



Carty & Company, Inc.

Weekly Market Update – June 2018, Week 3

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.68	0.06	2.62
5	2.80	0.03	2.77
7	2.88	0.00	2.88
10	2.92	(0.01)	2.93
30	3.04	(0.04)	3.08

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.58	0.06	2.52
5	2.73	0.07	2.66
7	2.97	0.01	2.96
10	3.23	(0.01)	3.24
25	3.27	(0.02)	3.29

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.48	(0.17)	1.65
5	2.00	(0.02)	2.02
10	2.49	0.03	2.45
15	2.76	0.06	2.70
30	3.04	0.07	2.97

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.39	(0.27)	2.66
5	3.23	(0.03)	3.26
10	4.01	0.06	3.95
15	4.45	0.09	4.35
30	4.91	0.12	4.79

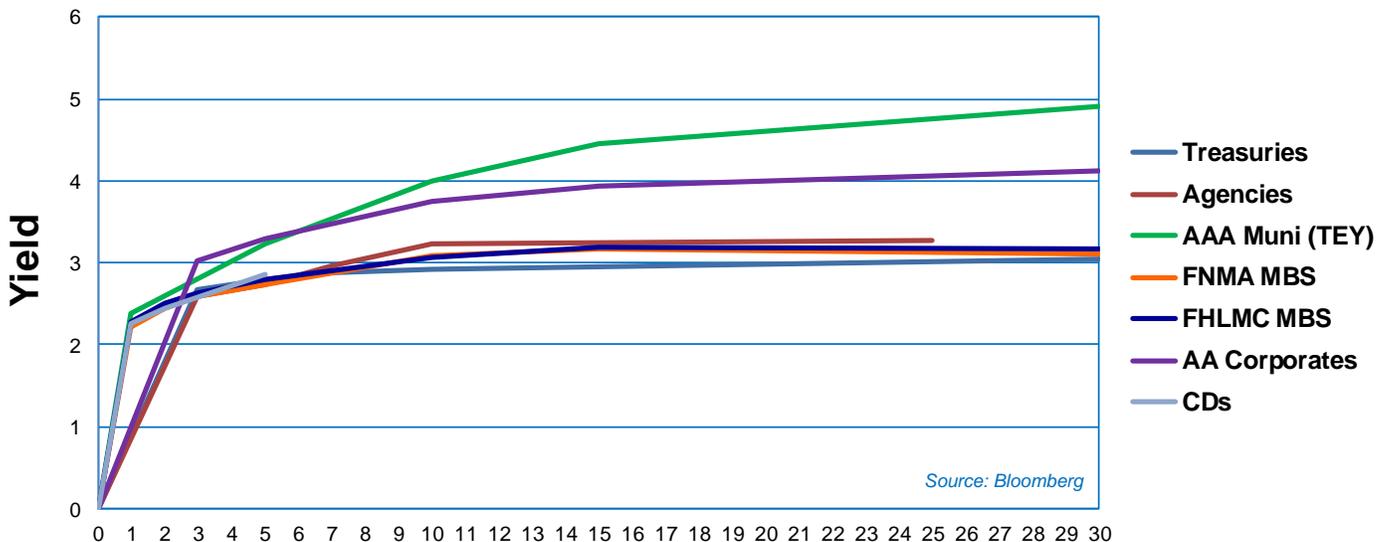
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.25	0.00	2.25
2	2.45	0.10	2.35
5	2.85	0.05	2.80

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	3.04	0.06	2.97
5	3.29	0.05	3.24
10	3.74	0.02	3.72
15	3.93	0.01	3.92
30	4.12	(0.01)	4.13

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.17	(0.03)	3.20
30yr	3.61	(0.02)	3.63
FHLMC	Yield	Change	1 Week Ago
15yr	3.20	(0.02)	3.22
30yr	3.63	(0.02)	3.65

Equities			
Index	Current	Change	1 Week Ago
DJIA	25,005	(283.83)	25,289
S&P 500	2,779	3.42	2,776
Nasdaq	7,746	101.38	7,645

