



Carty & Company, Inc.

Weekly Market Update – March 2018, Week 3

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.44	0.05	2.39
5	2.64	0.02	2.62
7	2.78	(0.00)	2.78
10	2.84	(0.01)	2.85
30	3.08	(0.05)	3.13

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.33	0.04	2.29
5	2.56	0.05	2.51
7	2.87	(0.02)	2.89
10	3.15	(0.04)	3.19
25	3.19	(0.07)	3.26

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.45	0.07	1.38
5	2.01	0.04	1.97
10	2.51	0.02	2.48
15	2.82	0.00	2.82
30	3.09	(0.00)	3.09

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.33	0.11	2.23
5	3.25	0.07	3.18
10	4.04	0.04	4.00
15	4.55	0.00	4.55
30	4.98	(0.00)	4.98

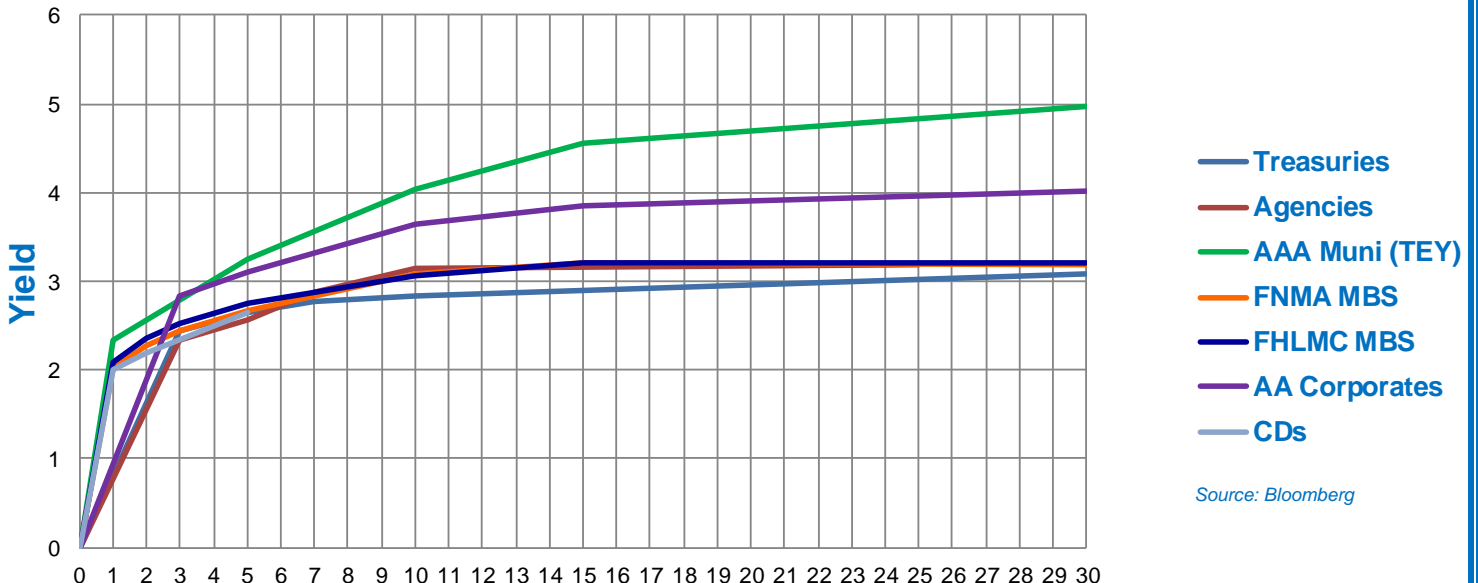
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.00	0.00	2.00
2	2.20	0.00	2.20
5	2.65	0.00	2.65

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	2.83	0.10	2.73
5	3.10	0.08	3.02
10	3.64	0.04	3.59
15	3.85	0.00	3.85
30	4.01	(0.01)	4.02

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.06	(0.01)	3.07
30yr	3.53	(0.03)	3.56
FHLMC	Yield	Change	1 Week Ago
15yr	3.08	(0.01)	3.09
30yr	3.54	(0.03)	3.57

Equities			
Index	Current	Change	1 Week Ago
DJIA	24,979	(288.34)	25,267
S&P 500	2,757	(21.22)	2,778
Nasdaq	7,489	(50.52)	7,540

