



Carty & Company, Inc.

Weekly Market Update – October 2017, Week 1

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	1.64	0.04	1.60
5	1.96	0.04	1.92
7	2.19	0.04	2.15
10	2.36	0.04	2.32
30	2.90	0.05	2.85

Agencies			
Maturity	Yield	Change	1 Week Ago
3	1.64	0.02	1.62
5	1.84	0.04	1.80
7	2.26	0.03	2.23
10	2.75	0.02	2.73
25	3.05	0.02	3.03

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	0.94	0.02	0.92
5	1.41	0.03	1.37
10	2.04	0.04	2.00
15	2.47	0.02	2.45
30	2.90	0.00	2.90

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	1.52	0.04	1.48
5	2.27	0.06	2.21
10	3.28	0.06	3.23
15	3.98	0.03	3.95
30	4.68	0.00	4.68

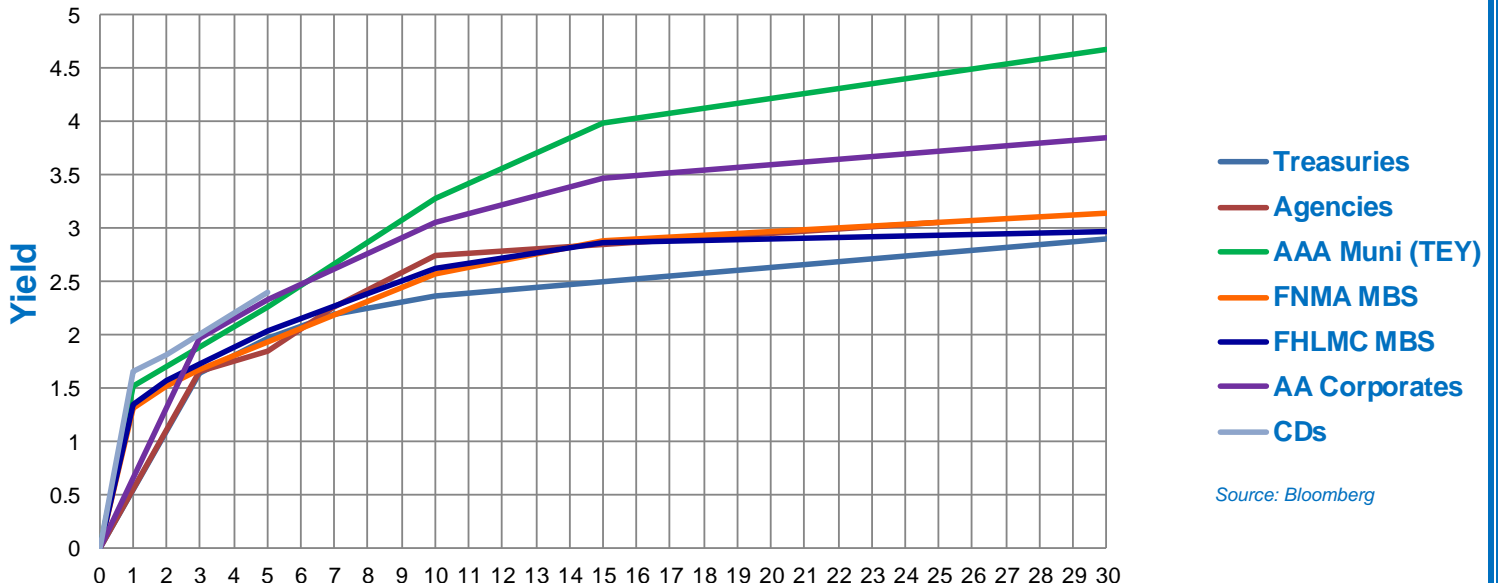
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	1.65	0.03	1.62
2	1.81	0.01	1.80
5	2.40	0.00	2.40

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	1.96	0.02	1.94
5	2.33	0.02	2.31
10	3.05	0.00	3.05
15	3.47	(0.00)	3.47
30	3.85	(0.02)	3.87

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	2.33	0.05	2.28
30yr	2.94	0.08	2.86
FHLMC	Yield	Change	1 Week Ago
15yr	2.39	0.09	2.30
30yr	2.94	0.07	2.87

Equities			
Index	Current	Change	1 Week Ago
DJIA	22,749	376.43	22,373
S&P 500	2,547	29.52	2,517
Nasdaq	6,582	92.40	6,490

Fixed Income Sector Performance



Source: Bloomberg



Payrolls Fall 33,000 on Storms; Jobless Rate at 4.2%:

- ✦ The number of workers on U.S. payrolls declined last month for the first time since 2010, reflecting major disruptions from hurricanes Harvey and Irma, Labor Department figures showed Friday. The jobless rate fell to a new 16-year-low while wage gains accelerated.
 - Payrolls surprisingly fell 33,000 after estimates projected an 80,000 gain. Revisions down in July and August subtracted a combined 38,000 in new hires.
 - The unemployment rate, derived from a separate Labor Department survey of households, dropped to 4.2% from 4.4%. That is the lowest level since February 2001.
 - The hurricanes had a “net effect” of reducing nonfarm payrolls in September, while there was “no discernible effect” on the national unemployment rate, the Labor Department said in a special note Friday. Data-collection rates “generally were within normal ranges” for both surveys that produce the figures.
 - Restaurants and bars -- an industry where most workers only get paid if they show up to work -- had a 105,000 drop in payrolls, according to a statement from Bureau of Labor Statistics acting commissioner William Wiatrowski.
 - With the U.S. near full employment, Federal Reserve policy makers have been watching for signs of acceleration in paychecks that may push inflation closer to their goal. The central bank last month forecast it will raise interest rates once more by year-end, with investors and analysts expecting the move in December.
 - Other data and recent reports -- such as Institute for Supply Management surveys for employment in manufacturing and service industries -- indicate the underlying labor market is steady.

