



Carty & Company, Inc.

Weekly Market Update – January 2018, Week 1

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Month Ago
3	2.05	0.17	1.88
5	2.28	0.16	2.12
7	2.40	0.13	2.27
10	2.47	0.11	2.36
30	2.81	0.05	2.76

Agencies			
Maturity	Yield	Change	1 Month Ago
3	2.05	0.15	1.90
5	2.20	0.16	2.04
7	2.47	0.12	2.35
10	2.84	0.11	2.73
25	2.94	0.06	2.88

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Month Ago
1	1.45	0.15	1.30
5	1.71	(0.03)	1.74
10	2.03	(0.12)	2.15
15	2.36	(0.11)	2.47
30	2.65	(0.11)	2.76

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Month Ago
1	2.34	0.24	2.10
5	2.76	(0.05)	2.81
10	3.28	(0.19)	3.47
15	3.81	(0.18)	3.98
30	4.27	(0.18)	4.45

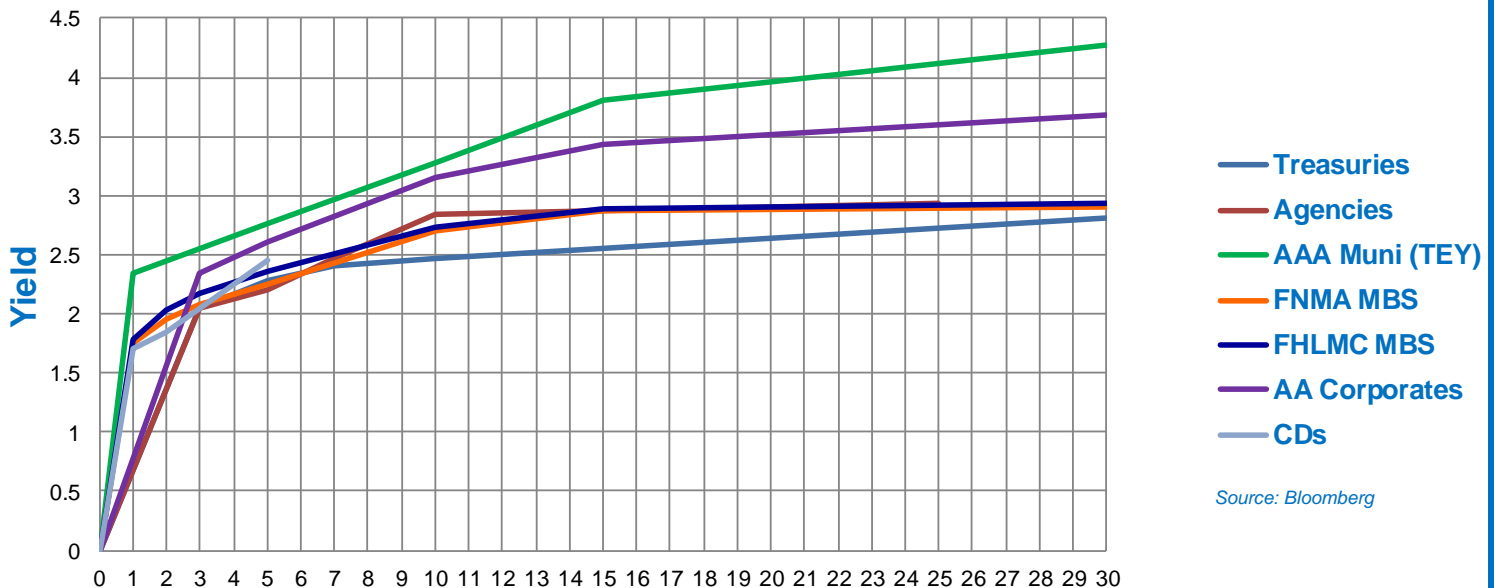
Brokered CDs			
Maturity	Yield	Change	1 Month Ago
1	1.70	0.05	1.65
2	1.85	0.10	1.75
5	2.45	0.10	2.35

Corporate Index (AA)			
Maturity	Yield	Change	1 Month Ago
3	2.34	0.11	2.23
5	2.61	0.07	2.54
10	3.16	0.01	3.15
15	3.43	(0.05)	3.48
30	3.68	(0.10)	3.78

MBS - Current Coupon			
FNMA	Yield	Change	1 Month Ago
15yr	2.56	0.05	2.51
30yr	3.04	0.03	3.01
FHLMC	Yield	Change	1 Month Ago
15yr	2.58	0.05	2.53
30yr	3.05	0.03	3.02

