



Carty & Company, Inc.

Weekly Market Update – August 2018, Week 2

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Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.68	(0.08)	2.76
5	2.74	(0.10)	2.84
7	2.81	(0.11)	2.92
10	2.86	(0.11)	2.97
30	3.02	(0.10)	3.12

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.60	(0.06)	2.66
5	2.71	(0.07)	2.78
7	2.90	(0.09)	2.99
10	3.18	(0.08)	3.26
25	3.28	(0.08)	3.36

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.49	0.00	1.49
5	1.99	(0.00)	1.99
10	2.50	(0.01)	2.51
15	2.80	(0.02)	2.82
30	3.09	(0.01)	3.10

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.40	0.00	2.40
5	3.20	(0.02)	3.22
10	4.03	(0.02)	4.05
15	4.52	(0.02)	4.54
30	4.99	(0.01)	5.00

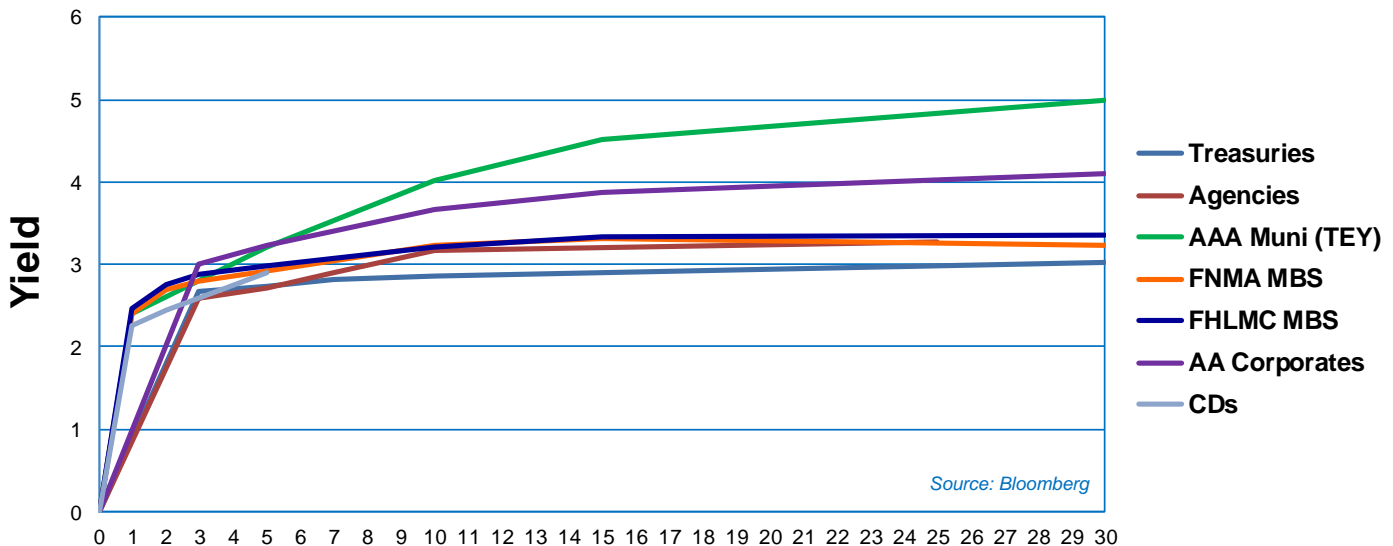
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.25	0.00	2.25
2	2.45	0.00	2.45
5	2.90	0.00	2.90

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	3.00	0.00	3.00
5	3.24	0.01	3.23
10	3.67	0.01	3.66
15	3.88	0.01	3.87
30	4.10	0.01	4.09

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.12	(0.06)	3.18
30yr	3.56	(0.06)	3.62
FHLMC	Yield	Change	1 Week Ago
15yr	3.18	(0.04)	3.22
30yr	3.58	(0.06)	3.64

Equities			
Index	Current	Change	1 Week Ago
DJIA	25,271	(385.31)	25,656
S&P 500	2,830	(31.30)	2,861
Nasdaq	7,835	(54.44)	7,889

Fixed Income Sector Performance





Economy

Highest Core Inflation in a Decade Tamps Wage Growth:

- A gauge of U.S. consumer prices jumped by the most in a decade in July, eating into wage gains that have barely budged in the past four months and strengthening the case for the Federal Reserve to keep raising increase rates gradually.
 - ➔ The core measure of the Consumer Price Index, which excludes food and fuel, rose 2.4 percent from a year earlier, the biggest advance since September 2008, a Labor Department report showed Friday. From the prior month, both the main CPI index and core rate rose 0.2 percent, matching expectations.
 - ➔ While shelter costs gave a big boost to the results, steady consumer demand is underpinning inflation just as a trade war threatens to lift costs on a range of goods. Sustained progress toward the Fed's goal keeps the central bank on track for one or two more rate hikes this year even as price pressures are a blow to already weak increases in paychecks.

Rising U.S. Inflation and Weak Wage Growth Squeeze Paychecks



Source: Labor Department

U.S. Consumer Comfort Rises to New 17-Year High:

- U.S. consumer sentiment advanced to a 17-year high, elevated by rosier views of the economy and personal finances, the Bloomberg Consumer Comfort Index showed Thursday.
 - ➔ Confidence continues to strengthen amid a tight labor market and robust economic growth, with consumers also enjoying tailwinds from tax cuts and lower gas prices. Sentiment is strongly correlated to U.S. stocks, which have rallied back to near-record levels according to the report. Still, sentiment remains below late-2000 levels, the last time unemployment was this low, on tepid wage growth and lower labor force participation, responses through Aug. 5 showed.



