



Carty & Company, Inc.

Weekly Market Update – June 2018, Week 2

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

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.62	0.03	2.59
5	2.77	0.04	2.73
7	2.88	0.04	2.84
10	2.93	0.05	2.88
30	3.08	0.05	3.03

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.52	0.03	2.49
5	2.66	(0.01)	2.67
7	2.96	0.02	2.94
10	3.24	0.04	3.20
25	3.29	0.04	3.25

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.51	(0.14)	1.65
5	2.00	(0.02)	2.02
10	2.46	0.01	2.45
15	2.73	0.03	2.70
30	3.03	0.06	2.97

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.44	(0.22)	2.66
5	3.23	(0.03)	3.26
10	3.97	0.02	3.95
15	4.41	0.05	4.35
30	4.89	0.10	4.79

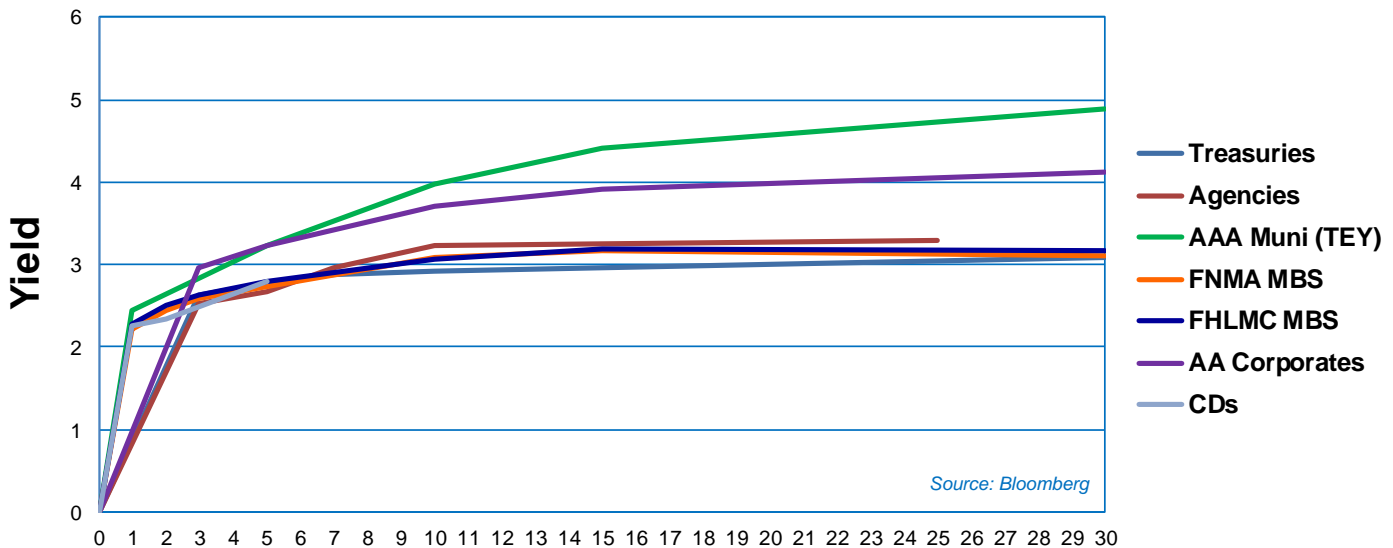
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.25	0.00	2.25
2	2.35	0.00	2.35
5	2.80	0.00	2.80

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	2.97	0.06	2.91
5	3.24	0.07	3.17
10	3.72	0.06	3.66
15	3.92	0.06	3.86
30	4.13	0.04	4.09

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.20	0.06	3.14
30yr	3.63	0.05	3.58
FHLMC	Yield	Change	1 Week Ago
15yr	3.22	0.05	3.17
30yr	3.65	0.05	3.60

Equities			
Index	Current	Change	1 Week Ago
DJIA	25,289	671.57	24,617
S&P 500	2,776	40.80	2,735
Nasdaq	7,645	99.48	7,546

