



Carty & Company, Inc.

Weekly Market Update – December 2017, Week 3

By Ryan R. Coombs – Senior Vice President, Research & Strategies

Follow @FixedIncomes

Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	1.95	0.04	1.91
5	2.16	0.02	2.14
7	2.28	(0.01)	2.29
10	2.36	(0.02)	2.38
30	2.69	(0.08)	2.77

Agencies			
Maturity	Yield	Change	1 Week Ago
3	1.96	0.06	1.90
5	2.11	0.04	2.07
7	2.37	0.00	2.37
10	2.74	(0.02)	2.76
25	2.84	(0.06)	2.90

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.25	(0.01)	1.26
5	1.64	(0.02)	1.66
10	2.02	0.03	1.99
15	2.36	0.05	2.31
30	2.66	0.04	2.62

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.02	(0.01)	2.03
5	2.65	(0.03)	2.68
10	3.25	0.05	3.21
15	3.80	0.08	3.73
30	4.29	0.07	4.23

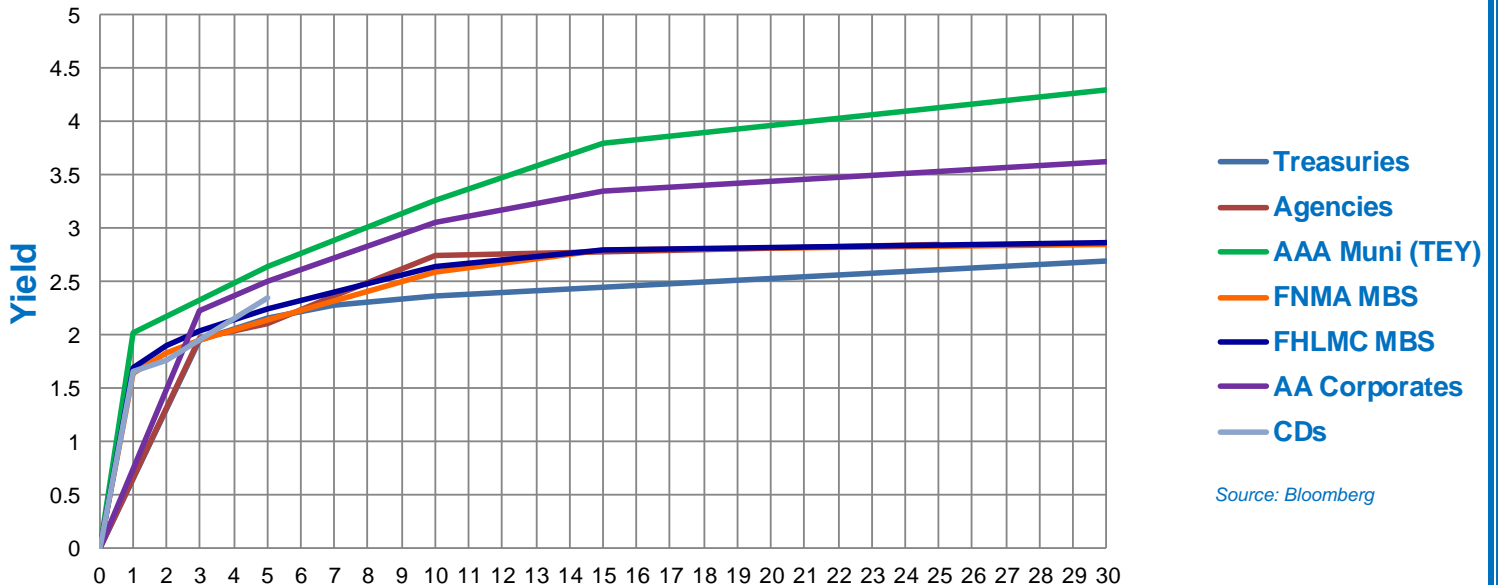
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	1.65	0.00	1.65
2	1.75	0.00	1.75
5	2.35	0.00	2.35

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	2.23	0.00	2.23
5	2.51	(0.00)	2.51
10	3.06	(0.03)	3.09
15	3.35	(0.05)	3.40
30	3.62	(0.08)	3.70

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	2.50	0.01	2.49
30yr	2.90	(0.11)	3.01
FHLMC	Yield	Change	1 Week Ago
15yr	2.53	0.03	2.50
30yr	2.90	(0.12)	3.02

Equities			
Index	Current	Change	1 Week Ago
DJIA	24,671	369.95	24,301
S&P 500	2,678	28.88	2,649
Nasdaq	6,939	103.08	6,836

Fixed Income Sector Performance



Source: Bloomberg



Industrial Output Drops After Storm-Related Rebound:

- U.S. industrial production rose at a slower pace in November following a hurricane-related snap back a month earlier that was the largest in more than seven years, Federal Reserve data showed Friday.
 - Total industrial production, which also includes mines and utilities, increased 0.2% (est. 0.3% rise) after an upwardly revised 1.2% jump that was the largest since May 2010.
 - Three straight months of increased factory output show that manufacturing remains on solid ground amid steady consumer spending and strong gains in business investment. An improvement in overseas markets may also boost export demand in coming months.
 - The latest advance in manufacturing production reflected a widespread increase in the output of durable goods, driven by primary metals. In a sign factories are putting more capacity to use, the utilization rate at manufacturers climbed to 76.4 percent, the highest since May 2008.

