



# Carty & Company, Inc.

## Weekly Market Update – November 2017, Week 1

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### Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Month Ago
3	1.74	0.14	1.60
5	2.01	0.09	1.92
7	2.20	0.05	2.15
10	2.35	0.03	2.32
30	2.82	(0.03)	2.85

Agencies			
Maturity	Yield	Change	1 Month Ago
3	1.75	0.13	1.62
5	1.90	0.10	1.80
7	2.27	0.04	2.23
10	2.71	(0.02)	2.73
25	2.96	(0.07)	3.03

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Month Ago
1	1.03	0.11	0.92
5	1.48	0.11	1.37
10	2.03	0.03	2.00
15	2.45	0.00	2.45
30	2.85	(0.05)	2.90

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Month Ago
1	1.66	0.18	1.48
5	2.38	0.17	2.21
10	3.27	0.04	3.23
15	3.95	0.00	3.95
30	4.60	(0.07)	4.68

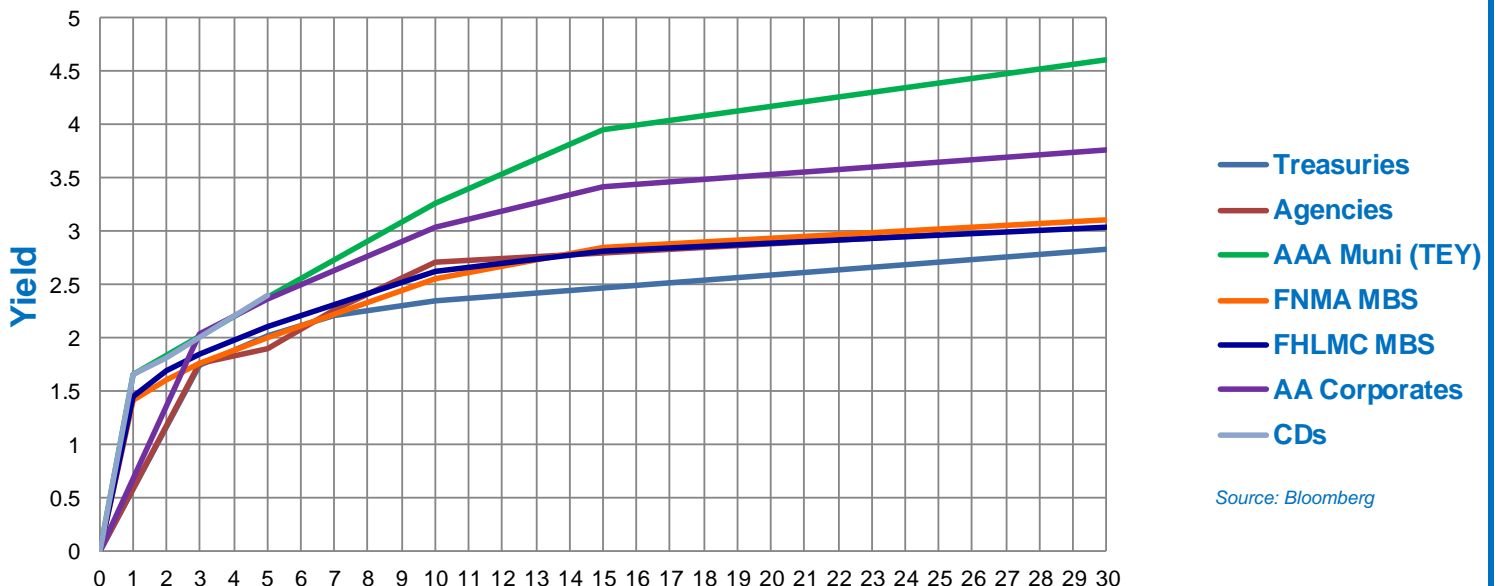
Brokered CDs			
Maturity	Yield	Change	1 Month Ago
1	1.65	0.03	1.62
2	1.81	0.01	1.80
5	2.40	0.00	2.40

Corporate Index (AA)			
Maturity	Yield	Change	1 Month Ago
3	2.04	0.10	1.94
5	2.37	0.06	2.31
10	3.04	(0.01)	3.05
15	3.41	(0.06)	3.47
30	3.77	(0.11)	3.87

MBS - Current Coupon			
FNMA	Yield	Change	1 Month Ago
15yr	2.39	0.11	2.28
30yr	2.92	0.06	2.86
FHLMC	Yield	Change	1 Month Ago
15yr	2.40	0.10	2.30
30yr	2.92	0.05	2.87

