



# Carty & Company, Inc.

## Weekly Market Update – March 2018, Week 4

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

Follow @FixedIncomes

### Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.40	(0.04)	2.44
5	2.60	(0.04)	2.64
7	2.74	(0.04)	2.78
10	2.81	(0.03)	2.84
30	3.06	(0.02)	3.08

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.31	(0.02)	2.33
5	2.52	(0.04)	2.56
7	2.84	(0.03)	2.87
10	3.13	(0.02)	3.15
25	3.19	(0.00)	3.19

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.52	0.07	1.45
5	2.07	0.06	2.01
10	2.52	0.01	2.51
15	2.80	(0.02)	2.82
30	3.07	(0.02)	3.09

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.45	0.11	2.34
5	3.34	0.10	3.24
10	4.07	0.02	4.05
15	4.52	(0.03)	4.55
30	4.95	(0.04)	4.98

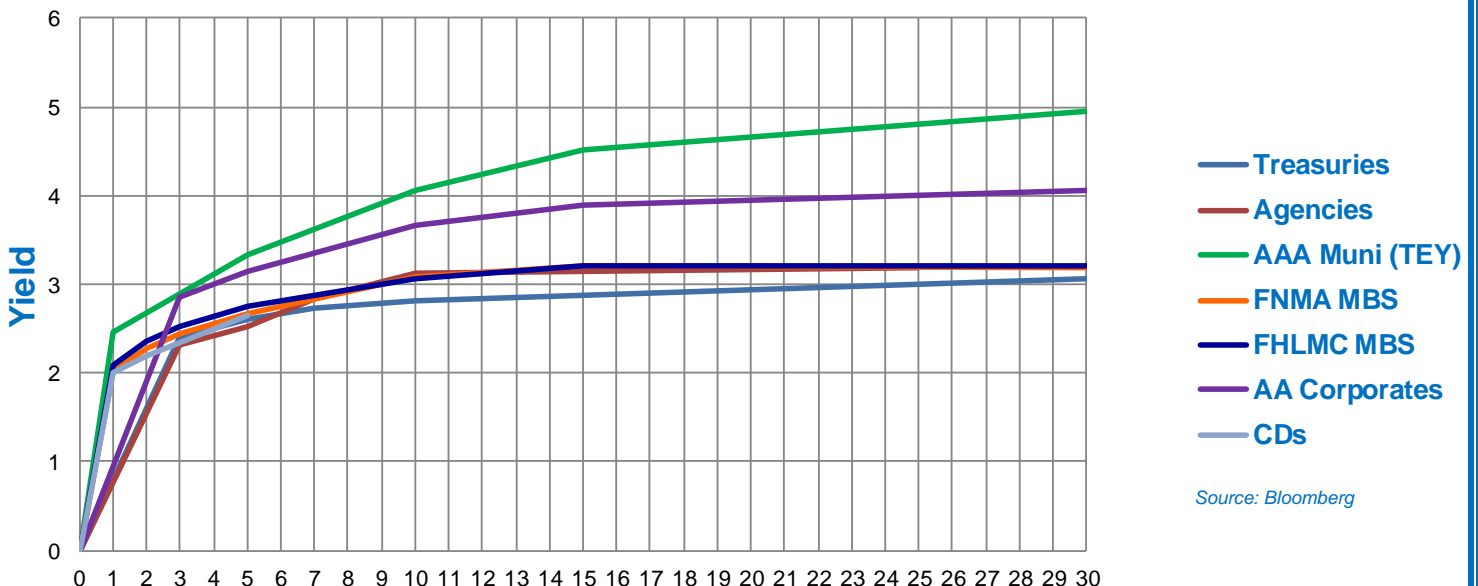
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.00	0.00	2.00
2	2.20	0.00	2.20
5	2.65	0.00	2.65

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	2.86	0.03	2.83
5	3.14	0.04	3.10
10	3.67	0.03	3.64
15	3.89	0.04	3.85
30	4.06	0.05	4.01

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.06	0.00	3.06
30yr	3.51	(0.02)	3.53
FHLMC	Yield	Change	1 Week Ago
15yr	3.09	0.01	3.08
30yr	3.52	(0.02)	3.54

Equities			
Index	Current	Change	1 Week Ago
DJIA	23,667	(1312.02)	24,979
S&P 500	2,610	(147.30)	2,757
Nasdaq	7,040	(449.42)	7,489

