



Carty & Company, Inc.

Weekly Market Update – November 2018, Week 5

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Compare Rates

US Treasuries			
Maturity	Yield	Change	3 Weeks Ago
3	2.82	(0.18)	3.00
5	2.83	(0.21)	3.04
7	2.91	(0.21)	3.12
10	3.00	(0.19)	3.19
30	3.30	(0.09)	3.39

Agencies			
Maturity	Yield	Change	3 Weeks Ago
3	2.91	(0.10)	3.01
5	2.91	(0.19)	3.10
7	3.02	(0.18)	3.20
10	3.35	(0.13)	3.48
25	3.57	(0.07)	3.64

Municipal G.O. (AAA) MMD			
Maturity	Yield	Change	3 Weeks Ago
1	1.87	(0.12)	1.99
5	2.16	(0.18)	2.34
10	2.55	(0.22)	2.77
15	2.88	(0.23)	3.11
30	3.27	(0.19)	3.46

Municipal G.O. (AAA) - TEY @ 38%			
Maturity	Yield	Change	3 Weeks Ago
1	3.02	0.62	2.40
5	3.49	0.27	3.22
10	4.11	0.06	4.05
15	4.64	0.10	4.54
30	5.28	0.28	5.00

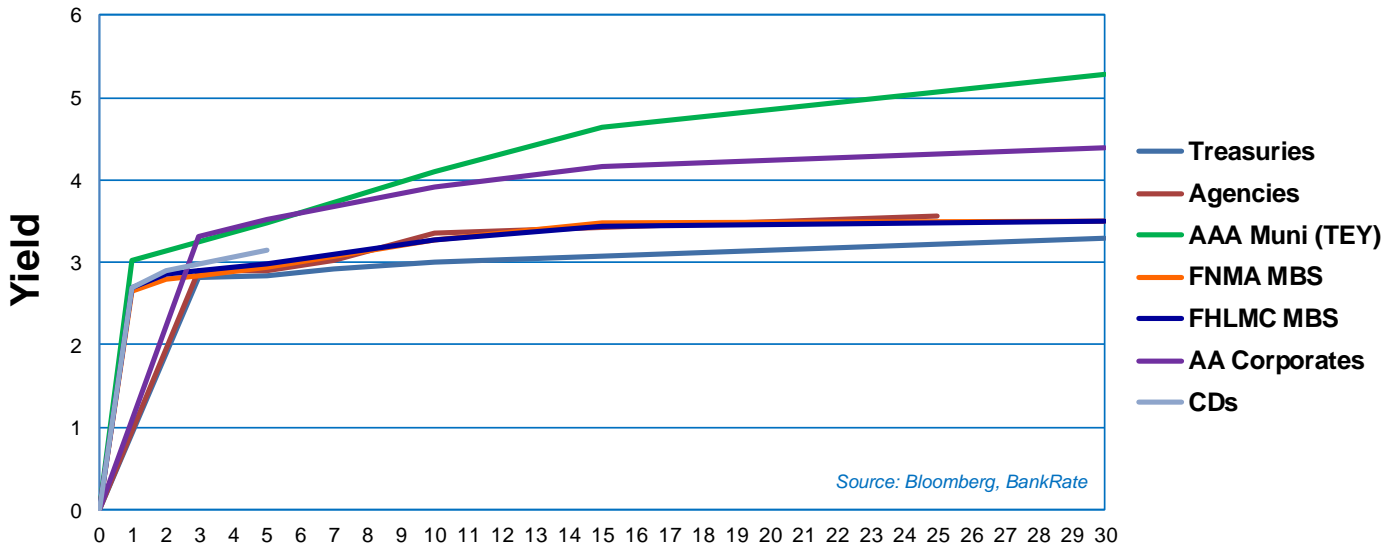
Brokered CDs			
Maturity	Yield	Change	3 Weeks Ago
1	2.70	0.00	2.70
2	2.90	0.00	2.90
5	3.15	0.00	3.15

Corporate Index (AA)			
Maturity	Yield	Change	3 Weeks Ago
3	3.31	(0.08)	3.39
5	3.52	(0.07)	3.59
10	3.93	(0.08)	4.00
15	4.17	(0.05)	4.22
30	4.40	(0.01)	4.41

