



# Carty & Company, Inc.

## Weekly Market Update – August 2018, Week 4

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### Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	2.67	(0.01)	2.68
5	2.71	(0.03)	2.74
7	2.77	(0.04)	2.81
10	2.81	(0.05)	2.86
30	2.96	(0.06)	3.02

Agencies			
Maturity	Yield	Change	1 Week Ago
3	2.72	(0.01)	2.73
5	2.79	(0.03)	2.82
7	2.85	(0.04)	2.89
10	3.13	(0.05)	3.18
25	3.23	(0.05)	3.28

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.53	0.04	1.49
5	2.00	0.01	1.99
10	2.46	0.00	2.46
15	2.78	(0.01)	2.79
30	3.06	(0.01)	3.07

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	2.47	0.07	2.40
5	3.22	0.00	3.22
10	3.97	(0.08)	4.05
15	4.48	(0.06)	4.54
30	4.93	(0.07)	5.00

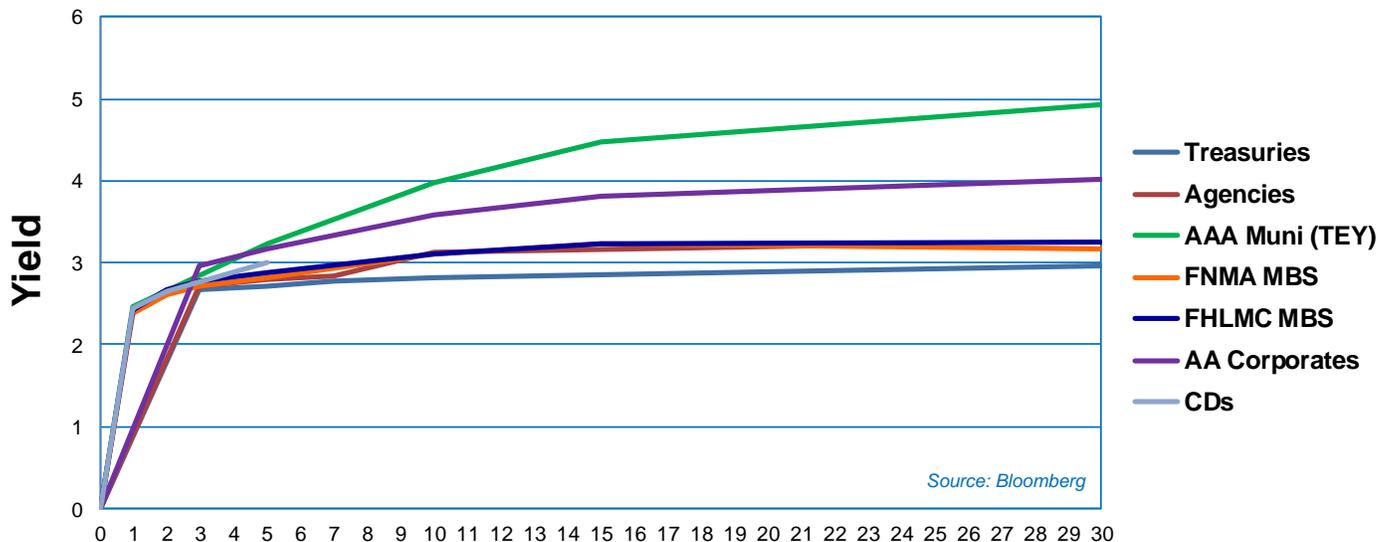
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.45	0.20	2.25
2	2.65	0.20	2.45
5	3.00	0.10	2.90

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	2.95	(0.03)	2.98
5	3.17	(0.03)	3.20
10	3.58	(0.04)	3.62
15	3.80	(0.04)	3.84
30	4.03	(0.03)	4.06

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.07	(0.01)	3.08
30yr	3.54	(0.02)	3.56
FHLMC	Yield	Change	1 Week Ago
15yr	3.11	(0.02)	3.13
30yr	3.55	(0.02)	3.57

Equities			
Index	Current	Change	1 Week Ago
DJIA	25,789	236.47	25,553
S&P 500	2,875	24.82	2,850
Nasdaq	7,946	129.98	7,816

