



Carty & Company, Inc.

Weekly Market Update – October 2018, Week 1

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Compare Rates

| US Treasuries | | | |
|---------------|-------|--------|------------|
| Maturity | Yield | Change | 1 Week Ago |
| 3 | 2.99 | 0.12 | 2.87 |
| 5 | 3.08 | 0.14 | 2.94 |
| 7 | 3.18 | 0.17 | 3.01 |
| 10 | 3.24 | 0.19 | 3.05 |
| 30 | 3.42 | 0.23 | 3.19 |

| Agencies | | | |
|----------|-------|--------|------------|
| Maturity | Yield | Change | 1 Week Ago |
| 3 | 2.99 | 0.10 | 2.89 |
| 5 | 3.12 | 0.13 | 2.99 |
| 7 | 3.20 | 0.13 | 3.07 |
| 10 | 3.49 | 0.16 | 3.33 |
| 25 | 3.64 | 0.20 | 3.44 |

| Municipal G.O. (AAA) MMD | | | |
|--------------------------|-------|--------|------------|
| Maturity | Yield | Change | 1 Week Ago |
| 1 | 1.97 | 0.05 | 1.92 |
| 5 | 2.31 | 0.08 | 2.23 |
| 10 | 2.72 | 0.10 | 2.62 |
| 15 | 3.05 | 0.11 | 2.94 |
| 30 | 3.39 | 0.13 | 3.26 |

| Municipal G.O. (AAA) - TEY @ 38% | | | |
|----------------------------------|-------|--------|------------|
| Maturity | Yield | Change | 1 Week Ago |
| 1 | 3.18 | 0.78 | 2.40 |
| 5 | 3.73 | 0.51 | 3.22 |
| 10 | 4.38 | 0.33 | 4.05 |
| 15 | 4.93 | 0.39 | 4.54 |
| 30 | 5.46 | 0.46 | 5.00 |

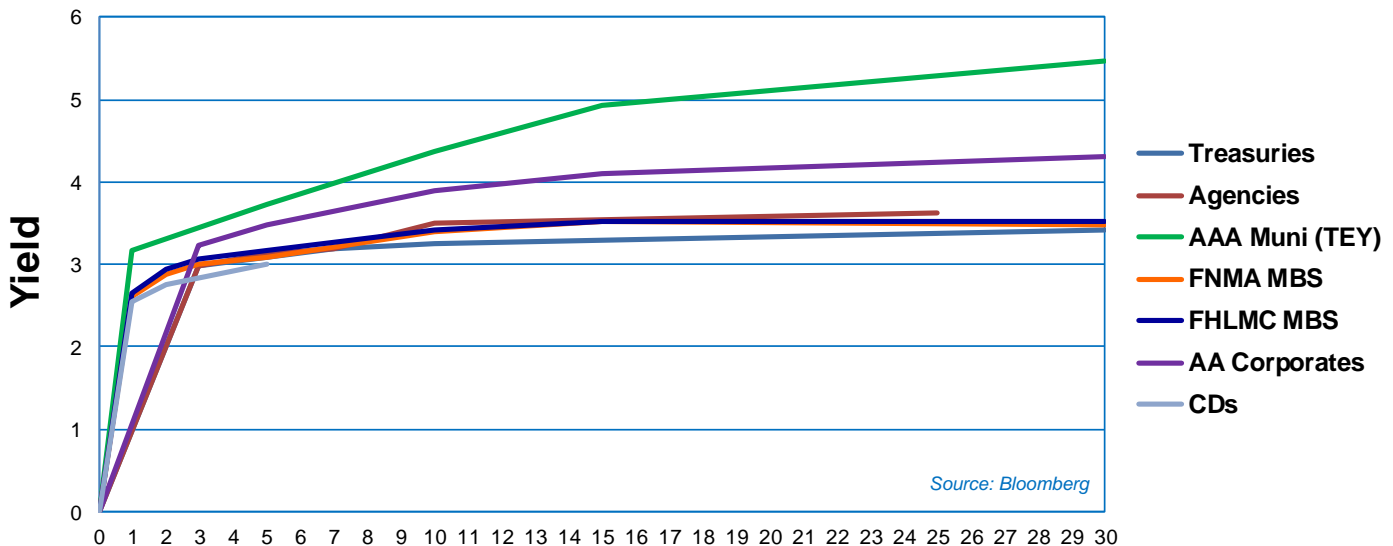
| Brokered CDs | | | |
|--------------|-------|--------|------------|
| Maturity | Yield | Change | 1 Week Ago |
| 1 | 2.55 | 0.10 | 2.45 |
| 2 | 2.75 | 0.10 | 2.65 |
| 5 | 3.00 | 0.00 | 3.00 |

