



Carty & Company, Inc.

Weekly Market Update – September 2018, Week 1

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Compare Rates

US Treasuries			
Maturity	Yield	Change	2 Weeks Ago
3	2.77	0.10	2.67
5	2.82	0.11	2.71
7	2.89	0.12	2.77
10	2.94	0.13	2.81
30	3.10	0.14	2.96

Agencies			
Maturity	Yield	Change	2 Weeks Ago
3	2.80	0.08	2.72
5	2.88	0.09	2.79
7	2.95	0.10	2.85
10	3.24	0.11	3.13
25	3.35	0.12	3.23

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	2 Weeks Ago
1	1.70	0.17	1.53
5	2.11	0.11	2.00
10	2.53	0.07	2.46
15	2.85	0.07	2.78
30	3.14	0.08	3.06

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	2 Weeks Ago
1	2.73	0.33	2.40
5	3.40	0.18	3.22
10	4.08	0.03	4.05
15	4.59	0.05	4.54
30	5.06	0.06	5.00

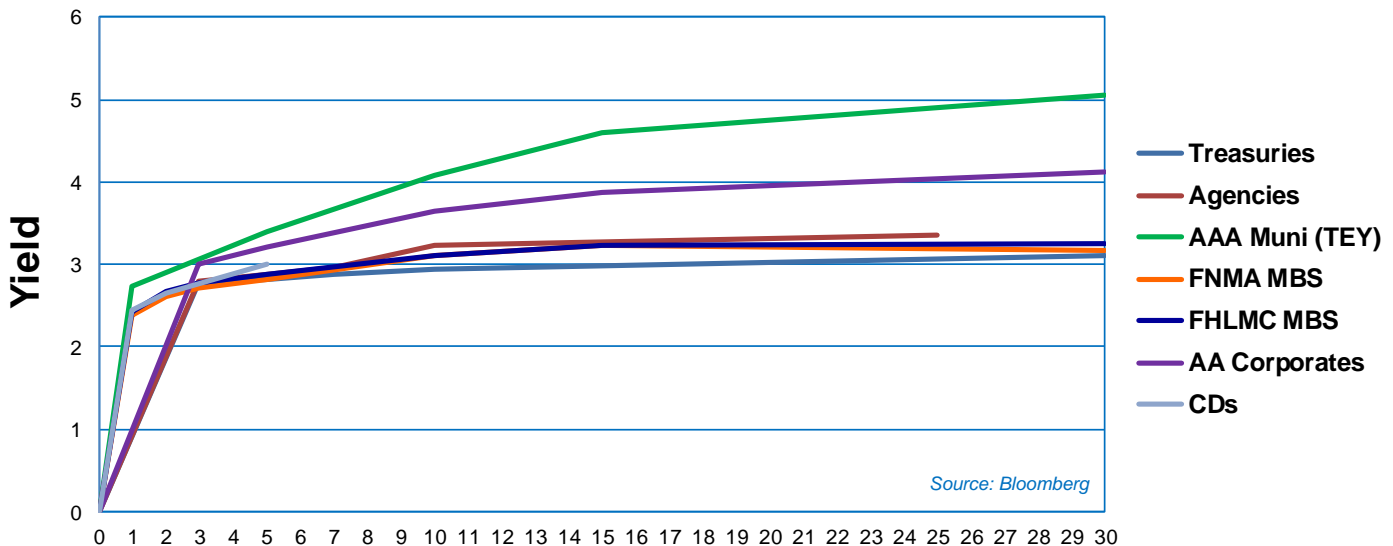
Brokered CDs			
Maturity	Yield	Change	2 Weeks Ago
1	2.45	0.00	2.45
2	2.65	0.00	2.65
5	3.00	0.00	3.00

Corporate Index (AA)			
Maturity	Yield	Change	2 Weeks Ago
3	3.00	0.05	2.95
5	3.21	0.04	3.17
10	3.65	0.09	3.56
15	3.88	0.08	3.80
30	4.12	0.09	4.03

MBS - Current Coupon			
FNMA	Yield	Change	2 Weeks Ago
15yr	3.14	0.07	3.07
30yr	3.63	0.09	3.54
FHLMC	Yield	Change	2 Weeks Ago
15yr	3.18	0.07	3.11
30yr	3.63	0.08	3.55

Equities			
Index	Current	Change	2 Weeks Ago
DJIA	25,733	(56.48)	25,789
S&P 500	2,871	(3.99)	2,875
Nasdaq	7,903	(43.46)	7,946

Fixed Income Sector Performance



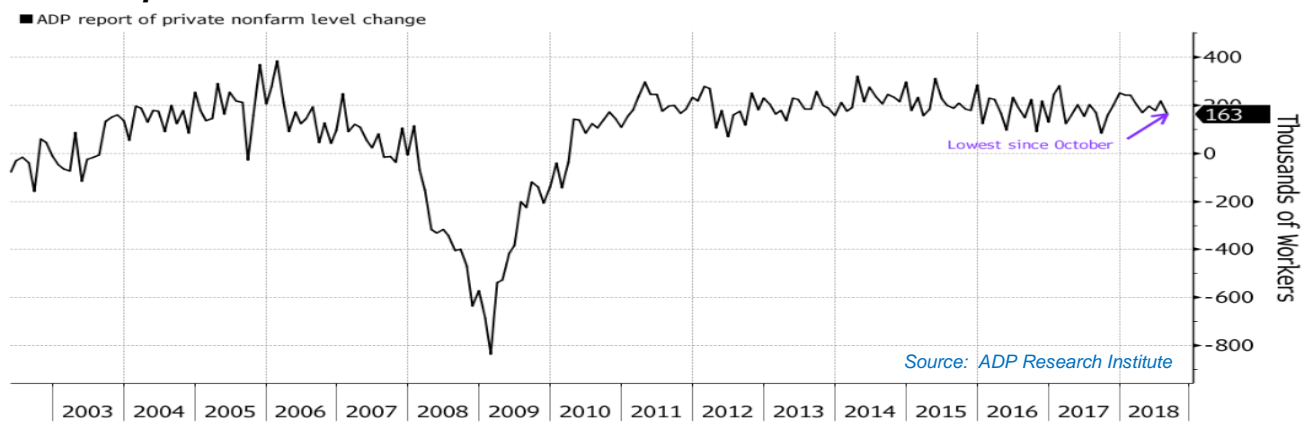


Economy

U.S. Firms in August Add Fewest Workers in 10 Months:

