

**HEADLINE NEWS**
**Congress Avoids Highway Trust Fund Shutdown**

With the May 31<sup>st</sup> expiration fast-approaching, Congress approved a short-term extension authorizing federal reimbursements to states out of the Highway Trust Fund. The authorization, which provides payments for Grant Anticipation Vehicle Revenue (GARVEE) bonds, has been extended to July 31, 2015. The goal of the short-term extension is to provide Congress time to approve a multi-year transportation bill that includes a sustainable and adequate revenue source. In reality, Congress will most likely continue the pattern of short-term extensions.

**State Tax Collections Indicate Steady Growth**

According to the latest report from the Rockefeller Institute, state tax collections showed strong growth in the fourth quarter of 2014, and preliminary figures for the first quarter of 2015 indicate further growth in overall tax collections. In addition, early information on personal income tax collections for April suggests that tax return revenues are up considerably from last year. Total state tax collections grew by 5.7% in the fourth quarter of 2014, including

8.7% growth in personal income taxes. Preliminary figures from 47 states indicate tax collections for the first quarter of 2015 increased by 5.4%, with personal income and sales taxes growing by 5.6% and 5.7%, respectively. This data bodes well for state financial performance in fiscal 2015 and sets the stage for a more manageable fiscal 2016 budget discussion.

**FIXED INCOME INDEX RETURNS**

	MTD 5/29/2015	QTD 5/29/2015	YTD 5/29/2015
Barclays 3Yr	-0.21	-0.25	0.16
Barclays 5Yr	-0.34	-0.44	-0.31
Barclays 7Yr	-0.55	-0.78	0.30
Barclays MM Short 1-5Yr	-0.16	-0.21	0.26
Barclays MM 1-10Yr	-0.32	-0.60	0.33
ML US Gov/Corp 1-10 Yr	0.02	-0.06	1.35

Source: Interactive Data

**MARKET UPDATE**
**Financials Dominate Weekly Issuance**

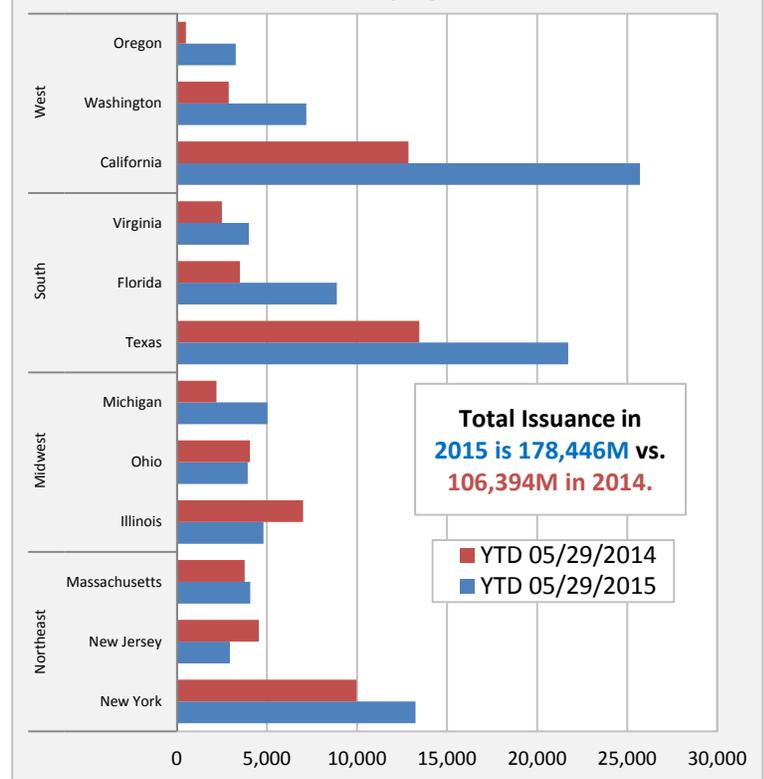
Investment Grade issuance over the four day work week met expectations, as \$25.45 billion of new debt from a total of 18 issuers hit the market. Most of that volume took place on Wednesday and Thursday, with Financials accounting for 60% of the week's total volume. With that said, PNC Bank N.A. (PNC A3/A-/A+) issued a 4-part, \$3.0 billion deal that was well received and followed the pricing trend, as price guidance was richer than originally stated. Spreads were a touch wider across the entire Investment Grade space. Total issuance for the month of May closed out at \$176 billion and brought the year-to-date volume to \$760.735 billion.

**Lower Treasury Levels**

Strong month-end buying in the US Treasury space, as well as a large successful auction supply, sent yields lower and the curve flatter. The 3 & 5Yr benchmark yields were down 7 bps to .93% and 1.49%, respectively. The longer dated 10Yr finished the week down 9bps to 2.12%, and the 30Yr dipped 10bps to a 2.88%.

**Muni Curve Flattening**

Beyond the 3Yr on the Municipal Yield curve, yields were lower over the week causing the curve to flatten. The 5Yr dropped 4bps to 1.41%, and the 7Yr dropped 6bps to 1.81%. This move in Munis was primarily in step with Treasuries. This week's calendar is expected to be \$8.1 billion, with about \$5 billion in refundings. At \$8.1 billion, this week's calendar is moderately higher than the trailing three year average for the first week in June of \$7.5 billion. The 30-day visible supply, at \$13.7 billion, is higher than the average for the year of \$11.3 billion.

**YTD MUNICIPAL ISSUANCE BY STATE 2015 Vs. 2014**  
**As of 05/29/2015**


Source: Bloomberg

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