



Carty & Company, Inc.

Weekly Market Update – June 2018, Week 4

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

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.65	(0.03)	2.68
5	2.77	(0.03)	2.80
7	2.86	(0.02)	2.88
10	2.90	(0.02)	2.92
30	3.04	0.00	3.04

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.58	(0.00)	2.58
5	2.71	(0.02)	2.73
7	2.95	(0.02)	2.97
10	3.20	(0.03)	3.23
25	3.25	(0.02)	3.27

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.48	(0.00)	1.48
5	2.01	0.01	2.00
10	2.47	(0.02)	2.49
15	2.75	(0.01)	2.76
30	3.02	(0.02)	3.04

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.38	(0.01)	2.39
5	3.24	0.01	3.23
10	3.99	(0.03)	4.02
15	4.43	(0.02)	4.45
30	4.87	(0.03)	4.90

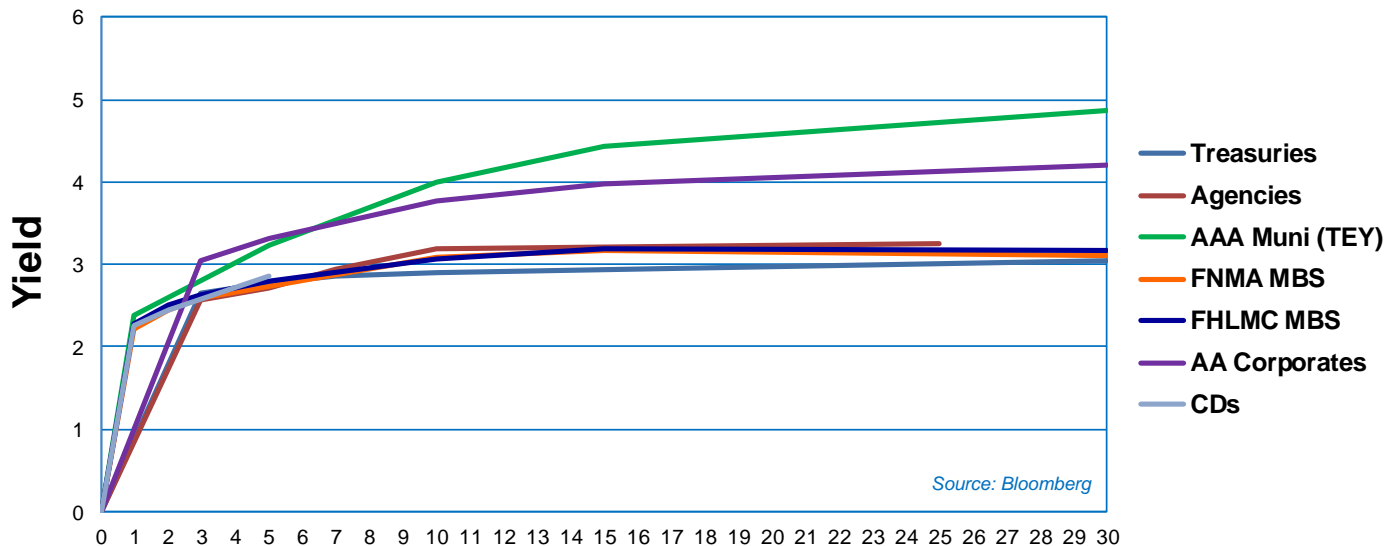
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.25	0.00	2.25
2	2.45	0.10	2.35
5	2.85	0.05	2.80

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	3.05	0.01	3.04
5	3.31	0.02	3.29
10	3.78	0.04	3.74
15	3.99	0.05	3.93
30	4.20	0.08	4.12

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.16	(0.01)	3.17
30yr	3.60	(0.01)	3.61
FHLMC	Yield	Change	1 Week Ago
15yr	3.20	0.00	3.20
30yr	3.62	(0.01)	3.63

Equities			
Index	Current	Change	1 Week Ago
DJIA	24,569	(435.61)	25,005
S&P 500	2,759	(19.73)	2,779
Nasdaq	7,688	(58.47)	7,746

Fixed Income Sector Performance





Economy

Jobless Claims Show Continued Strong U.S. Job Market:

