Carty & Company, Inc.

Weekly Market Update – September 2018, Week 3

By Ryan R. Coombs – Senior Vice President, Research & Strategies

Follow @FixedIncomes

Compare Rates

US Treasuries

Maturity	Yield	Change	1 Week Ago
3	2.89	0.04	2.85
5	2.95	0.05	2.90
7	3.02	0.06	2.96
10	3.06	0.07	2.99
30	3.20	0.07	3.13

Agencies

Maturity	Yield	Change	1 Week Ago
3	2.91	0.05	2.86
5	3.01	0.06	2.95
7	3.07	0.05	3.02
10	3.36	0.07	3.29
25	3.46	0.08	3.38

Municipal G.O. (AAA) MMD

Maturity	Yield	Change	1 Week Ago
1	1.89	0.14	1.75
5	2.22	0.07	2.15
10	2.63	0.06	2.57
15	2.97	0.07	2.90
30	3.28	0.08	3.20

Municipal G.O. (AAA) - TEY @ 38%

Maturity	Yield	Change	1 Week Ago
1	3.05	0.65	2.40
5	3.59	0.37	3.22
10	4.25	0.20	4.05
15	4.79	0.25	4.54
30	5.29	0.29	5.00

Brokered CDs

Maturity	Yield	Change	1 Week 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	1 Week Ago
3	3.16	0.06	3.09
5	3.38	0.08	3.30
10	3.78	0.07	3.71
15	3.99	0.07	3.92
30	4.18	0.05	4.13

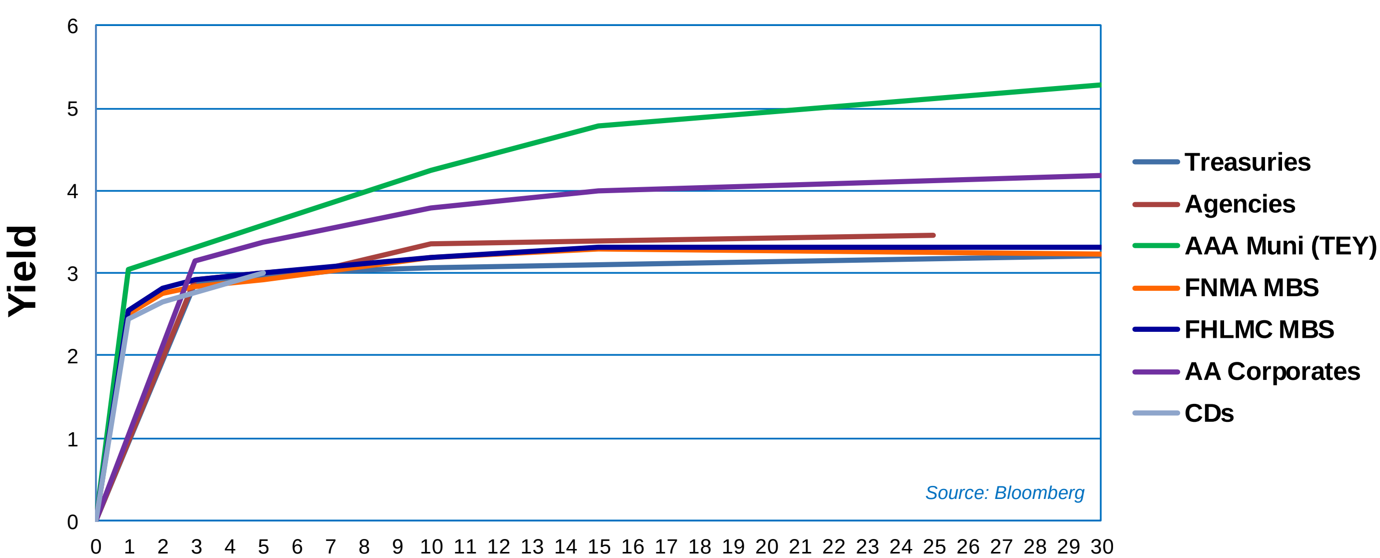
MBS - Current Coupon

FNMA	Yield	Change	1 Week Ago
15yr	3.20	0.03	3.17
30yr	3.69	0.04	3.65
FHLMC	**Yield**	**Change**	**1 Week Ago**
15yr	3.25	0.04	3.21
30yr	3.70	0.04	3.66

