



Carty & Company, Inc.

Weekly Market Update – March 2018, Week 1

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.39	0.01	2.38
5	2.62	0.01	2.61
7	2.78	0.00	2.78
10	2.85	(0.01)	2.86
30	3.13	(0.02)	3.15

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.29	0.01	2.28
5	2.51	0.01	2.50
7	2.89	0.01	2.88
10	3.19	(0.03)	3.22
25	3.26	(0.03)	3.29

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.38	0.03	1.35
5	1.97	0.00	1.97
10	2.48	(0.00)	2.48
15	2.82	(0.00)	2.82
30	3.09	0.00	3.08

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.22	0.05	2.18
5	3.18	0.00	3.18
10	4.00	(0.00)	4.00
15	4.54	(0.01)	4.55
30	4.98	0.01	4.97

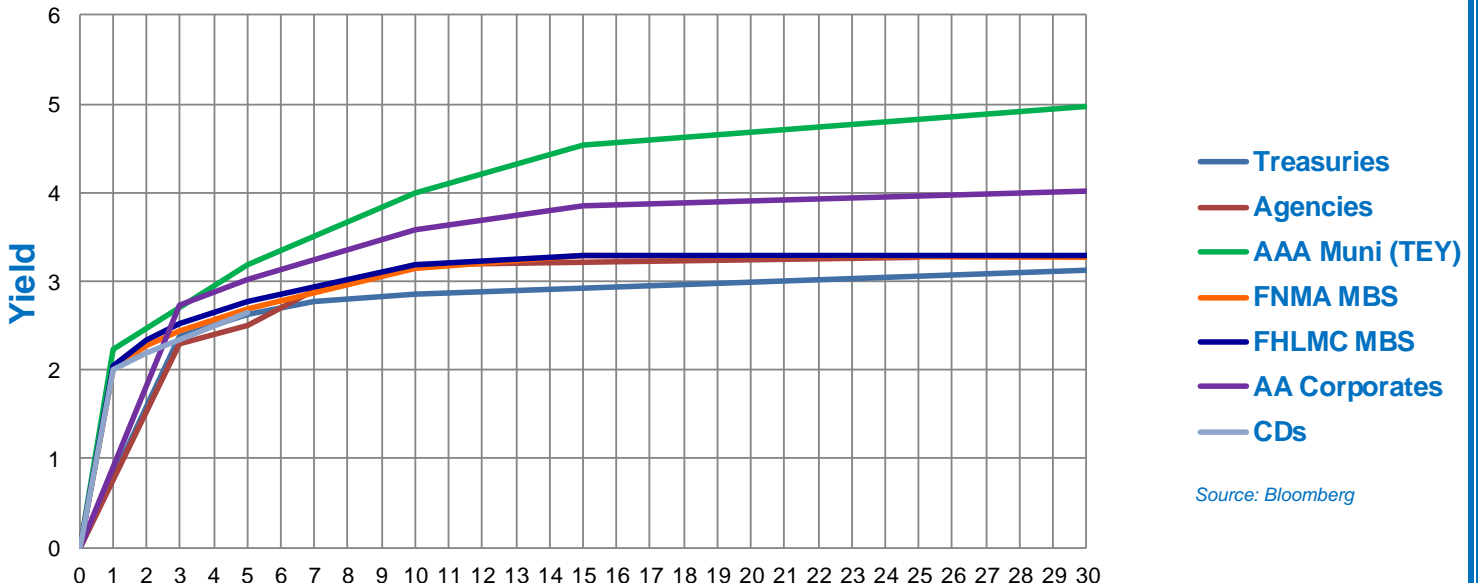
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.00	0.00	2.00
2	2.20	0.00	2.20
5	2.65	0.00	2.65

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	2.73	(0.01)	2.74
5	3.02	(0.03)	3.05
10	3.59	(0.06)	3.65
15	3.85	(0.06)	3.90
30	4.02	(0.06)	4.08

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.08	0.04	3.04
30yr	3.54	0.03	3.51
FHLMC	Yield	Change	1 Week Ago
15yr	3.10	0.04	3.06
30yr	3.52	0.01	3.51

Equities			
Index	Current	Change	1 Week Ago
DJIA	24,441	(645.61)	25,087
S&P 500	2,683	(44.96)	2,728
Nasdaq	7,196	(83.20)	7,279

Fixed Income Sector Performance



Source: Bloomberg



Economy

Revised 4Q GDP up 2.5%:

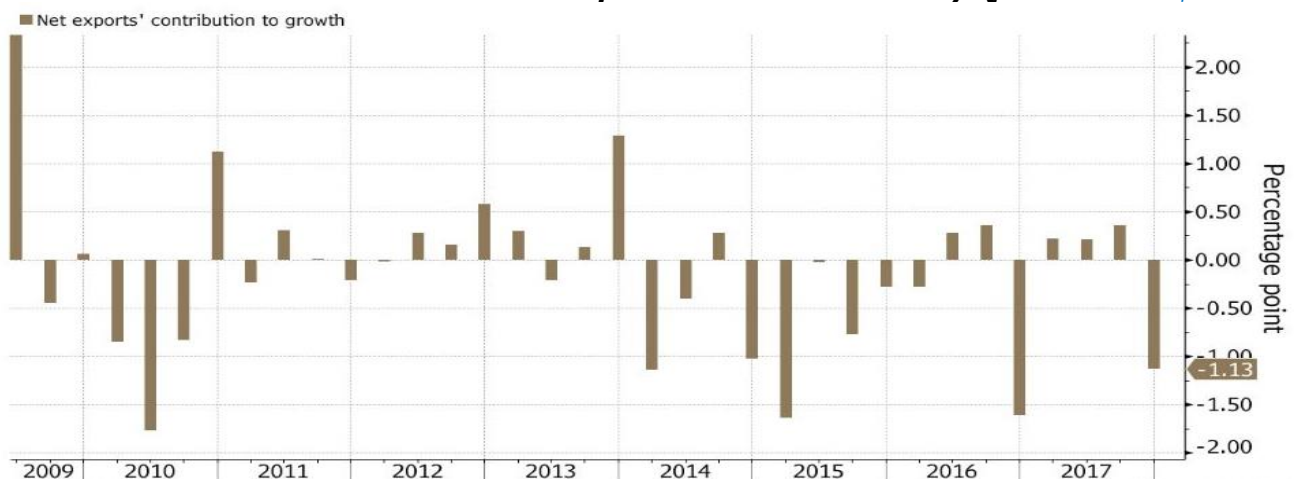
- U.S. economic growth slowed slightly more than initially thought in the fourth quarter as the strongest pace of consumer spending in three years drew in imports and depleted inventories.
 - Gross domestic product expanded at a 2.5 percent annual rate in the final three months of 2017 instead of a previously reported 2.6 percent pace, the Commerce Department said in its second GDP estimate on Wednesday. That was a deceleration from the third quarter's brisk 3.2 percent pace.
 - The economy appears to have lost further momentum at the start of the year, with recent data showing retail sales, home sales, durable goods orders and industrial production declining in January. In addition, the goods trade deficit widened last month as exports fell.

Tariffs May Become Economic Headwind :

- President Trump said on Thursday the U.S. will impose tariffs of 25 percent on imported steel and 10 percent on aluminum for “a long period of time.” Stocks and Treasury yields tumbled on concern that the move could spark a trade war and hold back the economy, with shares of big exporters such as Boeing Co. and United Technologies Corp. among those hit hard.
 - The tariffs could reduce U.S. growth by as much as 0.2 percentage points this year, and further risk lies in how trading partners respond, Barclays Plc economists said. While a tight job market and tax cuts are likely to keep America’s expansion humming along, the trade tensions could weigh on growth and boost inflation more than desired by Fed policy makers.

Wider Trade Deficits have Crimped U.S. Growth in Many Quarters

Source: Commerce Department



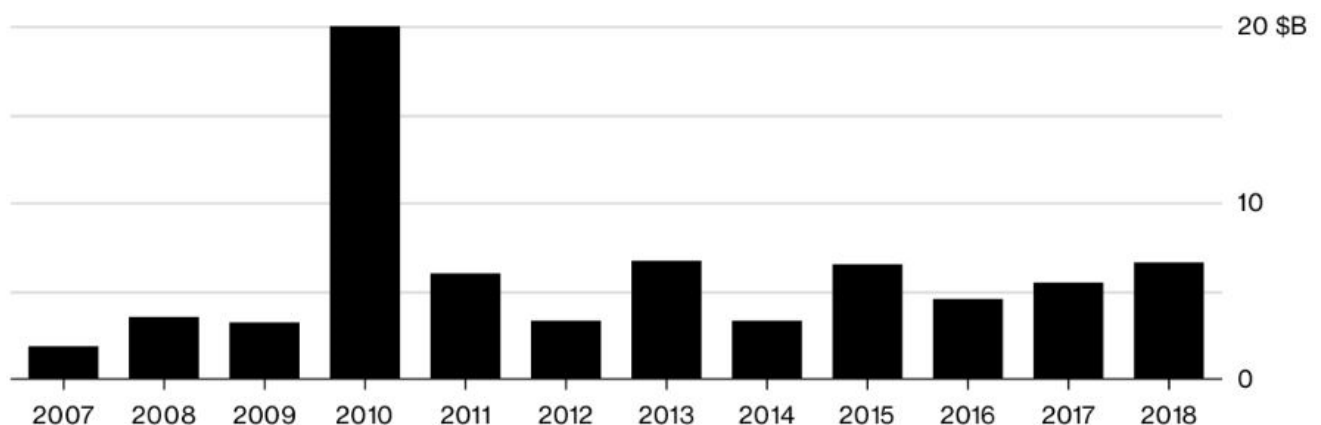


Fixed Income

Taxable Muni Bond Issuance Grows 21%:

- 🌐 Sales of taxable municipal bonds jumped 21% year-on-year in the first two months of 2018, data compiled by Bloomberg show. The \$6.6 billion in volume from 680 deals was the most for any such period since 2013, when it was \$6.7 billion.
 - Rising yields and federal tax overhaul helped reduce total muni issuance by 38% during the first two months of 2018 YoY, according to data compiled by Bloomberg.
 - Municipal bonds rose Friday as yields on benchmark 10-year notes decreased .9 basis points to 2.48 percent. Trading volume was the highest in a month and institutional investors offered \$701.7 million through bids wanted lists. The gap between yields on short-term and long-term securities narrowed.
 - Debt issued by U.S. states and local governments maturing in 10 years yields 87.76 percent of Treasuries, compared with 86.97 percent on Thursday and 86.35 percent a month ago. The rate for municipalities to swap to 10-year fixed-rate from floating-rate liabilities widened to 2.193 percent from 2.186 percent.
 - Municipalities plan to sell \$9.04 billion of bonds in the next month, while redemptions and announced calls total \$13.6 billion.

Sales of Taxable Municipal Bonds Highest since 2013



Source: Bloomberg



Equities

Indexes:



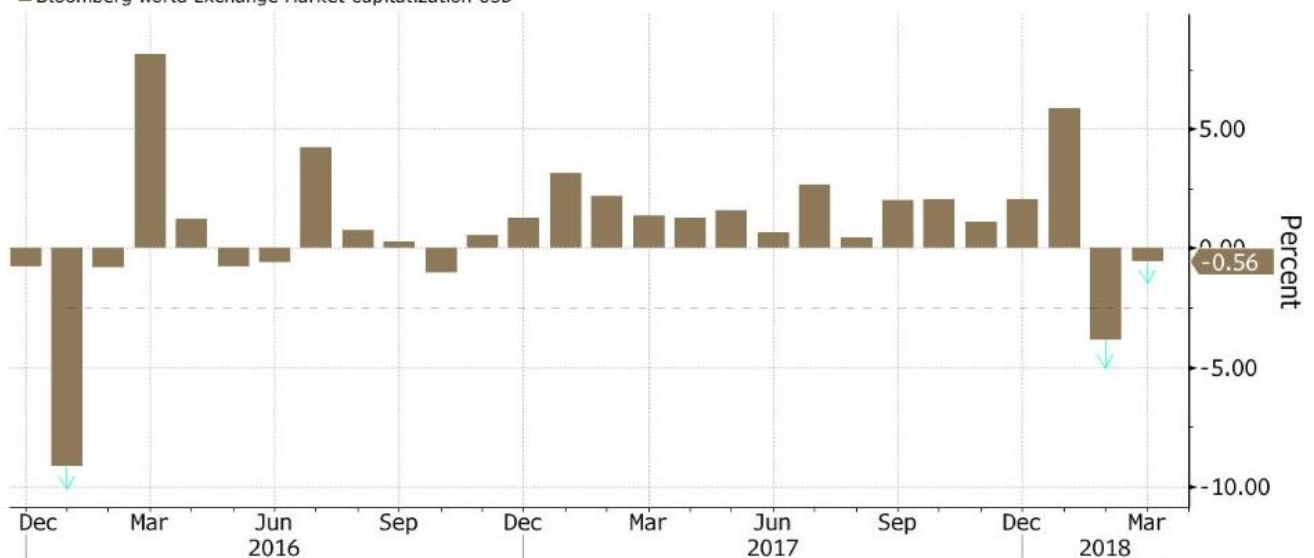
- ❖ **DJIA** – 24,441 current ▼ 2.6% the past month
- ❖ **S&P 500** – 2,683 current ▼ 1.6% the past month
- ❖ **Nasdaq** – 7,196 current ▼ 1.1% the past month

Stocks Mixed as Markets Contemplate Tariffs:

- 🌐 U.S. stocks were mixed Friday, with mega caps bearing the brunt of selling and small capitalization shares rallying. Treasuries slipped with the dollar as investors assessed the impact of a potential trade war.
 - ➔ The S&P 500 Index clawed back just about all of its opening decline but remained on track for a fourth-straight decline in the longest slump since the Republican tax cuts.
 - ➔ Large caps that generate most of their sales abroad remained under the most pressure, with the Dow Jones Industrial Average down more than 200 points after President Donald Trump suggested the U.S. will wage and win a trade war.
 - ➔ Domestically focused small caps in the Russell 2000 and Nasdaq Composite Index rose.
 - ➔ The CBOE Volatility Index, better known as the VIX, continued its four-day climb.

Equities See Rough Start to March After Worst Month Since 2016

■ Bloomberg World Exchange Market Capitalization USD



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