### Fixed Income Sector Performance



Source: Bloomberg



## U.S. Capital-Equipment Orders Rebound:

- ✂ Orders placed with U.S. factories for business equipment snapped back in February after two months of declines, consistent with steady manufacturing growth, a Commerce Department report showed Friday.
  - ➡ The bigger-than-expected rebound in the data suggests corporate outlays for equipment will remain strong in the first three months of 2018 after accelerating for five quarters. Analysts may also upgrade tracking estimates for first-quarter figures. While there still may be a tempering in the pace of investment, spending continues to be supported by firmer global economic growth and lower tax rates.
  - ➡ The sizable jump in February's figures reflected increases in categories including primary metals, fabricated metal products, machinery, electrical equipment and appliances.
  - ➡ That could also reflect efforts by businesses to place orders before Trump administration tariffs on imported steel and aluminum took effect. Investors and economists will watch data including durable goods and trade closely in coming months for any indications of an impact from the tariffs, other trade or retaliatory measures.

## New-Home Sales in U.S. Cool for Third Month:

- 🏠 Sales of new U.S. homes fell for a third straight month and supply swelled to the highest since 2009, suggesting that surging prices are increasingly deterring buyers, according to government data released Friday.
  - ➡ The data points to a general cooling of the new-homes market. At the same time, the upward revision to January's figure means the market was probably better overall in the first two months of the year than analysts had anticipated. Some of the strength in late 2017 may also reflect increased demand after hurricanes damaged homes in the South.
  - ➡ Steady hiring and elevated consumer confidence are expected to support demand for housing. Meanwhile, borrowing costs are picking up and property-price appreciation continues to outpace wage growth. That's crimping affordability, especially for younger residents and first-time buyers.

### Prices of New U.S. Homes Jump

■ U.S. new homes median sales price (NSA)





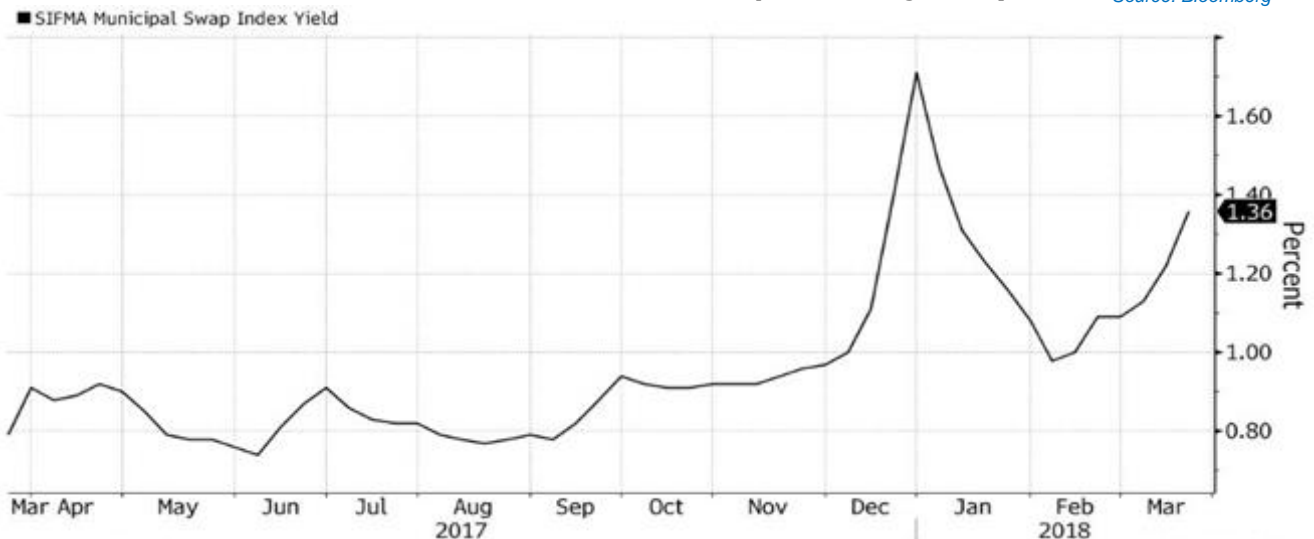
## Fixed Income

### Yields on Floating-Rate Municipals Jump:

- 🏠 The Federal Reserve's forecasts for a steeper path of interest-rate hikes through 2020 is pushing yields on floating-rate state and local government bonds, sending them toward the more than nine-year high last seen in December.
  - ➡ The SIFMA Municipal Swap Index, a gauge of municipal-bond yields that resets every seven days, climbed 14 basis points to 1.36 percent after the Fed's meeting Wednesday. The index held near zero for years as the central bank kept interest rates low after the recession.
  - ➡ The rise will likely help municipal money-market funds, which had struggled to draw in cash because of low yields and new regulations that subject their asset values to swings in the market, exposing investors to potential losses they hadn't faced previously.

