



Carty & Company, Inc.

Weekly Market Update – June 2018, Week 1

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

Follow @FixedIncomes

Compare Rates

US Treasuries			
Maturity	Yield	Change	2 Weeks Ago
3	2.59	(0.13)	2.72
5	2.73	(0.16)	2.89
7	2.84	(0.18)	3.02
10	2.88	(0.18)	3.06
30	3.03	(0.17)	3.20

Agencies			
Maturity	Yield	Change	2 Weeks Ago
3	2.49	(0.09)	2.58
5	2.67	(0.12)	2.79
7	2.94	(0.16)	3.10
10	3.20	(0.17)	3.37
25	3.25	(0.16)	3.41

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	2 Weeks Ago
1	1.65	(0.12)	1.77
5	2.02	(0.11)	2.13
10	2.45	(0.09)	2.54
15	2.70	(0.14)	2.84
30	2.97	(0.16)	3.13

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	2 Weeks Ago
1	2.66	(0.19)	2.85
5	3.25	(0.18)	3.44
10	3.95	(0.15)	4.10
15	4.36	(0.22)	4.58
30	4.79	(0.26)	5.05

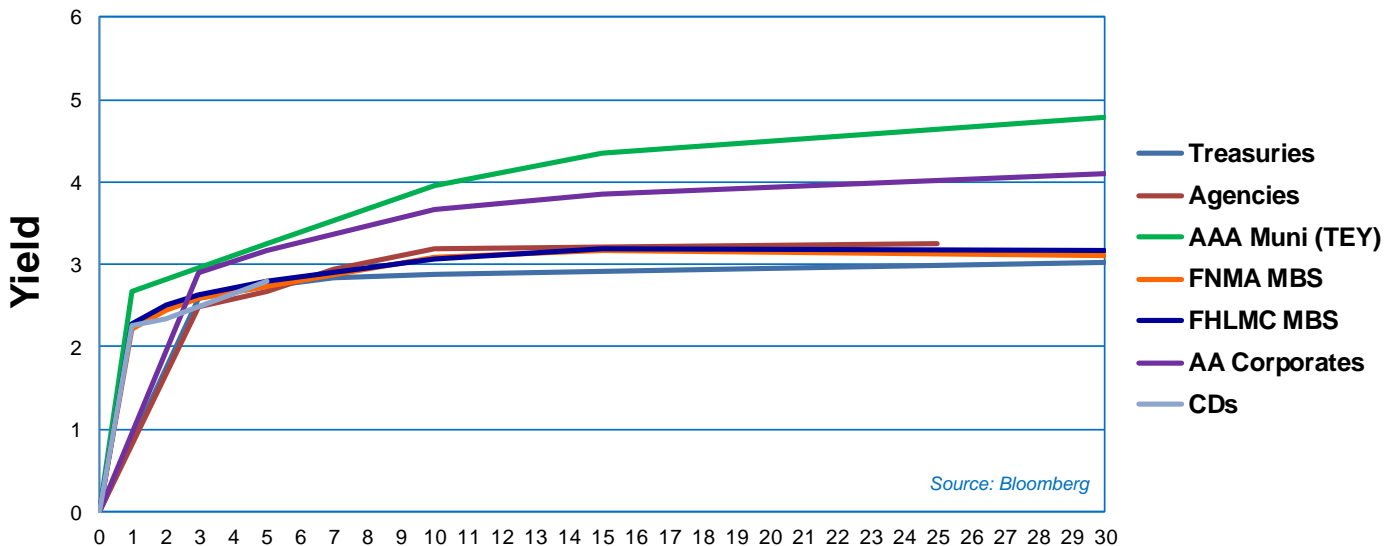
Brokered CDs			
Maturity	Yield	Change	2 Weeks Ago
1	2.25	0.00	2.25
2	2.35	0.00	2.35
5	2.80	0.00	2.80

Corporate Index (AA)			
Maturity	Yield	Change	2 Weeks Ago
3	2.91	(0.17)	3.07
5	3.17	(0.21)	3.38
10	3.66	(0.23)	3.89
15	3.86	(0.22)	4.08
30	4.09	(0.17)	4.26

MBS - Current Coupon			
FNMA	Yield	Change	2 Weeks Ago
15yr	3.14	(0.14)	3.28
30yr	3.58	(0.11)	3.69
FHLMC	Yield	Change	1 Week Ago
15yr	3.17	(0.13)	3.30
30yr	3.60	(0.11)	3.71

Equities			
Index	Current	Change	2 Weeks Ago
DJIA	24,617	(37.44)	24,654
S&P 500	2,735	21.50	2,713
Nasdaq	7,546	192.31	7,354