Fixed Income Sector Performance



Source: Bloomberg



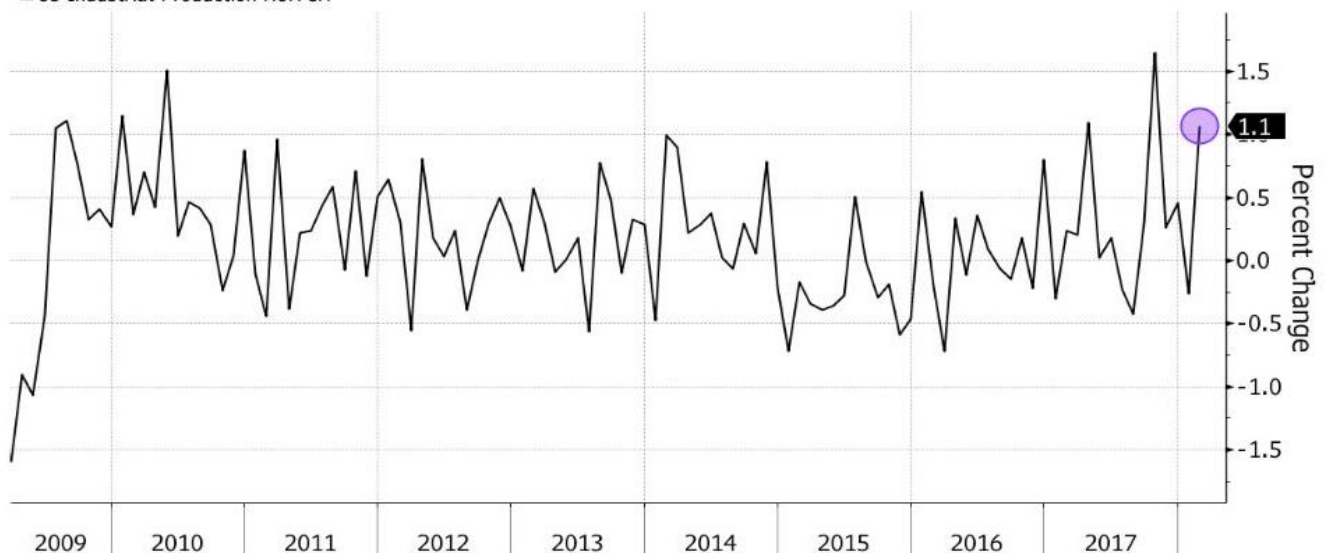
U.S. Factory Output Rebounds:

- 📍 U.S. factory production bounced back in February, far exceeding analyst estimates and showing a key part of the economy is on track for steady growth this quarter, Federal Reserve data showed Friday.
 - ➡ The gain in factory output showed broad-based improvement, expanding the most since October last year as automobile production as well as oil and gas drilling rebounded, the report showed. The data supports the outlook for a Fed rate increase next week, and could boost expectations that the central bank will ultimately hike four times in 2018 rather than the three projected by policy makers in December.
 - ➡ The outlook for manufacturing is solid, as lower taxes and a pickup in overseas markets are expected to spur business investment and exports. Continued strength in the labor market and rising household wealth should also support consumer demand for durable goods.

Factory Output Advanced in February Exceeding Estimates

■ US Industrial Production MOM SA

Source: Federal Reserve



U.S. Housing Starts Decline:

- 🏠 U.S. new-home construction cooled by more than expected in February on a reversal in the volatile multifamily category, while building remained on pace to contribute to economic growth this quarter, government figures showed Friday.
 - ➡ Even with February's decline, the results indicate homebuilding is continuing the progress made last year, with demand supported by a tight job market and steady pay gains. Mortgage rates remain historically low despite recent increases and consumer confidence is elevated as tax cuts aid disposable income.



Fixed Income

New Issue Corporate Bonds Underperforming:

- ✦ Fewer orders are coming in for new corporate bonds, relative to what's for sale. Companies that sell notes are paying more interest compared with their other debt, according to data compiled by Bloomberg. Once the securities start trading, prices by one measure have been falling about half the time.
 - ➔ It's the latest signal that the investment-grade debt market is losing steam after years of torrid gains, as rising rates and talk of tariffs weigh on the outlook for corporate profit.
 - ➔ Money managers' restraint amounts to more pain for companies. The average yield on corporate bonds is around its highest levels since January 2012, according to Bloomberg Barclays index data.
 - ➔ Even with CVS Health Corp.'s \$40 billion issue last week, sales volume for new investment-grade corporate debt is at its lowest level so far this year since 2014.
 - ➔ Outflows from mutual funds and exchange-traded funds, coupled with reduced corporate bond-buying have created a tough first quarter for investment-grade bonds.