Factories are Outputting Most Capacity to Use Since May 2008



Fed Raises Rates, Eyes Three 2018 Hikes:

- Federal Reserve officials followed through on an expected interest-rate increase and raised their forecast for economic growth in 2018, even as they stuck with a projection for three hikes in the coming year.
 - In a key change to its statement announcing the decision, the Federal Open Market Committee omitted prior language saying it expected the labor market would strengthen further. Instead, Wednesday's missive said monetary policy would help the labor market "remain strong." That suggests Fed officials expect improvement in the job market to slow.
 - In another move that could tighten monetary conditions, the Fed confirmed that it would step up the monthly pace of shrinking its balance sheet, as scheduled, to \$20 billion beginning in January from \$10 billion.



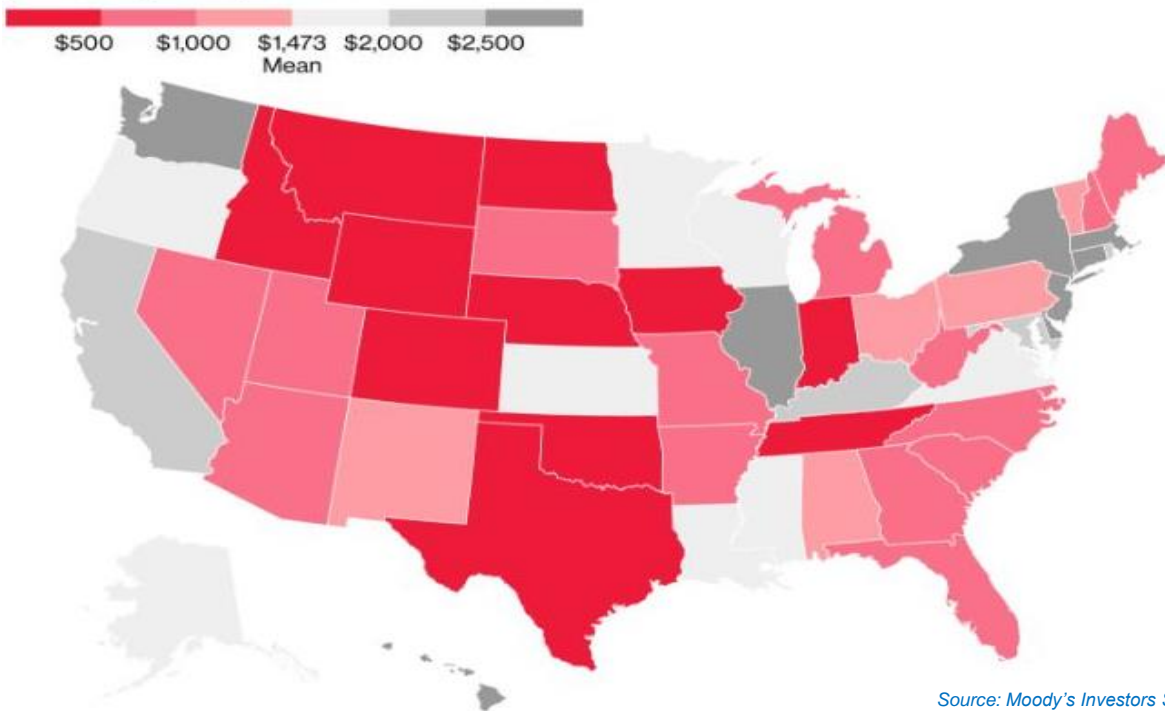
Fixed Income

Muni Borrowers Are Far From Maxed Out on Bond Sales:

With a few exceptions -- Connecticut, Massachusetts, Hawaii, New Jersey, New York and Illinois -- most of the U.S. carries a modest amount of net tax-supported debt per capita, according to the latest annual report on state debt averages by Moody's Investors Service.

- Florida has \$961 of net debt per person, compared to the mean of \$1,473, while in Texas, it's only \$383. Put another way, many of the low-tax states that are the biggest beneficiaries of federal dollars also have plenty of capacity to raise taxes and borrow money to pay for infrastructure.

Many States Have Room to Issue More Bonds – Thirty states have lower net tax-supported debt, per capita, than the national average.



