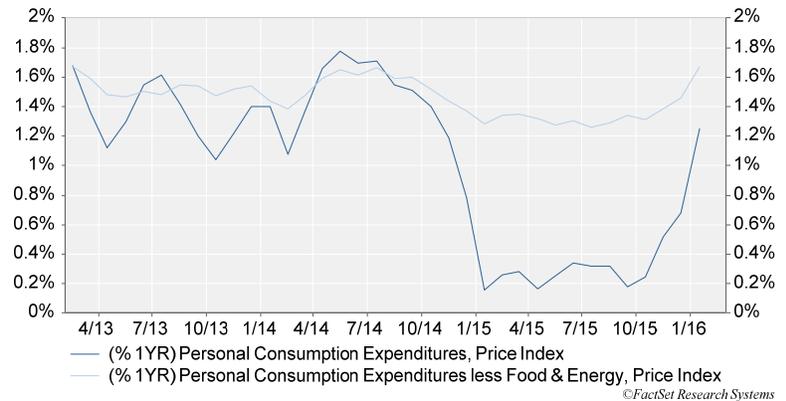


HEADLINE NEWS
Macroeconomic Data Should Provide Clarity

- Last week, Q4 GDP was revised higher to 1.0% from 0.7% due to higher inventories. Durable goods orders for January also came in at 4.9% above expectations of 2.9%.
- There are a number of releases scheduled this week headlined by the ISM report, the Markit PMI, auto sales, and Friday's jobs report. Given the speculation that the U.S. is heading for an imminent recession (we disagree), the macro data this week will go a long way in determining the direction of the economy.
- The other notable happening this week is Super Tuesday. In addition to the recession fears, political uncertainty has caused some of the recent volatility. It will be interesting to see if narrowing down the field of candidates brings about any market stability.

Primary Municipal Issuance Continues Deceleration

- Long-term primary issuance in February amounted to \$29.8 billion and was 10.5% lower than last year. New money issuance actually increased 22%, but it wasn't enough to offset a 23% decline in refundings.
- Through the first two months of 2016, year-to-date issuance of \$54.5 billion is down 13.2%, with refundings down 33.4%.

US PCE Inflation


- We expect to see increased refunding activity as low yields and a flatter curve improve the economics. However, year-over-year declines may continue. Issuance in March 2015 reached \$45.6 billion, the highest level in that month in over a decade.

MARKET UPDATE
Muni Market Overview

- The muni curve was cheaper again this week by 10 bps in the 5Yr to 10Yr range due to an increased supply and some Treasury volatility. This widening was dampened by continued bond fund inflows of \$696 million bringing the YTD total to \$9.8 billion.
- The supply calendar has stepped up to about \$11 billion this week which is significantly higher than the YTD average weekly issuance of \$7 billion led by several large deals. The largest deal of the week is the \$1.225 billion LA Unified School District, CA bonds (Aa2/AA-/AAA) followed by the \$1.1 billion Commonwealth of MA General Obligation

(Aa12/AA+/AA+) deal. Given the extreme low yields, we expect issuance to increase, especially refundings in the near term, keeping in mind it takes times to bring the deals to market.

Corporate Market Overview

- For the second straight week Investment Grade seems to be on solid footing and spreads are generally on a tightening trend. The BofAML IG Master index ended the week at +211, which is 5bps tighter than the week before. Wides on that index were +220 on 02/11/16.
- The Financial and Energy sectors are taking back some of the widening seen in recent weeks. Investment grade issuance continues to be robust as issuers tapped the market for \$51.35 billion last week. One deal of note was Johnson & Johnson's (JNJ Aaa/AAA/AAA) \$7.5 billion deal on Thursday. The 10 year maturity priced at +75 and quickly tightened by 6-8 bps in the greys market. JNJ is one of only 3 companies that are rated triple A. US treasuries seem to be range bound with the 10 year up 2bps to 1.76 and the 30yr rose 3bps to end the week at 2.64%.

FIXED INCOME INDEX RETURNS AS OF 2/26/2016

	MTD	YTD
Barclays 3Yr	0.35	0.98
Barclays 5Yr	0.35	1.50
Barclays 7Yr	0.17	1.60
Barclays MM Short 1-5Yr	0.31	1.07
Barclays MM 1-10Yr	0.20	1.51
ML US Gov/Corp 1-10 Yr	0.40	1.80

Source: Interactive Data



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