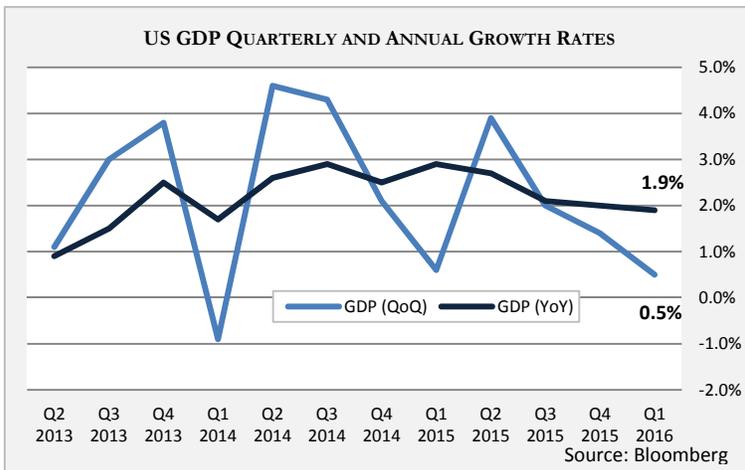


**HEADLINE NEWS**
**Disappointing GDP Reading Follows Dovish Fed Statement**

- As expected, the FOMC left the Fed Funds interest rate target unchanged at between 25–50 basis points. Wednesday's Fed statement also reiterated that its dovish tone will continue for some time. The statement did not offer any hint of when the next rate increase might take place, but did mention that the economy performed better in March and the "global economic and financial developments continue to pose risks" messaging was removed from this month's statement.
- While the market is not pricing in a rate hike until 2017, the Fed continues to leave room for the potential to do so in July. Treasury rates in the intermediate part of the curve did move away from resistance levels to end the week lower, with the 2Yr dropping 7bps to .74% and the 10Yr lower by 5bps to 1.83%.
- First quarter GDP was released at 0.5%, below the consensus of 0.7% and the lowest in 2 years. While 1Q GDP was relatively weak in 2014 and 2015, both could be blamed on harsh winter weather conditions. This year, after a mild winter, we do not have that excuse, making it harder to have faith in a spring bounce back.


**Puerto Rico Chooses Not to Make Payment**

- Puerto Rico's Governor invoked a debt moratorium on the Government Development Bank's (GDB) payment due May 2, defaulting on \$400 million in principal. Although Puerto Rico has already defaulted on appropriation debt, the GDB non-payment is viewed as more severe and increases the likelihood of a larger general obligation bond default on July 1.
- In a televised address on Sunday night, the Governor stated that the Commonwealth must preserve cash to pay for essential services rather than external financial obligations. The Puerto Rico legislature recently passed legislation allowing the Governor to utilize a debt moratorium that now makes the July 1<sup>st</sup> \$2.0 billion debt payment very uncertain.
- The uncertain legality of this move will most likely lead to creditor litigation. It also increases the pressure on Congress to formalize legislation that will provide a framework for Puerto Rico to restructure its obligations prior to July's payment.

**FIXED INCOME INDEX RETURNS AS OF 4/29/2016**

	MTD	YTD
Barclays 3Yr	0.25	1.02
Barclays 5Yr	0.49	1.64
Barclays 7Yr	0.67	2.18
Barclays MM Short 1-5Yr	0.30	1.06
Barclays MM 1-10Yr	0.62	1.97
ML US Gov/Corp 1-10 Yr	0.09	2.41

Source: Interactive Data

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

- Muni yields were slightly lower over the week, primarily as a reaction to the moderately stronger Treasury move at the end of the week. As a result, the 10Yr Muni/Treasury ratio increased (slightly) after 5 consecutive weeks of declines.
- Fund flows continue to grow, for the week ending 4/26/16 another \$1.2 billion, bringing the year-to-date total to \$19.5 billion. Issuance is slightly higher over previous weeks, expected at \$10.5 billion. The largest deal of the week is the \$947 million North Texas Tollway Authority (A1/A/NR) with \$800 million NY State Thruway (A3/A-/NR) next in line.

**Corporate Market Overview**

- Expectations were met as investment grade issuance hit \$27 billion on the week. Total issuance for the month of April was \$135.15 billion and the YTD total hit \$593 billion. One of the largest deals of the week, priced on Monday ahead of the Fed, was BNY Mellon's (BK A1/A) \$2 billion two-part deal, which came at +95 in 10 years. Demand for credit continues to be strong and credit spreads tighten to new YTD tight. High Yield is also seeing strength as retail flows into mutual funds continue for the 10<sup>th</sup> straight week. Last week's \$6.25 billion in issuance was the fourth largest of the year so far. Improving markets conditions, economic data, and dampened volatility will keep investors reaching for yield.