### Fixed Income Sector Performance





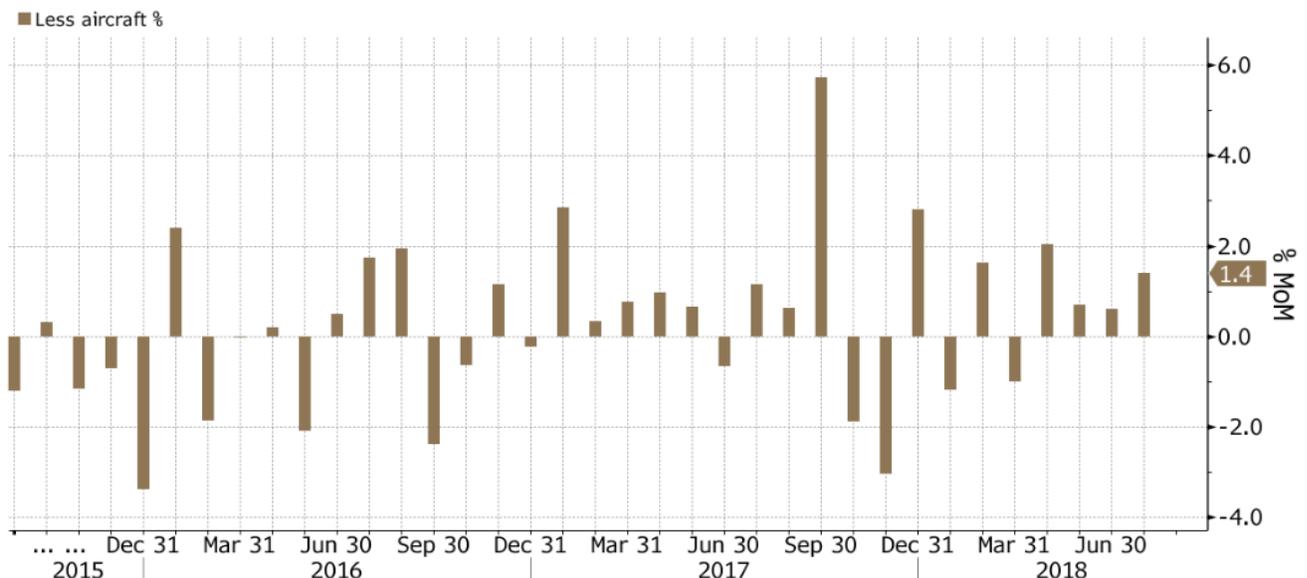
## Economy

### July Equipment Orders Rose More Than Forecast:

Orders placed with U.S. factories for business equipment accelerated by more than forecast in July, a sign solid demand extended into the second half despite corporate concerns over tariffs, Commerce Department figures showed Friday.

- Orders rose for machinery, computers and electronic products and motor vehicles and parts last month, according to the report. The data, representing the first results since the U.S. and China imposed tariffs on each other's goods in early July, signal that business investment remains intact even as President Donald Trump widens a trade war to a growing range of products from China.
- Growth in business spending, which is getting a boost from lower corporate taxes, is one of the factors supporting economic growth that could reach 3 percent in the second half. Even so, the uncertainty over trade may spur companies to slow investment. The next round of proposed actions by the Trump administration against Chinese imports would place tariffs of as much as 25 percent on \$200 billion in goods.

### U.S. Business Equipment Orders Increased for a Fourth-Straight Month



### Home Price Gains Slow in Second Quarter:

U.S. home prices climbed 6.5 percent in the second quarter from a year earlier, a slower pace that adds to signs of a cooldown in the market.

- Prices rose 1.1 percent on a seasonally adjusted basis from the previous three months, the smallest quarterly gain in four years, the Federal Housing Finance Agency said in a report Thursday.



# Fixed Income

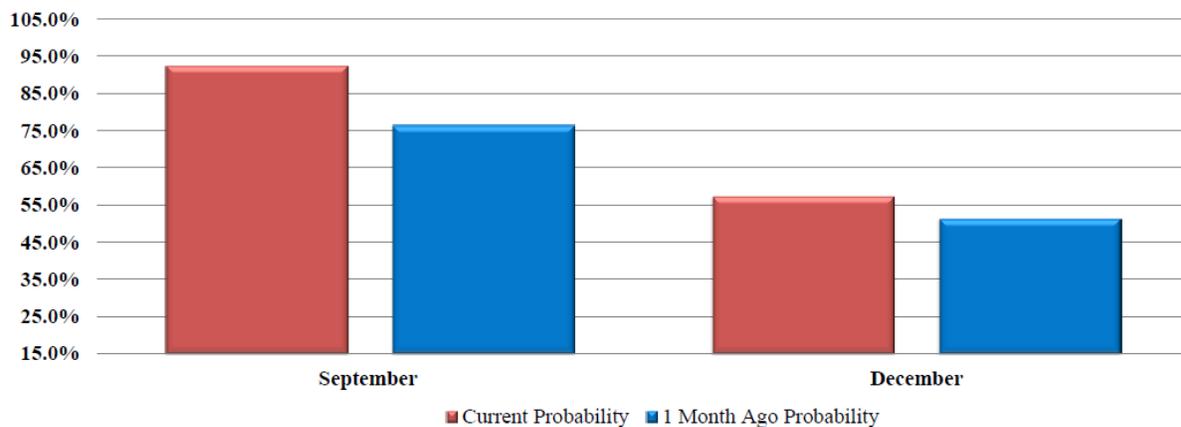
## Municipal Bond Yields Flat - Curve Unchanged:

