



Carty & Company, Inc.

Weekly Market Update – January 2018, Week 4

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

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.27	0.08	2.19
5	2.51	0.08	2.43
7	2.64	0.08	2.56
10	2.71	0.07	2.64
30	2.95	0.04	2.91

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.20	0.08	2.12
5	2.40	0.10	2.30
7	2.69	0.09	2.60
10	3.05	0.05	3.00
25	3.07	0.02	3.05

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.43	(0.03)	1.46
5	1.77	0.03	1.74
10	2.26	0.11	2.15
15	2.63	0.12	2.51
30	2.88	0.08	2.80

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.30	(0.05)	2.35
5	2.85	0.04	2.81
10	3.64	0.17	3.47
15	4.24	0.19	4.05
30	4.65	0.13	4.52

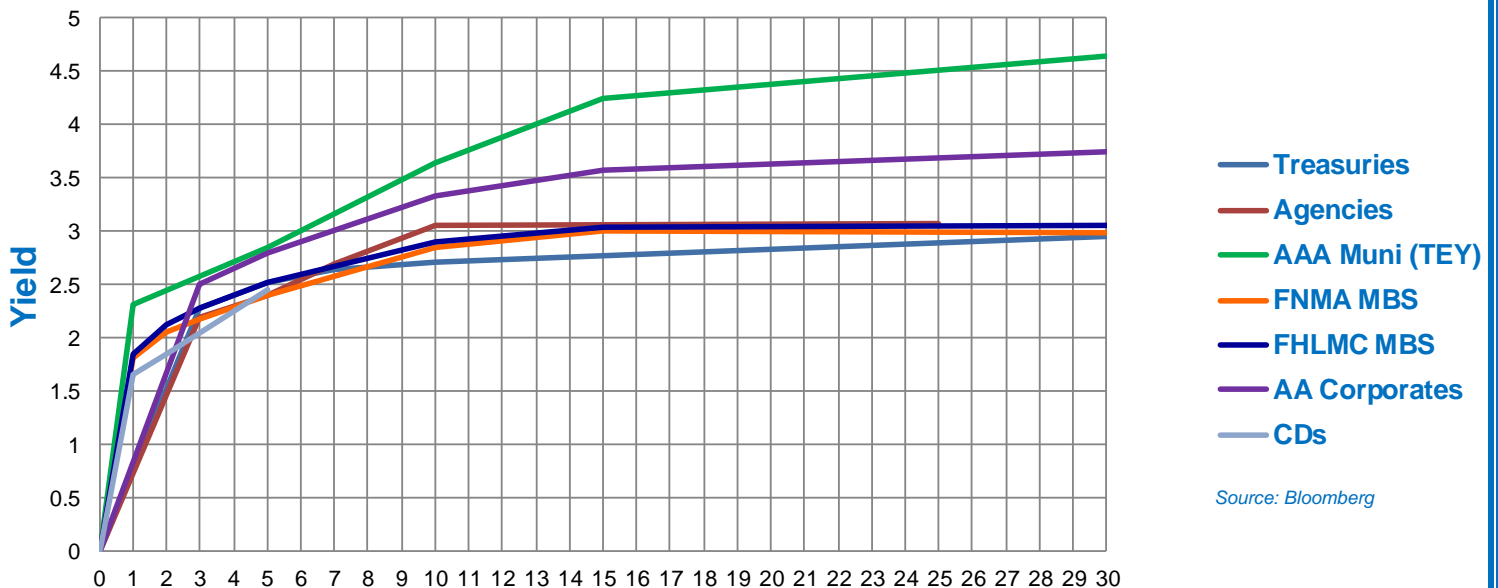
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	1.65	0.00	1.65
2	1.85	0.10	1.75
5	2.45	0.10	2.35

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	2.51	0.28	2.23
5	2.79	0.28	2.51
10	3.33	0.27	3.06
15	3.56	0.21	3.35
30	3.75	0.13	3.62

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	2.71	0.00	2.71
30yr	3.17	0.00	3.17
FHLMC	Yield	Change	1 Week Ago
15yr	2.73	0.00	2.73
30yr	3.19	0.00	3.19

Equities			
Index	Current	Change	1 Week Ago
DJIA	26,552	543.26	26,009
S&P 500	2,869	64.38	2,805
Nasdaq	7,485	154.82	7,330

