

HEADLINE NEWS
Busy Macro Calendar Despite Holiday

- **We at Appleton Partners would like to wish everyone a healthy and happy Thanksgiving.**
- Despite the holiday shortened week, there is a full slate of macro releases for investors to chew on. The Flash PMI and existing home sales released Monday were both slightly below expectations, but not enough to change the narrative that the domestic economy is gradually improving. Tuesday morning's GDP revision was in-line with consensus (+2.1%, up from +1.5%), but some of the move is attributable to increased inventories which could lead to weakness in Q4. The remainder of the week brings durable good orders, the PCE inflation reading, and jobless claims. Investors will be undoubtedly focused on next week's labor report for further hints into what the Fed might do at their December meeting.

Puerto Rico's December 1st Payment in Jeopardy

- The Government Development Bank (GDB), Puerto Rico's public lender, has a \$355 million payment on outstanding bonds due December 1. The GDB has been warning for months that it is dangerously low on cash and needs to restructure its debt with bondholders.

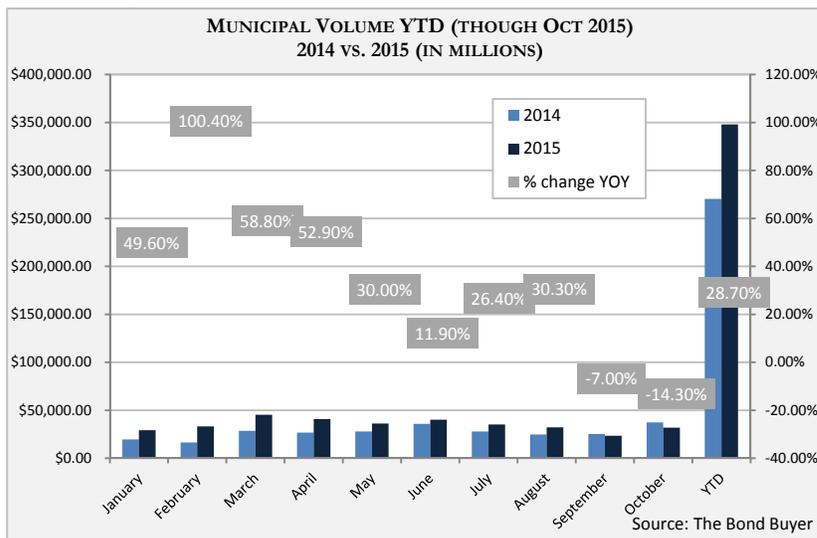
- Under a guarantee agreement, the Commonwealth of Puerto Rico is providing a backstop for \$273 million of the GDB's debt service, putting the remaining \$82 million at severe risk of default.
- It would mark the first default by Puerto Rico since the Public Finance Corporation defaulted in July and August on appropriation debt. However, given the perceived strength of the general obligation pledge and constitutional protections afforded to GO bondholders, a default on 12/1 would have a greater impact and most likely lead to legal actions by creditors. This may be the first step in a long, drawn-out and complex restructuring of Puerto Rico's debt.
- Ahead of the 12/1 payment, the GDB has been meeting with creditors and the Commonwealth expects to release a proposal for a broad-based debt exchange, similar to the plan unveiled in early September. Given the tight timeline and the upcoming Thanksgiving holiday, we do not expect any concrete agreement to materialize before the debt service due date.

MARKET UPDATE
Muni Market Overview

- The early part of the Municipal curve held steady for the week and the longer end flattened with the 10Yr coming down 11bps to 2.06%. As expected for the Thanksgiving week, the new issue calendar is quite small at \$1.2 billion. It is also below the trailing three year average for the Thanksgiving week of \$1.6 billion. Below average issuance has supplied technical support for Munis in November with estimated net negative issuance at -\$5.4 billion month-to-date (JP Morgan). For the year as a whole, 2015 issuance is about 30% above 2014.

Corporate Market Overview

- The US Treasuries yield curve continues to flatten as the front end continues to rise (2Yr up 8bps to 0.92%) and the long end (30Yr down 3bps to 3.02%) dipped lower. The bull flattener was in full effect after the FED minutes were released on Tuesday. The statement wording was changed to allow for Fed options on policy for short-term rate "liftoff" by the end of the year.
- Investment grade issuance hit \$32.8 billion last week which was mostly (74%) front loaded on the first two days of the week. Lockheed Martin (LMT Baa1/BBB+) brought the largest deal with \$7.0 billion across six maturities to fund its acquisition of Sikorsky Aircraft. The deal was very well received. The secondary market traded sideways as the primary market took precedence. Spreads were generally unchanged.


FIXED INCOME INDEX RETURNS AS OF 11/20/2015

	MTD	YTD
Barclays 3Yr	-0.28	1.16
Barclays 5Yr	-0.24	2.08
Barclays 7Yr	0.00	2.54
Barclays MM Short 1-5Yr	-0.32	1.31
Barclays MM 1-10Yr	-0.14	2.22
ML US Gov/Corp 1-10 Yr	-0.39	1.43

Source: Interactive Data

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