## HEADLINE NEWS

"No Vote" in Greece Pushes UST and German Bund Lower

- As recently as this March, the US Treasury 10Yr traded 100bps higher than comparable 10Yr debt in Italy or Spain.
- The "No Vote" in the Greek Referendum on Sunday pushed US Treasury and German Bund Yields Lower, while the yields on weaker EU countries were rising. US Treasury yields have dipped below Italy and Spain for the first time in almost a year.

Source: Bloomberg
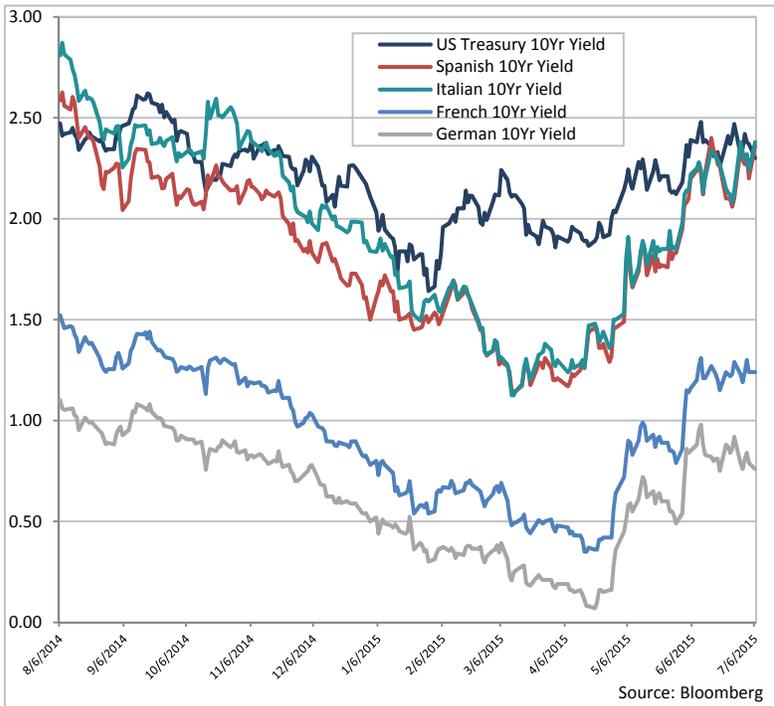
Fed Funds Futures Fall on Jobs Report

- The jobs report was released on Thursday (7/2), with Nonfarm payrolls coming in 10k below the expectation at 223k. The previous two months, April and May, were revised down a total of 60k. Average hourly earnings were flat for June and revised down to 0.2% from 0.3% in May. The year-on-year average hourly earnings was 2.0%, weaker than the expected 2.3%.
- The Unemployment Rate declined to 5.3%, a cycle low, but the lack of growth in the Participation Rate diminished the value of the decline. A 2015 Fed Funds rate hike remains on the table.

Source: Bloomberg
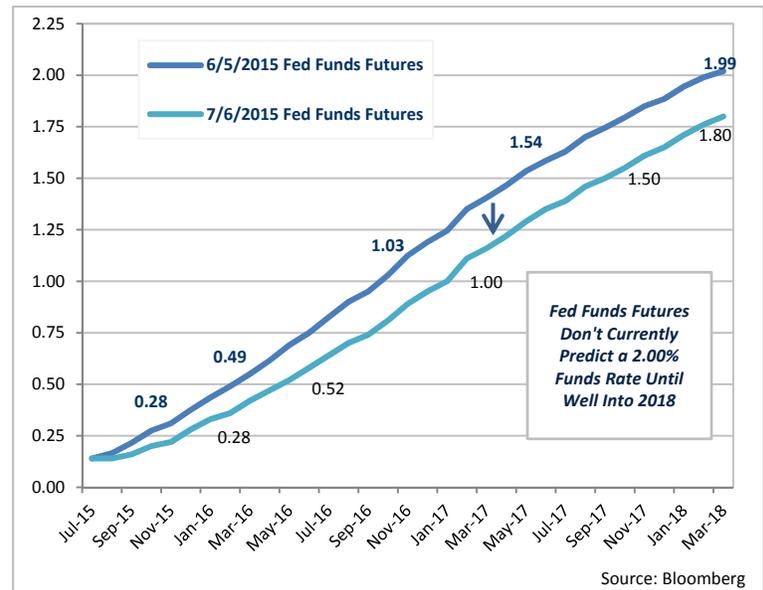
MARKET UPDATE

Muni Market Overview

- The 4th of July holiday seems to have affected issuance over both last week and this week, as we are looking at another below average week at $4.8 billion. The 30-day visible supply is also muted at $10 billion, which is below the average of $11.2 billion. The largest deal of the week is $463 million NC Municipal Power Agency – Catawba Electric (NR/A/A) with both tax-exempts and taxables.
- Municipal bond funds showed outflows of $1.2 billion, following 7 consecutive weeks of smaller outflows, bringing the year-to-date total down to $8.6 billion.

Corporate Market Overview

- The IG Credit market has been very quiet with the holiday shortened week and the volatility caused by the negotiations in Greece. Only $1 billion in new issuance priced last week, with 30-day forward visible supply in the $83 billion range for the month of July. Secondary trading volumes continue to be low, with spreads widening slightly to start the week.
- IG Taxable bond funds saw the largest outflows last week since

December 31st, with a 4th straight week of outflows. Flows on the year are still net positive at $22.7 billion.
- The Fed is issuing $24 billion of 3Yr Notes on Tuesday, $21 billion of 10Yr Notes on Wednesday, and $13 billion of 30yr Bonds on Thursday. Monthly Treasury issuance will not be increasing in the near term, which could fuel demand during periods of uncertainty.

FIXED INCOME INDEX RETURNS as of 6/30/15		
	MTD	YTD
Barclays 3Yr	0.23	0.39
Barclays 5Yr	0.28	0.59
Barclays 7Yr	0.01	0.31
Barclays MM Short 1-5Yr	0.24	0.50
Barclays MM 1-10Yr	0.04	0.36
ML US Gov/Corp 1-10 Yr	-0.47	0.88

Source: Interactive Data