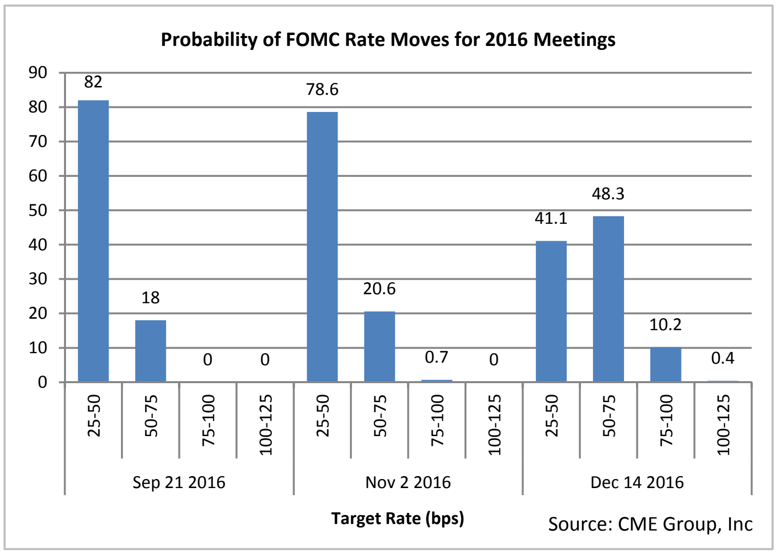
## HEADLINE NEWS

### *Rate Hike Odds Dip on Weaker than Expected Retail Sales*

- Following two consecutive months of stronger than anticipated nonfarm payroll growth, the implied odds of a Fed rate hike had increased modestly. However, according to data from CME Group (http://www.cmegroup.com/trading/interest-rates/countdown-to-fomc.html), those odds retreated slightly after the weaker than expected retail sales report from Friday. The latest GDP report was buoyed by strong consumer spending, and the Fed is going to need to see continued resilience from the U.S. consumer if they are to raise interest rates. The team at Appleton believes that political uncertainty, in addition to stubbornly low inflation, is likely to keep the Fed on hold until next year at the earliest.




### *Zika Concerns Prompt Federal Warning in Miami*

- On August 1, the U.S. Centers for Disease Control and Prevention (CDC) recommended that pregnant women avoid traveling to the Wynwood neighborhood of Miami due to concerns about the transmission of the Zika virus. To put that advisory into context, it is the first time in the CDC's 70-year history that the agency has warned people not to travel to a U.S. location.
- A total of 25 cases have been confirmed in South Florida, but the circumstances surrounding the multiple cases originating from the Wynwood neighborhood indicate that the contraction of the Zika virus occurred locally from mosquitos and are not travel-related.
- The Obama Administration this past week also transferred $77 million in funding for Zika vaccine research in response to Congress failing to appropriate funds before leaving for the summer recess.
- Ultimately, the health of those affected is the utmost importance. We believe that the CDC warning heightens the seriousness of the virus on the US mainland and, in response, adequate measures will likely be taken by federal, state, and local agencies.

## MARKET UPDATE

### *Muni Market Overview*

- Munis were slightly lower and flatter following Treasuries on Friday with the weak retail and PPI data. 5Yr Munis ended the week at 0.85%, down 1bp from the previous week and 10Yrs ended at 1.40%, down 4bps for the week.
- Supply for the beginning of August has been larger than normal, with the market taking down $21 billion in the first 11 days of the month. Looking forward, the Muni calendar shows about $5 billion for the week and 30-day visible is $11.5 billion; finally the market seems to be reflecting the traditional August slow down.
- Demand remains very strong with deals pricing higher and Muni Bond Fund Flows increasing. For the week ending 8/10/16, Muni funds had $3.2 billion in inflows, which is the highest it has been during this stretch of 45 weeks of consecutive inflows. The year-to-date total inflow is $43.3 billion.

### *Corporate Market Overview*

- The primary market in the Investment Grade space continues to be very strong. Consensus for the month of August, typically a slower month, was about $60 billion. However, after last week's $46 billion in issuance, we've already come close to $100 billion.
- We should see a slow down as the month comes to a close, but the appetite for bonds shows no sign of letting up. With that being said, credit spreads continue to set new year-to-date tights and were anywhere from 2 – 5 better on the week. US Treasuries continue to trade in a range of about 10 basis points. The poor PPI and Retail sales miss on Friday brought UST yields to the middle part of that range with the 10Yr ending the week at 1.49%.

**FIXED INCOME INDEX RETURNS AS OF 8/12/2016**

| | MTD | YTD |
|---|---|---|
| Barclays 3Yr | 0.01 | 1.76 |
| Barclays 5Yr | 0.04 | 2.75 |
| Barclays 7Yr | 0.03 | 3.51 |
| Barclays MM Short 1-5Yr | 0.03 | 1.82 |
| Barclays MM 1-10Yr | 0.03 | 3.15 |
| ML US Gov/Corp 1-10 Yr | -0.15 | 3.68 |

Source: Interactive Data

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