



Carty & Company, Inc.

Weekly Market Update – November 2018, Week 2

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

Follow @FixedIncomes

Compare Rates

US Treasuries			
Maturity	Yield	Change	1 Week Ago
3	3.00	0.02	2.98
5	3.04	0.00	3.04
7	3.12	(0.02)	3.14
10	3.19	(0.03)	3.22
30	3.39	(0.07)	3.46

Agencies			
Maturity	Yield	Change	1 Week Ago
3	3.01	0.03	2.98
5	3.10	0.01	3.09
7	3.20	0.01	3.19
10	3.48	(0.02)	3.50
25	3.64	(0.07)	3.71

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	1 Week Ago
1	1.99	(0.01)	2.00
5	2.34	(0.02)	2.36
10	2.77	(0.03)	2.80
15	3.11	(0.03)	3.14
30	3.46	(0.03)	3.49

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	1 Week Ago
1	3.22	0.82	2.40
5	3.77	0.55	3.22
10	4.47	0.42	4.05
15	5.01	0.47	4.54
30	5.58	0.58	5.00

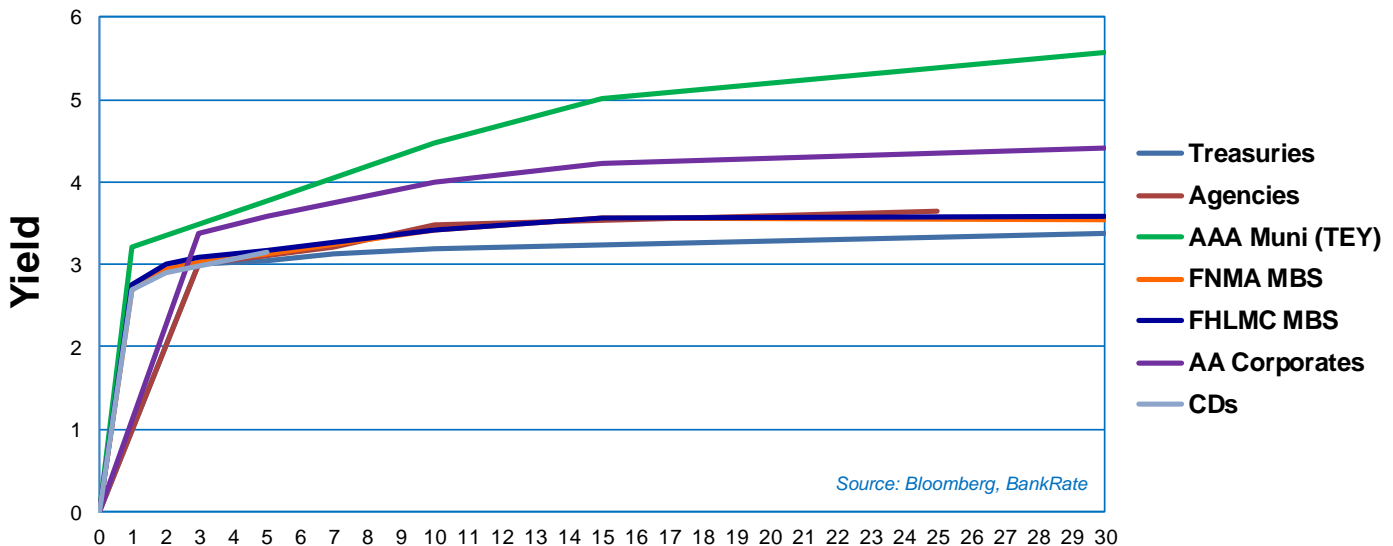
Brokered CDs			
Maturity	Yield	Change	1 Week Ago
1	2.70	0.00	2.70
2	2.90	0.00	2.90
5	3.15	0.00	3.15

Corporate Index (AA)			
Maturity	Yield	Change	1 Week Ago
3	3.39	0.10	3.29
5	3.59	0.08	3.51
10	4.00	0.05	3.95
15	4.22	0.03	4.19
30	4.41	(0.01)	4.42

MBS - Current Coupon			
FNMA	Yield	Change	1 Week Ago
15yr	3.57	(0.05)	3.62
30yr	4.05	(0.01)	4.06
FHLMC	Yield	Change	1 Week Ago
15yr	3.59	(0.01)	3.60
30yr	4.06	0.02	4.04

Equities			
Index	Current	Change	1 Week Ago
DJIA	25,827	701.38	25,126
S&P 500	2,781	58.01	2,723
Nasdaq	7,407	49.90	7,357

