



Carty & Company, Inc.

Weekly Market Update – November 2017, Week 2

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Compare Rates

| US Treasuries | | | |
|---------------|-------|--------|------------|
| Maturity | Yield | Change | 1 Week Ago |
| 3 | 1.78 | 0.04 | 1.74 |
| 5 | 2.05 | 0.04 | 2.01 |
| 7 | 2.26 | 0.06 | 2.20 |
| 10 | 2.40 | 0.05 | 2.35 |
| 30 | 2.88 | 0.06 | 2.82 |

| Agencies | | | |
|----------|-------|--------|------------|
| Maturity | Yield | Change | 1 Week Ago |
| 3 | 1.79 | 0.04 | 1.75 |
| 5 | 1.95 | 0.05 | 1.90 |
| 7 | 2.32 | 0.05 | 2.27 |
| 10 | 2.76 | 0.05 | 2.71 |
| 25 | 3.02 | 0.06 | 2.96 |

| Municipal G.O. (AAA) MMD | | | |
|--------------------------|-------|--------|------------|
| Maturity | Yield | Change | 1 Week Ago |
| 1 | 1.08 | 0.05 | 1.03 |
| 5 | 1.51 | 0.03 | 1.48 |
| 10 | 1.99 | (0.04) | 2.03 |
| 15 | 2.38 | (0.08) | 2.45 |
| 30 | 2.75 | (0.10) | 2.85 |

| Municipal G.O. (AAA) - TEY @ 38% | | | |
|----------------------------------|-------|--------|------------|
| Maturity | Yield | Change | 1 Week Ago |
| 1 | 1.74 | 0.08 | 1.66 |
| 5 | 2.44 | 0.05 | 2.39 |
| 10 | 3.21 | (0.06) | 3.27 |
| 15 | 3.83 | (0.12) | 3.95 |
| 30 | 4.44 | (0.16) | 4.60 |

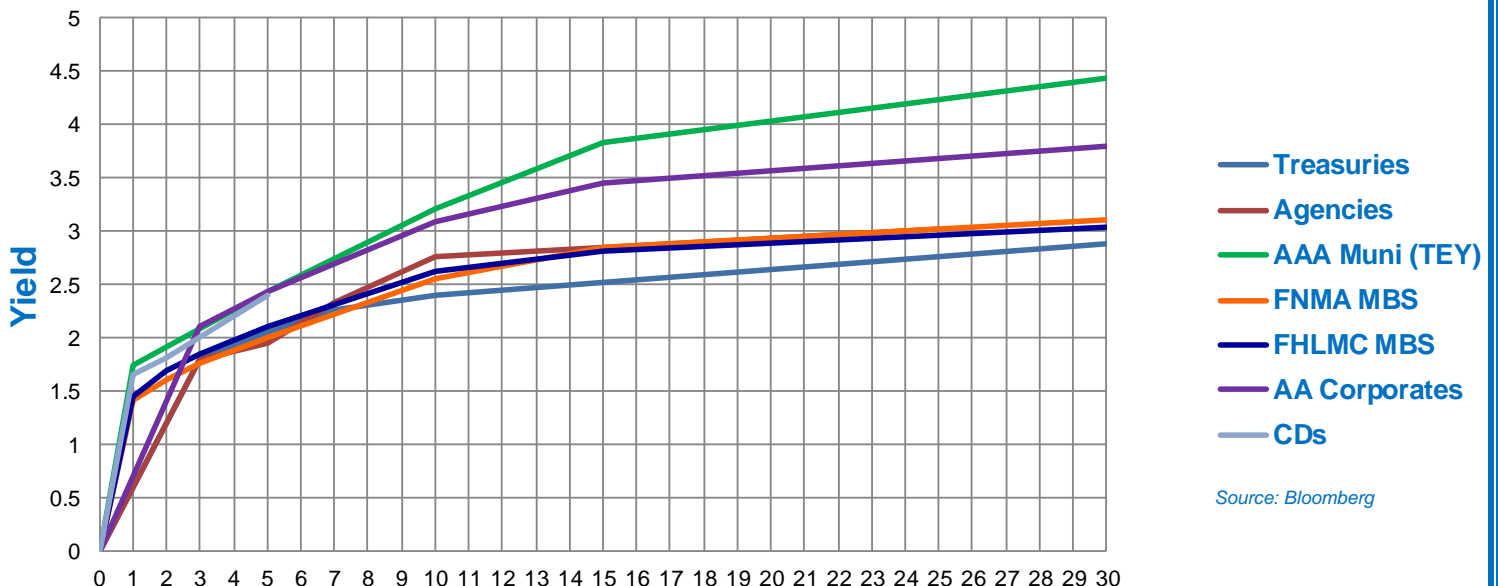
| Brokered CDs | | | |
|--------------|-------|--------|------------|
| Maturity | Yield | Change | 1 Week Ago |
| 1 | 1.65 | 0.00 | 1.65 |
| 2 | 1.81 | 0.00 | 1.81 |
| 5 | 2.40 | 0.00 | 2.40 |