- 📍 American businesses in August added the lowest number of workers since October, as most industries had difficulty filling positions in a tight labor market, according to data released Thursday by the ADP Research Institute.
 - ➡ Private payrolls increased by 163,000 (200,000 estimated) after a downwardly revised 217,000 July advance. Payrolls in goods-producing industries, which include manufacturing and construction, climbed 24,000, also the lowest since October.
 - ➡ The data suggest companies may have taken a breather from hiring in August, as they could be worried about escalating trade disputes or facing difficulty recruiting employees amid a shrinking labor pool.
 - ➡ Nonfarm payrolls rose 201,000 after a downwardly revised 147,000 advance, a Labor Department report showed Friday.
 - ➡ Average hourly earnings increased 2.9 percent from a year earlier while the jobless rate was unchanged at 3.9 percent.

Companies Added Fewer Workers Last Month but Numbers Remain Solid



US Trade Deficit Widened to \$50.1 Billion in July:

- 🌐 The U.S. trade deficit widened for the second straight month in July, reaching the highest level since February, as imports hit an all-time high. The deficit in goods with China and the European Union set records.
 - ➡ The Commerce Department said Wednesday that the deficit in goods and services rose to \$50.1 billion in July from \$45.7 billion in June. Exports slipped 1 per cent to \$211.1 billion. Imports increased 0.9 percent to a record \$261.2 billion on increased purchases of trucks and computers.
 - ➡ The deficit rose despite efforts by President Donald Trump to bring it down by renegotiating trade agreements and imposing taxes on imports. So far this year, the trade deficit is up 7 percent from January - July 2017.



Fixed Income

Short-End Muni-Treasury Ratios Rise to 3-Month High:

- Short-end municipal treasury ratios have inched up over the last week, with one- and two-year muni yields as a percent of comparable Treasuries at a three-month high.
 - The one-year ratio is 67.1%, its highest since June 6, though still below the 52-week average of 71%.
 - The two-year ratio is 66.6%, its highest since June 8, up from year-over-year low of about 60% on July 26.
 - The ten-year ratio is 86.2%, continuing a two-month upward trajectory.

Short-End Municipal-Treasury Ratios Increasing



Rising Rates Push States to End Swap Deals:

- U.S. state and local governments are paying Wall Street firms millions of dollars to terminate interest-rate swap trades, spurred by rising costs on bank loans and bond-market swings that are allowing them to save money by refinancing derivative-laden deals.
 - Some of the nation's biggest debt issuers, including Illinois, New Mexico, and Massachusetts, have all sold fixed-rate bonds in the last six months and used some of the proceeds to pay banks to back out of the swap agreements. The low yields on new fixed-rate bonds have allowed some of them to come out ahead despite the termination payments.
 - The derivative trades are the legacy of a popular financial tactic used more than a decade ago, when states and cities sought to save money by borrowing with floating-rate bonds paired with interest-rate swaps instead of selling traditional fixed-rate debt.



Equities

Stocks Rise to Record as Dovish Powell Fuels Rally:

- 🌐 U.S. stocks fell and the dollar rallied after President Donald Trump signaled he's ready to escalate the trade war with China.
 - ➡ The Dow Jones Industrial Average fell sharpest as multinationals from Boeing to United Technologies and 3M retreated after Trump told reporters that he has \$267 billion in goods identified for tariffs. That would be in addition to the tariffs he is now clear to implement on \$200 billion of imports from China. The dollar rallied versus major peers and the offshore Chinese yuan fell the most in a week.
 - ➡ The latest salvo from Trump in the trade war rattled U.S. stocks a day after top American executives made a last-minute push to convince the President not to impose fresh tariffs.
 - ➡ Instead, President Trump Friday signaled he's ready to target a sum of goods equal to virtually all imports from China. The tariff drama overshadowed an August jobs report that showed a healthy labor market with signs of wage inflation that could clear the way for two more rate hikes this year.

United States Index Performance

Sector	Performance			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Consumer Discretionary 17 Industries	+1.94%	+4.28%	+14.04%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	+0.00%	+8.89%	-4.33%	15.1x	1.0x	2.86%
Energy 3 Industries	-4.38%	-4.05%	+0.67%	14.0x	1.2x	1.74%
Financials 12 Industries	+0.33%	+0.86%	+1.92%	15.2x	2.1x	1.91%
Health Care 8 Industries	+2.84%	+8.94%	+13.73%	18.2x	1.2x	1.86%
Industrials 17 Industries	+2.06%	+2.82%	+2.96%	15.7x	1.1x	1.85%
Information Technology 10 Industries	+1.23%	+2.41%	+18.02%	14.8x	2.1x	0.90%
Materials 6 Industries	-0.48%	-2.87%	-2.11%	13.2x	1.1x	1.79%
Telecommunication Services 3 Industries	+2.13%	+5.17%	-5.70%	22.6x	1.3x	4.83%
Utilities 6 Industries	+1.92%	+12.17%	+3.83%	17.1x	1.3x	3.78%

Source: Bloomberg

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