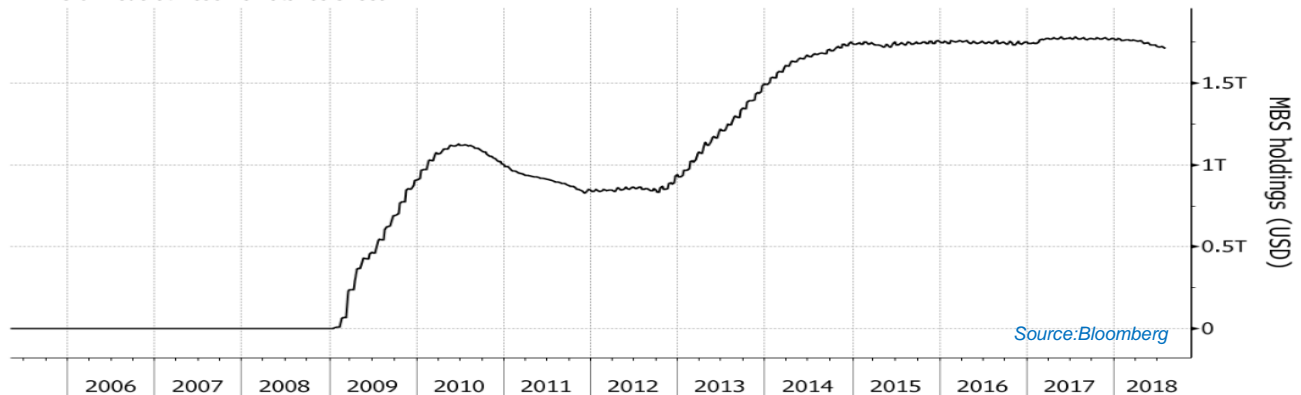
Fixed Income

MBS Investors Wary of Fed's \$1.7 Trillion Flood:

- The Federal Reserve's wind down of its balance sheet has been handled without too much trouble by the mortgage sector to date, however now comes the deluge. As the Fed terminates the mortgage-backed security purchase program started a decade ago, the end to its buying should cause MBS supply from the central bank's wind down to jump about 50 percent in the second half of this year compared to the first six months.
 - The Fed has so far reduced its vast MBS holdings to \$1.71 trillion, the lowest since 2014. It is widely forecast that by October the central bank will no longer reinvest any proceeds back into mortgages, and that should widen spreads.
 - The coming end to the Fed's MBS purchases, used in the recent past to keep its holdings steady, will release about \$150 billion into the market for this year in total. That is a material amount considering forecasts put aggregate net supply this year from normal sources, such as borrowers taking out home mortgages, at around \$300 billion.

Fed's MBS Holdings Drop from Record High as it Pulls Away from Market

■ MBS on Federal Reserve Balance Sheet



Muni Yields Rise, Curve Steepest in 4 Months:

- Municipal bonds fell Thursday as yields on benchmark 10-year notes increased 0.9 basis points to 2.52 percent. The gap between yields on short-term and long-term securities widened for the second day to the steepest in more than four months.
 - The yield curve widened for the second day to 148 basis points Thursday from 146 basis points. The last time the gap was larger was on March 20, when it was at 149 basis points, according to data compiled by Bloomberg.
 - Debt issued by U.S. states and local governments maturing in 10 years yields 85.06 percent of Treasuries, compared with 87.11 percent a month ago.



Equities

U.S. Stocks Lower on Turkey Crisis:

- U.S. stocks slid Friday after a drop in Europe as investors worried about the financial stability of Turkey. The Turkish Lira dropped again following concerns about the country's economic policies and U.S. sanctions.
 - European banks took on some of the worst losses. Seeking safety, investors purchased U.S. dollars and government bonds.
 - The rising dollar helped U.S. focused companies but hurt big exporters. Rising bond prices are sending interest rates lower, hurting banks.
 - Analysts say Turkey's problems shouldn't have a major impact on the global financial system. Still, some European banks could be exposed to losses. Germany's Deutsche Bank dropped 5 percent to \$11.78 and Banco Santander of Spain fell 3.6 percent to \$5.18. British bank Barclays fell 2.5 percent to \$9.72.
 - JPMorgan Chase slid 0.9 percent to \$115.81 and Bank of America gave up 1 percent to \$31.29.
 - Citigroup retreated 2 percent to \$07.53. Big dividend stocks like utilities and household goods retailers held up better than the rest of the market. Energy gained 1.4 percent to \$57.84 and Walmart rose 1.3 percent to \$90.15.

United States Index Performance

Sector	Performance			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Consumer Discretionary 17 Industries	+1.23%	+8.43%	+12.96%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	+2.32%	+8.36%	-5.90%	15.1x	1.0x	2.86%
Energy 3 Industries	-3.12%	-1.51%	+4.19%	14.0x	1.2x	1.74%
Financials 12 Industries	+2.85%	+0.96%	+1.77%	15.2x	2.1x	1.91%
Health Care 8 Industries	+3.24%	+11.34%	+10.68%	18.2x	1.2x	1.86%
Industrials 17 Industries	+2.80%	+3.14%	+0.67%	15.7x	1.1x	1.85%
Information Technology 10 Industries	+2.65%	+6.60%	+17.38%	14.8x	2.1x	0.90%
Materials 6 Industries	+0.39%	+1.65%	-1.48%	13.2x	1.1x	1.79%
Telecommunication Services 3 Industries	+2.94%	+9.38%	-6.39%	22.6x	1.3x	4.83%
Utilities 6 Industries	+2.98%	+7.04%	+1.66%	17.1x	1.3x	3.78%

Important Information Regarding This Report

Source: Bloomberg

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