



Carty & Company, Inc.

Weekly Market Update – August 2018, Week 1

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.76	(0.00)	2.76
5	2.84	(0.01)	2.85
7	2.92	0.00	2.92
10	2.97	0.01	2.96
30	3.12	0.03	3.09

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.66	(0.03)	2.69
5	2.78	(0.02)	2.80
7	2.99	(0.02)	3.01
10	3.26	0.00	3.26
25	3.36	0.01	3.35

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.49	0.03	1.46
5	1.99	0.02	1.97
10	2.51	0.03	2.48
15	2.82	0.04	2.77
30	3.10	0.04	3.06

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.40	0.05	2.35
5	3.22	0.04	3.18
10	4.05	0.05	4.00
15	4.54	0.07	4.47
30	5.00	0.07	4.94

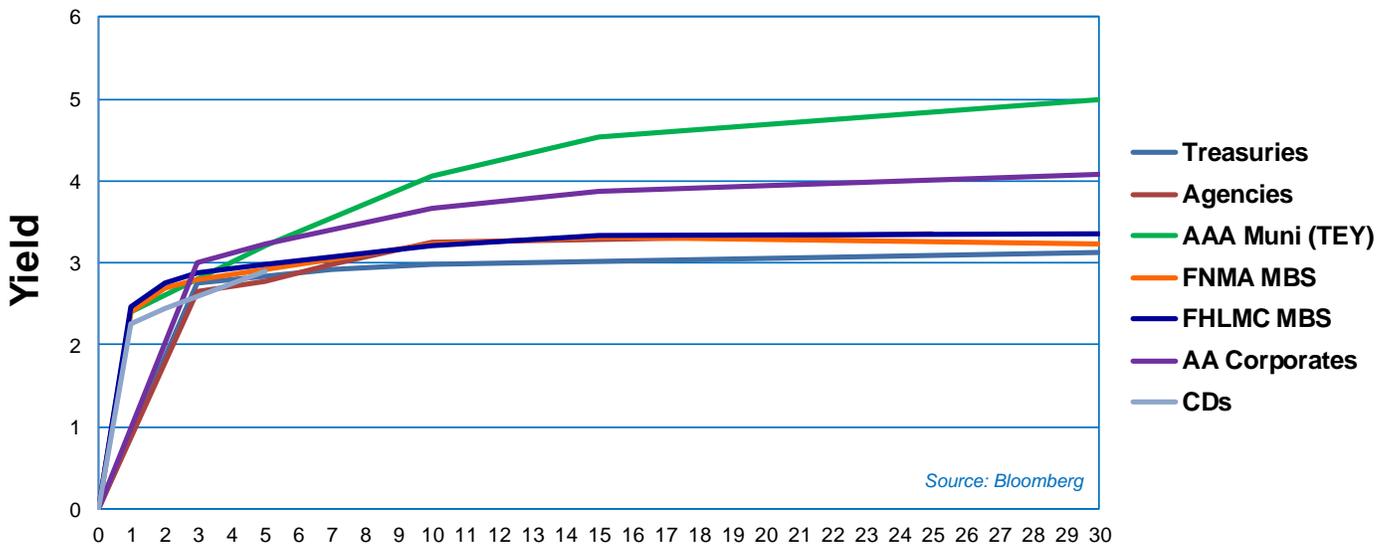
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.25	0.00	2.25
2	2.45	0.00	2.45
5	2.90	0.00	2.90

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	3.00	(0.07)	3.07
5	3.23	(0.08)	3.31
10	3.66	(0.07)	3.73
15	3.87	(0.05)	3.92
30	4.09	(0.04)	4.12

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.18	(0.01)	3.19
30yr	3.62	(0.02)	3.64
FHLMC	Yield	Change	1 Week Ago
15yr	3.22	(0.02)	3.24
30yr	3.64	(0.02)	3.66

Equities			
Index	Current	Change	1 Week Ago
DJIA	25,656	222.76	25,433
S&P 500	2,861	47.74	2,813
Nasdaq	7,889	163.37	7,726

Fixed Income Sector Performance





Economy

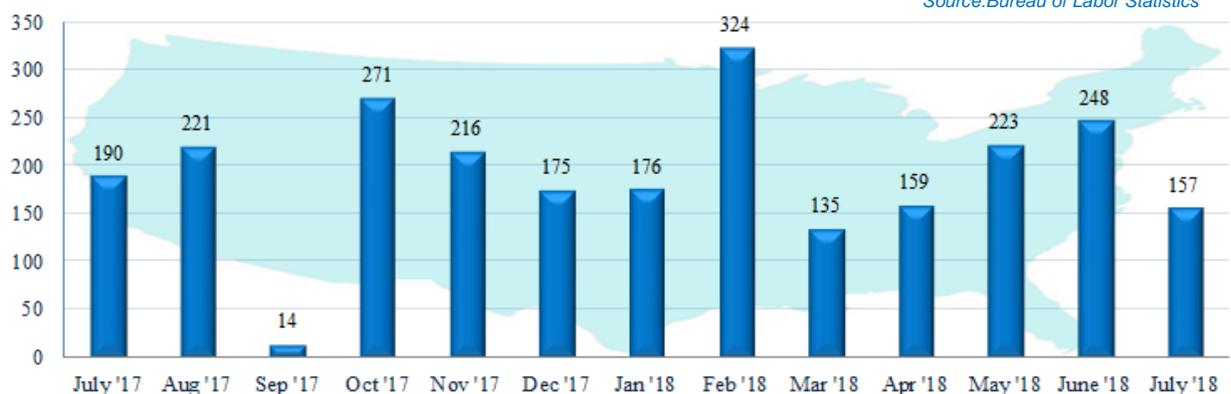
Payrolls Rise 157k While Annual Wage Gains Hold:

- 📍 U.S. hiring cooled in July after more-robust gains than previously reported, while the unemployment rate slipped back below 4 percent and wage increases stayed contained, reinforcing a picture of steady labor-market growth in line with the Federal Reserve's outlook for gradual interest-rate hikes.
 - ➡ Non-farm payrolls advanced 157,000 after an upwardly revised 248,000 increase, Labor Department figures showed Friday. The median estimate of analysts surveyed by Bloomberg was for a gain of 193,000 jobs. Average hourly earnings increased 2.7 percent from a year earlier, unchanged from June and matching projections, while the jobless rate ticked down to 3.9 percent as forecast.
 - ➡ Healthy consumer spending and business investment, supported by tax cuts and a bump in federal spending this year, are resulting in job gains that continue to be more than sufficient to accommodate population growth in the 10th year of the economic expansion. While the data mark a solid start to the quarter and should keep the Fed on track for an interest-rate hike in September, a widening trade war threatens to curb growth in the labor market.

United States Non-Farm Payrolls

Thousands of Jobs

Source: Bureau of Labor Statistics



Trade Deficit Widened in June for First Time in 4 Months:

- 📍 The U.S. trade deficit grew in June for the first time in four months as imports increased and the value of shipments overseas declined against a backdrop of escalating tensions with America's trading partners.
 - ➡ The gap widened 7 percent to \$46 billion from a revised \$43 billion in the prior month, Commerce Department data showed Friday.
 - ➡ The June figures capped an otherwise positive quarter for U.S. trade, as a narrowing of the deficit contributed the most to economic growth since 2013.



Fixed Income

Scramble for California Debt:

- California and New York have a lot in common when it comes to the municipal-bond market. Both states and their local governments sell billions of dollars of debt each year, both have high taxes, and both have plenty of wealthy residents looking for tax-free investment income.
 - But it is debt from California that is seeing the most demand recently, driving down the yields on some bonds to less than the AAA benchmark.
 - The reason may have to do with simple supply and demand. Following last year's rush to market, bond sales by governments in California have tumbled by 30 percent this year, more than twice the 14 percent drop nationwide, according to data compiled by Bloomberg. By contrast, debt issuance from New York has slipped only 9 percent.

Chicago Faces Lowest Budget Gap Since 2007:

- Chicago next year will see its smallest budget deficit since 2007, a boost for the nation's third-largest city as it prepares to confront escalating pension bills.
 - The city is projecting a 2019 shortfall of \$97.9 million, according to an annual financial analysis released Tuesday. That marks the eighth straight year of narrowing deficits. Chicago will pay \$1.18 billion to its four retirement funds in fiscal year 2019, which is up from \$1 billion last year, according to the report. Those payments will more than double over the next 20 years, reaching an estimated \$2.9 billion in 2039, the report shows.
 - Chicago's progress comes as municipal-credit quality appears to be improving. State and local governments are reaping the benefits of the second-longest economic expansion on record. Minnesota and Michigan recently won rating upgrades, and Illinois and Chicago had their outlooks lifted to stable from negative this month.

Muni Yields Rise, Bid Lists Fall; Curve Steeper:

- Municipal bonds fell Thursday as yields on benchmark 10-year notes increased 2.4 basis points to 2.51 percent. Institutional investors offered \$614.5 million through bids-wanted lists. The gap between yields on short-term and long-term securities widened to the steepest in more than four months.
 - The yield curve widened to 146 basis points from 145 basis points. The last time the gap was matched was on March 21st, according to data compiled by Bloomberg.



Equities

Elon Musk Mulls Taking Tesla Private:

🌐 Elon Musk said he's considering taking Tesla Inc. private in a radical step that would ease pressure on the money-losing automaker.



Elon Musk ✓

@elonmusk

Following



Am considering taking Tesla private at \$420. Funding secured.

11:48 AM - 7 Aug 2018

7,238 Retweets 33,325 Likes



- ➡ The announcement made via Twitter stunned investors and sent Tesla's stock price soaring as much as 8.5 percent before trading was halted. It followed the news that Saudi Arabia's sovereign wealth fund had built a less than 5 percent stake in Tesla worth about \$2 billion. The main question is how Musk would be able to come up with more than \$50 billion to buy out other shareholders.

United States Index Performance

Sector	Performance			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Consumer Discretionary 17 Industries	+1.36%	+7.71%	+11.87%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	+3.55%	+9.27%	-4.33%	15.1x	1.0x	2.86%
Energy 3 Industries	-0.56%	+2.75%	+5.28%	14.0x	1.2x	1.74%
Financials 12 Industries	+4.89%	+3.44%	+1.58%	15.2x	2.1x	1.91%
Health Care 8 Industries	+3.79%	+11.34%	+10.58%	18.2x	1.2x	1.86%
Industrials 17 Industries	+4.79%	+5.89%	+0.87%	15.7x	1.1x	1.85%
Information Technology 10 Industries	+2.78%	+8.61%	+16.58%	14.8x	2.1x	0.90%
Materials 6 Industries	+1.24%	+2.65%	-1.63%	13.2x	1.1x	1.79%
Telecommunication Services 3 Industries	+0.24%	+4.84%	-7.67%	22.6x	1.3x	4.83%
Utilities 6 Industries	+0.04%	+3.53%	+1.87%	17.1x	1.3x	3.78%

Important Information Regarding This Report

Source: Bloomberg

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