



# Carty & Company, Inc.

## Weekly Market Update – April 2018, Week 4

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### Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.62	0.01	2.61
5	2.80	0.01	2.79
7	2.92	0.01	2.91
10	2.96	0.01	2.95
30	3.13	(0.01)	3.14

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.49	(0.00)	2.49
5	2.71	0.01	2.70
7	3.01	0.04	2.97
10	3.28	0.04	3.24
25	3.31	0.04	3.27

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.76	0.05	1.71
5	2.20	0.06	2.14
10	2.55	0.07	2.47
15	2.86	0.09	2.77
30	3.17	0.11	3.06

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.85	0.09	2.76
5	3.55	0.10	3.45
10	4.10	0.12	3.98
15	4.61	0.14	4.47
30	5.11	0.17	4.94

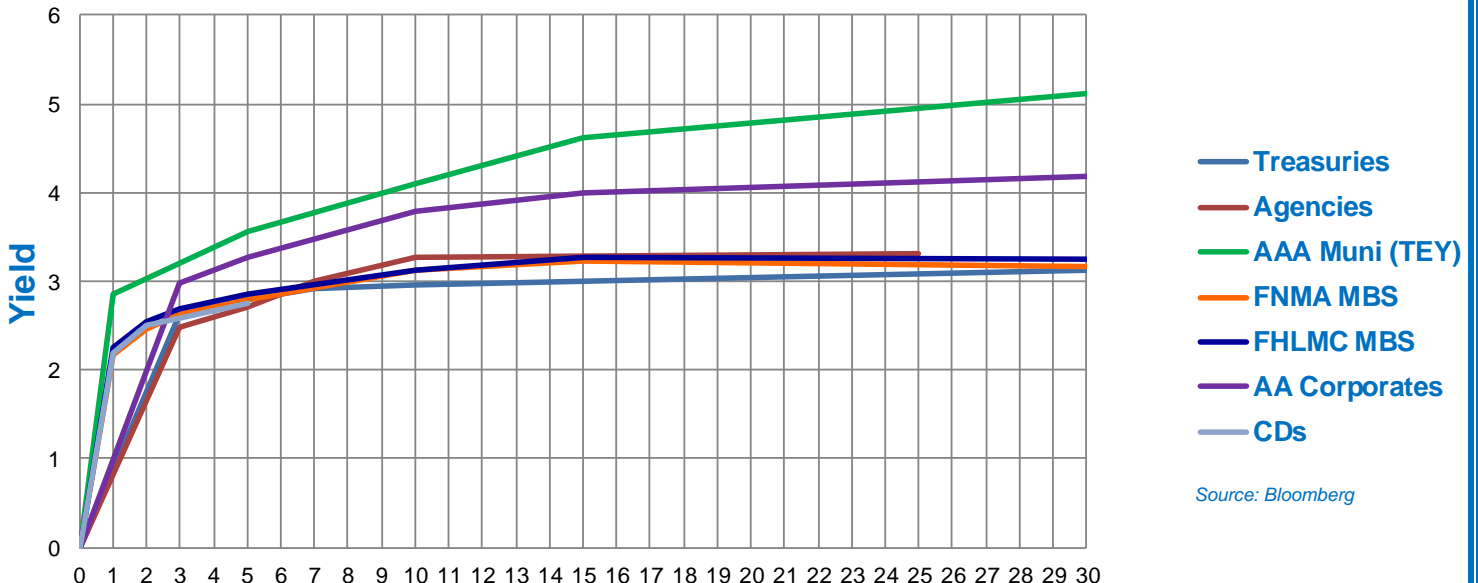
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.20	0.00	2.20
2	2.50	0.00	2.50
5	2.75	0.00	2.75

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	2.98	0.05	2.93
5	3.28	0.07	3.21
10	3.80	0.07	3.72
15	4.00	0.08	3.92
30	4.19	0.09	4.10

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.14	0.00	3.14
30yr	3.60	0.01	3.59
FHLMC	Yield	Change	1 Week Ago
15yr	3.17	0.00	3.17
30yr	3.61	0.01	3.60

Equities			
Index	Current	Change	1 Week Ago
DJIA	24,308	(74.71)	24,383
S&P 500	2,670	2.24	2,668
Nasdaq	7,124	(1.81)	7,126


