



# Carty & Company, Inc.

## Weekly Market Update – August 2018, Week 3

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### Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.68	0.00	2.68
5	2.74	(0.01)	2.75
7	2.81	(0.01)	2.82
10	2.86	(0.01)	2.87
30	3.02	(0.01)	3.03

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.73	(0.00)	2.73
5	2.82	0.01	2.81
7	2.89	(0.01)	2.90
10	3.18	(0.00)	3.18
25	3.28	(0.00)	3.28

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	2.46	(0.04)	2.50
15	2.79	(0.01)	2.80
30	3.07	(0.02)	3.09

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.40	0.00	2.40
5	3.21	(0.01)	3.22
10	3.97	(0.08)	4.05
15	4.50	(0.04)	4.54
30	4.95	(0.05)	5.00

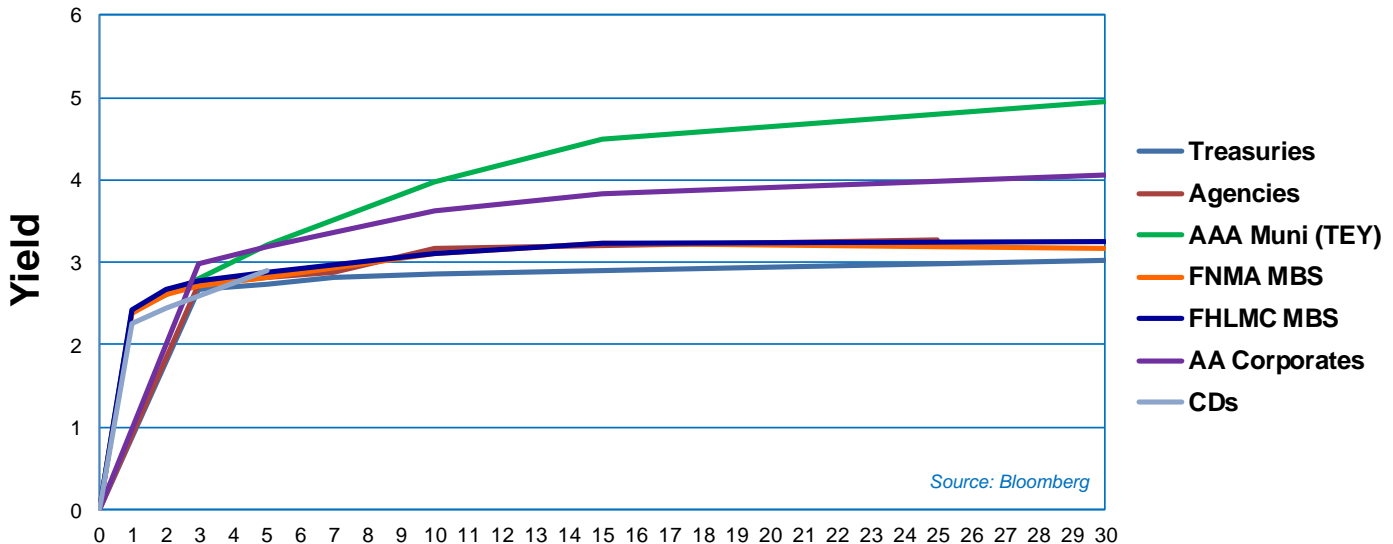
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.25	0.00	2.25
2	2.45	0.00	2.45
5	2.90	0.00	2.90

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	2.98	(0.02)	3.00
5	3.20	(0.04)	3.24
10	3.62	(0.05)	3.67
15	3.84	(0.04)	3.88
30	4.06	(0.04)	4.10

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.08	(0.04)	3.12
30yr	3.56	0.00	3.56
FHLMC	Yield	Change	1 Week Ago
15yr	3.13	(0.05)	3.18
30yr	3.57	(0.01)	3.58

Equities			
Index	Current	Change	1 Week Ago
DJIA	25,553	282.10	25,271
S&P 500	2,850	20.13	2,830
Nasdaq	7,816	(18.67)	7,835