| Corporate Index (AA) | | | |
|----------------------|-------|--------|------------|
| Maturity | Yield | Change | 1 Week Ago |
| 3 | 2.10 | 0.06 | 2.04 |
| 5 | 2.43 | 0.06 | 2.37 |
| 10 | 3.10 | 0.06 | 3.04 |
| 15 | 3.46 | 0.05 | 3.41 |
| 30 | 3.80 | 0.03 | 3.77 |

| MBS - Current Coupon | | | |
|----------------------|-------|--------|------------|
| FNMA | Yield | Change | 1 Week Ago |
| 15yr | 2.46 | 0.07 | 2.39 |
| 30yr | 3.00 | 0.08 | 2.92 |
| FHLMC | Yield | Change | 1 Week Ago |
| 15yr | 2.48 | 0.08 | 2.40 |
| 30yr | 2.99 | 0.07 | 2.92 |

| Equities | | | |
|----------|---------|----------|------------|
| Index | Current | Change | 1 Week Ago |
| DJIA | 23,425 | (118.90) | 23,544 |
| S&P 500 | 2,580 | (4.77) | 2,585 |
| Nasdaq | 6,751 | 4.64 | 6,746 |


Fixed Income Sector Performance



Source: Bloomberg



Consumer Sentiment Falls From 13-Year High:

 Consumer sentiment in U.S. unexpectedly fell by the most in a year amid expectations that inflation and interest rates will rise, according to a University of Michigan report Friday.

- The sentiment index dropped to 97.8 (estimate 100.8) from 100.7, which was the highest since January 2004.
- Even with the decline, sentiment was the second-highest since January, reinforcing other reports that Americans remain optimistic about employment and the economy.
- Anticipation of a pickup in inflation and higher interest rates weighed on the gauge, although a record number of Americans “spontaneously mentioned” an improving jobs market, the report said. Favorable references to more jobs and less unemployment tied the highest level ever recorded, in 1984 and 2012.
- The results indicate consumers are evaluating whether income gains would be enough to outpace the expected increase in borrowing costs for home and car purchases, according to the report.
- While the majority judged current conditions in the economy favorably and consumers anticipated continued growth on balance, consumers judged the outlook less satisfactory, and were equally divided about whether the expansion would last another five years.

Solid Job Market Keeping Americans Upbeat Despite Sentiment Drop in November

■ Consumer Sentiment




Source: University of Michigan




Fixed Income

Muni Yields Fall & Curve Narrows to 1-Year Low:

-  Municipal bonds sold off on Friday as yields on benchmark 10-year notes increased 4 basis points to 1.974 percent. Institutional investors offered \$686.9 million through bids-wanted lists. The gap between yields on short-term and long-term securities narrowed for the eighth day to the flattest in more than a year.
- The yield curve narrowed for the eighth day to 157 basis points on Friday from 160 basis points. The last time the gap was smaller was on October 5th, 2016, when it was at 155 basis points, according to data compiled by Bloomberg.
 - Debt issued by U.S. states and local governments maturing in 10 years yields 83.204 percent of Treasuries, compared with 84.536 percent on Wednesday and 86.102 percent one month ago. The rate for municipalities to swap to 10-year fixed-rate from floating-rate liabilities widened to 1.833 percent from 1.829 percent.

Treasuries in Focus On Potential Delay In Tax Reform:

-  A key measure of the Treasury yield curve, the gap between short and long-dated treasuries has now reached a decade low. The gap between 10-year and two-year rates fell below 67 basis points, the lowest since November 2007.
- Markets believe that uncertainty over the tax reform has increased the appeal of curve-flattening trades. Moreover, increasing uncertainty over whether the government will introduce bonds having a maturity of more than 30 years also contributed to the growing appeal of such trades.
 - Treasury's auction of \$23 billion of 10-year bonds saw high demand last week. Markets anticipate a rate hike in December, which is expected to keep the two-year yields intact and further flatten the curve. Per the CME Fed Watch tool, markets price in a 96.7% chance of a rate hike in December.
 - The 10-Year U.S. Treasury yield jumped to 2.40% on Friday, up from 2.32% a day before. 2.40% has been a technical level of resistance dating back to mid-year and one that has not been breached for more than a day or two. Once this level gets taken out, 2.60% is the next target.



Equities

Indexes:



- ❖ **DJIA** – 23,544 current ▼ -.05% the past week
- ❖ **S&P 500** – 2,585 current ▼ -.20% the past week
- ❖ **Nasdaq** – 6,746 current ▲ .10% the past week

U.S. Stocks Drop Amid Tax Debate:

- 🌐 Treasuries fell for a third day and U.S. stocks limped to the end of a week that saw a bout of volatility return to global financial markets.
 - ➡ The S&P 500 Index slumped, led in part by health-care shares, which dropped 1 percent as the industry grapples with how to handle Amazon as a potential competitor. Energy stocks also struggled with WTI crude slipping below \$57 a barrel as tensions in the Persian Gulf continue to rise.
 - ➡ Global equities hit historic highs during the middle of the week as investors were encouraged by solid earnings and synchronized global economic growth. But they sold off sharply on Thursday as the U.S. Senate revealed that its tax plan could delay cuts to the corporate rate until 2019. The move fed growing pessimism about the prospects for meaningful U.S. fiscal reform, which had buoyed share prices in the U.S.

One-Week FANG Equity Charts



Source: Bloomberg

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