Equities			
Index	Current	Change	1 Month Ago
DJIA	25,257	1027.45	24,230
S&P 500	2,738	97.74	2,640
Nasdaq	7,125	276.59	6,848

Fixed Income Sector Performance



Source: Bloomberg



U.S. Adds Less Jobs than Estimated, Wages Rise:

- 📍 U.S. payroll gains slowed by more than forecast in December. Employers added 148,000 workers, compared with the 190,000 median estimate of economists surveyed by Bloomberg, held back by a drop in retail positions.
 - ➡ The jobless rate held at 4.1 percent for a third straight month, the lowest level since 2000.
 - ➡ Wages picked up slightly with average hourly earnings increasing by 2.5 percent from a year earlier after a 2.4 percent gain in November that was revised downward.
 - ➡ While below forecast, the job gains bring the 2017 total to 2.06 million jobs. This tally is below 2016 but slightly more than analysts had been expecting at the start of Donald Trump's first year as president. With the economy at or near maximum employment, one of the Federal Reserve's goals, the figures likely keep the central bank on track for continued gradual interest-rate hikes in 2018.
 - ➡ While payroll increases have slowed over the past few years as the labor market tightens, economists say job gains above 100,000 a month are enough to put downward pressure on the jobless rate.

United States Non-Farm Payrolls
Thousands of Jobs

Source: U.S. Bureau of Labor Statistics



U.S. Trade Deficit Widest in Almost Six Years:

- 🏠 The U.S. trade deficit grew by 3.2% to \$50.5 billion in November, reaching the highest level in nearly six years as an increase in imports exceeded gains in shipments overseas.
 - ➡ The widening trade gap could be a drag on fourth-quarter economic growth, keeping gross domestic product from advancing at least 3 percent on an annualized basis for a third straight quarter. Net exports added a 0.36 percentage point to the 3.2 percent gain in third-quarter GDP.
 - ➡ While a weaker dollar and improving global markets are spurring overseas sales of U.S. goods and services, imports are also picking up on the heels of firmer demand from American households and companies.



Fixed Income

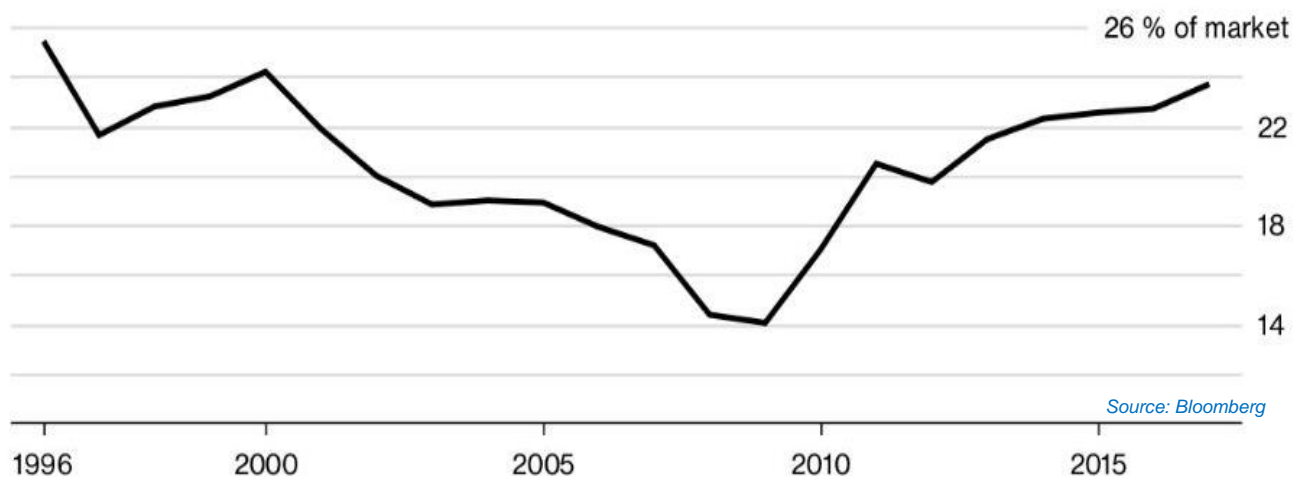
Municipal Bond Yields Rise, Curve Widens:

- 🏠 Municipal bonds fell last week as yields on benchmark 10-year notes increased 1.5 basis points on Friday to 2.02 percent. Institutional investors offered \$552.5 million for sale through bid-wanted lists. The gap between yields on short-term and long-term securities widened.
 - ➡ Debt issued by U.S. states and local governments maturing in 10 years currently yields 82.49 percent of Treasuries, compared with 89.09 percent a month ago.
 - ➡ The rate for municipalities to swap to 10-year fixed- rate from floating-rate liabilities widened to 1.903 percent from 1.893 percent.
 - ➡ Trading in the municipal market totaled \$12.7 billion, down 20 percent from \$15.9 billion a week earlier, according to the Municipal Securities Rulemaking Board. Bid lists increased 2.4 percent, or \$12.8 million, from the previous day, based on data compiled by Bloomberg.

Competitive Muni Bond Sales Hit 17-Year High in 2017:

- 🏠 Competitive sales of municipal bonds in 2017 rose to 23.7 percent of the market, their highest level in almost two decades.
 - ➡ Before the big rush to borrow in November and December, the use of competitive sales was on pace to break 24 percent of the market and was closing in on a level not seen since 1996, when it reached 25.4 percent.
 - ➡ With the loss of advance refundings in the new tax bill, which were typically done on a negotiated basis, it is possible competitive sales climb to 25 percent or more of the market in 2018.

Deals Sold by Competitive Bidding





Equities

Indexes:



- ❖ **DJIA** – 25,257 current ▲ 4.2% the past month
- ❖ **S&P 500** – 2,738 current ▲ 3.7% the past month
- ❖ **Nasdaq** – 7,125 current ▲ 4.0% the past month

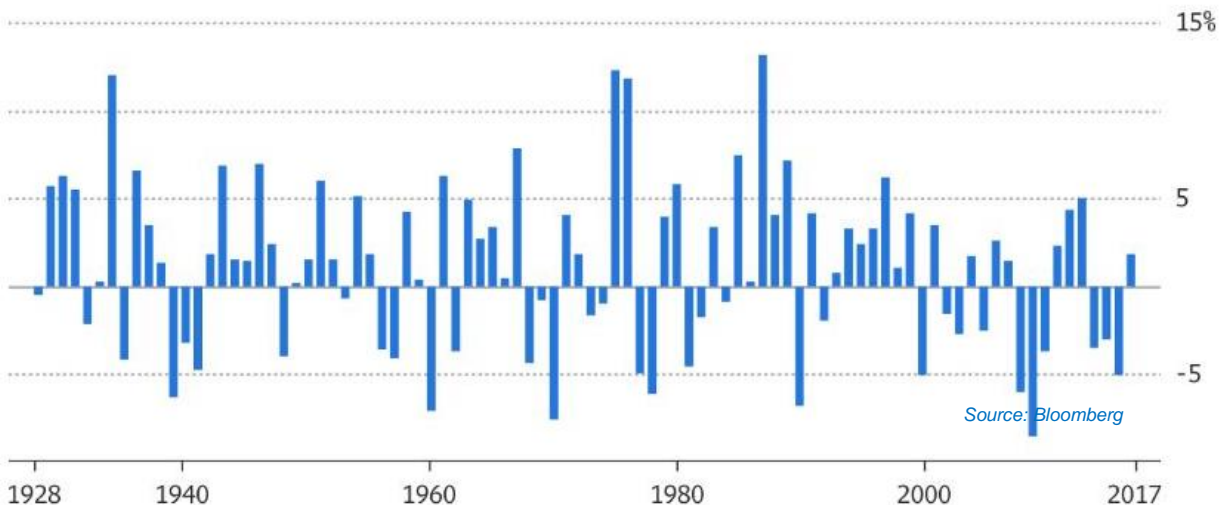
Stocks Higher as January Effect Appears to Hold:

📺 So far in 2018 stocks are bearing out the so-called January effect, a tendency to see gains early in the year, as the S&P 500 Index continues to hit daily records. The NASDAQ and DJIA closed on Friday with the best first week to begin a year in history.

- ➡ The first month of the year, which has been positive 62 percent of the time since the index's inception, has been mixed the past ten years. Its worst January ever came in 2009 when it crashed 8.6 percent in the middle of the financial crisis. Curiously, the best January performance came in 1987, when the gauge surged 13 percent, only months before one of the darkest days in market history, Black Monday.

January Effect on Target in 2018

■ January performance of the S&P 500 Index



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