Fixed Income Sector Performance



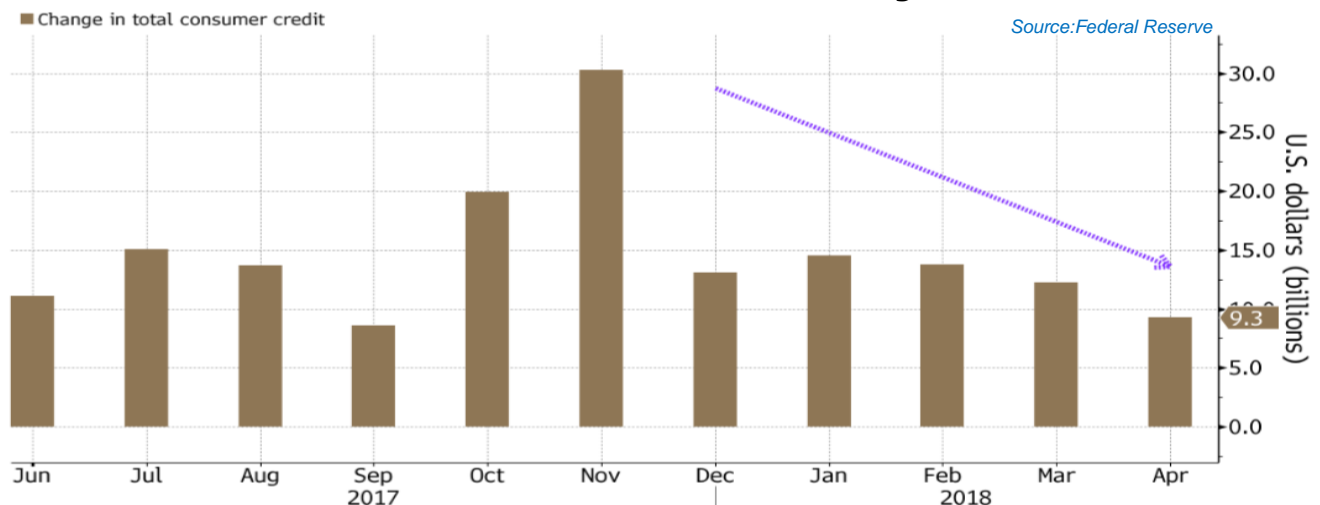


Economy

Consumer Credit Posts Smallest Gain in 7 Months

- U.S. consumer debt outstanding rose in April by the least in seven months, reflecting a slowdown in non-revolving credit, Federal Reserve figures showed Thursday.
 - Total credit increased \$9.3 billion month over month (estimate was \$14 billion) after an upwardly revised \$12.3 billion gain in March.
 - The slowdown in non-revolving debt, which includes education and auto loans, marks a shift from the first three months of the year when such credit rose by an average \$13.5 billion. The figure may partly reflect more moderate demand for motor vehicles following several years of robust gains.
 - Meanwhile, revolving credit picked up in April, representing an uptick from the subdued pace in the first three months of the year. The Fed's consumer credit report doesn't track debt secured by real estate, such as home equity lines of credit and home mortgages.
 - With less debt outstanding and more after-tax incomes this year, American consumers are better positioned to boost spending.

U.S. Consumers Are More Restrained in Adding to Debt



Consumer Comfort Cools to 5-Month Low:

- Americans' sentiment cooled as a gauge of views on the economy fell to a 5-month low, the Bloomberg Consumer Comfort Index showed Thursday.
 - Even with the latest results, the weekly comfort index is running only slightly below its 2018 average of 55.9, having cooled gradually from a 17-year high reached in mid-April.
 - Rising gasoline costs are a headwind for Americans' pocketbooks, though that's being cushioned by the strong labor market. Firmer job growth helps explain why economists are projecting a pickup in second-quarter consumer spending.



Fixed Income

Top Bond News:

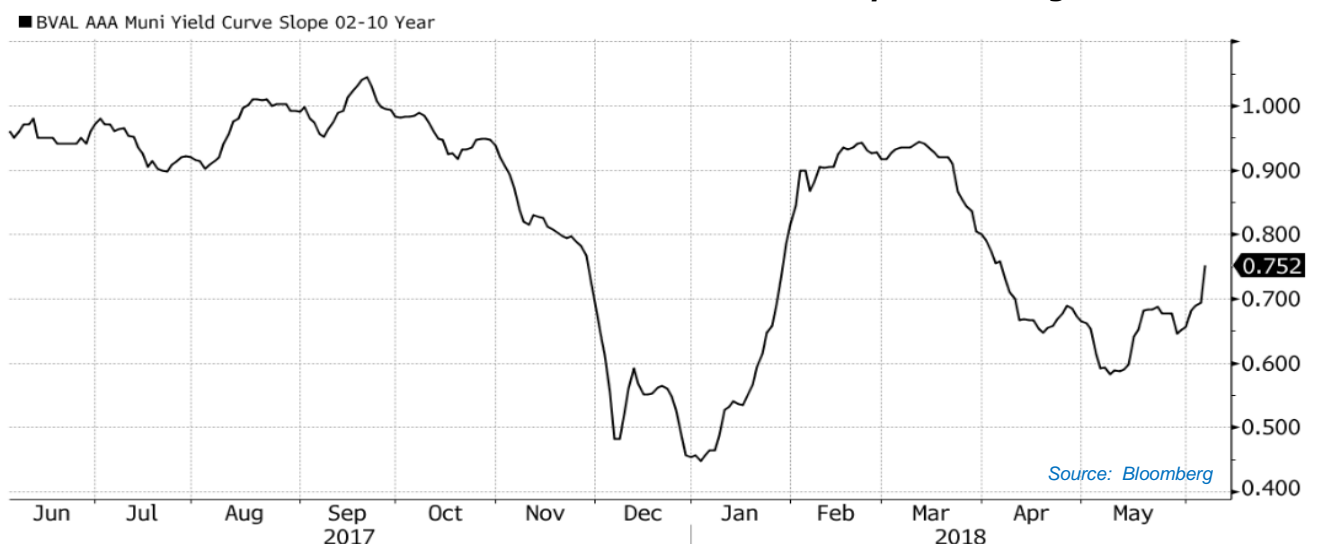
- **Treasuries:** Treasuries rallied sharply Friday, although they ended off best levels reached after mystery spike higher in 10-year futures during the early afternoon. Risks from emerging markets (notably Brazil and Italy) remain in focus as safe haven flows dominated trading.
- **MBS:** Fannie Mae mortgage spreads over the UST 5/10 blend continued widening Friday, with the current coupon at its widest since April 2nd, as the strong Treasury rally and next week's impending Treasury sales and FOMC meeting keep buyers sidelined.
 - ➔ While it remains within a range seen over the last four months, the Fannie Mae current coupon spread over the UST 5/10 blend looks poised to break out on the upside with a close Thursday of +83bps.
- **Municipals:** Municipal bonds were flat Friday as yields on benchmark 10-year notes remained at 2.46 percent. The yield curve widened for the fifth day to 135 basis points yesterday from 132 basis points. The last time the gap was larger was on March 27th, when it was at 137bps, according to data compiled by Bloomberg.

Muni Buyers Seeking Short-Dated Debt:

Municipal-bond investors are flocking to the short end of the curve ahead of the Federal Reserve's meeting next week, when the central bank is expected to raise interest rates.

- ➔ Shorter-dated municipals have gained as a result, with yields on top-rated municipals maturing in a year falling 11bps in the week since Thursday. That stands in contrast to a sell-off in longer dated securities, which pushed up 30-year yields by 8bps and widened the difference between two- and 10-year yields to the most since April.

The Difference Between 2- and 10-Year Municipals is Rising





Equities

Stocks Push Higher as Risk-Off Sentiment Eases:

- U.S. equities made a Friday afternoon push higher as the risk-off sentiment gripping investors late in the week faded. Brazil's real surged after the central bank pledged to support the currency.
 - The S&P 500, Nasdaq Composite and Dow Jones Industrial Average all turned positive after beginning the day lower.
 - President Donald Trump arrived in Canada for the Group of Seven meeting, vowing before he left the U.S. that he won't bend to longtime allies on tariffs. Treasury yields were little changed, while the dollar pared gains.
 - After appearing to regain some swagger this week, global markets dropped back into risk-off mode Thursday as old worries moved to the forefront. Underwhelming data releases from France and Germany continued a run of poor economic news in the euro area, while growing cracks in the developing world are adding to concerns. The Stoxx Europe 600 Index had earlier followed Chinese and Hong Kong shares negative.

United States Index Performance

Sector	Performance			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Consumer Discretionary 17 Industries	+5.03%	+4.76%	+9.54%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	+1.45%	-6.45%	-11.67%	15.1x	1.0x	2.86%
Energy 3 Industries	+3.82%	+15.52%	+6.70%	14.0x	1.2x	1.74%
Financials 12 Industries	+2.40%	-2.12%	+1.22%	15.2x	2.1x	1.91%
Health Care 8 Industries	+4.77%	+0.72%	+4.12%	18.2x	1.2x	1.86%
Industrials 17 Industries	+4.52%	+0.40%	+0.34%	15.7x	1.1x	1.85%
Information Technology 10 Industries	+5.22%	+4.41%	+13.91%	14.8x	2.1x	0.90%
Materials 6 Industries	+4.46%	+0.77%	+0.20%	13.2x	1.1x	1.79%
Telecommunication Services 3 Industries	+3.54%	-4.24%	-9.33%	22.6x	1.3x	4.83%
Utilities 6 Industries	-5.09%	+0.84%	-7.07%	17.1x	1.3x	3.78%

Source: Bloomberg

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