Equities			
Index	Current	Change	1 Month Ago
DJIA	23,544	1171.29	22,373
S&P 500	2,585	67.88	2,517
Nasdaq	6,746	255.54	6,490

### Fixed Income Sector Performance





## Economy

### U.S. Adds 261,000 Jobs as Storm Effects Reverse:

- U.S. employers added the most workers in a year, rebounding from September's slowdown, as people resumed work after hurricanes Harvey and Irma, Labor Department figures showed Friday. The jobless rate fell to the lowest since 2000 while wages stalled.
  - Payrolls rose 261k (313k estimate) and the unemployment rate, derived from a separate Labor Department survey of households, fell to 4.1% (4.2% estimate). Average hourly earnings showed little change.
  - The report indicates the fallout from the hurricanes, which had depressed the labor market the prior month, largely dissipated in October. Jobs bounced back at restaurants and bars, which added 89,000 workers after a 98,000 drop in September.
  - Weather-related distortions may make it hard to read too much into the data until the end of the year. Still, economists expect a return to the underlying trend of steady, albeit slower, hiring that is still enough to keep pushing down the unemployment rate.
  - The October drop in the jobless rate was due to the number of unemployed workers falling by less than the number of employed. Wages were a weak spot in October, though economists had penciled in a slowdown as low-paid workers at restaurants returned to their jobs, bringing down the average.
  - Even so, across the country, employers are reluctant to fire staff amid a shortage of qualified workers, while Americans are more upbeat about employment prospects. That bodes well for consumer spending, the biggest part of the economy.

### U.S. Payrolls Jumped in October as Hurricane-Impacted Workers Returned



Source: Bureau of Labor Statistics

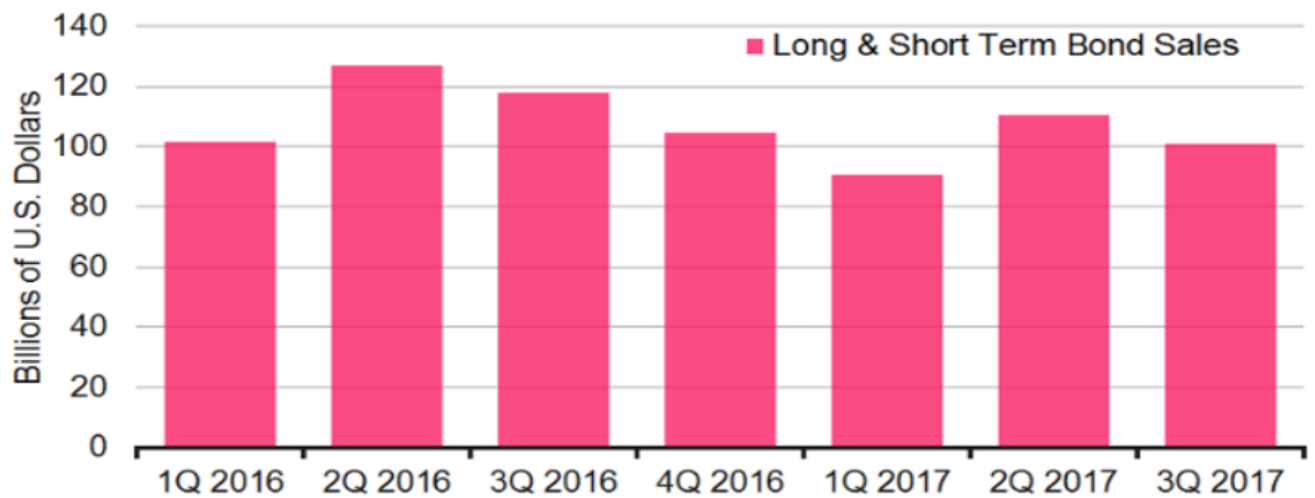


## Fixed Income

### Municipal Bond Issuance Fell Back Nearly 13% YoY:

- Following 2016's record year, municipal issuers are taking a pause on issuing new debt. Total combined short and long term issuance decreased 12.9 percent in the first three quarters of 2017 compared with the same period last year.
  - The summer months are often "note season" for the municipal market as issuers sell short-term debt while they wait to receive tax receipts or other types of revenue. Short-term note issuance increased 24.3 percent to nearly \$28 billion as of the end of the third quarter, compared with the same period in 2016.
  - Meanwhile, over the same comparative time periods, long-term sales decreased 15.5 percent totaling \$273.3 billion.
  - On a sector level, general obligation and school district bonds, combined, represented almost 40 percent of total issuance. Higher education issues had a 7.5 percent share of the total market, followed closely by hospitals with 6.5 percent.