Source: Moody's Investors Service

Muni Investors Return to Market, Invest \$217mm:

Investors added \$217 million to municipal bond funds during the week ended Dec. 13, reversing the previous week's outflow which was the largest since June, according to Lipper US Fund Flows data.

- Investors added \$250 million into high-yield muni funds, \$376 million into long-term muni funds and withdrew \$55 million from intermediate muni funds, Lipper data show.
- Next week's issuance calendar stands at approximately \$9.4 billion, according to preliminary data compiled by Bloomberg as of last Thursday evening. Issuance so far this month totals about \$36.4 billion; the monthly record of \$54.7 billion was seen in Dec. 1985.



Equities

Indexes:



- ❖ **DJIA** – 24,671 current ▲ 1.5% the past week
- ❖ **S&P 500** – 2,678 current ▲ 1.1% the past week
- ❖ **Nasdaq** – 6,939 current ▲ 1.5% the past week

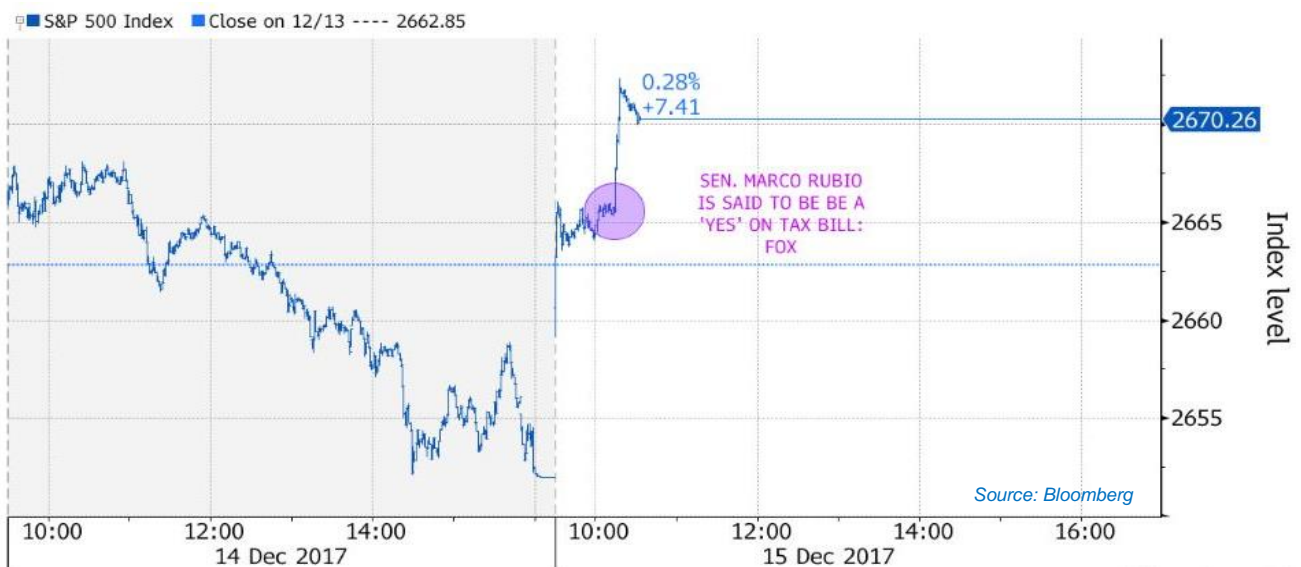
Stocks Leap to Records as Tax Overhaul Gets Closer:

U.S. stocks shot to new highs on speculation that the Senate was close to an agreement on a tax overhaul package after fence-sitting Senator Marco Rubio reportedly said he'd support the plan. The dollar gained as investors assessed messages from the Federal Reserve and European Central Bank meetings last week.

➔ All major equity gauges were higher, with S&P 500 Index, Dow Jones Industrial Average, NASDAQ 100 Stock Index and Nasdaq Composite Index all leaping to fresh records. The small-cap Russell 2000 Index, whose domestically focused members stand to benefit most from tax cuts, added more than 1.5 percent.

Ⓜ Uncertainty surrounding the fate of U.S. tax reform has had investors on edge as they look to the end of a stellar year for equities. Money managers have shown signs of dialing back their appetite to take risk amid signals that the eight-year stock rally may not be far from its end.

Stocks Rise after Senator Rubio Announces He will Vote in Favor of Tax Bill



Important Information Regarding This Report

This report is to be used for informational purposes only and in no event should be construed as a solicitation to sell or offer to purchase a security. Carty & Co., Inc. does not provide tax, accounting, or legal advice to our clients. For investment advice specific to your situation or additional information on this or other topics, contact your Carty & Co., Inc. Rep and/or your tax or legal advisor. This report is the intellectual property of Carty & Co., Inc. and may not be reproduced, distributed, or published by any person for any purpose without Carty & Co., Inc.'s express prior written consent.