U.S. Payrolls Fell in September for the First Time Since 2010





Fixed Income

Short-Term Municipal Yields Climb:

- 🏠 The Federal Reserve and the boom in short-term note sales are helping fuel an increase in variable-rate yields.
 - ➔ The SIFMA Municipal Swap Index, which includes variable-rate demand obligation reset rates, stood at 0.94% on September 27th and declined to 0.92% on October 4th, according to data compiled by Bloomberg. It has averaged 0.25% in the last five years.
 - ➔ The increase in the index most likely stems from rate hikes by the Federal Reserve and the message they are likely to continue to increase in Fed Funds.
 - ➔ Another reason why the index is rising is due to negative supply and demand technicals. Many investors have decided to put, or sell back, variable-rate demand obligations, a segment of the municipal market where there is not significant issuance. Instead, they are looking to buy short-term notes and longer duration bonds. Short-term note sales are up 27% this year to about \$28.8 billion, according to data compiled by Bloomberg.

Municipal Spending Pressures:

- 🏠 Even eight years of economic recovery hasn't prodded governors and mayors to boost spending on infrastructure.
 - ➔ Moody's said municipal capital investments have declined steadily, as a share of the economy, to 1.7% of GDP in 2Q. Back in 2009, capital investments accounted for 2.6% of GDP.
 - ➔ State and local governments are facing pressure to spend more on pensions, public education and other priorities apparently more pressing than infrastructure. Subsequently, they have been curtailing investment in a broad range of capital assets.

Chicago:

- 🏠 The Chicago council's finance committee approved a plan to refinance as much as \$3 billion of their current debt. If the full council passes the measure, Chicago's CFO Carole Brown said she hopes to move on the first tranche — an estimated \$600 million to \$700 million — in late November.
 - ➔ Illinois is planning to sell \$4.5 billion of general-obligation bonds in a negotiated sale and another \$1.5 billion by competitive bidding this month to help pay down its \$15.7 billion bill backlog.
 - ➔ Chicago's finance committee has also approved creating a new agency that would sell debt secured by state funds, a step that would help the city borrow without being punished for its junk credit rating.



Equities

Indexes:



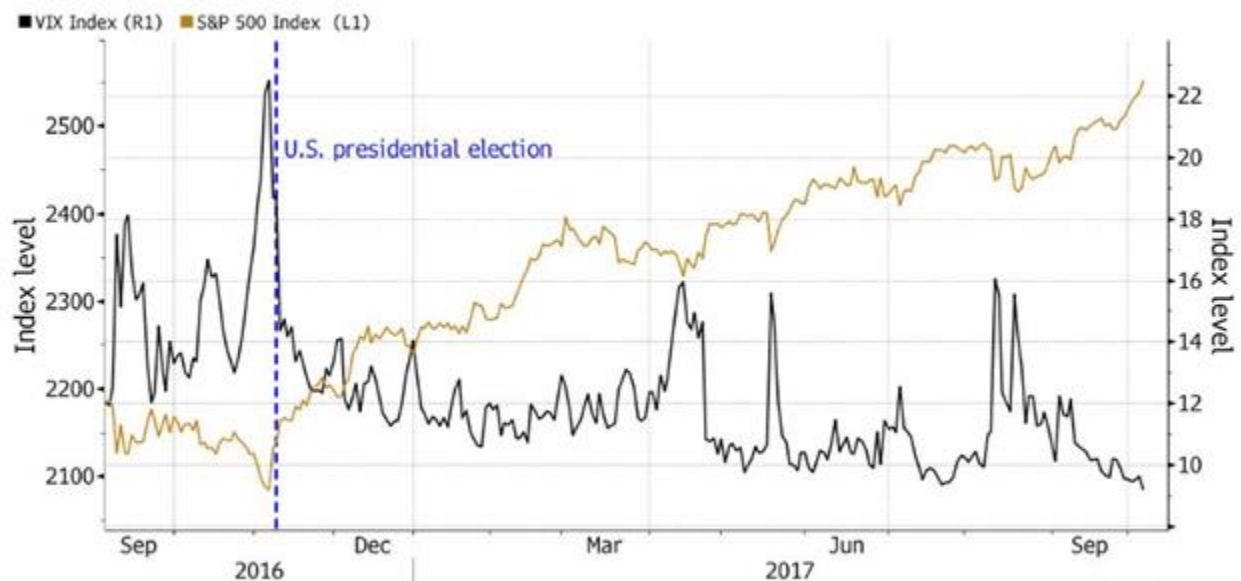
- ❖ **DJIA** – 22,749 current ▲ 1.7% the past week
- ❖ **S&P 500** – 2,547 current ▲ 1.2% the past week
- ❖ **Nasdaq** – 6,582 current ▲ 1.4% the past week

Tech Firms & Small Companies Lead Stocks Higher:

Good news keeps piling up for bulls at opposite ends of the spectrum: The U.S. stock market's volatility gauge set an all-time low, while the S&P 500 Index raced to its sixth consecutive record high for the first time since 1997.

- Equities are in the midst of their second-longest bull run in history. The S&P 500 has maintained its momentum after capping an eighth consecutive quarter of gains, while volatility keeps sliding despite mounting tension with North Korea, a deadly U.S. hurricane season and escalating political turmoil.

VIX at Lowest Level Since Introduction



Sprint, T-Mobile Are Ironing Out Final Deal Details:

- 🔗 Sprint Corp. and T-Mobile US Inc. are putting the finishing touches on a merger that's likely to be announced when the wireless carriers report quarterly earnings at the end of October, according to analysts familiar with the matter.

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