| Corporate Index (AA) | | | |
|----------------------|-------|--------|------------|
| Maturity | Yield | Change | 1 Week Ago |
| 3 | 3.24 | 0.08 | 3.16 |
| 5 | 3.47 | 0.10 | 3.37 |
| 10 | 3.90 | 0.13 | 3.77 |
| 15 | 4.11 | 0.14 | 3.97 |
| 30 | 4.31 | 0.15 | 4.16 |

| MBS - Current Coupon | | | |
|----------------------|-------|--------|------------|
| FNMA | Yield | Change | 1 Week Ago |
| 15yr | 3.48 | 0.31 | 3.17 |
| 30yr | 4.01 | 0.34 | 3.67 |
| FHLMC | Yield | Change | 1 Week Ago |
| 15yr | 3.51 | 0.28 | 3.23 |
| 30yr | 4.03 | 0.35 | 3.68 |

| Equities | | | |
|----------|---------|----------|------------|
| Index | Current | Change | 1 Week Ago |
| DJIA | 26,374 | (92.91) | 26,467 |
| S&P 500 | 2,880 | (33.90) | 2,914 |
| Nasdaq | 7,763 | (276.00) | 8,039 |

Fixed Income Sector Performance



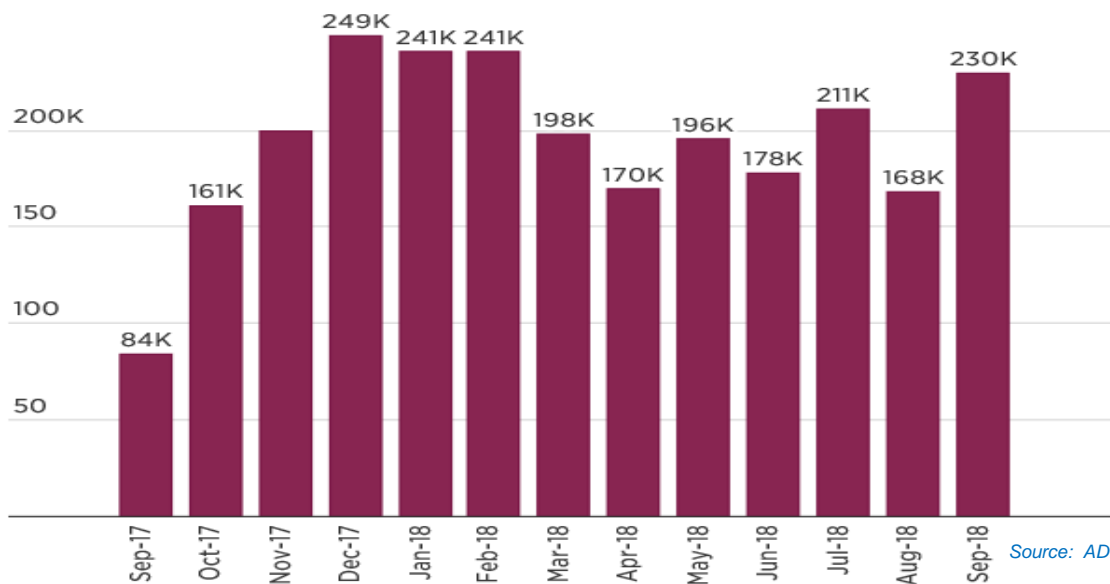


Economy

Private Payrolls Grew by 230,000 in September:

