



Carty & Company, Inc.

Weekly Market Update – May 2018, Week 2

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Compare Rates

US Treasuries			
Maturity	Yield	Change	2 Weeks Ago
3	2.69	0.07	2.62
5	2.84	0.04	2.80
7	2.94	0.02	2.92
10	2.97	0.01	2.96
30	3.10	(0.03)	3.13

Agencies			
Maturity	Yield	Change	2 Weeks Ago
3	2.56	0.07	2.49
5	2.77	0.06	2.71
7	3.02	0.01	3.01
10	3.29	0.01	3.28
25	3.33	0.02	3.31

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	2 Weeks Ago
1	1.76	(0.00)	1.76
5	2.09	(0.11)	2.20
10	2.43	(0.12)	2.55
15	2.74	(0.12)	2.86
30	3.03	(0.14)	3.17

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	2 Weeks Ago
1	2.83	(0.00)	2.84
5	3.37	(0.18)	3.55
10	3.92	(0.19)	4.11
15	4.41	(0.20)	4.61
30	4.89	(0.22)	5.11

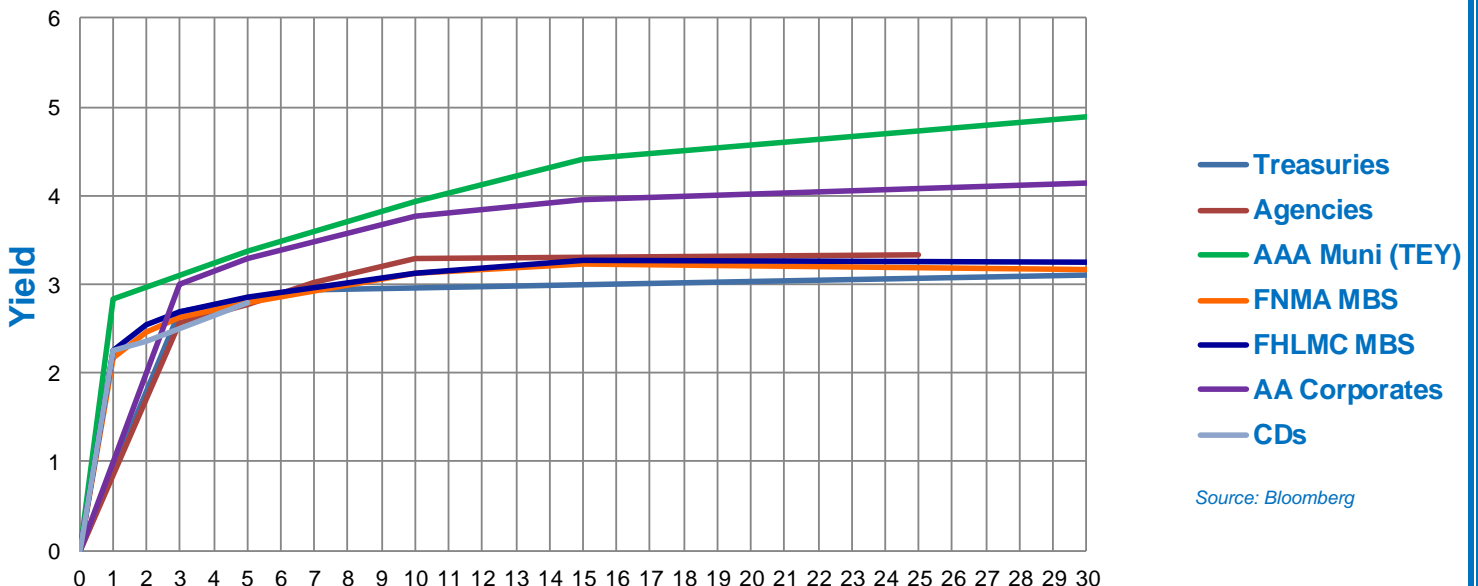
Brokered CDs			
Maturity	Yield	Change	2 Weeks Ago
1	2.25	0.05	2.20
2	2.35	0.05	2.30
5	2.80	0.05	2.75

Corporate Index (AA)			
Maturity	Yield	Change	2 Weeks Ago
3	3.00	0.02	2.98
5	3.28	0.00	3.28
10	3.77	(0.03)	3.80
15	3.96	(0.04)	4.00
30	4.15	(0.04)	4.19

MBS - Current Coupon			
FNMA	Yield	Change	2 Weeks Ago
15yr	3.23	0.09	3.14
30yr	3.72	0.12	3.60
FHLMC	Yield	Change	2 Weeks Ago
15yr	3.25	0.08	3.17
30yr	3.73	0.12	3.61