MBS - Current Coupon			
FNMA	Yield	Change	3 Weeks Ago
15yr	3.38	(0.19)	3.57
30yr	3.88	(0.17)	4.05
FHLMC	Yield	Change	3 Weeks Ago
15yr	3.42	(0.17)	3.59
30yr	3.90	(0.16)	4.06

Equities			
Index	Current	Change	3 Weeks Ago
DJIA	25,509	(318.38)	25,827
S&P 500	2,755	(26.15)	2,781
Nasdaq	7,331	(76.46)	7,407

Fixed Income Sector Performance





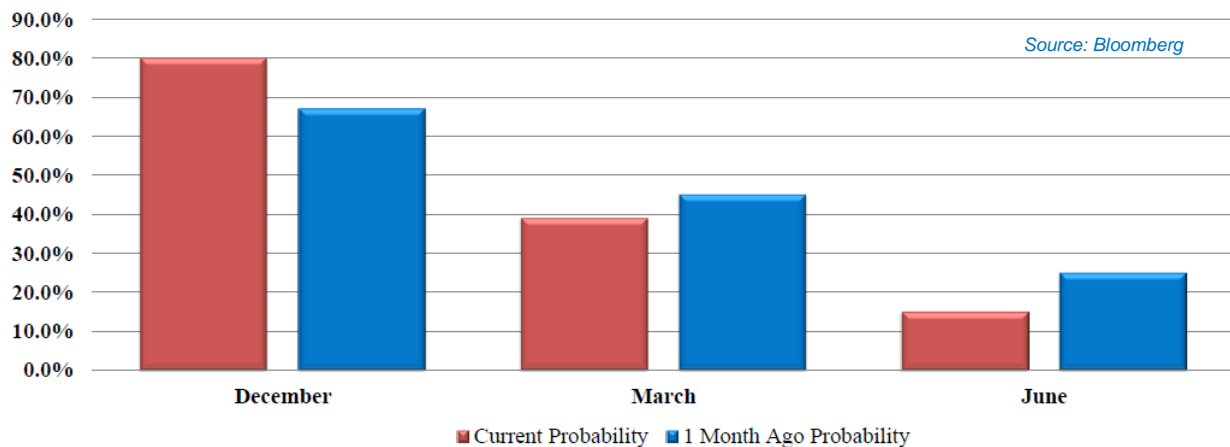
Economy

Fed President Powell Suggests Rate Hikes May End:

On Wednesday Federal Reserve Chairman Jerome Powell said interest rates were “just below” what he considers to be a neutral level. These dovish comments suggest the 3-4 rate hikes the Fed’s dot plot have been suggesting during 2019 could be reined in.

- Bloomberg’s WIRP Index still shows a December rate hike during the Fed’s meeting to have an 80% probability, increasing the fed funds range from 2.0-2.25% currently up to 2.25-2.50%. The comments also affected March’s probability of an additional rate to just 39%, down from 45% one month ago.
- The spread between December 2018 and December 2019 Eurodollar futures, a gauge for how much tightening traders expect next year, breached 25bps, the equivalent of only one rate hike from the Fed predicted in 2019.

Federal Reserve Rate Hike Probability



Market Expectations Declining for Fed Rate Hikes in 2019

■ Spread between December 2018 and December 2019 eurodollar contracts





Fixed Income

Treasuries Continue Rally on Dovish Fed:

- 🌐 The benchmark 10-Year U.S. Treasury yield has rallied to 3 percent after Fed Chairman Jerome Powell announced during his meeting last week that the Fed is close to neutral rates.
 - ➡ This is a change of pace from previous meetings and suggests the Fed's dot plot showing 3-4 rate hikes next year may be aggressive.
 - ➡ The 10-Year Treasury yield is forming a downward trend channel that established itself at the end of September.
 - ➡ Another technical identifier of note is the 10-Year Treasury has formed a double top, reaching low 3.20's in both early October and early November. A double top sometimes indicates a major trend reversal that forms after extended upward momentum. The current 3% yield is a psychological barrier that if breached could push yields down to the low 2.80's last seen in late August.