#### *Issuance Falters After Last Year's Boom*



Source: Bloomberg

### Short End of the Curve Could Flatten Further:

- Municipal yields fell over the last 12 months, showing the largest declines in the short-to-middle duration credits.
  - The 5-year duration saw the largest change, falling 43 basis points to 1.37 percent, while the 1- and 20-year tenors saw the smallest changes of 8 and 18 basis points to 0.92 percent and 2.7 percent, respectively.
  - If the Federal Reserve raises rates in December (currently a 93% WIRP probability), the shorter end of the municipal yield curve will most likely flatten further.



# Equities

## Indexes:

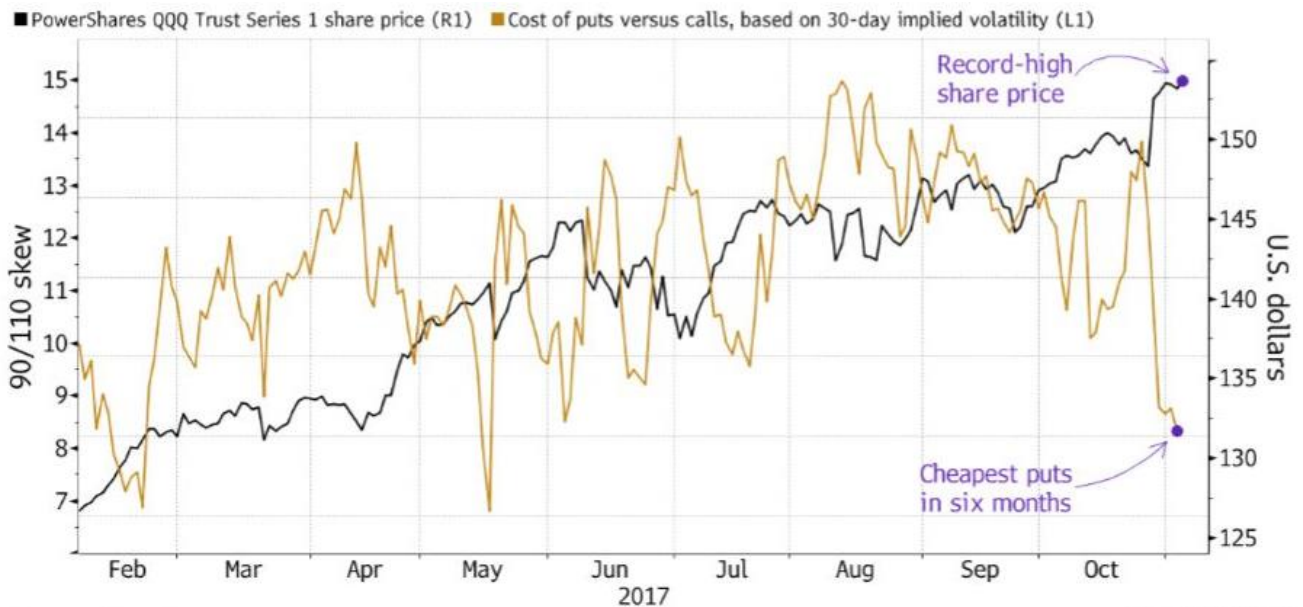


- ❖ **DJIA** – 23,544 current ▲ 5.2% the past month
- ❖ **S&P 500** – 2,585 current ▲ 2.7% the past month
- ❖ **Nasdaq** – 6,746 current ▲ 3.9% the past month

## Nasdaq 100 at Record Encourages Tech Options Bulls:

- 📺 The largest exchange-traded fund tracking the Nasdaq 100 Index has jumped 6.6 percent in the past six weeks, and options traders are positioning for more gains.
  - ➡ The cost of hedging against a 10 percent drop in the PowerShares QQQ Trust Series 1 relative to bets for gains of the same magnitude has fallen to the lowest level since May as shares sell for the highest price on record.
  - ➡ About 44 percent of the fund is made up of five megacaps -- Apple Inc., Microsoft Corp., Amazon.com Inc., Facebook Inc. and Alphabet Inc. -- all of which reported quarterly earnings that beat estimates.

### Cost of Hedging Against NASDAQ 100 Decline Sinks with Shares at All-Time High



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