HEADLINE NEWS

All Eyes on Yellen at Jackson Hole

- Janet Yellen is set to speak this Friday at the Kansas City Federal Reserve's symposium in Jackson Hole, WY. Investors are eager to find out if Yellen will either convey a data-dependent, wait-and-see approach or take a more hawkish tone, as her Fed colleagues have done over the past week. Market implied odds of a rate hike have been on the rise, with 26% odds for the September meeting and 52% odds for the December meeting according to Bloomberg. Over the weekend, Vice Chairman of the Fed, Stanley Fischer, hinted that a hike this year is on the table with the Fed "close to our targets." The team at Appleton believes that a hike prior to the U.S presidential election is unlikely, and that a December hike is in play. Either way, domestic rates are unlikely to move meaningfully higher given where debt is trading globally. According to data by Fitch Ratings, there is approximately $13.4 trillion in negative yielding bonds, nearly one third of all sovereign debt outstanding.

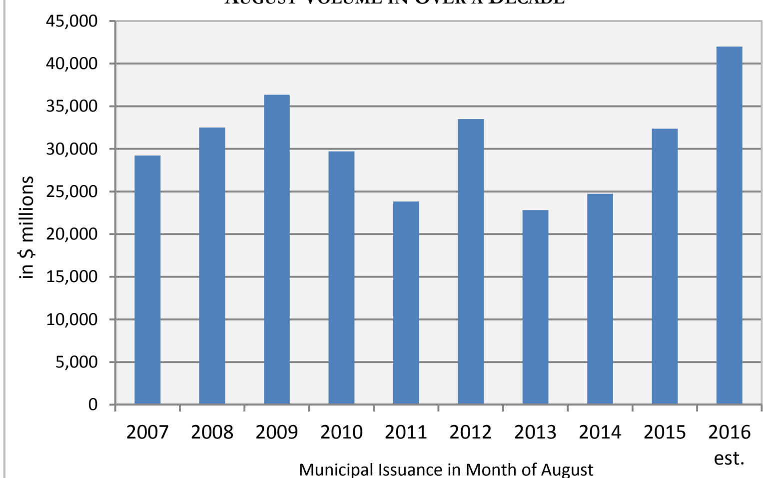
Pennsylvania Taps Line of Credit

- Pennsylvania's Treasurer extended a $2.5 billion line of credit to the State's General Fund, which immediately drew down $400 million to meet short-term liquidity needs. The draw represents the second in 2016 and third in the last 24 months.
- Pennsylvania lawmakers recently approved a number of new revenue measures, but the additional cash received from those changes will not occur until later in the State's fiscal year. While borrowing internally indicates low levels of reserves and some structural imbalance, it typically is a lower cost option for the state or local government rather than accessing public or private capital. According to the Pennsylvania State Treasurer, the average interest rate on the line of credit is 0.75%.

Municipal Market to Post Largest August Volume in 10 Years

- With nearly $10 billion in primary issuance scheduled for this week, the municipal bond market is set to issue over $40 billion in debt this month. That would mark the largest August issuance in over a decade, with the next largest occurring in 2009 ($36.4bn).
- August is typically a slower month, as reduced trading and recently started fiscal years mute issuance levels. However, with nominal rates remaining low, issuers continue to take advantage of lower borrowing costs for both new money and refunding opportunities. August's issuance also brings year-to-date issuance nearly in-line with 2015, indicating that total volume of $400 billion in 2016 may be an achievable target.

THIS MONTH'S MUNICIPAL ISSUANCE IS SET TO BE THE LARGEST AUGUST VOLUME IN OVER A DECADE



Source: Bond Buyer, Thomson Reuters

MARKET UPDATE

Muni Market Overview

- The Muni yield curve was essentially unchanged over the week, despite the Treasury yield curve rising.
- 30-day visible supply is relatively high at $14.1 billion, with the Commonwealth of Massachusetts (Aa1/NR/AA+) bringing the largest deal of the week at $835 million in a competitive offering.
- Year-to-date gross issuance is about $290 billion, similar to the $294 billion for the same period in 2015. Muni fund flows continued the trend with the 46th consecutive week and another $1.1 billion bringing the current streak total inflow to $52.3 billion. For the year, inflows total $44.4 billion.

Corporate Market Overview

- Investment Grade issuance came to a slow crawl last week as only $11.77 billion came to market. This is quite the reversal from the $40ish billion average that came in the first two weeks of the month. It is actually the slowest week since the end of June. We are most likely going to see this trend continue through the end of the month and then we anticipate seeing a decent pick-up in September. With the primary market out of the picture and demand still strong for corporates, spreads ended the week tighter and again set new YTD tights.
- US Treasuries continue to be range bound as volatility cools. In the month of August, the US 10Yr benchmark bond has traded from a low of 1.50% to a high of 1.58%, which is right where it ended the week. The 30Yr tenor was flat on the week at 2.29%.

FIXED INCOME INDEX RETURNS AS OF 8/19/2016

	MTD	YTD
Barclays 3Yr	-0.03	1.72
Barclays 5Yr	0.02	2.72
Barclays 7Yr	0.00	3.47
Barclays MM Short 1-5Yr	0.03	1.82
Barclays MM 1-10Yr	0.00	3.11
ML US Gov/Corp 1-10 Yr	-0.31	3.52

Source: Interactive Data

APPLETON PARTNERS, INC. ONE POST OFFICE SQ. BOSTON, MA 02109 TEL. 617.338.0700 WWW.APPLETONPARTNERS.COM