Equities

Index	Current	Change	1 Week Ago
DJIA	26,728	709.24	26,019
S&P 500	2,931	24.77	2,906
Nasdaq	7,983	(27.48)	8,010

Fixed Income Sector Performance

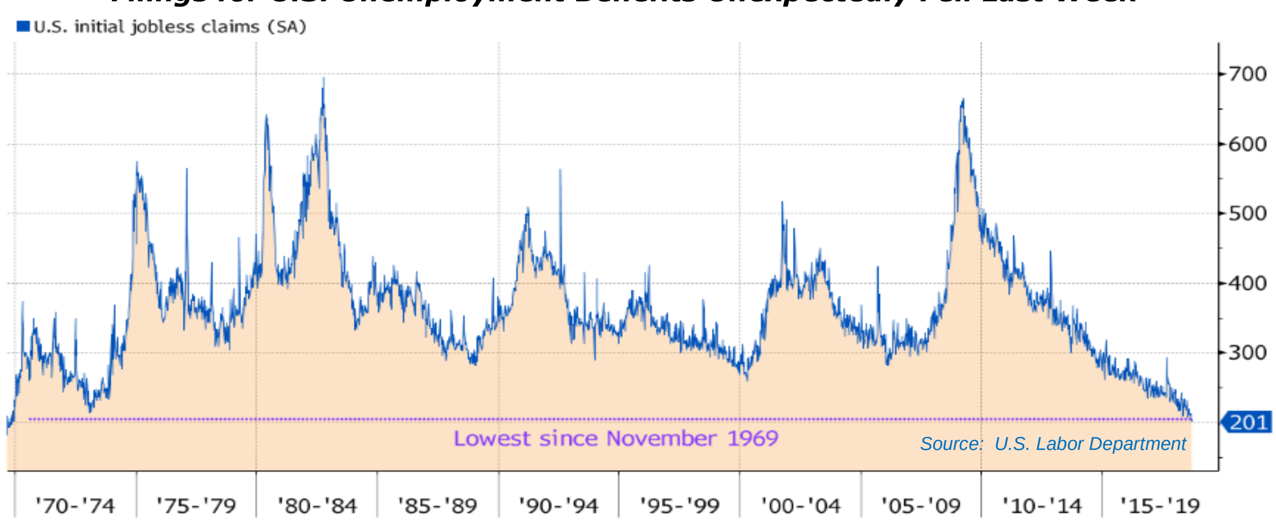


Economy

Positive Reports Show U.S. Economy Still on Solid Track:

- A string of reports on Thursday showed the labor market is getting stronger, consumers are increasingly optimistic and manufacturers are expanding, adding to signs that gross domestic product remains on track for a solid performance in the third quarter.
    - Filings for unemployment benefits unexpectedly fell for a third straight week to a new 48-year low, as businesses hold on to existing staff amid a shortage of skilled workers, according to Labor Department figures. That is a good sign for the September payrolls report: The claims data, covering the week containing the 12th of the month, coincide with the reference period for the Labor Department's survey for the monthly figures.

Filings for U.S. Unemployment Benefits Unexpectedly Fell Last Week



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

- U.S. consumer sentiment advanced last week to a fresh 17-year high on brighter views of the economy, personal finances and the buying climate, the Bloomberg Consumer Comfort Index showed Thursday.
    - Weekly comfort index rose to 60.2, the highest since January 2001, from 59.0. The gauge tracking views of economy also rose to a new a 17-year high, climbing to 64.3 from 62.9.
    - Rising confidence across all three index components shows Americans growing more upbeat amid one of the best job markets in decades and should support household spending, the largest component of the economy. The survey responses are consistent with consumer sentiment reflected in the latest University of Michigan report, which showed confidence in September jumped to a six-month high. Gaps, however, persist among comfort figures by race, income, and political affiliation.

