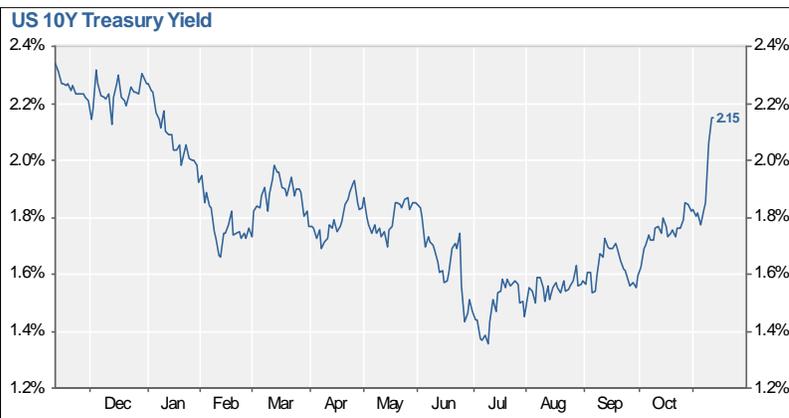


HEADLINE NEWS
Yields On the Move Post Election

- Initially, Trump's victory in the Presidential election caused a flight-to-quality rally in the Fixed Income markets due to increased uncertainty. However, Trump's pro-growth stance, including infrastructure spending, lower taxes and lower regulation, has increased inflationary fears, causing a significant increase in rates. The move seems to be reactionary and overdone, and we expect rates to stabilize in the coming trading sessions.
- The market continues to price in a FOMC rate hike in December. The implied probability of a hike has increased to the low 90% from the previous range in the low 80%. The question of additional future rate hikes will linger going forward and cause data releases to continue to be highlighted.

State of New Jersey Takes Over Atlantic City Operations

- New Jersey's Local Finance Board voted 5-0 to take control of Atlantic City's governance after the State rejected the beleaguered City's fiscal recovery plan presented the prior week.
- The director of the Board was designated all power available under the state takeover law except the ability to declare bankruptcy, which power still resides with the Governor.
- After providing Atlantic City a \$75 million loan earlier in 2016, New Jersey required certain adjustments and a commitment to improving the City's fiscal profile. Under state legislation, failure to achieve these targets allowed a state takeover of finances and the ability to sell assets and rework labor agreements.
- It is still uncertain how Atlantic City's turnaround will be resolved, but voters' rejection last week of a proposal to add two casinos in northern New Jersey will at the very least avoid further pressure on the City's gaming operations.



Source: FactSet

MARKET UPDATE
Muni Market Overview

- Since the election, the Municipal market has been volatile with yields initially going down, and then progressively going higher thereafter. By Monday, the 5Yr was 12bps higher at 1.24%, and the 10Yr was 25bps higher at 1.94%. Yields seem to have risen further throughout the trading period.
- Fund flows for the week ending 11/9/16 continued to be strong at \$1.596 billion for a total of \$54.4 billion for the year. Long term funds made up the majority of the inflows at \$1.5 billion, while High Yield showed moderate outflows.
- This week's calendar is expected to be approximately \$12 billion, which is relatively high, but given the recent volatility this number may decline due to deals being postponed. 30-day visible supply has increased to about \$15 billion.

Corporate Market Overview

- The short four-day week in the bond market began quietly, but was jolted by the Presidential election results on Tuesday. Leading in to election night, US Treasury yields were slightly higher across the board; however, by the end of the week the curve was significantly steeper. While the front end (<2Yrs) remained the comparative anchor, longer maturities were higher. The 5Yr was

up 33bps, the 10Yr and 30Yr were up 37bps to close out the week. The reemergence of volatility continues to be an issue, as there are many questions yet to be answered.

- While volatility in rates has taken hold over the last week or so, we have seen IG credit spreads hold in strong. Issuers waited out the storm on the sidelines as only \$8.625 billion of new debt was issued. The majority of that was done on Thursday. With only 33 trading days left (as of 11/14/16), the year seems to be quickly coming to an end, and issuance in the coming weeks could prove to be robust as issuers may race to market to harness current rates.

FIXED INCOME INDEX RETURNS AS OF 11/10/2016

	MTD	YTD
Barclays 3Yr	-0.15	0.93
Barclays 5Yr	-0.36	1.48
Barclays 7Yr	-0.60	1.88
Barclays MM Short 1-5Yr	-0.21	0.86
Barclays MM 1-10Yr	-0.59	1.39
ML US Gov/Corp 1-10 Yr	-0.73	2.42

Source:
Interactive
Data

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