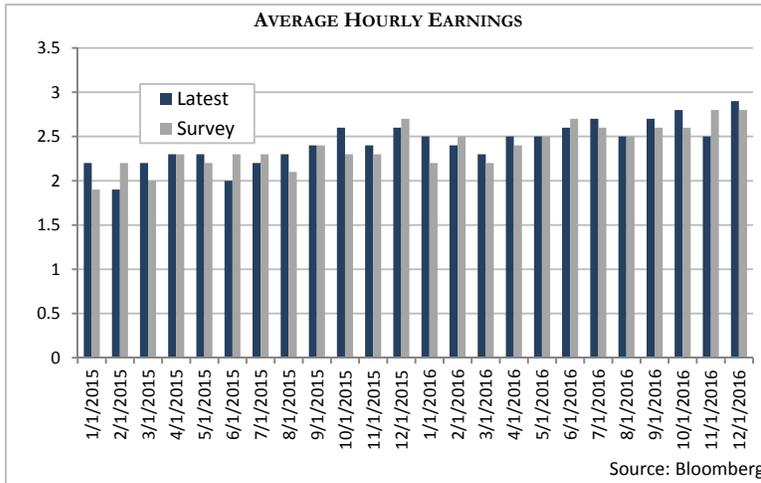


HEADLINE NEWS
Average Hourly Earnings Hit High

- Last week's jobs report came in at 156k versus the expectation of 175k new jobs. While the actual number was a miss, revisions to November's report added 26k more jobs. For the whole of 2016, the average jobs produced per month was 180k, but that number declined to 165k for the 4th quarter.
- The market reacted to average hourly earnings, which came in at a 0.4% increase and a tenth better than expected. Year over year, the average hourly earnings growth rate was 2.9%, the largest since June 2009. The highlights of the economic calendar this week are PPI and Retail Sales on Friday.


Illinois Begins 2017 Without a Spending Plan

- Illinois lawmakers are due back in the capital of Springfield on January 9th and will be faced with a familiar predicament: lack of an agreed upon budget. After going through the entire fiscal 2016 year without a spending program, the General Assembly passed a stop-gap plan that provided formal appropriations through December 31 of last year. At the time of the partial budget passage officials were hoping to make it through the elections when a compromise could hopefully be reached. Unfortunately, that deadline has come and gone, and a resolution looks to be nowhere in sight.
- Continuing appropriations for pension, general obligation bonds payments, and sales tax revenue bonds will continue, as will payments for K-12 education. However, funds for higher education and some social services remain uncertain. Outstanding bills are estimated at \$10 billion and could reach \$13.5 billion by July.
- Aside from the financial effects, the lack of a budget continues the multi-year trend of government inaction, as Illinois' Republican Governor and the largely Democratic Assembly remain far apart on a number of items.

MARKET UPDATE
Muni Market Overview

- The beginning of the year has been relatively quiet for Munis so far, but the market seems to be gearing up. Yields since the beginning of the year have come down, with the 5Yr at 1.70% and the 7Yr at 1.94%.
- For the period ending 1/4/17, municipal funds showed outflows of about \$2.5 billion. This streak of outflows has now lasted 8 consecutive weeks and totaled \$21.7 billion, which reverses a third of the previous \$62.4 billion streak of inflows.
- Supply is picking up, with about \$9 billion this week and 30-day visible supply climbing to \$16.9 billion. Issuance for 2016 totaled \$445.8 billion which was 10% larger than the previous year. For 2016, 60.9% of the issuance was refundings.

Corporate Market Overview

- Investment Grade bonds continue to perform well, as spreads carry on the tightening trend of 2016. The first week of the year hosted a pretty robust 3 day span of issuance. The surge was expected though, after a rather slow November and December. All of the \$64.25 billion brought by 27 issuers was very well received by investors looking to put cash to work. The "rush" to market may have also been preempted by the prospects of future rate hikes, earnings season blackouts, and the Trump inauguration.

- Treasuries were slightly higher on the week and there was a gradual steepening in the yield curve. The 10yr ended the week at 2.42%, which was down 2 bps from year end levels.

FIXED INCOME INDEX RETURNS AS OF 1/6/2017

	MTD	YTD
Barclays 3Yr	0.22	0.22
Barclays 5Yr	0.40	0.40
Barclays 7Yr	0.54	0.54
Barclays MM Short 1-5Yr	0.26	0.26
Barclays MM 1-10Yr	0.50	0.50
ML US Gov/Corp 1-10 Yr	0.04	0.04

Source: Interactive Data