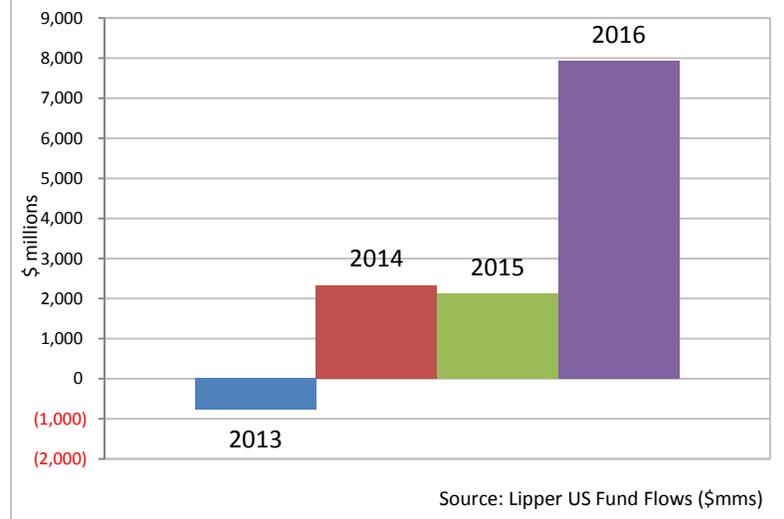


**HEADLINE NEWS**
**Investor Demand for Munis Continues During Tax Season**

- Tax season typically brings technical pressure to the muni market, as investors redeem fund holdings to help pay taxes. Historically, from the beginning of March to the mid-point of April, fund flows weaken as investors look to create liquidity.
- The 2016 tax season has been a different story. In the chart to the right, we can see that investors have actually added a net \$7.9 billion from March through last week. This compares favorably to a \$769 million reduction in 2013, \$2.4 billion added in 2014, and \$2.1 billion added in 2015 over a similar period.
- The 'tax season' strength in 2016 continues a trend of steady investor demand. Last week's data indicated that weekly and monthly reporting funds saw \$2.4 billion in inflows, bringing year-to-date capital added to \$17.7 billion. According to JP Morgan, this is the highest YTD total through mid-April since 2012. It also marks the 28<sup>th</sup> consecutive week of positive flows going back to the beginning of October 2015. Over that period \$25.7 billion has been added to tax-exempt mutual funds.
- We believe fund flows should remain strong as concerns about muted domestic growth and global economic volatility continue to drive a flight to quality.

**Tax-Exempt Fund Flows Remain Strong in Tax Season**
*Tax-Exempt Mutual Fund Flows March through mid-April*

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

- The Municipal curve moved higher by just a couple of basis points in the 5yr-10yr party of the curve, following Treasuries. The 10Yr Muni/Treasury ratio declined for the 4<sup>th</sup> consecutive week to 91.5% (4/15/16).
- Issuance this week is expected to be about \$7.8 billion, which is right in line with the YTD non-holiday weekly average, and, 30-day visible supply at \$11.2 billion is higher than the \$9.5 billion average for the year. The State of California (Aa3/AA-/A+) is bringing the largest deal this week at \$1.48 billion, followed by \$615 Texas Transportation Commission (Aaa/AAA/AAA).

**Corporate Market Overview**

- The beginning of earnings season and blackout periods put a damper on domestic Investment grade new issuance last week. The weekly total came to \$37.4 billion, with two thirds of that occurring on Monday and Tuesday. One deal of note was the 4 part \$3.3 billion issued by Lowe's (LOW A3, A-). The deal came at +82 in 10 years proving that demand continues to be strong for credit. Spreads continue to grind lower to year-to-date tight.
- Over the last several weeks, US treasuries have been trading in a narrow band. The 10Yr benchmark range seems to be between 1.70% - 1.80% even as the appetite for risk is strong. The longer end of the yield curve is holding steady and the 30Yr UST benchmark closed the week unchanged at 2.58%.

**FIXED INCOME INDEX RETURNS AS OF 4/15/2016**

	MTD	YTD
Barclays 3Yr	0.20	0.97
Barclays 5Yr	0.41	1.55
Barclays 7Yr	0.51	2.02
Barclays MM Short 1-5Yr	0.26	1.02
Source: Barclays MM 1-10Yr	0.49	1.84
Interactive Data ML US Gov/Corp 1-10 Yr	0.17	2.50



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