Fixed Income Sector Performance



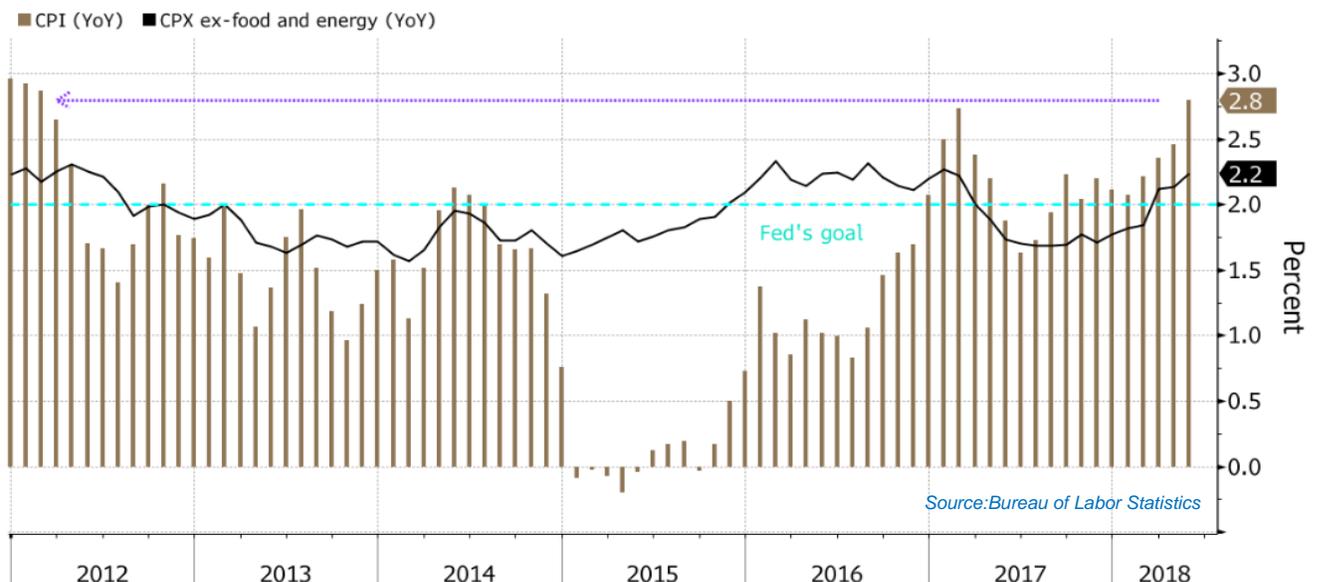


Economy

U.S. Inflation Accelerates to Six-Year High:

- U.S. inflation accelerated in May to the fastest pace in more than six years, reinforcing the Federal Reserve's outlook for gradual interest-rate hikes while eroding wage gains that remain relatively tepid despite an 18-year low in unemployment.
 - The consumer price index rose 0.2 percent from the previous month and 2.8 percent from a year earlier, matching estimates, a Labor Department report showed Tuesday. The annual gain was the biggest since February 2012 and follows a 2.5 percent increase in April. Excluding food and energy, the core gauge was up 0.2 percent from the prior month and 2.2 percent from May 2017, also matching the median estimates of economists.
 - The pickup in headline inflation partly reflects gains in fuel prices, though the annual gain in the core measure – seen by officials as a better gauge of underlying inflation trends -- was the most since February 2017. While the Fed is did raise borrowing costs last week for the sixth time in 18 months, the path of inflation will figure into policy makers' thinking on the pace of increases for the second half and in 2019.
 - A separate Labor Department report on Tuesday illustrated how higher prices are pinching wallets. Average hourly wages, adjusted for inflation, were unchanged in May from a year earlier, even as nominal pay accelerated to a 2.7 percent annual gain from 2.6 percent in April. For production and nonsupervisory workers, real average hourly earnings fell 0.1 percent from a year earlier.

After Gain in Gasoline Prices, Rents Helped Drive CPI to Six-Year High





Fixed Income

Municipalities Showing Signs of Improving Finances:

- U.S. states' finances are continuing to improve as the nation's long economic expansion has left fewer governments facing budget deficits for the coming fiscal year, according to the National Association of State Budget Officers.
 - Only 13 states projected shortfalls totaling \$9.5b for fiscal 2019 when putting together spending plans, compared with \$26b seen by 19 states last year
 - Total state general fund revenues are expected to climb 4.9% in 2018, up from to 2.3% in the prior year, with collections exceeding or meeting initial forecasts in 39 states.
 - This improvement reflects continued job growth, a stronger performance of the stock market in the 2017 calendar year and a modest recovery in some energy-producing states following steep oil and gas price declines.

Supply and Demand, Not Fed, Driving Municipal Market:

- With long- and short-term state and local-government bond sales down 16 percent this year, deals are becoming extremely oversubscribed.
 - The steep drop-off in municipal debt sales, spurred largely by a provision of the federal tax overhaul that did away with a key type of refinancing, stands in contrast to the Treasury market, where new sales have continued to climb.
 - That has helped to shelter investors from the impact of higher interest rates, leaving them with smaller losses than other fixed-income assets. Municipals have lost about 0.5 percent this year, compared with 1.75 percent for Treasuries and 3.4 percent for corporate debt, according to Bloomberg Barclays indexes.

Munis Outperform Other Markets as Borrowing Slowed





Equities

Stocks Pare Losses as Traders Weigh Tariff Threat:

- Stocks pared losses on Friday as investors weighed China's reaction to U.S. tariff threats. Markets saw high volumes and wild price swings associated with so-called quadruple-witching.
 - The S&P 500 Index rose from session lows Friday after China, in response to U.S. President Donald Trump's proposed tariffs on \$50 billion of Chinese goods, said it would impose levies on \$34 billion of American imports starting next month.
 - Trade-sensitive sectors including technology hardware and industrials led decliners. Energy firms also got hit by sinking oil prices. Consumer staples and telecoms gained, offsetting some of the drop. Complicating the picture is quadruple-witching, a quarterly event when futures and options contracts on indexes and individual stocks expire.
 - With reports suggesting America is already preparing a second list of targeted goods worth as much as \$100 billion, China said it doesn't want a trade war but would have to counter. Stocks in the country fell earlier, and the Shanghai Composite gauge closed at its lowest level since September 2016.

United States Index Performance

Sector	Performance			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Consumer Discretionary 17 Industries	+6.72%	+6.00%	+11.94%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	+3.24%	-4.62%	-9.95%	15.1x	1.0x	2.86%
Energy 3 Industries	-1.73%	+13.31%	+5.16%	14.0x	1.2x	1.74%
Financials 12 Industries	-1.63%	-3.63%	-0.36%	15.2x	2.1x	1.91%
Health Care 8 Industries	+2.88%	+0.90%	+5.67%	18.2x	1.2x	1.86%
Industrials 17 Industries	+1.70%	-0.27%	-0.20%	15.7x	1.1x	1.85%
Information Technology 10 Industries	+3.94%	+4.16%	+15.31%	14.8x	2.1x	0.90%
Materials 6 Industries	+1.92%	+0.67%	-0.30%	13.2x	1.1x	1.79%
Telecommunication Services 3 Industries	+0.21%	-6.15%	-11.43%	22.6x	1.3x	4.83%
Utilities 6 Industries	-1.57%	0.00%	-5.58%	17.1x	1.3x	3.78%

Important Information Regarding This Report

Source: Bloomberg

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