Fixed Income Sector Performance



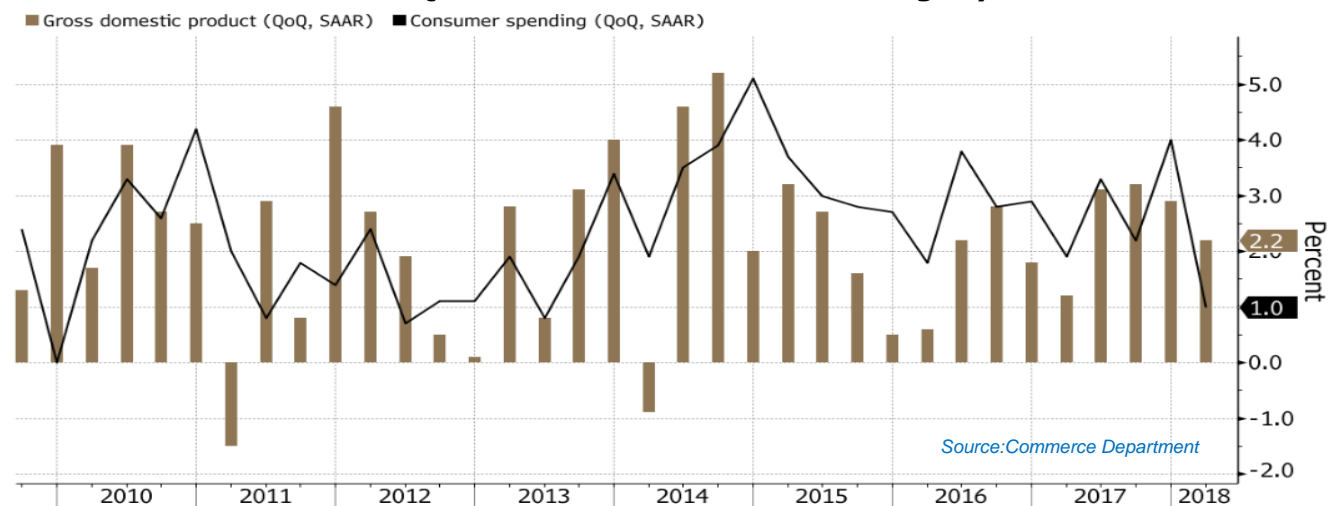


Economy

U.S. First-Quarter Growth Revised Down to 2.2%:

- 🌐 The U.S. economy grew in the first quarter at a slightly slower pace than previously estimated, while tax cuts gave a significant boost to corporate profits, according to Commerce Department data released Wednesday.
 - ➡ Gross domestic product grew at a 2.2% annualized rate revised up from 2.3%. Consumer spending grew 1%, revised down from 1.1%.
 - ➡ Consumer spending, which accounts for about 70 percent of the economy, was revised downward due to smaller contributions from services. At the same time, another key gauge of the economy was better than previously reported: Final sales to domestic purchasers, which strip out trade and inventories, the two most volatile components of the GDP calculation, advanced 1.9 percent. This data was revised up from 1.6 percent.
 - ➡ The first quarter typically is influenced by seasonal quirks. Household purchases and economic growth are projected to rebound in the April-June period amid bigger after-tax paychecks and the strong job market. However, a sustained and more pronounced rise in fuel costs would potentially restrain gains in consumer spending and business investment.

U.S. First-Quarter Growth Revised Down Slightly



Non-Farm Payrolls:

- 👤 Payrolls increased 223,000 following a revised 159,000 gain, Labor Department figures showed Friday.
 - ➡ The median estimate of analysts surveyed by Bloomberg called for 190,000 jobs. Average hourly earnings increased more than projected, up 2.7 percent from a year earlier. The jobless rate fell to 3.8 percent from 3.9 percent to match April 2000 as the lowest unemployment since 1969.