Fixed Income Sector Performance



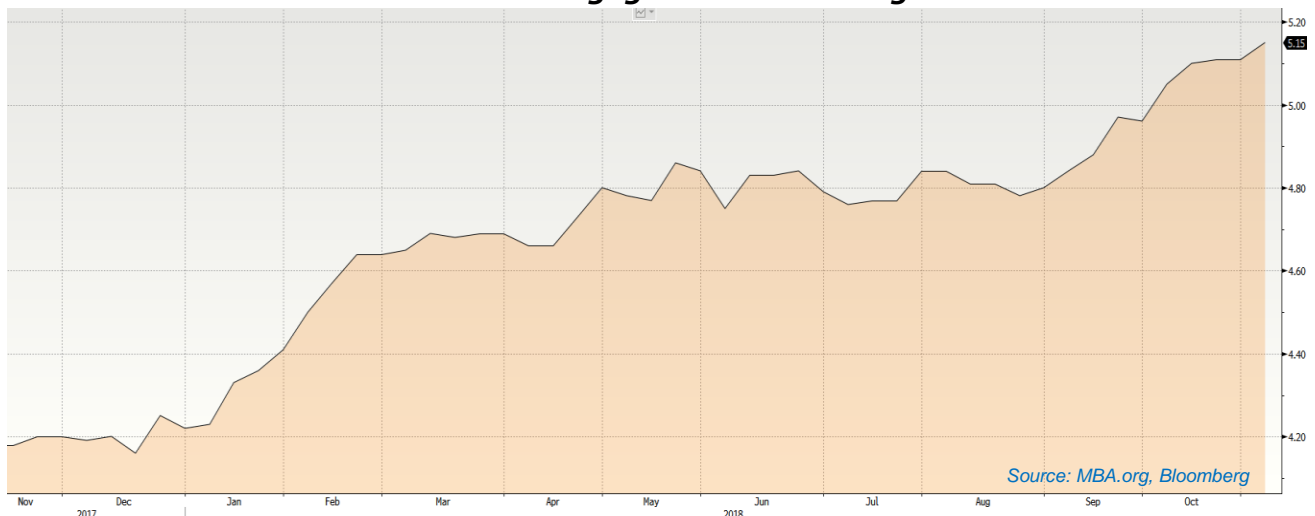


Economy

Mortgage Applications Decline with Housing Sentiment:

- On Wednesday the Mortgage Bankers Association's Market Composite Index showed a 4 percent decline in mortgage applications from a week earlier.
- The Market Composite Index is a measurement of seasonally adjusted mortgage loan application volume and the decline represented its lowest level since December of 2014.
 - "Rates increased slightly last week, as various job market indicators showed a bounce back in job gains and an acceleration in wage growth in October. The survey's 30-year fixed-rate, at 5.15 percent, was the highest since April 2010," said Joel Kan, MBA's associate vice president of economic and industry forecasts. "Application activity decreased over the week for both purchase and refinance applications, with the overall market index down to its lowest level since December 2014. The purchase index declined to its lowest level since November 2016, but remained only slightly below the same week a year ago. It's evident that housing inventory shortages continue to impact prospective homebuyers this fall."
 - Fannie Mae's Home Purchase Sentiment Index also decreased during October, falling 2 points to 85.7 currently. This resumes a recent downtrend. According to Fannie Mae, "The decline can be attributed to decreases in five of the six components, including those measuring consumer's home buying and selling attitudes. The net share of Americans who said it is a good time to buy a home fell 5 percentage points, and the net share who said it is a good time to sell a home fell 3 percentage points."