Equities			
Index	Current	Change	2 Weeks Ago
DJIA	24,828	520.49	24,308
S&P 500	2,725	55.03	2,670
Nasdaq	7,403	278.88	7,124

Fixed Income Sector Performance





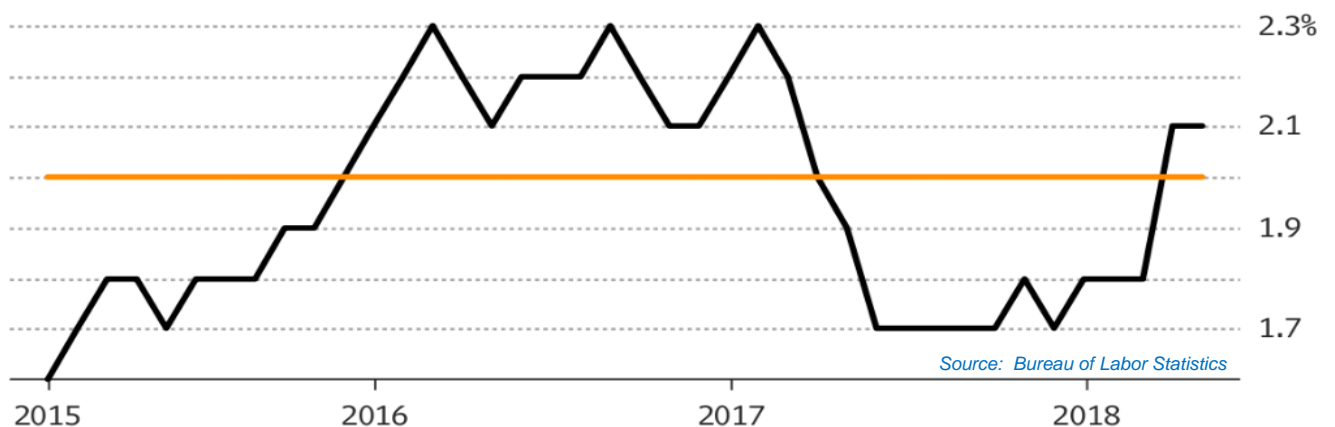
Economy

U.S. Consumer Prices Rise Less Than Forecast:

- ✂ U.S. consumer prices rose by less than forecast in April as costs for automobiles and airfares declined, reducing chances that inflation will run significantly above the Federal Reserve's target in coming months.
 - ➡ The consumer-price index advanced 0.2 percent from the prior month after a March decline of 0.1 percent, a Labor Department report showed Thursday, compared with the Bloomberg survey median of a 0.3 percent gain. Excluding food and energy, the core gauge was up a below-forecast 0.1 percent from March -- the least since November -- and 2.1 percent from a year earlier, compared with projections for 2.2 percent.
 - ➡ Prices for used cars had the biggest monthly drop since 2009 and airfares fell the most in four years. The dollar fell after the report suggested inflation isn't flaring up in a way that would be troublesome for policy makers, despite higher freight costs, a 17-year low in the unemployment rate and tariffs that are burdening businesses. The Fed is projected to raise interest rates in June for the second time this year, though officials were divided in March over whether three or four total hikes in 2018 were warranted.

Core Measure of U.S. Inflation Stabilizes Just Above Federal Reserve's Goal

■ CPI minus food, fuel (YoY) ■ Fed's inflation goal



Oil Continues Climbing:

- ⚡ Oil was poised for a second weekly gain as traders anticipated the supply impact of renewed U.S. sanctions on Iran and continuing tensions in the Middle East.
 - ➡ Futures in New York traded above \$71 a barrel, near the highest level since November 2014, and are up 2.3 percent this week. Israel said it conducted the biggest raid in at least three decades at Iran's military facilities inside Syria.
 - ➡ Concerns about the stability of the region were already heightened after U.S. President Donald Trump decided to exit a 2015 nuclear accord and hit OPEC's third-largest producer with sanctions intended to curb its exports.



U.S. Yield Curve Flattest Since August 2007:

🏠 The Treasury yield curve from 5 to 30 years flattened Thursday to the lowest level since August 2007, as a combination of weaker-than-expected U.S. inflation and solid demand for a record bond auction bolstered investor confidence in owning long-dated securities.