- 🌐 Job growth surged in September to its highest level in seven months as the economy put up another show of strength, according to a report Wednesday from ADP and Moody's Analytics.
 - ➔ Private companies added 230,000 more positions for the month, the best level since the 241,000 jobs added in February and well ahead of the 168,000 jobs added in August.
 - ➔ The total was above the 185,000 jobs expected by economists surveyed by Refinitiv (formerly Thomson Reuters).

U.S. Private Sector Jobs



Source: ADP Research Institute

Non-Farm Payrolls Lower than Forecast:

- 🌐 Non-farm payrolls added a lower than expected 134,000 new jobs after an upwardly revised 270,000 increase, Labor Department figures showed Friday. The median estimate of analysts surveyed by Bloomberg was for a gain of 185,000 jobs.
 - ➔ The bulk of hiring in September was concentrated in the professional ranks, health care, construction and manufacturing. White-collar firms added 54,000 job and health-care providers filled 26,000 positions. Builders hired 23,000 workers and manufacturers 18,000.
 - ➔ Employment fell among retailers, restaurants and hotels.
 - ➔ The increase in hiring was the smallest in 12 months and below the recent trend, perhaps reflecting the effects of Hurricane Florence.
 - ➔ Despite the anemic jobs number, the increase was enough to lower the unemployment rate to 3.7% from 3.9%. The last time the jobless rate was lower was in December 1969.



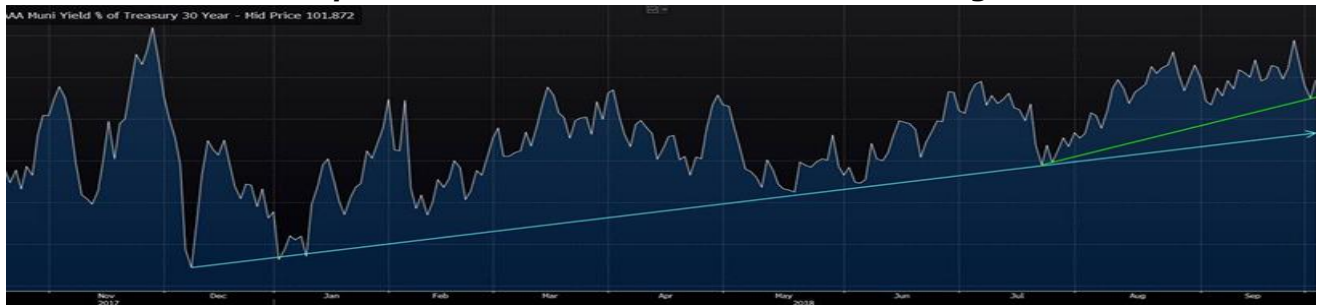
Fixed Income

Municipals and Treasuries Yields Higher:

Longer-dated tax-free municipal investments are looking attractive. In the top graph below, you can see the 30-Year AAA rated municipal yield as a percentage of the 30-Year U.S. Treasury yield. The blue arrow represents a longer-term upward trend dating back to 2017. The green arrow shows an even steeper, short-term trend dating back to July. 30-Year muni yields are now providing 101.872% of 30-Year Treasury yields. This remains very close to the highs of the year.

30-Year Municipal Yields as Percent of Treasuries Near Highs of 2018

Source: Bloomberg



What is also significant is the 30-Year Treasury benchmark's yield has broken higher, currently at 3.28%. This is the highest level since 2014. Right now is an excellent time for suitable clients to be buying longer-term munis at high yields and inexpensive prices.

