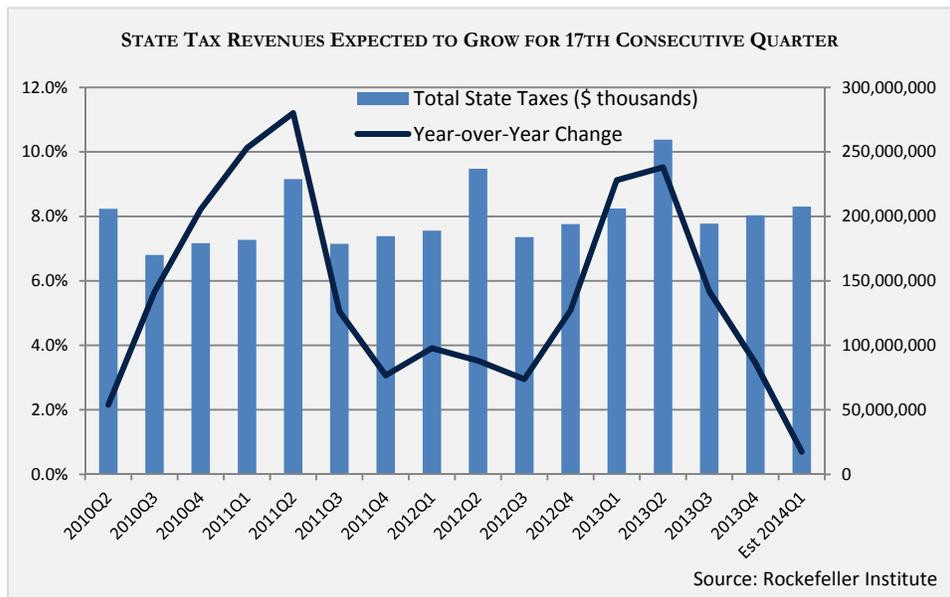


HEADLINE NEWS: ECONOMIC RELEASES CONTINUE TO BE MIXED

- On Friday, nonfarm payrolls printed the highest number since January 2012 at 288k versus the consensus of 215k. Both March and February were also revised up by a combined total of 36k. However, the news was mixed as the labor force participation rate dropped to 62.8%, a 35 year low. The unemployment rate dropped to 6.3% from 6.7%, but it is primarily due to people leaving the labor force. Furthermore, year-over-year average hourly earnings was up only 1.9% versus the expectation of 2.1%.
- Since June 2012, leveraged loan mutual funds and ETFs have experienced a record 95 straight weeks of net inflows. That streak finally came to an end at the end of April, with back-to-back weekly outflows. The stagnation of interest rates in 2014 and investor's apparent willingness to take more duration risk seem to be likely contributors to the loss of momentum in loan products. There also might be other loan nuances that investors are beginning to appreciate. For one, most leveraged loan yields are tied to LIBOR (3-month LIBOR is currently 0.22%), not Treasury bonds, thus leverage loans are not providing a suitable hedge to rising yields. Moreover, most leverage loans have interest rate "floors" (on average around 1%) which means that LIBOR will have to appreciate meaningfully before leverage loan coupons reset.
- According to preliminary data from 45 states, the Rockefeller Institute reports that overall state tax revenue for the first quarter of 2014 increased by 0.7%, marking the 17th consecutive quarter of growth. However, the rate of growth is the slowest since early 2010 and includes the first decline in personal income tax collections in four years. The slowdown was widely expected based on the "inflated" growth experienced in the first half of 2013, which was due to accelerated income in late 2012 to avoid anticipated higher tax rates. We expect tax collection growth in the second quarter to be muted as well.


MARKET UPDATE: UKRAINE UNREST DRIVES TREASURY RALLY

- The Municipal curve flattened slightly this week with the biggest move being the 5Yr up 7bps and 13Yrs and out tightening by a few bps. The Municipal market is looking at another week of low issuance at \$4 billion. The largest deal of the week is \$450 million Illinois State Toll Authority (Aa3/AA-/AA-) bonds. New issue supply continues to be limited at 31% below year-to-date 2013 levels.
- The Investment Grade new issuance market had another strong week to close out the month of April/start of May. Issuance was led by Tuesday's highly talked about seven part Apple Inc. (AAPL Aa1, AA+,AA+) deal totaling \$12 billion. Early indications of the deal suggested that between \$8 - \$12 billion would be issued, but orders of nearly \$40 billion pushed issuance to the far end of that range. Initial pricing of the deal was attractive, but that was short lived as final pricing was 12 – 15 bps off of the initial indications. The market continues to see strong demand and spread stability even amongst Treasury volatility.

APPLETON STRATEGY SNAPSHOT			
	3/31/2014	4/30/2014	4/30/2014
	Market Yield	Market Yield*	Duration*
Short Muni	0.87%	0.86	2.67
4 Year Muni	1.34%	1.26	3.65
Intermediate Muni	1.78%	1.65	4.60
Long Term Muni	2.57%	2.45	6.34
Intermediate Taxable	1.91%	1.89	3.76

*The figures for the 4/30/2014 Strategy Composites are preliminary.
 Source: Investortools Perform and FactSet

FIXED INCOME INDEX RETURNS		
	MTD 5/2/14	YTD 5/2/14
Barclays 3Yr	0.01	0.62
Barclays 5Yr	-0.01	1.55
Barclays 7Yr	0.01	3.32
Barclays MM Short 1-5Yr	0.00	0.55
Barclays MM 1-10Yr	0.01	2.28
ML US Gov/Corp 1-10 Yr	0.06	1.39

Source: IDC

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