

Senate Republicans Propose Health Care Reform

- Senate Republican leaders released the Better Care Reconciliation Act (BCRA) last week, their version of a health care proposal that would undo major portions of the Affordable Care Act. The BCRA would reverse expansion of Medicaid, eliminate the individual mandate, and provide less-robust tax credits to help offset the cost of insurance. The Senate's bill would also repeal taxes on businesses and high-income households and would gradually change federal funding of Medicaid, giving states the option between block grants or a per-capita payment. The primary differences when compared with the House plan passed in May include the value of tax-credits and the multi-year phasing-out of the Medicaid expansion. Immediately following release, opposition from both centrist and conservative Republicans put into doubt the possibility of a quick and seamless approval.
- One of the most controversial items for centrist Republicans are the proposed cuts to Medicaid funding. According to the Wall Street Journal, almost 50% of GOP-controlled states elected to expand Medicaid eligibility under the ACA, and taking that benefit away could have a number of fiscal and social consequences in addition to the political risk.
- The Congressional Budget Office is expected to release a formal estimate of the BCRA's effects at the beginning of this week. Although projected to result in fewer people without insurance than the House's plan, the CBO's figures could make it difficult for some Republicans to back the measure, as we saw in the House's first attempt at passing health care reform.
- GOP leaders have voiced a desire to hold a vote on the measure this week, with the idea that a bill can be approved by Congress prior to the August recess to allow for tax reform to be considered in the fall. With a slim margin of control in the Senate, Republicans cannot have more than two members of their party vote against the bill, assuming no Democrat support. Following a number of Senate Republicans' public statements that they are not comfortable with the current bill, a quick passage may require difficult negotiations and significant changes that could drive a greater divergence with the House's approved measure.

FIXED INCOME INDEX RETURNS AS OF 06/23/2017		
	MTD	YTD
Barclays 3Yr	-0.07	2.04
Barclays 5Yr	-0.02	3.59
Barclays 7Yr	0.11	4.50
Barclays MM Short 1-5Yr	-0.08	2.27
Barclays MM 1-10Yr	0.06	3.85
ML US Gov/Corp 1-10 Yr	0.14	1.76

Source: Interactive Data

Muni Market Overview

- The muni yield curve was essentially unchanged over the week inside of 10 years.
- The large new issue supply last week was the biggest since October and was digested by the market. This week's supply is smaller at about \$7 billion and more consistent with recent issuance trends. Year to date, the non-holiday average weekly issuance is \$7.6 billion. For the year, issuance is down about 13% versus last year. By far, the largest deal of the week is \$1.7 billion Dormitory Authority of the State of New York Personal Income Tax (Aa1/AAA/NR) bonds.
- On the demand side, muni funds saw outflows, of \$886 million, for the first time in 11 weeks. For the year, inflows total \$4.8 billion. Looking forward, demand should be supportive of munis as June, July and August are among the top 10 highest cash flow (calls and maturities) months ever in the Muni market.

NOTABLE PRIMARY MUNI DEALS

Date	Par (\$mm's)	Issuer	State	Ratings
Tues	1,722	Dorm Auth State of New York	NY	Aa1/AAA
Wed	500	Metropolitan Trans Auth	NY	A1/AA-
Wed	375	Los Angeles Dept of Water & Power	CA	Aa2/AA-
Wed	264	Comal Independent School District	TX	Aaa/NR
Thurs	375	The Washington University (Taxable)	MO	Aa1/AA+

Source: Goldman Sachs

Corporate Market Overview

- The dog days of summer do not officially begin until July 3rd (running through August 22nd), but it seems like it has begun several weeks early. Last week marks a 3 week streak of Investment Grade corporate issuance that has run below \$20 billion and the prospects for the coming week look to continue the trend. The \$19.925 billion that came to market was met with relative strength in demand and, although choppy, had no trouble getting done. The lone jumbo issuer was Reckitt Benckiser (RBLN A3/A-), who brought \$7.75 billion across 4 tranches. Price guidance in 7Yrs was +100, but final pricing was +80. That spread seems to be the standard on new issues. Spreads were better over the course of the week.
- The US Treasury yield curve continued to flatten. The 30Yr bond dropped 6 basis points to 2.72%, and the 10Yr benchmark dropped one basis point to 2.15%