### Yields on Variable-Rate Bonds on Upward Trajectory

Source: Bloomberg



### Muni Yields Fall, Curve Narrowest in Two Months:

- 🏠 Municipal bonds rose yesterday as yields on benchmark 10-year notes decreased 4.3 basis points to 2.52 percent. Institutional investors offered \$839.1 million through bids-wanted lists. The gap between yields on short-term and long-term securities narrowed for the ninth day to the flattest in two months.
  - ➡ The yield curve narrowed for the ninth day to 141 basis points on Friday from 146 basis points. The last time the gap was matched was on January 31<sup>st</sup>, according to data compiled by Bloomberg.
  - ➡ Debt issued by U.S. states and local governments maturing in 10 years yields 89.14 percent of Treasuries, compared with 85.25 percent one month ago.



# Equities

## Indexes:



- ❖ **DJIA** – 23,667 current ▼ 5.3% the past week
- ❖ **S&P 500** – 2,610 current ▼ 5.3% the past week
- ❖ **Nasdaq** – 7,040 current ▼ 6.0% the past week

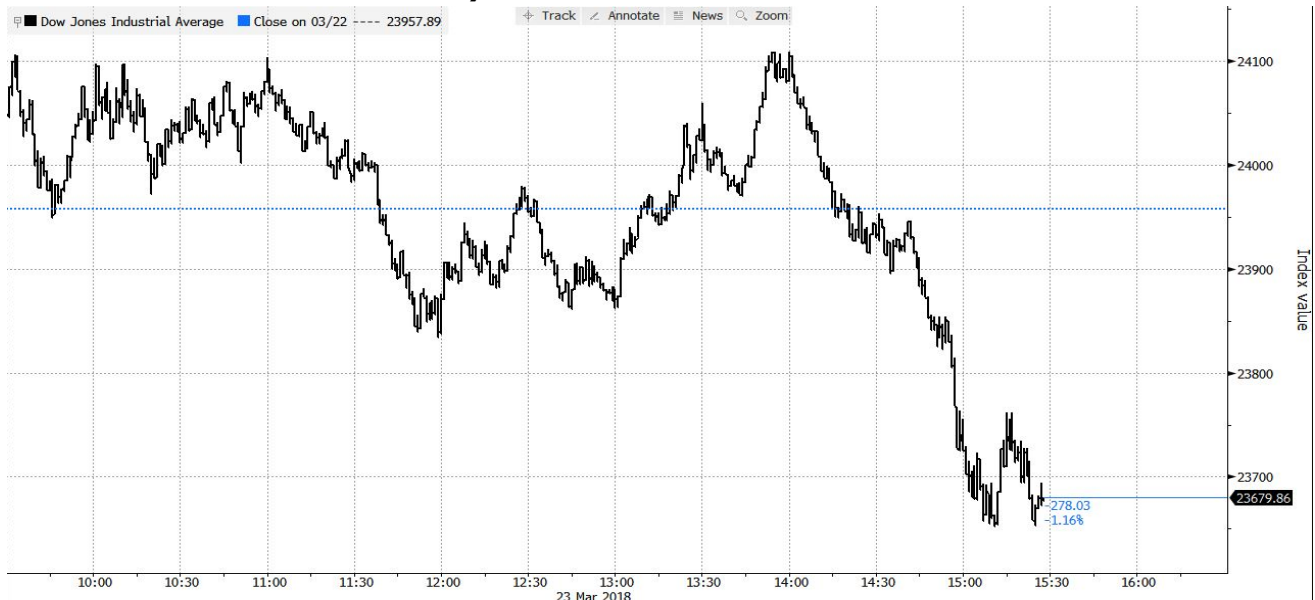
## Stocks Turn Lower Again as Volatility Increases:

U.S. stocks turned lower again in what turned out to be the worst week since the volatility-fueled meltdown in early February. Oil headed for the biggest weekly gain since September after the president installed a noted Middle East hawk into a top national security position.

- ➔ Global markets remained in a risk-off mode after China announced retaliation against Trump's proposed tariffs. China's ambassador to the U.S. wouldn't rule out the possibility of the Asian nation scaling back purchases of Treasuries in response to the tariffs.
- ➔ It's been a miserable week for higher-risk markets globally, as a trade war edged closer. The tech sector was roiled by Facebook Inc.'s privacy scandal and data showed European growth declining. Traders had already been bracing for the possibility of slowing expansion as the Federal Reserve reiterated its commitment to further interest-rate increases after Wednesday's hike.

### Volatility Returns to the U.S. Markets

Source: Bloomberg



### 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 & Company's express prior written consent.*