Fixed Income

Banks Cut Muni-Bond Holdings in 2Q After Tax Cut:

- U.S. banks reduced their municipal-bond investments for a second straight quarter, cutting $10.9 billion from their holdings in the three months through June, continuing a retreat from state and city debt that started after the federal government slashed corporate tax rates.
    - Banks held $543.5 billion of municipal debt in the three months ending June 30th, down from $554.4 billion in the first quarter of 2018, according to Federal Reserve Board data released Thursday.
    - Banks in the first three months of the year lowered their municipal holdings by $15.8 billion, the first quarterly retreat for the companies since 2009.
    - The cutback dropped banks to the fourth biggest holders of municipal securities, below insurance companies, which added to their holdings.

Why Have Short-Term Muni Yields Risen So Much?:

- When the shortest-dated municipal bonds began tumbling last month, pushing yields to the highest in at least nine years, it appeared driven largely by a shift away from one of the market's priciest corners amid growing conviction that the Federal Reserve will keep raising interest rates.
    - But some investors see another culprit: Texas. That's because the jump began soon after the state flooded the market with $7.2 billion of debt that comes due next year, its biggest sale of such securities in five years. The offering alone accounts for about a quarter of the municipal notes that have been issued so far this year.
    - To get such a large issue sold, the AAA-rated state paid yields of 1.79 on the one-year debt, more than a quarter percentage point more than the benchmark and in line with what investors were demanding on three-year debt at the time. And as a result, it may have essentially reset the market's baseline.
    - The rise over the past month is notable because investors had previously flocked to short-term municipals, pushing the yields to as little as 60 percent of comparable Treasuries -- leaving the tax-exempt debt expensive in comparison. Since August 21st, the yields on benchmark one-year debt have risen about 0.36 percentage point to 1.89 percent, the highest since the Bloomberg index started in 2009.

Equities

Tech Giants Stall U.S. Rally on Quad-Witching Day:

- Declines in tech giants including Apple Inc., Amazon Inc. and Facebook Inc. dragged on equity benchmarks, helping erase the session's gains on a day when quarterly rebalancing spurred volatile trading.
  - The S&P 500 Index was little changed Friday afternoon but ended the week higher. Quadruple witching -- when futures and options on indexes and individual stocks expire -- and the largest revision to the Global Industry Classification Standard since 1999 may be behind the day's price changes and higher-than-average volumes.
  - Raw materials, stocks and emerging-market assets are all rallying as investors bet the global economic expansion is intact despite the latest data from Europe and the escalating trade war. The Bloomberg Commodity Index climbed to its highest level in more than a month, fueled by gains in crude oil and copper.
  - Emerging-market stocks and currencies extended their rally. Indian stocks bucked the developing-nation trend, however, as a plunge in banks set off an exodus from financial shares.

United States Index Performance

Sector	Performance			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Consumer Discretionary 17 Industries	+3.23%	+3.18%	+16.13%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	+0.24%	+6.97%	-3.13%	15.1x	1.0x	2.86%
Energy 3 Industries	+2.89%	-0.36%	+4.26%	14.0x	1.2x	1.74%
Financials 12 Industries	+1.72%	+4.51%	+3.63%	15.2x	2.1x	1.91%
Health Care 8 Industries	+3.24%	+9.43%	+15.77%	18.2x	1.2x	1.86%
Industrials 17 Industries	+3.35%	+7.62%	+5.20%	15.7x	1.1x	1.85%
Information Technology 10 Industries	+3.11%	+4.43%	+19.84%	14.8x	2.1x	0.90%
Materials 6 Industries	+3.11%	+3.34%	+0.23%	13.2x	1.1x	1.79%
Telecommunication Services 3 Industries	-0.17%	+8.81%	-3.88%	22.6x	1.3x	4.83%
Utilities 6 Industries	-2.03%	+4.98%	+1.29%	17.1x	1.3x	3.78%

Source: Bloomberg