

**HEADLINE NEWS**
**Housing Data Mixed**

Last week's housing related economic releases for March were mixed, with existing home sales at 5.19 million, above expectations at 5.03 million, and new home sales at 481,000, lower than the expectation of 515,000. Home prices have rebounded, as evidenced by the Case-Shiller index of home prices in 20 major cities, which is up 29% since the low of 2012. For the 2015 spring selling season, inventories seem to be quite low, which may spur Housing Starts to increase as a reaction. The Case-Shiller 20 city index was released on 4/28/15 at 5.03% year over year, higher than the expectation of 4.70%.

**Chicago Board of Ed Pays a High Price**

The Chicago Board of Education (BOE) sold approximately \$295 million of general obligation bonds last week amid fiscal struggles and a federal investigation. The BOE originally planned to sell the bonds in early April, but delayed the offering due to rating downgrades and a mayoral run-off election in Chicago. The school district, which is rated Baa3 by Moody's, sold bonds maturing in 2035 at a yield of 5.53%, or 285 basis points wider than the AAA Municipal Market Data scale. Headlines speculating the BOE will file for bankruptcy are premature, as Illinois local governments are currently ineligible; however, a recent proposal from Governor Rauner aims to extend the authority to declare bankruptcies to municipalities.

**MARKET UPDATE**
**Last Week's IG Issuance Exceeds Expectations**

Self-imposed black out sessions did not curtail Investment Grade new issuance, as 28 issuers priced \$61.8 billion of new debt last week. According to consensus, last week's issuance was only expected to be between \$15 - \$25 billion, but the unexpected flow was well received. One of the most notable deals was the 6 part, \$17.5 billion deal brought by AT&T (T Baa1/BBB+), which will be used to fund acquisitions such as Direct TV. This marked the second largest deal of the year behind the \$21 brought by Actavis on March 3<sup>rd</sup>. It also comes as Comcast dropped its 16 month long, \$45 billion acquisition of Time Warner Cable. Amid the large new issue flow and headlines, secondary trading remains strong and spreads remained mostly unchanged over the week. On Thursday, the US Treasury sold \$18 billion in 5yr TIPS at -0.375%, the lowest yield since December of 2013. This could potentially signal that inflation expectations from the market are rising.

**Yields May Adjust on Lower Issuance**

On the week, Municipals are cheaper by 3bps in 5Yrs to 1.25%, 4bps in 7Yrs to 1.60%, and 6bps in 10Yrs to 2%. Last week marked a big issuance week, which left dealers with balances on a couple of big deals. This week should help clear balances, as there is only \$4.2 billion on the calendar, which is the lowest since January, and includes no large deals. The 30-day visible supply, at \$7.7 billion, is approaching the low for the year of \$6.8 billion, and is substantially below the average of \$11 billion.

**FED'S 5YR FORWARD BREAKEVEN INFLATION RATE  
OVER THE PAST 5 YEARS**


Source: Bloomberg

**FIXED INCOME INDEX RETURNS**

	MTD 4/24/2015	YTD 4/24/2015
Barclays 3Yr	0.03	0.44
Barclays 5Yr	0.07	0.83
Barclays 7Yr	0.06	1.15
Barclays MM Short 1-5Yr	0.04	0.52
Barclays MM 1-10Yr	0.01	0.95
ML US Gov/Corp 1-10 Yr	0.28	1.70

 Source:  
Interactive  
Data

**APPLETON PARTNERS, INC. ONE POST OFFICE SQ. BOSTON, MA 02109 TEL. 617.338.0700 WWW.APPLETONPARTNERS.COM**

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