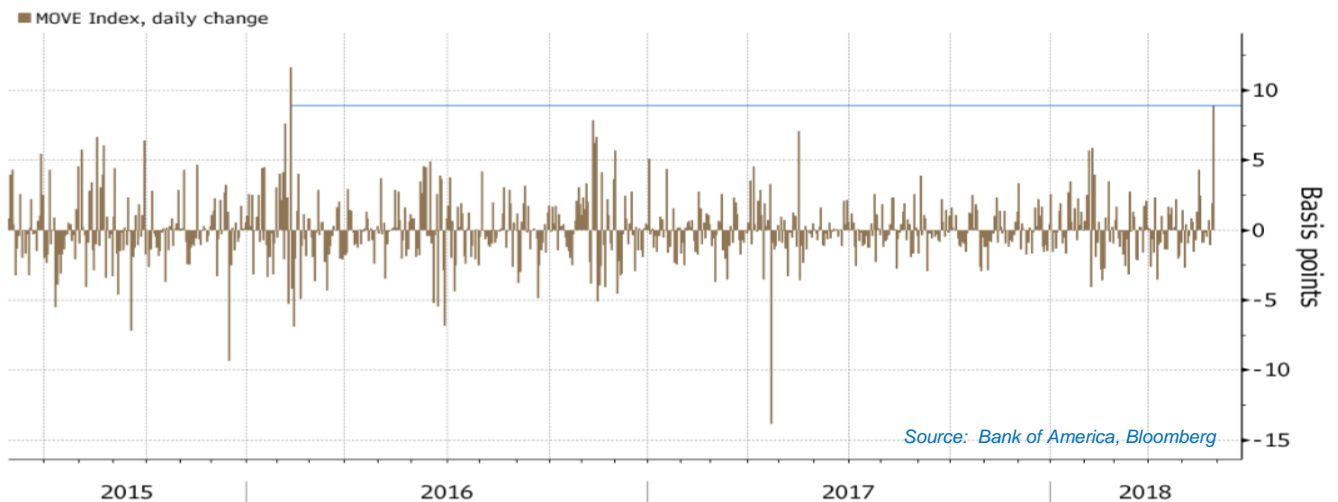


Fixed Income

Treasury Volatility Spikes with Biggest Jump Since 2016:

- On Tuesday, Italian politics did what a correction in U.S. equities and a breach of 3 percent on the U.S. 10-year yield could not: knocked the Treasury market out of its slumber.
 - Rates volatility re-emerged, with Merrill Lynch's MOVE Index surging by 9 basis points. That is the biggest one-day advance since February 2016 for the gauge, which tracks the implied volatility in U.S. debt across the yield curve.
 - In 2016, fears of a hard landing in China's economy sparked a retreat in risk assets that had traders placing non-trivial odds on the possibility of the Federal Reserve having to cut rates into negative territory.
 - Treasury traders were indeed whipsawed on Tuesday, as the 10-year yield fell from above 2.9 percent to below 2.8 percent overnight. They then proceeded to retrace most of the move before the cash open in U.S. equities before tumbling yet again to end the session below 2.8 percent, their biggest drop since the aftermath of the U.K. Brexit referendum in June 2016.

U.S. Treasury Volatility Reawakens



Relentless U.S. Treasury Curve Flattening Resumes:

- The flattening of the Treasuries yield curve gained momentum Thursday as the Federal Reserve's favored inflation gauge held at its 2 percent target and as month-end positioning played out.
 - Traders also repriced a higher path for Fed tightening, a reversal of earlier in the week when Italian debt prices slid. Minutes from the FOMC's last meeting indicated "several" officials were worried about the flattening (which makes sense as inversions have typically preceded U.S. recessions).



Equities

Stocks Rally as a Strong Jobs Report Gives Fed Cover:

- Stocks rallied and bonds fell on Friday as the latest U.S. jobs data bolstered optimism in the economy, all but solidifying a rate hike later this month. The dollar edged higher.
 - The S&P 500 Index headed for the highest close since March after the unemployment rate fell to 3.8 percent in May, the lowest in nearly half a century. Technology shares led the rally, with the Nasdaq Composite Index surging to an 11-week high. The dollar was set for a seventh straight week of gains, the longest streak since 2014, while the 10-year Treasury yield rose above 2.89 percent as investor focus turned to the pace of the Federal Reserve's rate increases.
 - In Europe, stocks were set for the largest gain in a month after Italy's populist parties grabbed power, ending a three-month political gridlock. The latest developments in Spain also removed uncertainty, providing some well-needed relief overseas.

United States Index Performance

Sector	Year			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Consumer Discretionary 17 Industries	+2.00%	+1.31%	+5.46%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	-1.56%	-6.74%	-12.59%	15.1x	1.0x	2.86%
Energy 3 Industries	+3.12%	+15.15%	+5.43%	14.0x	1.2x	1.74%
Financials 12 Industries	-0.43%	-4.26%	-1.76%	15.2x	2.1x	1.91%
Health Care 8 Industries	+1.42%	-0.40%	+1.71%	18.2x	1.2x	1.86%
Industrials 17 Industries	+3.04%	-1.91%	-2.10%	15.7x	1.1x	1.85%
Information Technology 10 Industries	+6.98%	+3.32%	+11.01%	14.8x	2.1x	0.90%
Materials 6 Industries	+2.18%	-1.33%	-3.29%	13.2x	1.1x	1.79%
Telecommunication Services 3 Industries	-2.50%	-5.35%	-12.27%	22.6x	1.3x	4.83%
Utilities 6 Industries	-0.91%	+5.25%	-2.74%	17.1x	1.3x	3.78%

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.