



Carty & Company, Inc.

Weekly Market Update – April 2018, Week 2

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

Follow @FixedIncomes

Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.50	0.10	2.40
5	2.67	0.09	2.58
7	2.77	0.07	2.70
10	2.82	0.05	2.77
30	3.03	0.01	3.02

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.42	0.11	2.31
5	2.62	0.11	2.51
7	2.86	0.06	2.80
10	3.12	0.04	3.08
25	3.14	0.00	3.14

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.66	0.04	1.62
5	2.10	(0.00)	2.10
10	2.42	(0.05)	2.47
15	2.71	(0.04)	2.75
30	2.99	(0.04)	3.02

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.67	0.06	2.61
5	3.38	(0.01)	3.39
10	3.91	(0.07)	3.98
15	4.37	(0.06)	4.44
30	4.81	(0.06)	4.87

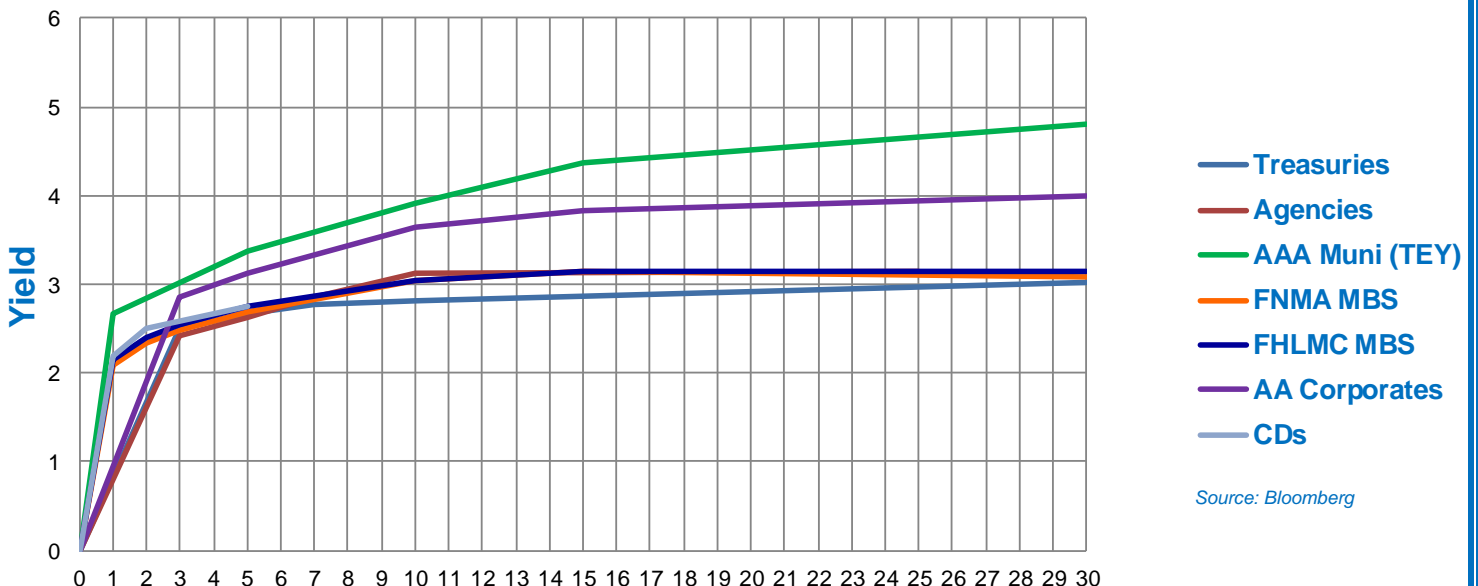
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.20	0.00	2.20
2	2.50	0.00	2.50
5	2.75	0.00	2.75

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	2.86	0.00	2.86
5	3.14	(0.01)	3.14
10	3.63	(0.03)	3.66
15	3.84	(0.04)	3.88
30	4.00	(0.05)	4.05

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.07	0.05	3.02
30yr	3.51	0.17	3.34
FHLMC	Yield	Change	1 Week Ago
15yr	3.10	0.04	3.06
30yr	3.52	0.16	3.36

Equities			
Index	Current	Change	1 Week Ago
DJIA	24,254	508.45	23,746
S&P 500	2,657	61.71	2,595
Nasdaq	7,107	225.65	6,881