- ➡ The spread narrowed by more than 4 basis points, the most since February, dropping through a previous intraday low from April to 27.7 basis points. The gap between 2- and 10-year Treasuries also shrank in a bull flattening move.
- ➡ U.S. inflation took a breather in April from its acceleration in recent months, with the core consumer price index up by a weaker-than-anticipated 0.1 percent from March and just 2.1 percent on an annual basis. Perhaps in part because of the data, the Treasury saw good demand for its \$17 billion auction of 30-year bonds, the largest-ever sale of the maturity.

Treasury Yield Spreads Lowest Since Before Recession

■ Yield spread between 5- and 30-year Treasuries



Muni-Bond Sales Set to Climb:

🏠 The pace of state and local government debt sales appears poised to increase as requests for trading tickers for newly issued securities climbed for a second straight month.

- ➡ CUSIP Global Services, which oversees the identifier system used to exchange municipal bonds, said requests for CUSIPS for municipal securities, including bonds, long-term and short-term notes and commercial paper, rose 0.3 percent in April.
- ➡ The increase is noteworthy because it comes after a 30.9 percent jump in March, according to the service, which is run by S&P Global Market Intelligence.



Equities

Indexes:

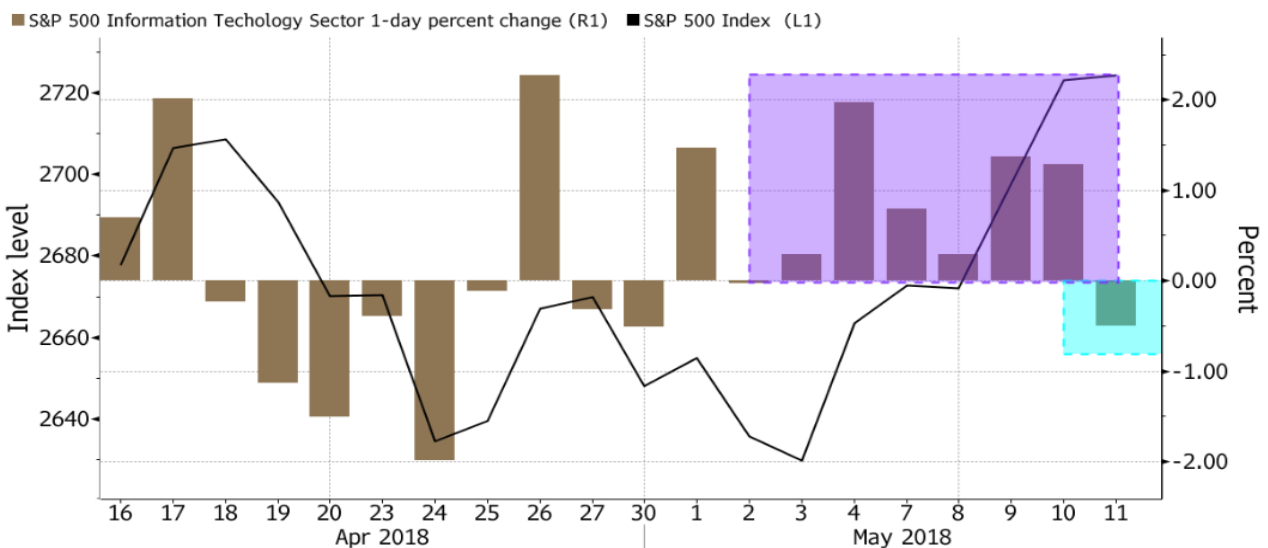


- ❖ **DJIA** – 24,828 current ▲ 2.1% the past two weeks
- ❖ **S&P 500** – 2,670 current ▲ 2.1% the past 2 weeks
- ❖ **Nasdaq** – 7,124 current ▲ 3.9% the past 2 weeks

Stocks Fluctuate as Growth Debated:

- 🌐 U.S. stocks were mixed Friday, with major benchmarks on track for the best week in two months amid growing conviction that inflation will remain tame and as trade tensions eased.
 - ➡ A slump in tech shares weighed on the S&P 500 Index, which fluctuated after paring gains of as much as 0.4 percent. The dollar steadied, leaving it little changed for the week, while 10-year Treasury yields hovered below 3 percent. Emerging-market shares rose for a fifth day, the best streak since January. Oil slipped, but headed for a second weekly advance after the U.S. quit the Iran nuclear deal.
 - ➡ The week saw a bullish tone take hold in equities following a great earnings season for the biggest U.S. companies and removal of some trade anxiety as China seemed to soften its tone. At the same time, investor anxiety about a rapid rise in global interest rates was eased after a tame inflation reading in the U.S. and a dovish policy decision by the Bank of England.

S&P 500 Technology Sector Suffers First Loss in 7 Days



Source: Bloomberg

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