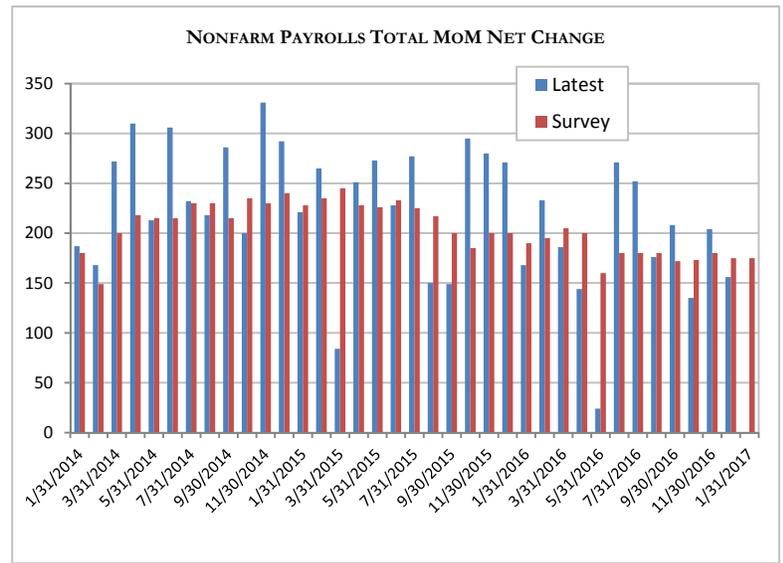


**HEADLINE NEWS**
**Busy Week with Spotlight on FOMC, Jobs, and Earnings**

- There are a number of macroeconomic data points due out this week that are worth watching. The FOMC concludes a two-day meeting on Wednesday, with a policy statement scheduled for release at 2 PM. According to the CME Group, odds of a rate hike currently sit at only 4%, and we would agree with the consensus that the Fed will not raise rates at this meeting. There will be no press conference or dot-plot update, but we will be interested in reading how the FOMC believes that any potential fiscal policy measures will impact monetary policy. The markets are planning for two rate hikes this year, but the outcome of this meeting will not be one of them.
- On Friday, we get the latest jobs report with consensus calling for a gain of 175,000 to nonfarm payroll employment. We will be eager to see the change in hourly earnings to get a read on any potential wage inflation.

**Puerto Rico's Governor Disrupts PREPA Negotiations**

- Newly-seated Governor Ricardo Rossello made a surprise announcement late last week, relieving board members of the Puerto Rico Electric Power Authority (PREPA) from their negotiating duties with creditors and replacing them with the Fiscal Agency and Financial Advisory Authority, which is the general government's in-house financial advisor. PREPA had reached an initial resolution with creditors back in September 2015, that included a 15% haircut on outstanding debt.
- However, Rossello may seek additional concessions which could help reduce the need for severe cuts in other areas of Puerto Rico's budget. The PREPA deal had been viewed as a possible blueprint for other restructurings among the Commonwealth's



Source: BBG/Bureau of Labor Statistics

nearly \$70 billion in debt, but the government's actions most likely dampen that prospect.

- In other Puerto Rico news, the federal oversight board that is tasked with overseeing Puerto Rico's fiscal turnaround has granted the Governor's administration an extension on proposing a budgetary plan from January 31<sup>st</sup> to February 28<sup>th</sup>. The oversight board has also extended the stay on creditor litigation from February 15<sup>th</sup> to May 1<sup>st</sup>.

**MARKET UPDATE**
**Muni Market Overview**

- Over the week, the Municipal curve was essentially unchanged, leaving the 5Yr at 1.66% and 7Yr at 1.99%.
- On the demand side, Municipal bond fund flows were basically flat, showing \$4 in million in outflows, with year-to-date total outflows \$4.2 billion. In the Intermediate part of the curve, demand seems strong with new deals generally being over-subscribed.
- The calendar this week is expected to be just \$4 billion in issuance, which is below the average for the earlier part of the month. 30-day visible supply is in the lower range for the month at \$9 billion. However, total issuance for the year is up 9.6% over last year at \$25.7 billion.

**Corporate Market Overview**

- Although the last couple of weeks of Investment Grade issuance have not been as robust as the first two weeks of the month (earnings season blackouts, Trump inauguration), January will most likely go down as the largest month of issuance topping May 2016's \$210 billion. Last week's \$30.9 billion brought the

month's total to \$195.65 billion with two days left to go. The most notable deal was the \$5 billion, 5 tranche deal brought by Goldman Sachs right out of the gate on Monday. The 5Yr maturity had initial price talk of +135, but tightened by 15 basis points to +120. Demand for credit continues to be strong and spreads are near the tightness of 2014.

- On the US Treasury side, rates moved modestly over the course of the week. The benchmark 10Yr bond moved higher by two basis points to 2.49%.

**FIXED INCOME INDEX RETURNS AS OF 1/27/2017**

	MTD	YTD
Barclays 3Yr	0.61	0.61
Barclays 5Yr	0.86	0.86
Barclays 7Yr	0.74	0.74
Barclays MM Short 1-5Yr	0.69	0.69
Barclays MM 1-10Yr	0.67	0.67
ML US Gov/Corp 1-10 Yr	0.10	0.10

Source:  
Interactive  
Data