Fixed Income Sector Performance



Source: Bloomberg



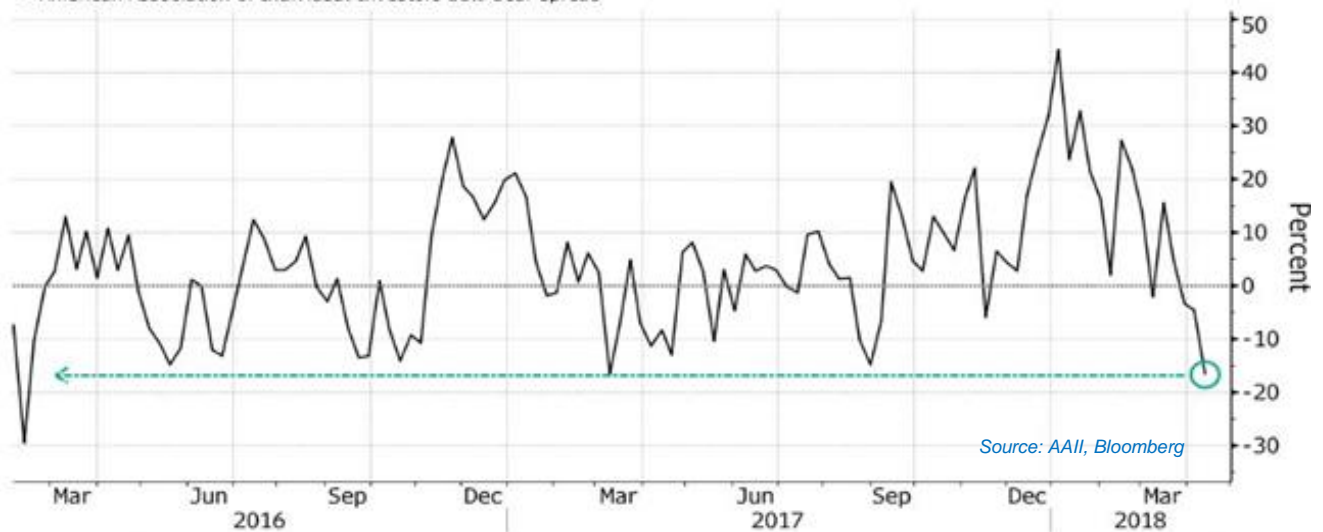
Economy

Both Consumer and Investor Sentiment Drops:

- 📍 U.S. consumer sentiment fell more than forecast in April on concerns about the impact of White House trade policy, according to a University of Michigan report Friday. Sentiment index declined to 97.8 (est. 100.4) from prior month's 101.4 reading that was the strongest since 2004.
 - ➡ Some 29 percent of survey respondents made spontaneous references to U.S. trade policy, with nearly all comments being negative. Even so, there were fewer unfavorable views of economic policy in April (27 percent) than the previous month's 33 percent.
- 🌐 The mood is darkening among U.S. retail investors according to the American Association of Individual Investors' survey, which has been running since 1987. The gap between those who say they are positive on the market to those with a bearish outlook has slumped to the lowest since February 2016. The about-turn from a bullish peak in January comes as optimism about a synchronized global economic growth spurt gives way to concern over a trade war, escalating tensions in the Middle East and a fractious U.S. political landscape.

Investor Gauge Shows Weakest Reading in Two Years

■ American Association of Individual Investors bull-bear spread



Fed's Core-Inflation Gauge Increasing:

- 📊 The Federal Reserve's preferred gauge of underlying U.S. inflation is about to hit policy makers' target for the first time in almost six years.
 - ➡ The personal consumption expenditures price index, excluding food and energy, likely rose 1.96 percent last month from a year earlier, according to economists at Goldman Sachs Group Inc.
 - ➡ While the Fed officially targets headline PCE prices, which include all items, officials often cite the core index as a more reliable indicator of inflation trends. That currently sits at 2.1 percent. The last time the core PCE annual figure registered above 2 percent was April 2012, at 2.03 percent.



