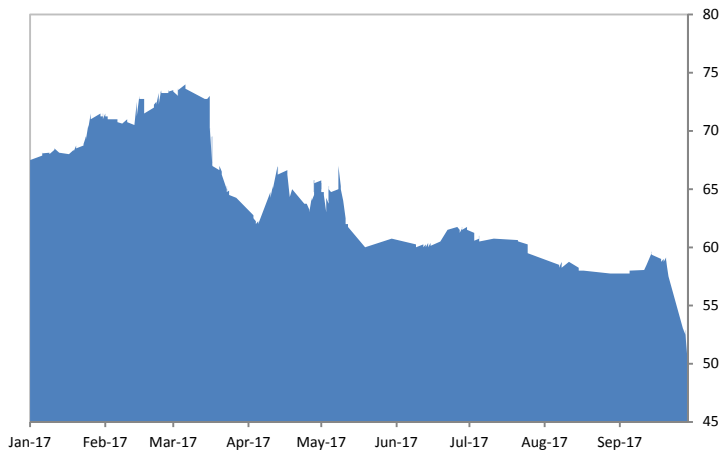


Puerto Rico Bonds Tumble Following Hurricanes

- Puerto Rico's Financial Oversight and Management Board (the "FOMB") met last Friday, likely to discuss possible changes to the Commonwealth's fiscal plan that was approved in March. As many on the island are still without power, the damage and devastation caused by Hurricane Maria is likely to result in weaker economic activity and an acceleration in population declines. The plan, which originally projected available cash flow for only 25% of debt owed over the next ten years, will most likely need to be revised.
- According to local media, members of Puerto Rico's House and Senate are calling for the FOMB to stop enforcing austerity measures for at least this year and possibly over the next five years.
- Investors are reacting negatively, building in assumptions that Puerto Rico will have lower revenues and less cash to pay debt obligations. General Obligation Bonds maturing in 2035 experienced a sharp 12.2% decline in price last week and last traded at 50.5 cents on the dollar as of Friday, September 29th. The year-to-date peak trading price for those bonds was 74, occurring on March 6th.

IMPACT FROM HURRICANE MARIA ADDS TO YEAR-LONG DECLINE IN PUERTO RICO GO BOND PRICES


Source: CUSIP 74514LE86, Municipal Securities Rulemaking Board EMMA

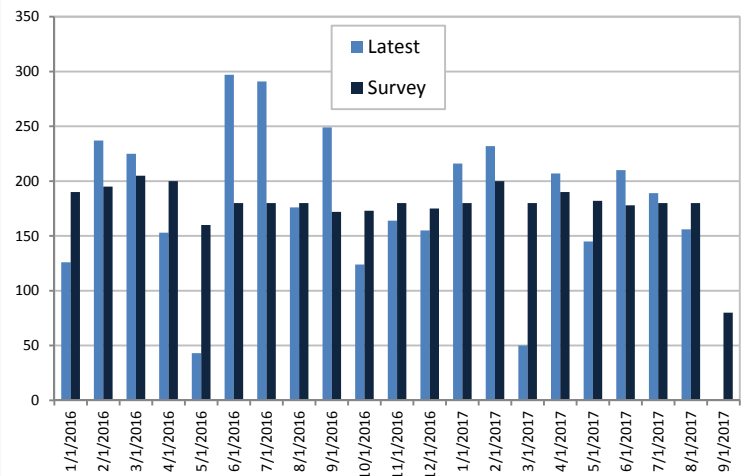
FIXED INCOME INDEX RETURNS AS OF 09/29/2017

	MTD	YTD
Barclays 3Yr	-0.33	2.35
Barclays 5Yr	-0.69	3.87
Barclays 7Yr	-0.78	4.72
Barclays MM Short 1-5Yr	-0.50	2.39
Barclays MM 1-10Yr	-0.79	3.81
ML US Gov/Corp 1-10 Yr	-0.50	1.88

Source: Interactive Data

Market Awaits Nonfarm Payrolls

- On Friday, the Nonfarm payrolls report will be released for September, and it is expected to come in at a low 80k. The low expectation is primarily due to the disruption from the recent hurricanes, which will likely continue in the near term. Currently, the implied probability of a rate hike at the December meeting is over 66%.

NONFARM PAYROLLS


Source: Bloomberg

Muni Market Overview

- Munis were off for the week with yields rising 8bps in both 5Yrs and 7Yrs to bring them to 1.35% and 1.62%, respectively. Over the month, yields were up across the curve. For September, the 5Yr was up 22bps and the 7Yr was up 18bps.
- Last week's elevated issuance was absorbed by the market and this week is slightly lower at \$6.5 billion in issuance. Thirty day visible supply has also dropped to \$9.2 billion. New York State Dormitory Authority will be the largest issuer in the market this week with a total of \$1.7 billion across 5 competitive deals.

Corporate Market Overview

- September Issuance got off to a strong start, but had a weak finish as the month progressed. Total investment grade issuance for the month of September came in at \$169.92 billion. If we were to remove SAS issuance from that total it would have been \$126.67 billion for the month. This brings the YTD total of sans SAS issuance down 5% year over year.
- The month started with a generally softer tone, and the gradual sell off in late August seeped in to September. There was certainly a risk-off sentiment as tensions with North Korean relations became noticeably more abrasive. However, as the situation on the North Korean peninsula calmed and issuance dropped off from its \$45 billion per week pace, credit spreads rebounded by the end of the month