30-Year Fixed Mortgage Rate Trends Higher





Fixed Income

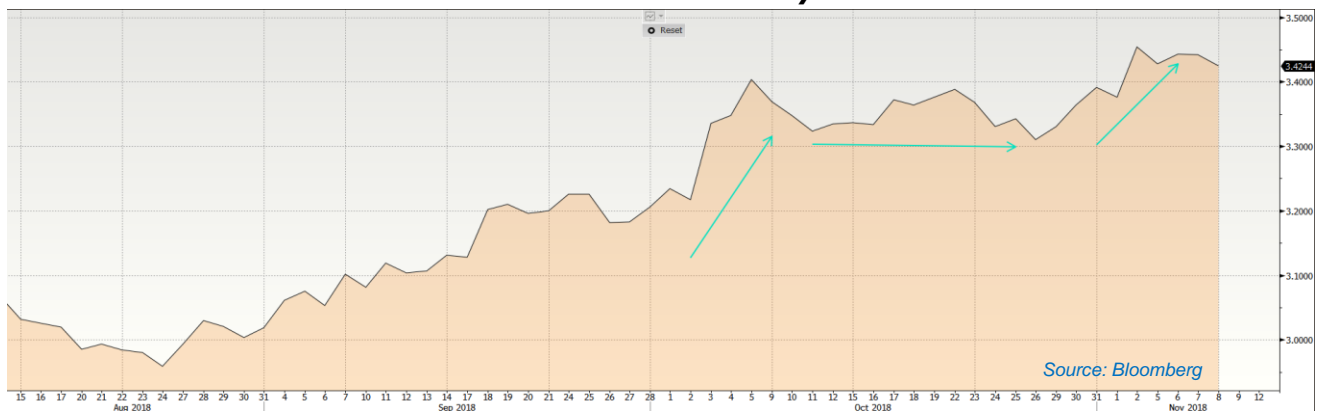
Treasuries Hit Resistance Again:

- 🌐 The benchmark 10-Year U.S. Treasury yield hit a level of resistance established by the 3.22% high reached on October 8th. This technical level will represent a ceiling until yields are able to push and close above it.
 - ➡ The Fed did not raise rates during their November meeting last week as expected, but the Bloomberg World Interest Rate Probability odds show a high likelihood of a hike in December. The 10-year is more influenced by inflation than Fed rate hikes that affect the short end of the curve. With the Fed continuing to raise rates in December and a projected 3-4 times in 2019, this could have a muting effect on inflation. The wild card is tariffs. With fewer imports, particularly from China, this could push prices higher on multiple sectors which should in turn increase 10-year and 30-year yields.
 - ➡ Something of note is as the 10-year yield has hit a double top over the past couple weeks, the 30-year yield has continued higher. This widening spread between the two is something we will continue to monitor.

Current 10-Year U.S. Treasury Yield



Current 30-Year U.S. Treasury Yield





Equities

Stock Struggles Continue:

- 📉 Stocks sold off sharply Friday, led by selling in the technology sector. Crude oil also entered bear territory with prices on West Texas crude ending the week at \$60 a barrel. That was the 10th consecutive session loss for WTI.
 - ➡ On Friday the S&P 500 had its largest decline in two weeks with 10 of the index's 11 sectors dropping. In small-caps, the Russell 2000 index is showing a bigger red flag. The index is close to having its 50-day moving average fall below its long-term 200-day moving average. When this happens, it is possible to foresee a short-term sell off turn into a broader long-term decline.
 - ➡ The Nasdaq 100 dropped more than 1.5 percent Friday and the DJIA declined .77%. Walt Disney Co offset losses as it gained 1.72% with the announcement of Disney+, rivalling Netflix. Proctor and Gamble was up 1.15% as it announced it would revamp management structure while reducing its number of business units from ten to six.

Global Market United States Index

Sector	Performance			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Communication Services 3 Industries	-3.24%	-0.32%	-7.57%	22.6x	1.3x	4.83%
Consumer Discretionary 17 Industries	-1.13%	-2.70%	+9.53%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	+4.03%	+5.05%	-0.80%	15.1x	1.0x	2.86%
Energy 3 Industries	-11.90%	-9.66%	-5.08%	14.0x	1.2x	1.74%
Financials 12 Industries	-3.22%	-4.50%	-2.35%	15.2x	2.1x	1.91%
Health Care 8 Industries	-1.18%	+2.38%	+13.37%	18.2x	1.2x	1.86%
Industrials 17 Industries	-7.18%	-4.88%	-3.81%	15.7x	1.1x	1.85%
Information Technology 10 Industries	-2.47%	-3.93%	+12.70%	14.8x	2.1x	0.90%
Materials 6 Industries	-4.48%	-7.61%	-9.22%	13.2x	1.1x	1.79%
Utilities 6 Industries	+0.83%	+3.14%	+4.39%	17.1x	1.3x	3.78%

Source: Bloomberg

Important Information Regarding This Report

The information in this report has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete. All projections are opinions of the author and are no guarantee of future financial market or economic performance. This report is to be used for informational purposes only and in no event should be construed as a solicitation to sell or offer to purchase a security. Carty & Co., Inc. does not provide tax, accounting, or legal advice to our clients. For investment advice specific to your situation or additional information on this or other topics, contact your Carty & Co., Inc. Rep and/or your tax or legal advisor. This report is the intellectual property of Carty & Co., Inc. and may not be reproduced, distributed, or published by any person for any purpose without Carty & Company's express prior written consent.