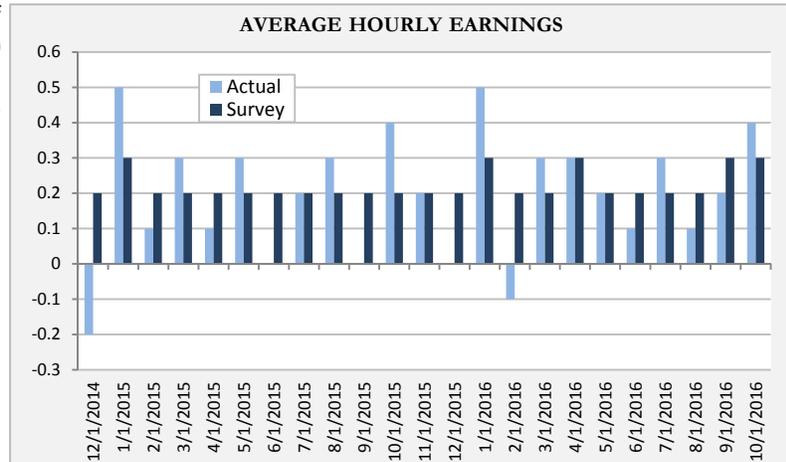


HEADLINE NEWS
Election Day Also Brings Ballot Measures

- In addition to deciding the next President of the United States, voters this election day will consider a number of state and local ballot measures that could have various impacts on the Municipal market.
- Popular themes include: Nine states will vote on some form of marijuana legalization, five states and a number of cities will decide on minimum wage increases, and four states are asking voters to weigh-in on increasing cigarette taxes.
- General Obligation bond authorizations of \$70.7 billion are on the 2016 ballot, a significant increase from \$36.9 billion in the 2012 presidential election year.
- In addition, local voters will decide the future of a number of transportation projects with a combined estimated cost of \$200 billion. Notably, Los Angeles County is seeking a sales tax increase to fund \$125 billion of transportation investments over the next 40 years, and metro-Seattle is seeking multiple tax increases to fund a \$54 billion transportation expansion plan.

Strong Employment Report Strengthens Chance for December Hike

- The employment report on Friday was fairly strong at 161k, despite missing its estimate of 173k new jobs. The miss was likely due to the weather effect from Hurricane Matthew. Both September and August were revised up to add an additional 44k jobs. Average Hourly Earnings was higher than expected, with a 0.4% rise. The weather may have an effect on this number as well, since higher paid workers are more incentivized than lower paid workers to overcome weather hurdles to get to work, so the number may be biased up. A rate hike in December is almost a certainty with a current implied probability of 82%, barring a serious economic disruption caused by the election.


MARKET UPDATE
Muni Market Overview

- The Muni curve was slightly lower and flatter for the week, with the 10Yr down 5bps to 1.69%.
- Supply for the week is significantly lower than recent weeks, at about \$4 billion, due to both the election uncertainty and the Veteran's Day holiday on Friday. 30-day visible supply has dropped down to \$7.1 billion, which is the lowest it has been since June. However, October issuance totaled about \$53 billion, which is the highest monthly issuance in 30 years. New money issuance was 41% of the October total and the remainder was refundings.
- Municipal bond fund flows remained positive again this week, at \$454 billion, after a dip to outflows 2 weeks ago. High Yield and Long Term funds showed outflows, while Intermediate funds were positive.

Corporate Market Overview

- The Federal Reserve was in focus last week with the release of their minutes from the September Federal Open Market Committee meeting. It was no surprise that they left short term interest rates in the range of .25% - .50%, but they did leave the markets feeling that a December rate hike was likely. The statement reiterated that the "case for a rate hike has continued to strengthen" and "inflation to rise to 2% as headwinds fade." The

US treasury market reacted to the downside and yields in the intermediate part of the yield curve rallied. The 5Yr & 7Yr dropped 7bps over the week. Rates shorter than one year moved in the reverse direction, climbing higher.

- The Investment Grade market was very quiet last week, as only \$10.825 billion of new debt was priced. We have not seen a week of issuance that low since June. There is no doubt that the Fed, as well as the upcoming election, are keeping issuers at bay. In addition to the slow primary market, the secondary felt equally, as soft and spreads tracked slightly wider as we closed out the week. It is expected that the upcoming week will bring much of the same.

FIXED INCOME INDEX RETURNS AS OF 11/4/2016		
	MTD	YTD
Barclays 3Yr	0.09	1.17
Barclays 5Yr	0.16	2.01
Barclays 7Yr	0.19	2.70
Barclays MM Short 1-5Yr	0.11	1.18
Barclays MM 1-10Yr	0.19	2.18
ML US Gov/Corp 1-10 Yr	0.23	3.41

Source:
Interactive
Data