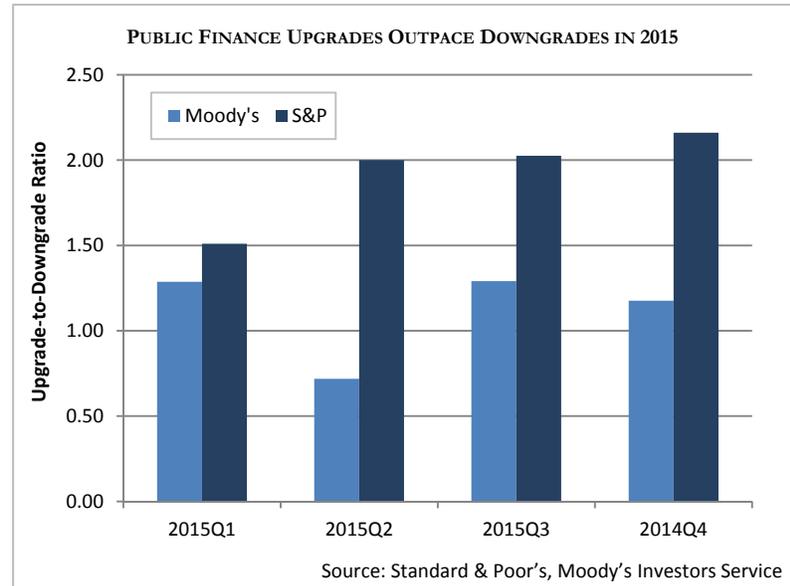


HEADLINE NEWS
Mixed Labor Report Leaves Fed Hike Unlikely

- On Friday, the labor report came in above expectations with 242,000 new jobs versus the expected 192,000 in February. Further, the January number was revised up to 172,000 from 151,000. Contrary to these economic positives, the average hourly earnings number was down 0.1% for February, the first negative since December 2014, versus the expected increase of 0.2%. The mixed labor report leaves it very unlikely that the FOMC will raise rates next week with market implied probability, according to Bloomberg of 4%. The Implied probability of a hike does not exceed 50% until the September Fed meeting.

Upgrades Outpace Downgrades in 2015

- Both S&P and Moody's upgraded more public finance issuers than they downgraded in 2015; the first year this has occurred since 2008.
- Moody's upgraded 1.1 issuers for every one downgrade, while S&P upgraded 1.9 for every downgrade. Upgrades at S&P have long outpaced downgrades, but Moody's reversed a six-year trend of more prevalent downgrades.
- Both agencies attribute the 2015 performance to continued economic gains that have lifted the finances of state and local governments. Future improvements to credit may be more limited, as the national economy reaches its sixth year of recovery.


MARKET UPDATE
Muni Market Overview

- The Municipal curve was cheaper by 14bps in the 5Yr to 10Yr part of the yield curve due to the heavy new issuance calendar. The market has seen \$20.6 billion in new issuance over the past 2 weeks. We are expecting another \$9.5 billion this week led by 2 large deals: \$2 billion State of California GOs (Aa3/AA-/A+) and \$1.25 billion NY State Urban Development Corp (NR/AAA/AA+) bonds.
- The move in Munis caused the 10Yr Municipal to Treasury Ratio to rise above 100% (to 101.06% on 3/7/16) for the first time since the third week of September 2015.

Corporate Market Overview

- After a very slow start to February, last week's \$59.225 billion in IG issuance marked the third straight week that issuance reached over the \$40 billion mark. However, the \$124.9 billion issued in February was 7% behind the same time period in 2015. Year-to-date volume of \$336 billion is on pace with expectations. A couple of notable deals from last week rose from the energy sector, as Exxon Mobil Corp (XOM Aaa/AAA/AAA) came with an 8 part, \$12 billion deal on Monday and ConocoPhillips (COP Baa2/A) came with a \$3 billion deal on Thursday. Initial price talk (IPT) on the ConocoPhillips deal was +350 in 5Yrs, +375 in 10Yrs, and +425 in 30Yrs. With that kind of yield, the deal was significantly over subscribed with \$18 billion in orders. Final pricing was 50 basis points tighter than IPT.
- Economic data released last week signaled that the US economy is not losing its footing, and Intermediate Treasuries yields were higher over the week. The 5Yr benchmark UST rose 13bps to 1.38% and in 10Yrs it rose 11bps to 1.88. The long bond rose 5bps to close out the week at 2.70%.

FIXED INCOME INDEX RETURNS AS OF 3/4/2016

	MTD	YTD
Barclays 3Yr	-0.19	0.82
Barclays 5Yr	-0.46	1.07
Barclays 7Yr	-0.60	1.03
Barclays MM Short 1-5Yr	-0.26	0.84
Barclays MM 1-10Yr	-0.57	0.97
ML US Gov/Corp 1-10 Yr	-0.47	1.41

Source: Interactive Data



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