### Fixed Income Sector Performance





## Economy

### Homebuilder Sentiment Lowest Since September:

- 🌐 Confidence among U.S. homebuilders fell to an 11-month low in August on rising construction costs and shortages of skilled labor, a National Association of Home Builders/Wells Fargo report showed Wednesday.
  - ➡ The Housing Market Index decreased to 67, matching estimates, from 68 in July. A gauge of six-month sales outlook slipped to 72 from 73 currently, the lowest since November 2016.
  - ➡ The housing market, particularly in some of the hottest markets, has shown signs of cooling as buyers are squeezed by rising mortgage rates and by home prices climbing about twice as fast as incomes. More expensive building materials, partly due to tariffs on imported lumber, have also weighed on housing. Lumber prices have cooled from a record earlier this year, but costs still remain elevated.
  - ➡ Even so, builders continue to report strong demand for new housing, the Washington-based group said. Tailwinds from a robust labor market and tax cuts have helped prop up sentiment as the economic expansion enters a 10th year. Government data due Thursday are forecast to show builders started more homes in July as permits rose from a nine-month low.

### Productivity Climbs 2.9%, Fastest Pace in Three Years:

- 📊 Productivity gains in the U.S. accelerated by more than expected to the fastest pace since 2015 while labor costs fell, amid an economic-growth pickup supported by tax cuts and federal spending, a Labor Department report showed Wednesday.
  - ➡ A measure of nonfarm business employee output per hour increased at a 2.9% annualized rate (estimate 2.4%) after a 0.3% pace in previous three months, the fastest since 1Q 2015.
  - ➡ The data indicate that the lift to growth in the quarter from Republican-backed tax cuts also came with a boost to productivity. That gives President Donald Trump another economic point to cheer, though many analysts are skeptical that the administration's policies will deliver a large, sustained acceleration in efficiency.
  - ➡ The latest advance in productivity compares with a 1.3 percent average pace over the period spanning 2007 to 2017, and a 2.7 percent average from 2000 to 2007. Improved gains in efficiency would support faster economic growth without generating higher inflation, a development that could suggest a slower pace of Federal Reserve interest-rate hikes than otherwise warranted.