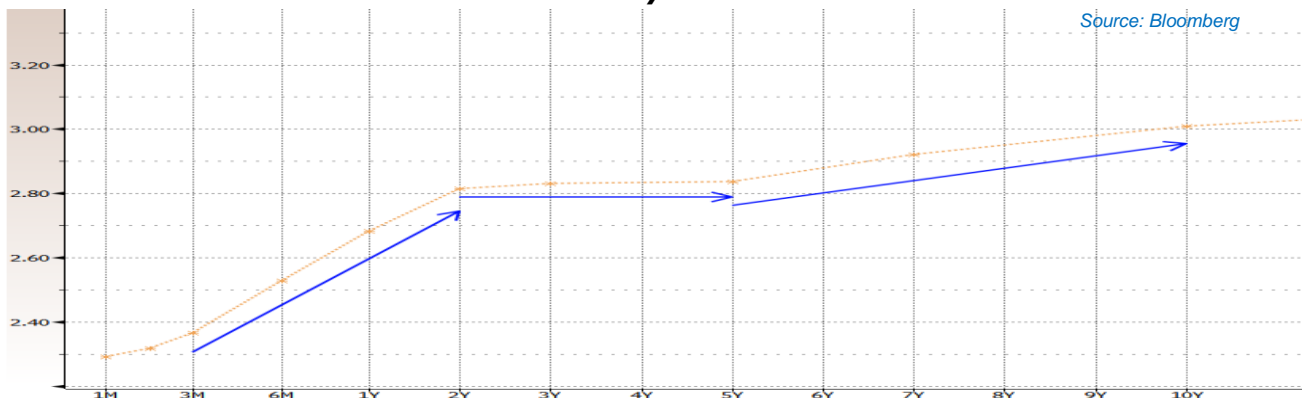
Current 10-Year U.S. Treasury Yield



Treasury Curve Close to Inversion:

- 🌐 The spread between 2-Year and 5-Year Treasury yields has narrowed significantly to under 3 basis points (2.815 percent versus 2.841 percent). The 3-Year to 5-Year spread is now under 1 basis point (2.833 percent versus 2.841 percent). This is something we will monitor closely.

Current Treasury Yield Curve





Equities

Stocks Rally:

- Last week the S&P 500 Index had its highest weekly advance since 2011. Markets were encouraged by Federal Reserve President Jerome Powell's dovish tone which would help prop up risk assets if there was a slower increase in fed funds.
 - Ending the week on a high note, stocks anticipated news on a potential trade deal between the United States and China during the G-20 meeting in Buenos Aires. There were rumors by a U.S. Official on Friday that a deal could be struck.
 - The health-care sector enjoyed a 6 percent advance during the month of November. On the opposite end, the information technology and communications services were the worst performing among the S&P 500 Index's 11 sectors.

Global Market United States Index

Sector	Performance			Price per Earnings	Price to Sales	Dividend Yield
	1 Month	3 Month	YTD			
Communication Services 3 Industries	+1.58%	-5.03%	-9.46%	22.6x	1.3x	4.83%
Consumer Discretionary 17 Industries	+3.71%	-7.87%	+5.78%	16.5x	1.0x	1.27%
Consumer Staples 9 Industries	+2.95%	+2.79%	-2.53%	15.1x	1.0x	2.86%
Energy 3 Industries	-2.74%	-13.32%	-10.02%	14.0x	1.2x	1.74%
Financials 12 Industries	+6.48%	-6.11%	-3.54%	15.2x	2.1x	1.91%
Health Care 8 Industries	+6.35%	-0.53%	+13.11%	18.2x	1.2x	1.86%
Industrials 17 Industries	+3.87%	-8.35%	-5.80%	15.7x	1.1x	1.85%
Information Technology 10 Industries	+0.28%	-9.96%	+8.07%	14.8x	2.1x	0.90%
Materials 6 Industries	+5.26%	-11.18%	-12.24%	13.2x	1.1x	1.79%
Utilities 6 Industries	+2.56%	+2.93%	+4.36%	17.1x	1.3x	3.78%

Source: Bloomberg

Important Information Regarding This Report

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