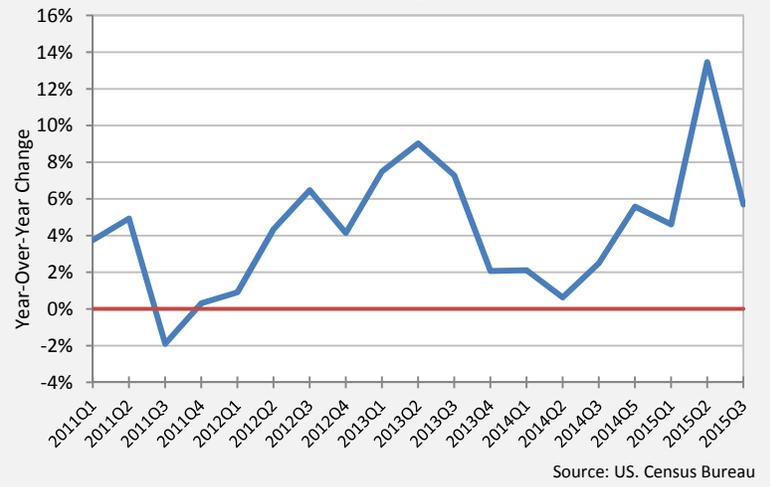


**HEADLINE NEWS**
**Growth Continues in State and Local Tax Revenues**

- According to the U.S. Census Bureau, state and local tax revenues collected in the third quarter of 2015 reached \$288 billion, up 5.1% year-over-year. State and local tax revenues have now increased for 16 consecutive quarters since late 2011. Growth in the third quarter was driven by a 7.8% gain in personal income taxes.
- Property taxes increased 4.1% and have now grown for 14 consecutive quarters, creating a positive fundamental trend for local governments that primarily rely on property tax collections as a revenue source.

**Inflation Showing Signs of Strength**

- Over the week, both PPI and CPI were released and we saw the minutes from the January FOMC meeting. PPI rose by 0.1% for January, which is higher than the expected -0.2% and the previous -0.2%. CPI was also better than expected for January at 0.0% versus -0.1%. Stripping food and energy from the CPI release shows an increase of 0.3%, which is the highest since August 2011. The previous month was 0.2%, indicating that, outside of food and energy, there may be some inflation building. The Fed is still hoping to normalize rates, and while cautious, they are holding the labor market resilience as a point of strength.

**STATE AND LOCAL TAX REVENUES HAVE GROWN FOR 16 CONSECUTIVE QUARTERS**

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

- Municipal yields rose for the week with the 5Yr moving 3bps to .83% and the 7Yr by 5bps to 1.20%, steepening in 2-10Yrs to 114bps from a low of 102bps early in January. Demand continues to be strong with an additional \$673 million of inflows to Municipal bond funds bringing the Year-to-Date total to \$9.1 billion. This week marks the 20<sup>th</sup> consecutive week of inflows. Supply is trying to keep up with \$7.5 billion slated for this week and 30-day visible supply at \$9.7 billion.

**Corporate Market Overview**

- The investment grade corporate market felt firmer at the start of last week and issuers took notice. The short holiday week began with \$23.425 billion on Tuesday bringing the MTD total to \$36.65 billion. Apple's (AAPL Aa1, AA+) \$12 billion 9-part deal was the week's largest and was well over-subscribed. On average, all maturities were tighter by 10bps once the deal broke.
- Other names issuing on the week were IBM, Comcast, Toyota Motor Credit, and the Bank of New York Mellon. The secondary market took a back seat as new issuance stole the spotlight. Spreads were steady with 1-2 bps of widening. Treasuries were steady on a week-over-week basis with the 10Yr up 2bps to end the week at 1.76% and no change in the long bond at 2.61%.

**FIXED INCOME INDEX RETURNS AS OF 2/19/2016**

	MTD	YTD
Barclays 3Yr	0.44	1.07
Barclays 5Yr	0.67	1.83
Barclays 7Yr	0.58	2.02
Barclays MM Short 1-5Yr	0.46	1.22
Barclays MM 1-10Yr	0.60	1.92
ML US Gov/Corp 1-10 Yr	0.42	1.83

Source: Interactive Data



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