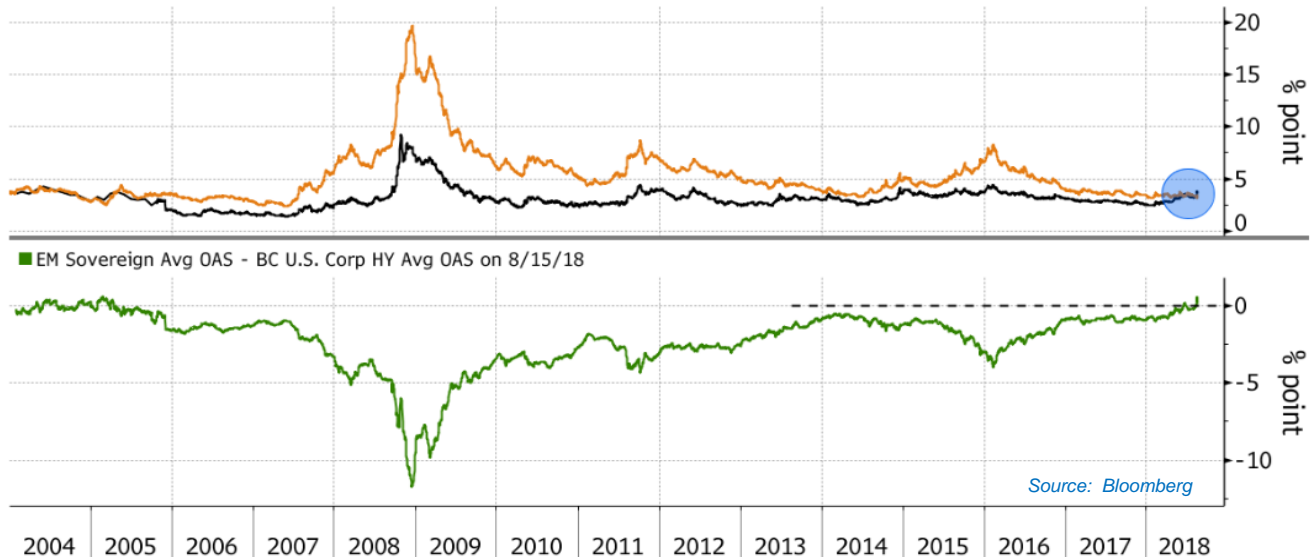
## Fixed Income

### U.S. Junk Bonds Are Beating Global Debt in Rare Shift:

- 📺 Global credit markets are in a rare state of upheaval. Emerging-market sovereign dollar-denominated debt is trading at a wider premium than speculative-grade U.S. companies -- a break from historic norms -- underscoring economic and political stresses around the world, while America Inc. powers ahead.
  - ➡ The asset class typically trades at a lower spread than American high-yield bonds, helped by higher credit ratings on average.
  - ➡ Trade angst, dollar strength and contagion from Turkey have taken the shine off developing-economy assets, including those denominated in dollars. Meanwhile, robust earnings growth and a tax package that encourages deleveraging among indebted firms have combined to bolster American balance sheets.
  - ➡ For example, dollar debt issued by Argentina due 2028 now yields about 2.4 percentage points more than similar-duration notes sold by junk-rated Sprint Corp., a U.S. telecom company, after trading at a lower level as recently as May.

#### **U.S. Junk Trades at Tighter Spreads than Higher-Rated EM Debt**

■ Bloomberg Barclays Emerging Markets Sovereigns Average OAS    ■ Bloomberg Barclays US Corporate High Yield Average OAS on 8/15/18



### Municipal 30-Day Supply Slumps to Lowest Since July 4:

- 📺 The volume of municipal bonds scheduled to come to market in the next 30 days dropped to \$4.7 billion, the lowest since July 4<sup>th</sup>, according to data compiled by Bloomberg.
  - ➡ The 30-day supply index fell from \$13.7b on August 15<sup>th</sup> and is below the 52-week average of \$10.7b
  - ➡ U.S. investment-grade bond issuance will probably continue to slow as we officially enter the last two weeks of August.



# Equities

## Stocks Gain on Tech Hardware Strength, Trade Hopes:

- U.S. stocks rose in light summer trading Friday on strength in technology hardware makers and optimism for a resolution in America's trade dispute with China amid reports that President Donald Trump and Chinese President Xi Jinping will meet in November in an attempt to end the roadblock. Crude climbed to just below \$66 a barrel, the dollar fell and Treasuries were stable.
  - All major equity benchmarks surged higher following the U.S.-China news. The S&P 500 Index erased an earlier decline and recorded its sixth weekly advance in the last seven weeks.
  - Department store chain Nordstrom Inc. was the best performing company in the benchmark as investors responded to its strong second-quarter results and healthy profit outlook for the year.
  - The Nasdaq 100 Index rebounded from weakness in semiconductors after Nvidia Corp. and Applied Materials Inc. warned after the market closed Thursday that their revenues were running below analyst forecasts. The Philadelphia Stock Exchange Semiconductor Index dropped 0.7 percent, its fourth consecutive decline.

### United States Index Performance

Sector	Performance			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
<b>Consumer Discretionary</b> 17 Industries	-0.59%	+6.18%	+11.74%	16.5x	1.0x	1.27%
<b>Consumer Staples</b> 9 Industries	+3.64%	+9.64%	-3.99%	15.1x	1.0x	2.86%
<b>Energy</b> 3 Industries	-4.61%	-6.84%	+0.26%	14.0x	1.2x	1.74%
<b>Financials</b> 12 Industries	+2.21%	-0.11%	+1.29%	15.2x	2.1x	1.91%
<b>Health Care</b> 8 Industries	+3.83%	+9.13%	+11.45%	18.2x	1.2x	1.86%
<b>Industrials</b> 17 Industries	+3.04%	+2.31%	+0.53%	15.7x	1.1x	1.85%
<b>Information Technology</b> 10 Industries	+0.47%	+5.13%	+16.10%	14.8x	2.1x	0.90%
<b>Materials</b> 6 Industries	-0.67%	-2.96%	-4.10%	13.2x	1.1x	1.79%
<b>Telecommunication Services</b> 3 Industries	+5.21%	+8.86%	-4.16%	22.6x	1.3x	4.83%
<b>Utilities</b> 6 Industries	+2.93%	+9.52%	+3.34%	17.1x	1.3x	3.78%

Source: Bloomberg

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