### Fixed Income Sector Performance




Source: Bloomberg



### U.S. Growth Cools to 2.3%:

-  U.S. economic growth cooled last quarter as consumers pulled back following outside spending in the prior period, although solid business investment cushioned some of the weakness.
- Gross domestic product, the value of all goods and services produced in the nation, rose at a 2.3 percent annualized rate after climbing 2.9 percent in the prior quarter, the Commerce Department reported Friday. The median forecast of economists surveyed by Bloomberg called for a 2 percent gain. Consumer spending, the biggest part of the economy, rose 1.1 percent, matching estimates and marking the smallest gain since 2013.
  - While GDP growth was the best for any January-March period since 2015, it is a step down from three quarters of GDP growth above or near 3 percent, and a reminder that the first quarter remains plagued by data quirks. Analysts expect a rebound as tax cuts take hold amid a strong job market, though tailwinds such as low inflation and borrowing costs are starting to dissipate and trade tensions represent a headwind.
  - The 2.3 percent pace of GDP growth is still faster than what the Federal Reserve sees as the economy's long-term potential rate. Officials have previously said they view the first-quarter slowdown as transitory, with the economy poised to reach a milestone in May - the second-longest expansion on record. Investors also expect the central bank to raise interest rates in June for the second time this year.

### U.S. Employment Costs Accelerate with Faster Inflation:

-  U.S. employment costs increased more than forecast in the first quarter as worker pay and benefits accelerated, according to Labor Department data released Friday.
- The ECI data showed YoY acceleration in compensation in both services and goods-producing industries, underscoring widespread demand for labor. Employers are making more generous offers as they compete for workers in a tightening job market.
  - Rising labor costs will help push overall inflation toward the Federal Reserve's goal. At the same time, signs of emerging inflation pressures may elevate concern among investors that policy makers will have reason to raise interest rates more aggressively than anticipated.
  - The latest ECI figures may have also been influenced by several factors. The gauge of employer costs in the first quarter is prone to surprises as it includes year-end bonuses. The volatility may have also been magnified by one-time payouts made by companies in response to the Republican-backed tax cuts enacted in December.



## Fixed Income

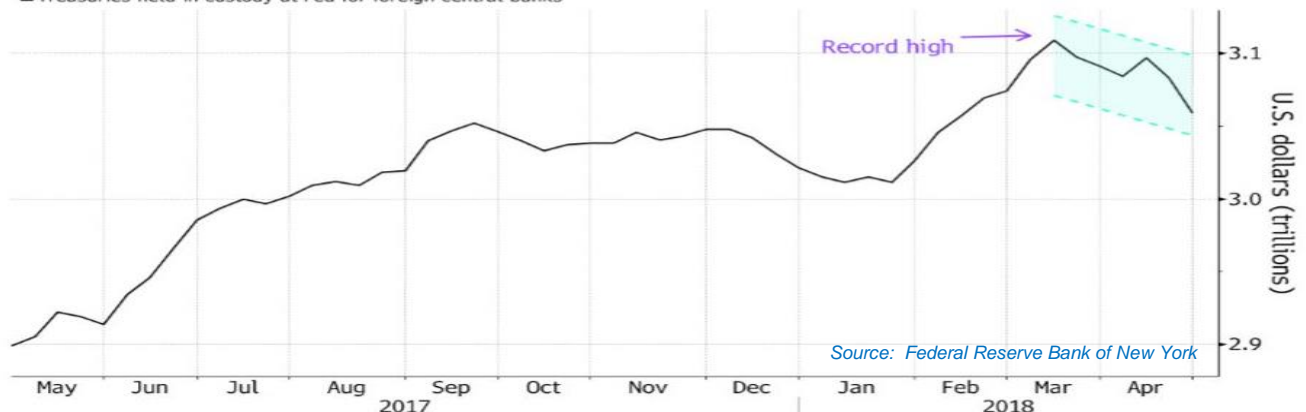
### Central Banks' Treasuries Demand Cools:

☰ Central banks may be losing their appetite for Treasuries just as supply is set to ramp up. The amount of U.S. government bills, notes and bonds held in custody at the Federal Reserve Bank of New York fell to \$3.06 trillion as of April 25<sup>th</sup>, down from a record high of \$3.11 trillion reached in March, data released Thursday shows.

- ➔ The decline suggests that some foreign official institutions may be reducing Treasury holdings in response to global trade tensions.

