

**HEADLINE NEWS**
**More Data to Feed the FOMC Hype**

- Data, including nonfarm payrolls on Friday, will be under heightened scrutiny as we get closer to the December FOMC meeting on the 16<sup>th</sup>. Nonfarm payrolls is expected at 200k, and the prior month was 271k. Average Hourly Earnings MoM are expected at 0.2% versus last month's 0.4%, and the unemployment rate is expected to remain at 5.0%.
- On Thursday, the ECB will meet on monetary policy followed by Draghi's press conference. Speculation is that the ECB will cut interest rates, increase QE purchases - or both - to spur growth and pursue their single mandate of 2% inflation. The EU policy is in direct contrast to our FOMC policy path at this time (calling for rate hikes), which accounts for the stronger dollar, a flatter yield curve, and extremely low rates on EU debt.

**Fed Spectrometer: A summary of Fed members' policy inclinations**

2015 FOMC voting members		[-2 = dovish/ 0 = neutral/ +2 = hawkish]	
<b>Board of Governors</b>			
Janet Yellen, Chair	-1	<b>Alternate voters</b>	
Stanley Fischer, Vice Chair of Board of Governo	0	Loretta Mester, Cleveland	+1
Lael Brainard, Governor	-2	Eric Rosengren, Boston	-1
Jerome Powell, Governor	0	James Bullard, St. Louis	+1
Daniel Tarullo, Governor	-2	Esther George, Kansas City	+1
(vacant, Governor)			
(vacant, Governor)			
<b>Voting regional FRB Presidents</b>			
William Dudley, Vice Chair of FOMC, New York	-1	<b>Non-voters</b>	
Charles Evans, Chicago	-2	Robert Kaplan, Dallas	+1
Jeffrey Lacker, Richmond	+1	Patrick Harker, Philadelphia	0
Dennis Lockhart, Atlanta	0	Narayana Kocherlakota, Minneapolis	-2
John Williams, San Francisco	0		

\* numerical ratings are the subjective assessment of the Bloomberg US Economics team based on recent public comments

Source: Bloomberg

**Puerto Rico Pays Principal & Interest**

- While Puerto Rico's Government Development Bank (GDB) made its scheduled Dec. 1<sup>st</sup> debt service payment, this was most likely to the detriment of other public corporations.
- Liquidity remains severely strained, as indicated by Governor Padilla's executive order to begin clawing back "available revenues" from public corporations.
- Puerto Rico has made it clear that funding essential government services and protecting the GO obligation will be their priority going forward.

**Federal Highway Measure Nears Fruition**

- Congress appears close to approving a bill that would provide funding for the federal highway program for five years.
- The length of the deal would be the longest in over a decade, providing greater certainty for state and local governments to take on transportation projects.
- Both the House and Senate have previously approved separate six-year deals, but each identified funding for only the first three years. The new legislation utilizes \$40 billion from the liquidation of a Federal Reserve account, providing the additional two years of funding.
- We view the potential multi-year bill as a positive, but note that the lack of a new recurring revenue source presents some questions about long-term funding of highways and mass transit.

**MARKET UPDATE**
**Muni Market Overview**

- Muni yields were slightly lower over the disjointed holiday week. The 7Yr starts this week at 1.60%, down from 1.62% a week ago. Last week we saw the 8<sup>th</sup> straight week of inflows into Municipal bond funds of \$684 million to bring the year-to-date total to \$9 billion, evidence that demand for Municipals continues to be strong.
- Supply bumped up this week to about \$6.7 billion with the largest deals being \$400 million Kansas Department of Transportation (Aa2/AAA/AA+) and \$400 million Commonwealth of Massachusetts (Aa1/AA+/AA+), which is competitive.

**Corporate Market Overview**

- The Investment Grade market was, along with all asset classes, muted last week due to the Thanksgiving holiday. Secondary trading volume took a pause and fell to its lowest volume of the year. New issuance totaled a whopping \$2.65 billion over the week, all of which came on Monday. The

respite from the recent volatility was a welcomed change for most.

- The US treasury curve continued with the bull flattening trend as very short paper (1M – 6M) rose, in unison, 7bps. The 7Yr benchmark bond fell 5bps to 1.99% and the long 30Yr shed 2bps points to end the week at 3.00%.

**FIXED INCOME INDEX RETURNS AS OF 11/27/2015**

	MTD	YTD
Barclays 3Yr	-0.24	1.20
Barclays 5Yr	-0.14	2.19
Barclays 7Yr	0.15	2.68
Barclays MM Short 1-5Yr	-0.27	1.36
Barclays MM 1-10Yr	-0.01	2.35
ML US Gov/Corp 1-10 Yr	-0.26	1.57

Source: Interactive Data

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