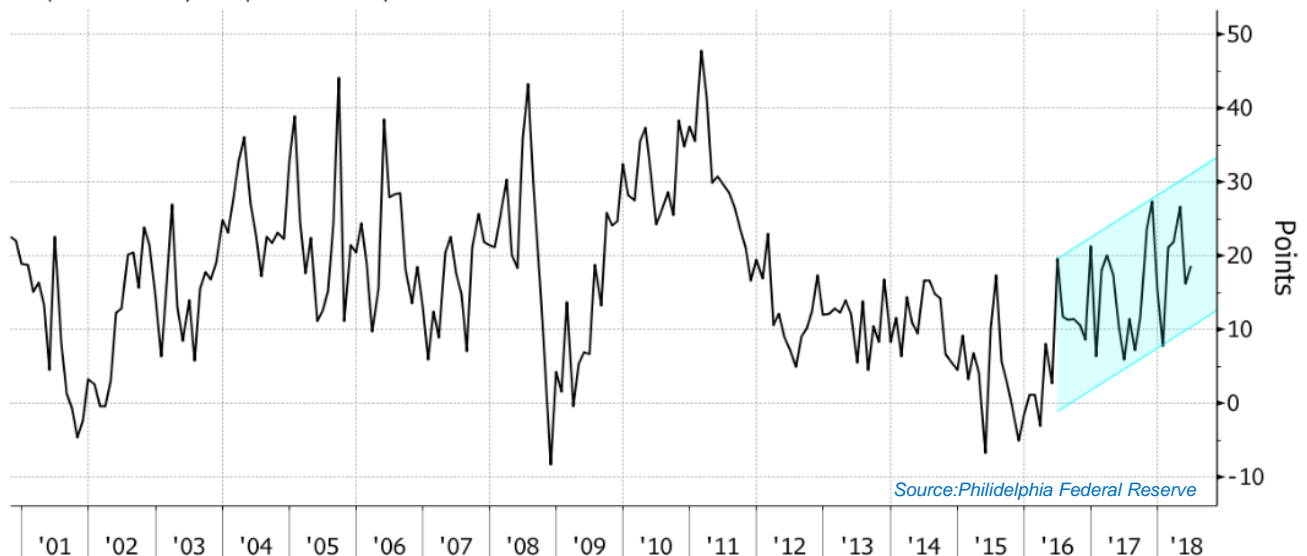
- 📍 Filings for U.S. unemployment benefits declined to a six-week low indicating the job market remains tight, Labor Department figures showed Thursday.
 - ➡ Jobless claims decreased last week by 3k to 218k (estimate was 220k). The four-week average of initial claims, a less-volatile measure than the weekly figure, dropped to 221,000 from 225,000.
 - ➡ Applications for unemployment benefits have been hovering near the lowest levels in almost five decades and reflect employers' desire to retain staff as the labor market tightens.
 - ➡ Companies are also pulling in workers from across the market with the unemployment rates of blacks at a record low and Hispanics near all-time lows, according to the latest monthly jobs figures.
 - ➡ Economists may focus more on the latest results because they reflect job market conditions in the week containing the 12th of the month, which is the reference period for the Labor Department's June jobs report due July 6th.

Philly Fed Data Suggests Profitability Under Pressure:

- 🌐 According to data released Friday, the spread between the Philadelphia Fed prices paid index minus prices received widened to 18.6 this month from 16.2 in May. That could point to corporate profit compression.
 - Ⓜ When companies experience a lag between prices paid for inputs and prices received for finished products, profitability suffers.