Fixed Income

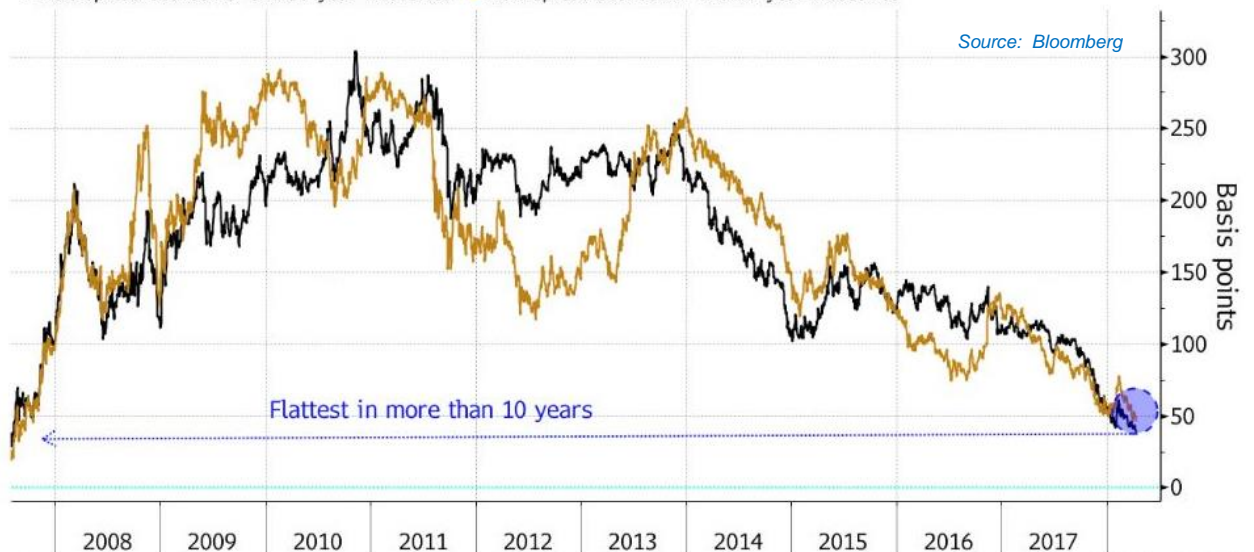
Yield Curve Flattening Continues Relentless New Lows:

▮ The spread between 5- and 30-year Treasury yields, as well as the gap for 2- and 10-year maturities, tumbled Wednesday to the lowest levels since 2007, at 37.2 basis points and 45.7 basis points, respectively.

- The flattening accelerated after CPI data came in largely as expected, perhaps bringing into focus other market-moving events, like President Trump's threat of a missile attack on Syria.

Treasury Yield Spreads Lowest Since Before Recession

■ Yield spread between 5- and 30-year Treasuries ■ Yield spread between 2- and 10-year Treasuries



Yields on Floating-Rate Municipals Highest in a Decade:

▮ A key gauge of yields on floating-rate municipal bonds climbed to the highest since late 2008.

- The steady increase in the SIFMA Municipal Swap Index, which rose 0.12 percentage point to 1.72 percent Wednesday, comes after years of holding near zero as the Federal Reserve kept interest rates low in the aftermath of the recession.
- The recent increase may have been driven in part by tax season, when investors frequently sell the securities to raise cash to pay what they owe. Securities dealers, who agree to buy back the bonds periodically whenever investors want to sell, saw their inventories of floating-rate municipal bonds rise to \$5.1 billion in the last week of March, the highest since late December, according to the Federal Reserve Bank of New York.
- The increase could provide a boost for municipal money-market funds, which have struggled to draw in cash because of low yields and new regulations that subject their asset values to swings in the market, a risk investors hadn't faced previously.



Equities

Indexes:



- ❖ **DJIA** – 23,746 current ▲ 2.1% the past week
- ❖ **S&P 500** – 2,595 current ▲ 2.4% the past week
- ❖ **Nasdaq** – 6,881 current ▲ 3.3% the past week

Bank Stocks Stumble on Wells Fargo Results:

🌐 U.S. stocks gave up earlier gains Friday amid weakness in the banking and financial sector. The KBW Bank Index was down as much as 2.1 percent in intraday trading as Wells Fargo & Co. fell as much as 3.6 percent. The decline followed Wells executives warning their first-quarter results may change as a settlement with regulators looms, loans dropped and mortgage-banking results trailed expectations.

- ➡ Citigroup Inc. and JPMorgan Chase & Co., whose Chief Executive Officer Jamie Dimon noted that the "environment is intensely competitive" after reporting results, were also lower. Only one member of the 24-member index was up on Friday.

Shares of U.S. Financials Fall on Worrying Wells Fargo Results, Competition



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.