30-Year Treasury Yields Currently at 4-Year Highs

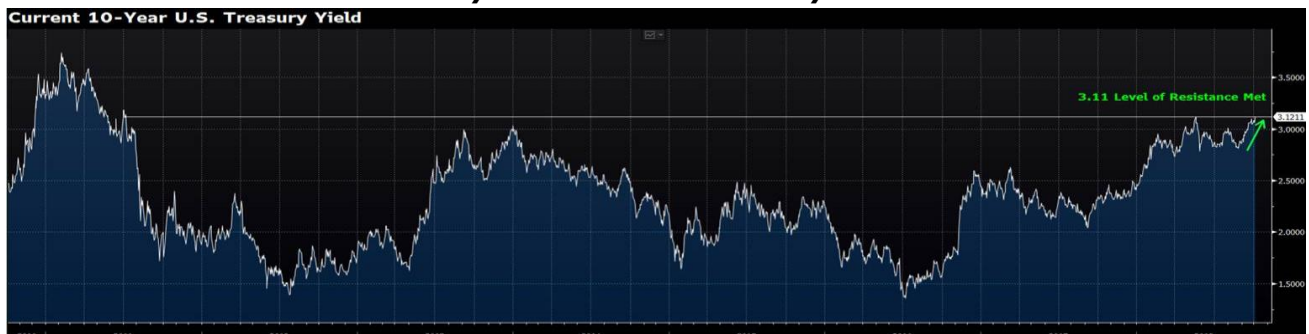
Source: Bloomberg



The 10-Year U.S. Treasury yield is now above 3.12%. That breaches the highs from May and we are currently sitting at the highest level since August of 2011.

Currently 10-Year U.S. Treasury Yield

Source: Bloomberg





Equities

Stocks Drop as Yields Surge:

- U.S. stocks losses deepened early Friday afternoon as investors struggled to reconcile rising rates, and digested the September jobs report, which pointed to strength in the labor market but also underlined concerns about inflation.
 - Major equity indexes are coming off one of their worst sessions in months as Treasury yields climbed to the highest level since 2011, forcing a broad reassessment of assets that are seen as risky, including stocks.
 - For the week, the S&P 500 declined approximately 1.2%, its second straight weekly decline. The Nasdaq lost 3.4% and the Dow dropped 0.4%.
 - On Thursday, the Dow suffered its biggest one-day percentage drop since August, while both the S&P and the Nasdaq logged the biggest daily drop since late June.

S&P 500 Posts Best Quarter Since 2013

| Sector | Performance | | | Price per Earnings | Price to Sales | Dividend Yield |
|--|-------------|---------|---------|--------------------|----------------|----------------|
| | 1 Month | 3 Month | YTD | | | |
| Communication Services 3 Industries | +3.94% | +6.01% | -3.32% | 22.6x | 1.3x | 4.83% |
| Consumer Discretionary 17 Industries | -3.39% | +2.79% | +11.85% | 16.5x | 1.0x | 1.27% |
| Consumer Staples 9 Industries | -0.20% | +3.83% | -5.73% | 15.1x | 1.0x | 2.86% |
| Energy 3 Industries | +4.69% | +2.66% | +7.89% | 14.0x | 1.2x | 1.74% |
| Financials 12 Industries | -1.60% | +4.95% | +0.82% | 15.2x | 2.1x | 1.91% |
| Health Care 8 Industries | +1.31% | +10.90% | +15.29% | 18.2x | 1.2x | 1.86% |
| Industrials 17 Industries | +1.98% | +9.36% | +4.22% | 15.7x | 1.1x | 1.85% |
| Information Technology 10 Industries | -1.77% | +7.46% | +18.67% | 14.8x | 2.1x | 0.90% |
| Materials 6 Industries | -1.36% | +0.21% | -4.10% | 13.2x | 1.1x | 1.79% |
| Utilities 6 Industries | -0.95% | +0.82% | +1.20% | 17.1x | 1.3x | 3.78% |

Source: Bloomberg

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