Over Half of New Issues Last Monday & Tuesday Sold-Off Once They Priced

■ Share of new issue IG bonds trading wider on first day in secondary market

Source: Bank of America
Merrill Lynch



Municipal Bonds:

- 🏠 Municipal bonds rose yesterday as yields on benchmark 10-year notes decreased 0.7 basis point to 2.51 percent. Institutional investors offered \$1.19 billion through bids-wanted lists. The gap between yields on short-term and long-term securities narrowed for the fourth day to the flattest in a month.

- ➔ Debt issued by U.S. states and local governments maturing in 10 years yields 88.95 percent of Treasuries, compared with 85.46 percent a month ago. Trading in the municipal market totaled \$13.7 billion, up 17 percent from \$11.7 billion a week earlier.



Equities

Indexes:



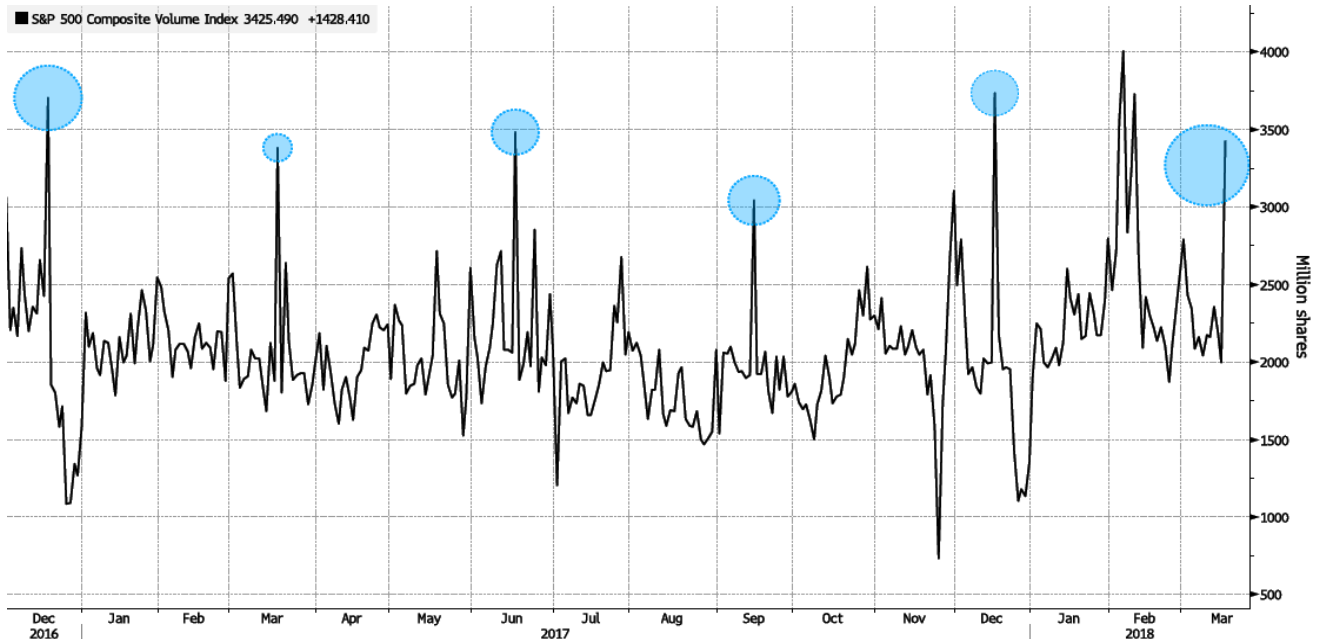
- ❖ **DJIA** – 24,979 current ▼ 1.1% the past week
- ❖ **S&P 500** – 2,757 current ▼ 0.8% the past week
- ❖ **Nasdaq** – 7,489 current ▼ 0.7% the past week

Stocks End Week on High Note Before Fed Meeting:

U.S. stocks closed higher Friday for the first time all week as traders digested positive factory output and consumer sentiment reports before next week's Federal Reserve meeting. Ten-year Treasury yields rose and the dollar gained.

- ➔ The S&P 500 broke out of longest slump of the year Friday, led by energy stocks as Texas crude spiked above \$62 a barrel. The benchmark fluctuated late in the session thanks in part to "quadruple witching," when futures and options contracts on indexes and individual stocks expire.
- ➔ European equities gained after Asian shares slipped. The euro pared an advance after the region's inflation figures were revised downward.

Volume Elevates on "Quadruple Witching" Day



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