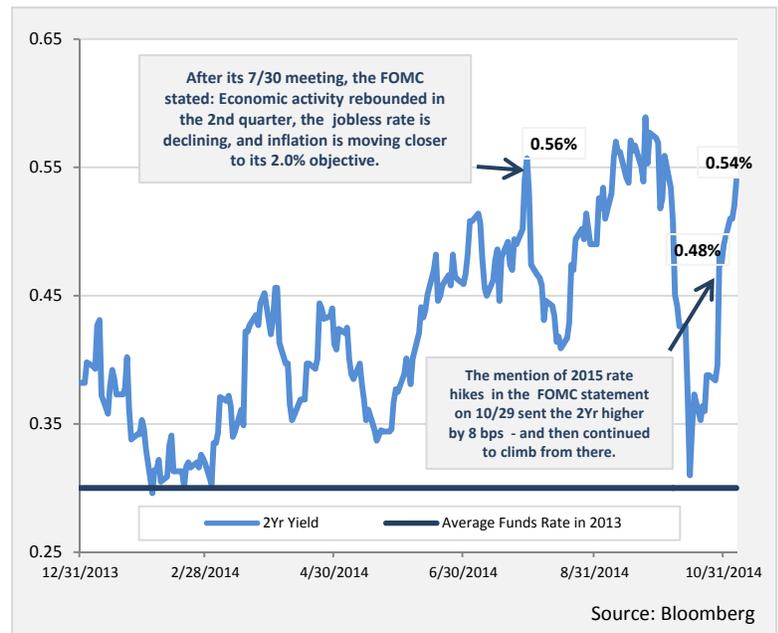


**HEADLINE NEWS**
**Energy Weighs On High-Yield Market**

The deterioration of oil prices in the last month has had a trickle-down effect into the high-yield bond market. Today, energy companies make up a substantial portion of the high-yield bond market, estimated at about a 17% share, which is up from just 8% in 2008. According to Bank of America's high-yield index, the decline of 4.4% in energy company bonds has weighed heavily on the overall high-yield performance: the index is down 0.3%, with the non-energy components generating a ~1.05% return over the same period. Across the high-yield market, energy bond yields reflect this recent trading weakness, yielding 6.93% on average versus 5.91% for the high-yield market as a whole.

**Cost of Bankruptcy Adds Up for Detroit**

The City of Detroit recently revealed that costs for lawyers, consultants, and advisors during the city's almost 16 month bankruptcy has reached \$140 million, and continues to grow. Other reports estimate fees could reach upwards of \$200 million. By way of comparison, this would represent almost 20% of Detroit's projected fiscal 2015 revenues, and is roughly in-line with the haircuts Detroit negotiated with insurers for unlimited tax general obligation bonds and limited tax general obligation bonds. The fees appear foreseen, as Stockton, CA's bankruptcy fees have been estimated at \$41 million for a city that expects to generate \$194 million in revenues in fiscal year 2015. Certainly both cities have reduced their long-term liabilities significantly, but the costs to do so remain onerous and may deter a number of other distressed municipalities from entertaining Chapter 9.

**2Yr Yields Averaged Less Than 0.30% in 2013, but Have Become More Sensitive This Year to the Prospect of the Fed Raising the Funds Rate in 2015**

**MARKET UPDATE**
**Supply and Demand In Balance**

The MMD AAA yield curve did not change for the week inside of 10 years, which may represent an equilibrium where supply and demand were at least close enough to keep market levels. Noting this, the end of the year will be interesting given the assumption that supply will be lower throughout the various holiday weeks. 30-day visible supply, at \$9.2 billion, is still above the \$7.8 billion weekly average for the year. This week's calendar is expected to bring \$8.1 billion of issuance. Contrasting from previous weeks, there is no billion-plus headline deal this week, but many smaller deals, the largest of which is \$550 million Connecticut State GO (Aa3/AA/AA), are on calendar.

**Steady IG Supply Satisfies Demand**

Investment Grade Corporate Issuers continue to take advantage of low rates and steady demand. With only 4 trading days in the week, issuance totaled \$36.6 billion bringing the November monthly total to \$87.85 billion. The industrials sector took the lead across all sector issuance, with Eastman Chemical

Company's (EMN Baa2, BBB, BBB) \$2 billion deal across 5, 10, and 30 years one of the most notable deals. OAS IG Spreads currently sit at 126 basis points, which is 30 bps away from the 52 weeks tight of 90bps and only 4 bps from 52 week wide of 130bps.

**FIXED INCOME INDEX RETURNS**

	MTD 11/14/14	YTD 11/14/14
Barclays 3Yr	0.02	1.47
Barclays 5Yr	-0.10	3.36
Barclays 7Yr	-0.35	5.53
Barclays MM Short 1-5Yr	0.00	1.44
Barclays MM 1-10Yr	-0.28	3.98
ML US Gov/Corp 1-10 Yr	0.11	2.88

Source:  
Interactive  
Data

**APPLETON PARTNERS, INC. ONE POST OFFICE SQ. BOSTON, MA 02109 TEL. 617.338.0700 WWW.APPLETONPARTNERS.COM**

*This commentary reflects the opinions of Appleton Partners based on information that we believe to be reliable. It is intended for informational purposes only, and not to suggest any specific performance or results, nor should it be considered investment, financial, tax or other professional advice. It is not an offer or solicitation. Views regarding the economy, securities markets or other specialized areas, like all predictors of future events, cannot be guaranteed to be accurate and may result in economic loss to the investor. While the Adviser believes the outside data sources cited to be credible, it has not independently verified the correctness of any of their inputs or calculations and, therefore, does not warranty the accuracy of any third-party sources or information. Specific securities identified and described may or may not be held in portfolios managed by the Adviser and do not represent all of the securities purchased, sold, or recommended for advisory clients. The reader should not assume that investments in the securities identified and discussed were or will be profitable. Any securities identified were selected for illustrative purposes only, as a vehicle for demonstrating investment analysis and decision making.*