking its \$4.5 trillion balance sheet, which strategists say may put upward pressure on yields. The European Central Bank is also anticipating tapering of its bond-purchase program, which analysts expect an announcement on in the coming months. Still, that may not be enough for the 10-year yield to break above highs made in mid-March.
 - An announcement by the Treasury that it plans to issue ultra-long dated bonds could also serve as a tailwind for yields. Still, if last week was any guide, it won't be easy to shake the Treasury market from its 2017 inertia. Neither North Korean threat Monday nor comments from Fed Chair Janet Yellen Tuesday could shake yields from relatively narrow confines.

Year-End Ten-Year Treasury Yield Forecasts



Source: Bloomberg



Equities

Indexes:



- ❖ **DJIA** – 22,373 current ▲ 0.2% the past week
- ❖ **S&P 500** – 2,517 current ▲ 0.7% the past week
- ❖ **Nasdaq** – 6,490 current ▲ 1.1% the past week

Tech Firms & Small Companies Lead Stocks Higher:

- Large technology companies and smaller U.S.-focused firms are rising again Friday morning and taking stocks to more record highs. Tyson Foods is climbing after it gave strong profit forecasts, and investors cheered strong quarterly results from homebuilder KB Home. Stocks are wrapping up their eighth consecutive quarterly gain.
- ➔ The Russell 2000 index of small-company stocks added 2 points, or 0.2 percent, to 1,491. It's also at record highs after a big rally this month.
 - ➔ Technology companies rose further and they are set to finish as the best-performing S&P 500 sector in the third quarter. They also held that distinction in the first quarter. The S&P 500 technology index has climbed 26 percent in 2017, while the S&P 500 is up 12 percent.
 - ➔ Tyson Foods jumped after the food company raised its annual guidance and said profits for its beef business were better than expected. The company now expects to earn between \$5.20 and \$5.30 a share while analyst expected \$5.05 a share, according to FactSet.
 - ➔ Facebook added \$2.49, or 1.5 percent, to \$171.22 and fiber optic products maker Amphenol jumped \$2.41, or 2.9 percent, to \$84.69. Chipmaker Applied Materials rose \$1.28, or 2.5 percent, to \$51.90.
 - ➔ The recent gains for tech companies have come in spite of a slump for Apple, the world's most valuable publicly-traded company. While Apple has soared this year, it's down about 4.5 percent since it announced its new line of iPhones and other products September 12th.

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