

HEADLINE NEWS
Greek Fiscal Crisis Heightens; Citizens to Weigh In

- Greece, which owes approximately \$1.7 billion to the International Monetary Fund (IMF) is *expected to miss the payment deadline of June 30th at 6pm (New York time)*. Over the weekend, the Greek premier shut down the financial industry for lack of available cash, which limited residents to taking only 60 euros per day from ATMs. While missing the payment to the IMF would not technically be considered a default, the situation in Greece is causing additional volatility in the markets.
- *On July 5th, the voters in Greece are scheduled to vote a referendum which may decide the country's future inclusion in the Eurozone.* Negotiations between Greek officials and creditors are ongoing and the situation remains extremely fluid.

Supreme Court Ruling Removes Overhang for Hospitals

- The United States Supreme Court ruled that *subsidies on federal health insurance exchanges are legal, upholding the status quo.* An adverse ruling would have created the potential for increased bad debt and charity care expenses for hospitals as a number of patients would have become uninsured.

Puerto Rico Concerns Intensify

- In a New York Times interview published over the weekend, Governor Padilla stated that the *Commonwealth would most likely seek significant concessions from all the island's creditors.* Such concessions could include deferring some debt payments or extending maturities.
- The statement from the Governor acknowledges that *all debt structures are on the table, including Puerto Rico's General Obligation bonds, which the Commonwealth has historically treated as sacrosanct.* Previously, many participants within the market assumed that the debt of Puerto Rico's public corporations would be impaired; however, the reality is setting in that the Commonwealth cannot afford its almost \$72 billion in total debt.

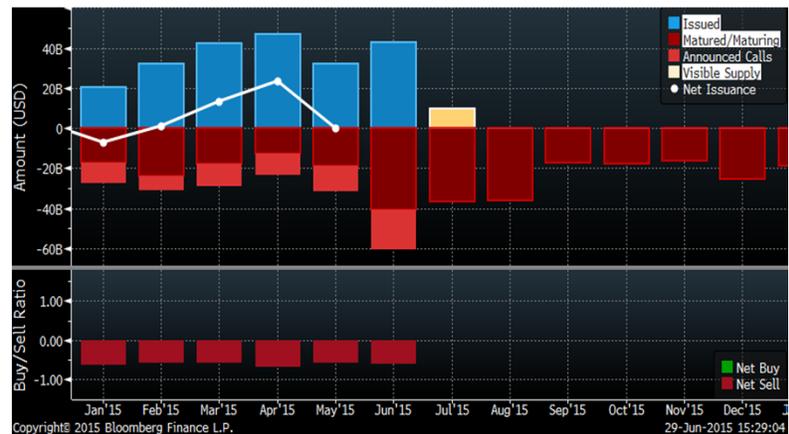
MARKET UPDATE
Muni Market Overview

- With the holiday shortened trading week, the Municipal calendar drops to \$3 billion, which is *significantly lower than the non-holiday weekly average of about \$7.5 billion, but higher than the 3 year Fourth of July holiday weekly average of under \$2 billion.*
- Almost at the halfway mark for the year, gross issuance has totaled \$220 billion. Expectations for the rest of the year are around \$200 billion, but the advanced refunding portion of that will be rate sensitive.

Corporate Market Overview

- It was *another slow week in the Investment Grade new issuance market, as only 13 issuers brought \$20 billion.* New issue volume for the month of June is just over \$109 billion, bringing the YTD total to about \$870 billion. Demand for debt remains high. However, that demand will not be met this week either, as there is only \$10 – \$15 billion expected to price. With the debt crisis in Greece causing market volatility, issuers could remain further sidelined.
- Secondary trading did pick up last week and spreads were generally steady.

YIELDS: The 7Yr & 10Yr UST benchmarks ended the week up 21 basis points to 2.20% and 2.47%, respectively. However, the breakdown in any agreeable solution in Greece has nearly reversed the sell off from last week, and Munis are taking cues from the Treasury market with the risk off trade. Last week, the Municipal curve inside of 5 years tightened, with 3Yrs dropping 3bps to 0.97% and 5Yrs dropping 2bps to 1.45%. 6 years and beyond was cheaper, with the 7Yr wider by 6bps to 1.93% and the 10Yr wider by 7bps to 2.34%.



Source: Bloomberg

**FIXED INCOME INDEX RETURNS AS OF
6/26/2015**

| | MTD | QTD | YTD |
|-------------------------|-------|-------|------|
| Barclays 3Yr | 0.15 | -0.10 | 0.31 |
| Barclays 5Yr | 0.11 | -0.34 | 0.42 |
| Barclays 7Yr | -0.19 | -0.97 | 0.11 |
| Barclays MM Short 1-5Yr | 0.14 | -0.07 | 0.40 |
| Barclays MM 1-10Yr | -0.18 | -0.78 | 0.15 |
| ML US Gov/Corp 1-10 Yr | -0.89 | -0.95 | 0.45 |

Source: Interactive Data

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