

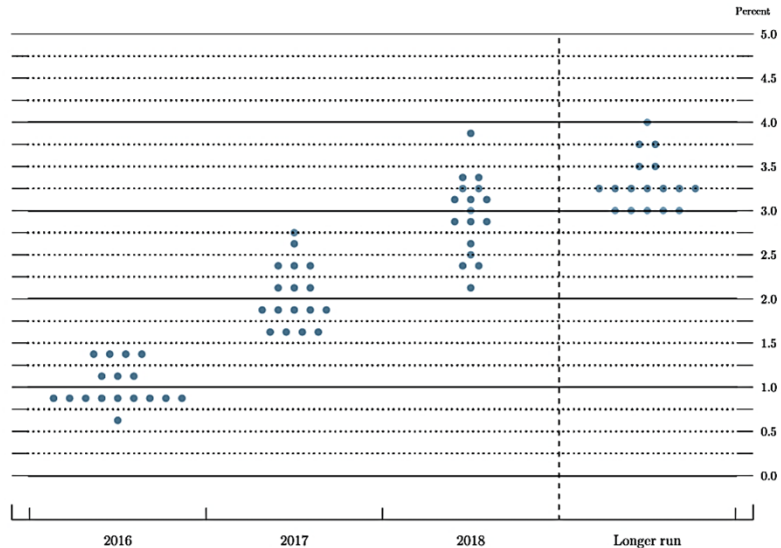
**HEADLINE NEWS**
**Fed Leaves Rates Unchanged**

- The Fed left rates unchanged last week at 0.25-0.50%, as expected. There was one dissenting opinion (Esther George) voting in favor of a rise to 0.5-0.75%. Fed forecast is now suggesting 2 rate hikes in 2016 vs the 4 rate hike projection from December.
- Some highlights of the Fed Statement :
  - “Economic activity has been expanding at a moderate pace despite global economic and financial developments in recent months.”
  - “Market based measures of inflation compensation remain low.”
  - “Global economic and financial developments continue to pose risks.”

(<http://www.federalreserve.gov/monetarypolicy/files/monetary20160316a1.pdf>)

**Uptick in Public Sector Construction Could be Start of New Trend**

- According to a monthly report by the U.S. Census Bureau, total state and local government construction spending in January increased 4.5% from December and, in particular, spending on highway and streets increased 14.7% over the same time period. On a year-over-year basis, highway spending increased a significant 33.9%.
- Warm weather may have been a catalyst for the growth, but we believe Congress’ approval of a five-year transportation funding bill in early December was the main driver. State and local governments had been reluctant to start long-term projects without some certainty in federal financing, and we believe the recent bill provides exactly that.

**FOMC participants’ assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate**


Note: Each shaded circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual participant’s judgment of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. Source: [www.federalreserve.gov](http://www.federalreserve.gov)

- Future reports on public sector construction spending will determine if January was a temporary blip or if state and local governments are now more confident in breaking ground on transportation infrastructure projects.

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

- Despite the shortened week due to the Good Friday Holiday, Municipal issuance is expected to be strong with over \$7 billion on the new issue calendar for the week.
- According to the Fed Flow of Funds and J.P. Morgan’s US Fixed Income Markets Weekly, the size of the Municipal bond market as of Q4 2015 increased YoY by 1.7%, though it is still 1.5% lower than the peak in 2010.

**FIXED INCOME INDEX RETURNS AS OF 3/21/2016**

	MTD	YTD	
Barclays 3Yr	-0.31	0.70	
Barclays 5Yr	-0.59	0.94	
Barclays 7Yr	-0.50	1.13	
Barclays MM Short 1-5Yr	-0.42	0.68	
Barclays MM 1-10Yr	-0.55	0.98	
ML US Gov/Corp 1-10 Yr	-0.10	1.79	Source: Interactive Data

**Corporate Market Overview**

- Last week’s \$38.5 billion of Investment Grade issuance was a continuation of issuers taking advantage of a strong appetite for risk, low rates, and a reduction in volatility. There has been just over \$349 billion issued year-to-date and 57% of that issuance was done in the last 5 weeks. During that time, there has been a significant tightening in credit spreads with BBB rated bonds and the harder hit energy & metals/mining sectors generating the most movement. As an example, Anadarko Petroleum Inc. (APC Ba1/BBB/BBB-) issued \$3 billion across 3 different maturities last week. Initial price talk in 10Yrs was a spread of +412.5 bps. By the time pricing occurred, the bonds tightened in 50 bps and priced at +362.5 bps, and then tightened 15-20 bps in the greys market.
- The Fed’s continued dovish tone sent rates in to rally mode last week, with the 5Yr down 15 bps to 1.64% and the 10Yr down 11bps to 1.87%.



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