Fixed Income Sector Performance



Source: Bloomberg



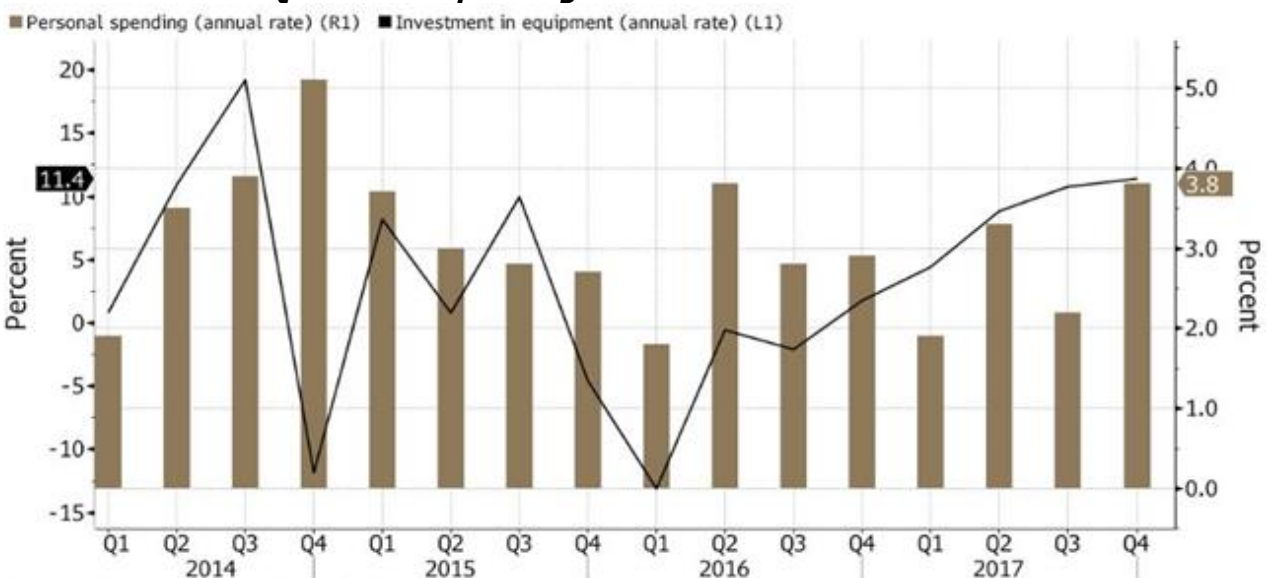
Economy

4Q U.S. GDP Grows Below Forecast at 2.6%:

- 🌐 The U.S. economy expanded at a slower-than-projected pace in the fourth quarter on drags from trade and inventories, offsetting strength in consumer spending and business investment that signals solid momentum entering 2018.
 - ➡ Gross domestic product rose at a 2.6 percent annualized rate after 3.2 percent in the prior period, Commerce Department data showed Friday in Washington. The median forecast in a Bloomberg survey called for 3 percent. Consumer spending, the biggest part of the economy, rose 3.8 percent, the best in more than a year. Business equipment investment grew at the fastest pace in three years.
 - ➡ While the report dashed expectations for the longest streak of 3 percent-or-better growth since 2005, a key measure of underlying demand delivered the strongest performance since 2014 and inflation picked up. This should help keep the Federal Reserve on track to raise interest rates in coming months.
 - ➡ President Donald Trump's move to cut taxes may give the economy an additional boost in 2018, though reaching his goal of sustained 3 percent GDP growth may prove challenging in part because household purchases are projected to cool. Weak productivity and slow labor-force expansion will also pose hurdles in the longer term, and higher borrowing costs could crimp gains as well.
 - ➡ Fourth-quarter GDP was dragged down mainly because the trade deficit widened, as imports rose at double the pace of exports. Net exports subtracted 1.13 percentage points from GDP growth, the most in a year. A change in inventories subtracted 0.67 percentage points, the most since early 2017. A separate report on Friday showed that the nation's merchandise-trade gap widened in December to the biggest since 2008.

4Q Personal Spending Rose the Most Since 2014

Source: Bloomberg





Fixed Income

Muni Yields Rise to 2-Month High:

- 🏠 The Municipal bonds fell for the sixth day Friday as yields on benchmark 10-year notes increased 0.7 basis points to 2.215 percent, the highest in two months.
 - ➡ Debt issued by U.S. states and local governments maturing in 10 years currently yields 84.45 percent of Treasuries, compared with 84.93 percent a month ago. The rate for municipalities to swap to 10-year fixed- rate from floating-rate liabilities widened to 2.09 percent from 2.06 percent.
 - ➡ Trading in the municipal market last week totaled \$14.3 billion, up 12 percent from \$12.8 billion a week earlier, according to the Municipal Securities Rulemaking Board.
 - ➡ Municipalities plan to sell \$7.8 billion bonds during the next month, while redemptions and announced calls total \$19.1 billion. Supply figures exclude derivatives and variable-rate debt.

Municipal Yields are Cheapest to U.S. Treasuries Since December 15th



Both Domestic and Foreign Interest in Munis Increases:

- 🏠 With yields on foreign government bonds still anemic and even negative in some countries, more overseas investors are looking to the U.S. municipal market as a higher-yielding alternative. While foreign investors cannot take advantage of the tax exemption, the yield differential has been worth it even when considering cross-currency fluctuations.
 - ➡ Like some insurance company segments, another area of foreign investment has been in the taxable muni sector, which continues to provide relative value over like-rated corporate alternatives, albeit at fluctuating levels.



Equities

Indexes:



- ❖ **DJIA** – 26,552 current ▲ 2.1% the past week
- ❖ **S&P 500** – 2,869 current ▲ 2.3% the past week
- ❖ **Nasdaq** – 7,485 current ▲ 2.1% the past week

S&P 500 Surges for a Fourth Week:

- ✦ Waiting for an entry point in the stock market has not proved to be a beneficial strategy. The latest proof being amid the best start to a year ever measured in global equities, the S&P 500 has now spent longer trading within 5 percent of its all-time high than ever before.
 - ➔ Add it to the list of superlatives piling up in a market that has now done in a month what Wall Street thought would take a year - rising 2.2 percent over the last five days. The benchmark sits at 2,872.87 which is higher than the average target of strategists tracked by Bloomberg as recently as December.
 - ➔ Twenty-six days into 2018 and equities have yet to notch a down week. They've risen more than 7 percent and posted more up sessions -- 14 -- than any January since 1989. At these levels, stocks are nearing the most overbought point ever, making it hard for even the most bullish analysts to keep up.
 - ➔ For money managers, finding a reason to sell is getting harder, especially when a strategy that simply buys shares that are already rising the fastest is doing better than any time in eight years.
 - Ⓜ Unsurprisingly, concern over whether the rally is too hot is getting more and more pronounced. A 1.2 percent gain in the S&P 500 on Friday, the biggest gain in almost 11 months, pushed its 14-day relative strength index to 86.69. The measure was higher just two times in data going back to 1954, Bloomberg calculations show. Approaching \$2 trillion, the amount of value added to equities in January is poised to exceed any month on record, data compiled by Bloomberg show.

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