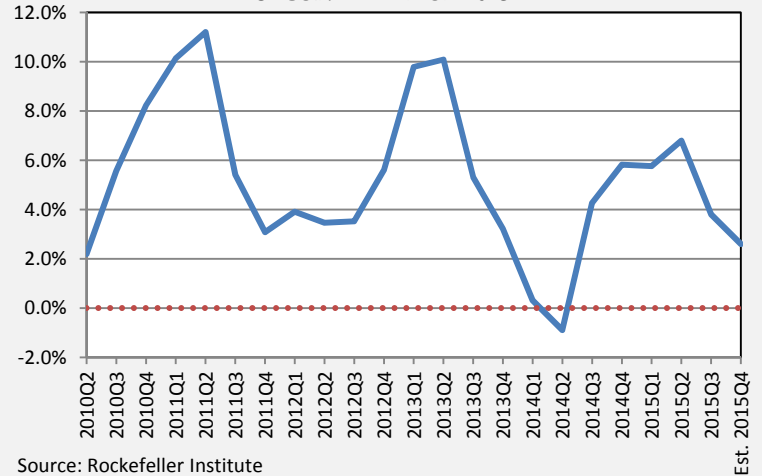


**HEADLINE NEWS**
**State Tax Revenues Increase, but at a Slower Pace**

- According to the U.S. Census Bureau, state tax revenues collected in the third quarter of 2015 increased 3.8% year-over-year. This represents a deceleration from 5.1% and 6.9% growth experienced in the first two quarters of the year, respectively.
- Preliminary figures for the fourth quarter of 2015 indicate a 2.6% increase from the prior year.
- The Rockefeller Institute points to volatile financial markets and weakness in energy-reliant states as prime culprits for the slowdown. These trends are expected to continue into the 2016 data.
- Despite slower growth, the third quarter marked the 22<sup>nd</sup> quarter out of the last 23 to show year-over-year growth.

**Fed in Focus – No Hike Now, but June a Coin Flip**

- The Federal Open Market Committee will meet Tuesday and Wednesday this week with a policy statement and subsequent press conference scheduled for Wednesday afternoon. According to data from CME Group, most investors do not anticipate an interest rate hike at this meeting, but the implied probability of a move later in 2016 has been on the rise with odds of a June hike now at 50%.
- The improving jobs market, a slight uptick in inflation, and the rebound in both oil and the stock market all could lead to a hawkish tone from Janet Yellen during her press conference.

**STATE TAX REVENUE GROWTH DECELERATED IN SECOND HALF OF 2015**

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

- Demand for Munis remains strong. Last week, California's \$2.9 billion issuance had the largest tax-exempt retail order period ever with \$1.4 billion in orders. The interest in the bonds was so strong that California increased the size of the issue by \$600 million (from \$2.3 billion to \$2.9 billion).
- Munis outperformed Treasuries last week with 10Yr ratios going from 101.06% last week to 95.45% this week.
- Fund flows continue to be strong, with \$1.9 billion coming into municipal bond funds for the period ending 3/9/16.

**FIXED INCOME INDEX RETURNS AS OF 3/11/2016**

	MTD	YTD
Barclays 3Yr	--0.26	0.76
Barclays 5Yr	-0.57	0.96
Barclays 7Yr	-0.61	1.01
Barclays MM Short 1-5Yr	-0.37	0.73
Barclays MM 1-10Yr	-0.63	0.91
ML US Gov/Corp 1-10 Yr	-0.69	1.18

Source: Interactive Data

**Corporate Market Overview**

- Investment Grade credit spreads continue to follow a tightening trend that has been prevalent over the last few weeks and away from the mid-February wides. The tightening has been boosted by risk appetite sneaking its way back into the market, as well as an upward trend in energy prices.
- Issuance slowed slightly compared to recent weeks, but the \$34.095 billion that came last week was welcomed and issuers continued to take advantage of the overall firmer tone in the market. The most notable deal of the week was Berkshire Hathaway's (BRK Aa2/AA/A+) \$9 billion, 7 part issue on Tuesday. The interesting thing about this deal is that all the maturities were 10Yrs and below. The \$2.5 billion in the 10Yr tranche priced at +130bps. The entire deal continued the new issue tightening trend and traded up in the grey's.
- The 10Yr U.S. Treasury ended the week 11bps higher than the prior week at 1.99% and the 30Yr bond rose 6 bps to 2.75%



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