Philadelphia Fed Data Show Divergence between Prices Paid and Received

■ Spread between prices paid index and prices received index



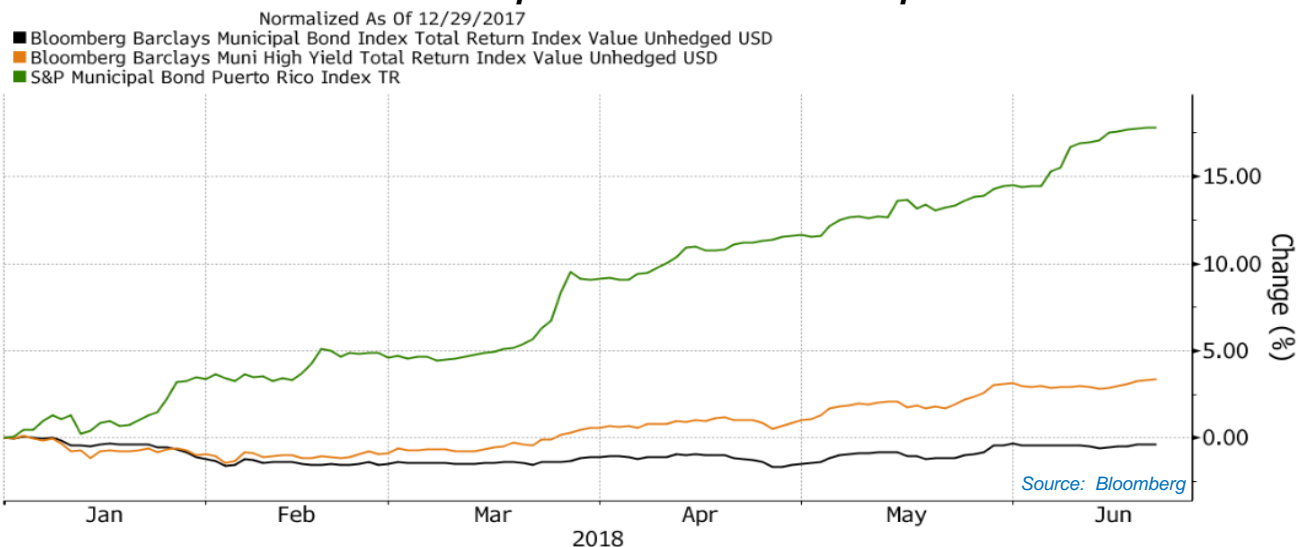


Fixed Income

Puerto Rico Bonds Set for Best Six Months in Decades:

- 🏠 Puerto Rico bonds are poised to have their best first half of a year since at least 1999 and the debt may continue to gain as court-appointed agents work to resolve a key issue within the island's record bankruptcy.
 - ➡ Most commonwealth bonds have rallied as the island's turnaround plan shows a larger-than-expected surplus that could help to repay bondholders. That price movement continued after the agents earlier this month said they had reached a tentative deal on how to allocate sales-tax receipts, a major hurdle in calculating recoveries for the different securities. Prices may increase further if the parties finalize an agreement.
 - ➡ Puerto Rico is seeking to reduce most of its more than \$70 billion of debt through a bankruptcy process, the largest ever in the \$3.8 trillion municipal-bond market. The debt is rebounding after plunging to record lows in the wake of Hurricane Maria last year, which destroyed the island's electrical grid and halted its economy.

Puerto Rico Debt Outperforms All Other Municipal Bonds



Municipal Bond Yields Flat as Curve Narrows:

- 🏠 Municipal bonds were flat Friday as yields on benchmark 10-year notes remained at 2.47 percent. Institutional investors offered \$1.15 billion for sale through bid-wanted lists. The gap between yields on short-term and long-term securities tightened.
 - ➡ Debt issued by U.S. states and local governments maturing in 10 years yields 85.27 percent of Treasuries, compared with 83.08 percent a month ago. The rate for municipalities to swap to 10-year fixed-rate from floating-rate liabilities widened to 2.24 percent from 2.23 percent.



Equities

Energy Stocks Lift U.S. Gauges as OPEC Buys Crude:

- U.S. stocks climbed Friday following gains in Europe as OPEC's plans to boost output less than some investors had anticipated sent oil on a tear. Energy shares surged.
 - ➔ The S&P 500 Index recorded its biggest advance in two weeks. The index had pared gains earlier in the day when Donald Trump revived concerns about a global trade war with a tweet threatening to impose 20 percent tariffs on cars imported to the U.S. from European Union. Treasuries steadied and the dollar slumped, while a gauge of emerging-market currencies climbed from its lowest level since November.
 - Ⓜ The S&P 500 had its first weekly loss in more than a month as traders weighed an escalation of trade tensions between the U.S. and China, just as the Federal Reserve signals a faster pace of policy tightening. Positive economic news from Europe provided a counterbalance Friday as a gauge measuring private-sector activity unexpectedly picked up in June, underpinning the European Central Bank's prediction that a rebound is on the cards.

United States Index Performance

Sector	Performance			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Consumer Discretionary 17 Industries	+5.86%	+6.75%	+11.67%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	+3.41%	-0.88%	-9.40%	15.1x	1.0x	2.86%
Energy 3 Industries	-6.40%	+7.93%	+2.53%	14.0x	1.2x	1.74%
Financials 12 Industries	-2.56%	-4.15%	-1.12%	15.2x	2.1x	1.91%
Health Care 8 Industries	+2.55%	+2.38%	+5.09%	18.2x	1.2x	1.86%
Industrials 17 Industries	-3.97%	-3.92%	-3.42%	15.7x	1.1x	1.85%
Information Technology 10 Industries	+3.05%	+5.25%	+13.77%	14.8x	2.1x	0.90%
Materials 6 Industries	-3.78%	-1.52%	-4.02%	13.2x	1.1x	1.79%
Telecommunication Services 3 Industries	-0.93%	-4.08%	-11.89%	22.6x	1.3x	4.83%
Utilities 6 Industries	+2.95%	+2.97%	-3.21%	17.1x	1.3x	3.78%

Source: Bloomberg

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