

HEADLINE NEWS
Central Bankers Highlight the Macro This Week

- Economic data for the week was generally positive. March Nonfarm payrolls came in at 215k, marginally above the estimate. The unemployment rate notched up a tenth to 5.0%, but this was due to the increased Labor Force Participation rate, which is a positive. The Participation rate was 63.0% for March, which is the highest since March 2014. The increase in Average Hourly earnings of 0.3% for March is also an economic positive.
- There are few catalysts on the macroeconomic calendar for the coming week. We will be focused on central bankers with the latest FOMC minutes release on Wednesday, a number of ECB speakers on Thursday, and Chairwoman Yellen speaking Thursday night.

Key Macroeconomic Data Due this Week

Date	Time	Event	Period	Consensus	Prior
4/4	10:00 AM	Durable Orders SA M/M (Final)	FEB	-2.8%	-2.8%
4/4	10:00 AM	Factory Orders SA M/M	FEB	-1.7%	1.6%
4/5	9:45 AM	Markit PMI - Services SA (Final)	MAR	50.8	51
4/5	10:00 AM	ISM-NMI SA	MAR	54.1	53.4
4/6	10:30 AM	EIA Crude Oil Stocks	04/01		2.3M
4/6	2:00 PM	FOMC Minutes - United States			
4/7	8:30 AM	Initial Claims SA	04/02	269K	276K

Source: API

Congress Floats Potential Puerto Rico Legislation

- Republican members of the House Natural Resources Committee released a discussion draft of legislation that aims to aid Puerto Rico in its mission to restructure its financial obligations and potentially return to economic stabilization.
- Key components of the bill include restructuring authority (but not access to Chapter 9), a federally-appointed oversight board, a possible stay on creditor litigation for 18 months, and enhanced federal aid.
- A quick approval of the bill may be difficult, as Democrats and Puerto Rico officials scoffed at the broad authority granted to the oversight board, including the ability to decide what obligations are reduced, to implement Puerto Rico's annual budget for five years, and approve capital investment on the island.
- Politicians may not have much time to debate. Puerto Rico's Government Development Bank owes \$422 million on May 1 and the Commonwealth owes a cumulative \$2.0 billion on July 1 to bondholders.

MARKET UPDATE
Muni Market Overview

- The muni curve is much stronger this week, with yields coming down over the week by 6bps in 5Yrs and 13bps in 10Yrs. Much of this strength in munis was due to the supply and demand imbalance, in addition to the Treasury move caused by Yellen's dovish comments. Supply for 1Q16 was down 12% versus 1Q15, while the month of March was down 13.8% from March 2015. 30-day visible supply does not offer relief as it hovers around its average for the year at \$9.9 billion. The largest deal for this week is \$912 billion Tarrant Country TX Baylor Scott and White Health System (Aa3/Aa-/NR), which is split between taxable and tax-exempt. Demand continues to be strong represented by \$784 million in municipal bond fund inflows last week to bring the year-to-date total to \$14.4 billion.

FIXED INCOME INDEX RETURNS AS OF 4/1/2016

	MTD	YTD
Barclays 3Yr	-0.02	0.78
Barclays 5Yr	0.04	1.19
Barclays 7Yr	0.05	1.55
Barclays MM Short 1-5Yr	0.03	0.79
Source: Barclays MM 1-10Yr	0.06	1.40
Interactive Data ML US Gov/Corp 1-10 Yr	-0.07	2.25

Corporate Market Overview

- The Bull Steepener in the US Treasury yield curve continues as the front end grinds lower and the spread between those shorter dated bonds vs. longer dated maturities gets wider. Last week was full of treasury supply with 2/5/7Yr maturities being auctioned off amidst solid demand. The 2Yr benchmark UST ended the week lower by 15bps to .72%, in 5Yrs there was a 16bps move lower to 1.22%, and the 7Yr dropped 15bps to close out the week at 1.54%.
- Investment Grade continues to perform well and has rebounded nicely from the 2016 wides in mid-February. On the new issuance front, there was only \$19.25 billion that came to market last week. That brings the March volume to \$165 billion and the year-to-date amount to \$458 billion. That is a 2% increase over last year.



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