- 🏠 Municipal bonds were flat yesterday as yields on benchmark 10-year notes remained at 2.47 percent.
  - ➡ Institutional investors offered \$1.08 billion for sale through bid-wanted lists. The gap between yields on short-term and long-term securities stayed the same.
  - ➡ The yield on 10-year debt issued by U.S. states and local governments was unchanged at 87.45 percent of Treasuries, compared with 83.25 percent a month ago.
  - ➡ Trading in the municipal market totaled \$12.9 billion, down 23 percent from \$16.7 billion a week earlier, according to the MSRB.

## Powell Forges On With Gradual Fed Rate:

- 🏠 Federal Reserve Chairman Jerome Powell said on Friday the strength of the U.S. economic expansion justifies gradually raising interest rates, paving the way for a hike in September and possibly another this year.
  - ➡ "There is good reason to expect that this strong performance will continue," Powell said Friday at the Kansas City Fed's annual policy symposium in Jackson Hole, Wyoming. "I believe that this gradual process of normalization remains appropriate."
  - ➡ Investors are pricing in another quarter-point increase from the central bank at their meeting next month. That would raise the target range for the benchmark lending rate to 2 percent to 2.25 percent. Odds of a second hike before year-end in December were little changed close to 60 percent.

**Federal Reserve Rate Hike Probability**



Meeting Date	Current Probability	1 Month Ago Probability	Fed Funds Range
September	92%	76%	2.00% - 2.25%
December	57%	51%	2.25% - 2.50%



# Equities

## Stocks Rise to Record as Dovish Powell Fuels Rally:

- U.S. stocks rose to a record, while the dollar declined after the Federal Reserve chair signaled the central bank has no intention of raising interest rates at a faster pace.
  - The S&P 500 Index touched an all-time high, pushing for a record close last reached in January. The dollar fell for the sixth time in seven days as Fed Chairman Jerome Powell said that gradual rate increases are likely appropriate if growth stays strong, and "there does not seem to be an elevated risk of overheating." The 10-year Treasury yield edged lower to 2.82 percent.
  - The Dow Jones Industrial Average gained 146 points, or 0.57%, to 25,803, the S&P 500 rose 0.59% and set a record intraday high. The Nasdaq was up 0.81% and also established a record intraday high.
  - Powell's comments come just days after Donald Trump told Reuters earlier this week that he was "not thrilled" with the Fed's rate increases under Powell, his own appointee, and that he should be "given some help" by the central bank as he threatens China with a trade war that has weighed on stock-market sentiment.

### 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	+1.51%	+7.43%	+13.33%	16.5x	1.0x	1.27%
<b>Consumer Staples</b> 9 Industries	+2.76%	+8.46%	-4.78%	15.1x	1.0x	2.86%
<b>Energy</b> 3 Industries	-1.14%	-4.69%	+2.80%	14.0x	1.2x	1.74%
<b>Financials</b> 12 Industries	+0.60%	+0.13%	+1.54%	15.2x	2.1x	1.91%
<b>Health Care</b> 8 Industries	+4.47%	+9.72%	+12.53%	18.2x	1.2x	1.86%
<b>Industrials</b> 17 Industries	+2.98%	+2.24%	+1.34%	15.7x	1.1x	1.85%
<b>Information Technology</b> 10 Industries	+0.53%	+5.73%	+17.29%	14.8x	2.1x	0.90%
<b>Materials</b> 6 Industries	-0.09%	-2.15%	-3.37%	13.2x	1.1x	1.79%
<b>Telecommunication Services</b> 3 Industries	+6.84%	+7.00%	-5.11%	22.6x	1.3x	4.83%
<b>Utilities</b> 6 Industries	+2.42%	+7.00%	+1.89%	17.1x	1.3x	3.78%

### Important Information Regarding This Report

Source: Bloomberg

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