### Treasury Yield Spreads Lowest Since Before Recession

■ Treasuries held in custody at Fed for foreign central banks

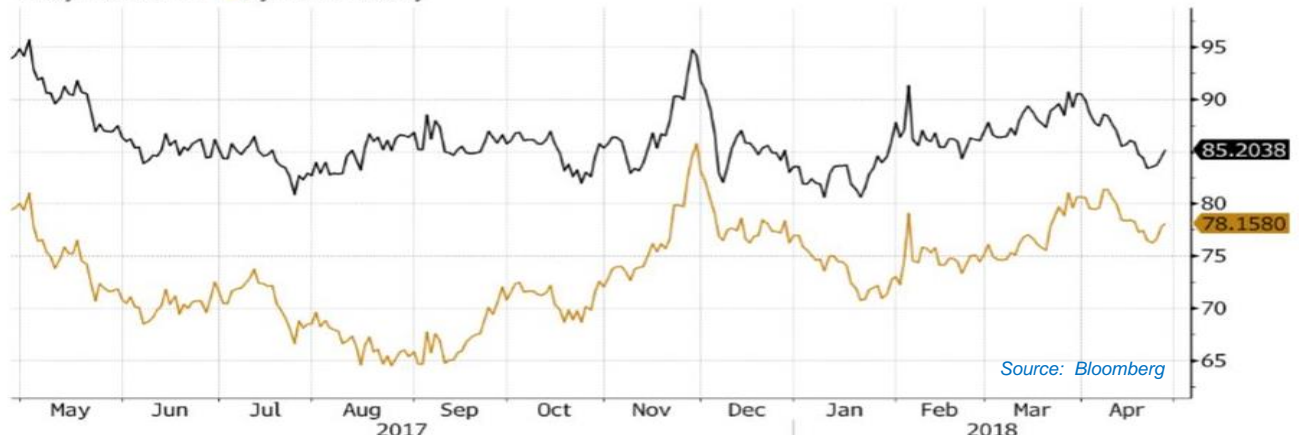


### 10-Year Municipals Better Value than 5-Year:

☰ As the Treasury market is whipsawed by concerns about rising interest rates, investors shifting into municipal debt in search of better returns may want to focus on 10-year bonds. These maturities are offering a better value than shorter-dated securities, relative to their taxable counterparts.

- ➔ The yield on 10-year tax-exempt bonds is about 85 percent of similar dated Treasuries. That's more than the 78 percent for five-year debt and 75 percent for those due in two years. The higher the relative yields, the cheaper the securities are in comparison.

■ 10 yr Muni % of TSY ■ 5 yr Muni % Treasury





# Equities

## Indexes:



- ❖ **DJIA** – 24,308 current ▼ 0.3% the past week
- ❖ **S&P 500** – 2,670 current ▲ 0.1% the past week
- ❖ **Nasdaq** – 7,124 current ▼ 0.3% the past week

## Stocks Fluctuate as Growth Debated:

- 🌐 U.S. stocks pushed higher in the final hour of trading on Friday as investors debated whether better-than-forecast corporate earnings are enough to offset signs the economy may be cooling.
  - ➡ After reporting strong results, tech giants including Microsoft, Intel and Amazon.com have had a tough time holding on to all their gains. At its high of the day, the S&P 500 Information Technology Sector was up 1 percent, but by midday it dropped into the red. It is a pattern that has plagued this earnings season: Even though companies are beating earnings predictions at the fastest rate ever, stocks have remained relatively flat since JPMorgan kicked off reports.

Sector	Year			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
<b>Consumer Discretionary</b> 17 Industries	+0.31%	-5.49%	+3.59%	16.5x	1.0x	1.27%
<b>Consumer Staples</b> 9 Industries	-2.09%	-13.85%	-11.14%	15.1x	1.0x	2.86%
<b>Energy</b> 3 Industries	+10.07%	-3.37%	+3.49%	14.0x	1.2x	1.74%
<b>Financials</b> 12 Industries	-0.16%	-7.32%	-0.49%	15.2x	2.1x	1.91%
<b>Health Care</b> 8 Industries	+1.59%	-8.43%	+1.40%	18.2x	1.2x	1.86%
<b>Industrials</b> 17 Industries	-1.66%	-9.09%	-3.60%	15.7x	1.1x	1.85%
<b>Information Technology</b> 10 Industries	-1.56%	-3.83%	+4.65%	14.8x	2.1x	0.90%
<b>Materials</b> 6 Industries	+2.00%	-8.83%	-3.57%	13.2x	1.1x	1.79%
<b>Telecommunication Services</b> 3 Industries	+1.41%	-9.35%	-8.85%	22.6x	1.3x	4.83%
<b>Utilities</b> 6 Industries	+3.80%	+0.64%	-2.41%	17.1x	1.3x	3.78%

### Important Information Regarding This Report

Source: Bloomberg

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