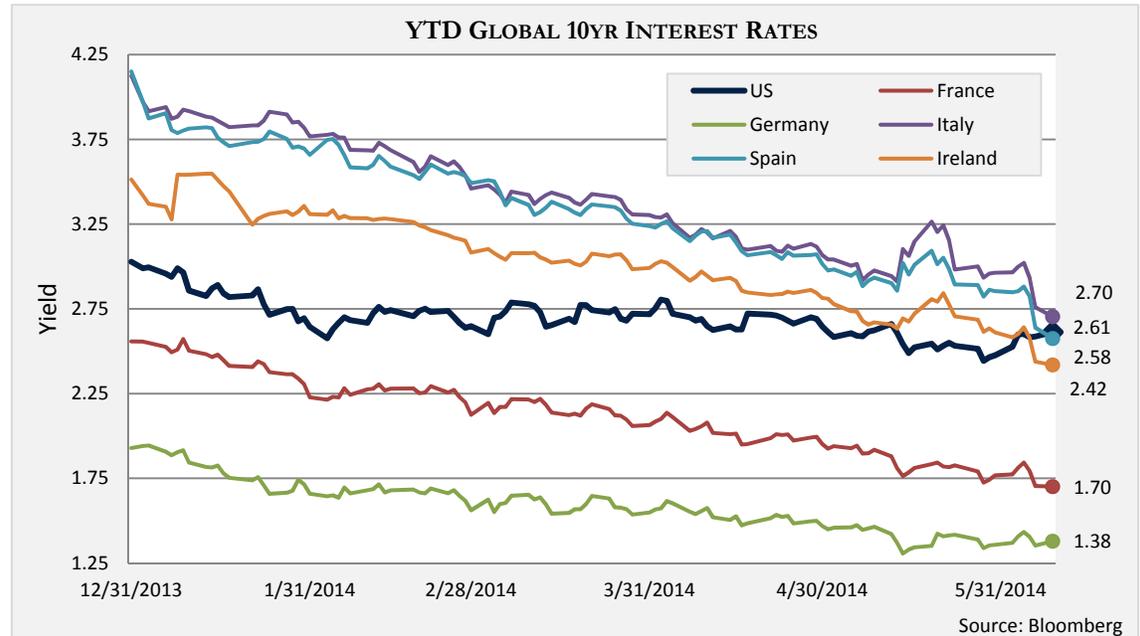


HEADLINE NEWS: US RATES CANNOT GO MEANINGFULLY HIGHER WITH GLOBAL RATES AT HISTORIC LOWS

- With S&P's upgrade of Spanish Sovereign Debt and the absence of any meaningful risk premium in the market, the desire for yield in the developed sovereigns has brought some of the more marginal issuers in the Eurozone space to all-time lows. US Treasuries however, are little changed.
- Illinois lawmakers finished their recent legislative session with an approved fiscal 2015 budget that avoids making difficult decisions and undermines positive steps recently taken to stabilize



the state's credit profile. Lawmakers were unwilling to approve Governor Quinn's proposal to make expiring tax increases permanent, but were also unwilling to make significant reductions in expenditures to match the now lower revenue estimates. The result is a budget that relies on internal borrowing and other one-time measures that will likely increase the state's large backlog of unpaid bills.

MARKET UPDATE: ISSUANCE REMAINS STRONG FOR TAXABLES AND TAX-EXEMPTS

- The Municipal market traded off last week by 8bps in 5Yrs to 11bps in 10Yrs, in step with the Treasury. Some of the move was exacerbated by the slightly larger supply for the week. The market will be tested again this week as supply increases to \$8.5 billion and 30-day visible notches up to \$13.4 billion. The headline deal for the week is Los Angeles Unified School District (Aa3/AA-/NR) with \$1.7 billion split between new money and refunding bonds. The New York City (Aa2/AA-/NR) refunding deal is also notable at \$850 million.
- The Investment Grade new issuance market continues to punch through expectations as \$38.7 billion was issued last week. More than half of that (\$23.9 billion) came on Monday and Tuesday, ahead of the ECB meeting and the employment numbers at the end of the week. While the Investment Grade Corporate market remained firm, the US Treasury sold off along the entire curve. The US 7Yr yield fell 12bps to end the week at 2.18% and the US 10Yr fell 11bps in the same period. Flows into the Taxable mutual funds continued to be strong as just over \$74 billion has come in YTD.

APPLETON STRATEGY SNAPSHOT			
	4/30/2014	5/31/2014	5/31/2014
	Market Yield	Market Yield*	Duration*
Short Muni	0.86	0.81	2.67 Yrs
4 Year Muni	1.26	1.07	3.45 Yrs
Intermediate Muni	1.65	1.55	4.67 Yrs
Long Term Muni	2.45	2.28	6.29 Yrs
Intermediate Taxable	1.89	1.73	3.79 Yrs

*The figures for the 5/31/2014 Strategy Composites are preliminary.
 Source: Investortools Perform and FactSet

FIXED INCOME INDEX RETURNS		
	MTD 6/6/14	YTD 6/6/14
Barclays 3Yr	-0.05	0.87
Barclays 5Yr	-0.21	2.02
Barclays 7Yr	-0.32	3.87
Barclays MM Short 1-5Yr	-0.10	0.78
Barclays MM 1-10Yr	-0.29	2.67
ML US Gov/Corp 1-10 Yr	-0.39	1.72

Source: IDC

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