

HEADLINE NEWS
Investors Focus on 9/21 Fed Meeting

Investors are acutely focused on the upcoming FOMC meeting next Wednesday, 9/21. The Fed has made it clear that their next rate move will be dependent on major macroeconomic data releases. With that in mind, the team at Appleton will be focusing on three important data points due out this week: the Producer Price Index (PPI), retail sales figures, and the Consumer Price Index (CPI). Both the PPI and CPI are expected to be benign, but any sign that these measures are increasing above expectations could motivate the Fed to hike. We continue to monitor retail sales to gauge the health of the consumer, who has been responsible for most of the growth in recent GDP readings. Back-to-school shopping was reportedly weak this year, so any weakness in retail sales could cause some economists to lower their GDP forecasts for the remainder of the year.

MEETING	PROBABILITY OF HIKE		PROBABILITY OF CUT	
	JUNE 27, 2016	SEPTEMBER 13, 2016	JUNE 27, 2016	SEPTEMBER 13, 2016
7/27/2016	0.0%	N/A	8.0%	N/A
9/21/2016	0.0%	22.0%	22.7%	0.0%
11/2/2016	0.0%	28.7%	22.7%	0.0%
12/14/2016	9.3%	56.8%	20.0%	0.0%
2/1/2017	9.3%	59.5%	20.0%	0.0%

Source: Bloomberg

Puerto Rico Oversight Board Announced

President Obama announced the appointment of seven individuals to the Financial Oversight and Management Board for Puerto Rico, established under the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA). The board is provided with relatively broad powers, including overseeing the implementation of balanced budgets, capital investment and debt restructuring, as necessary.

The board will work with the Government of Puerto Rico and creditors with the goal of restoring fiscal balance and returning the Commonwealth to economic growth. The seven members come from a variety of backgrounds in finance, law, academia and government administration, and many have strong ties to the island. The next step in this process will see the government of Puerto Rico presenting a comprehensive fiscal and economic plan that for review by the board and creditors. Market reaction to the board's announcement was relatively modest, with Puerto Rico's benchmark 5% GO bonds maturing in 2035 trading up from approximately \$65.50 on 8/31 to end last week at \$67.25.

MARKET UPDATE
Muni Market Overview

- The Municipal yield curve rose for the week, with the largest increase of 7bps at 5Yrs. Out to 10Yrs, the curve was higher by about 4bps. This move was in sympathy with Treasuries following hawkish Fed speak and generally higher global sovereign rates.
- Issuance this week is expected to be \$14.5 billion, which would be the highest issuance week since mid-November 2010 and the 4th highest on record. The \$1.06 billion Metropolitan Transportation Authority Hudson Rail Yards Trust (A2/NR/NR) is expected to be the largest deal of the week, followed closely by \$964 million State of Connecticut Special Tax (Aa3/AA/AA-).
- Municipal bond funds had another large week of inflows at \$2.675 billion, bringing the year-to-date total to \$48.3 billion.

Corporate Market Overview

- Investment Grade corporate issuance kicked into high gear last week, as \$60 billion, from a record 44 issuers, was brought to market in just three days. September is generally an active month for supply, but it was even more so with the Fed rate hike potential looming and the November election. One of the most notable and largest deals of the week was the \$6 billion brought by Siemens

(SIEGR A1/A+) on Tuesday. The \$1.7 billion, 10Yr tranche came at +85, which was 10bps tighter than initial price talk. Interestingly, roughly 90% of all the issuance last week was issued with maturities under 10Yrs. Spreads remain generally steady.

- The US Treasury market experienced the largest back up in yields in weeks over the last 7 days. The move was prompted by hawkish Fed speak. The benchmark 10Yr UST climbed 15bps to 1.68% from Tuesday to Friday and the 30Yr rose 20bps to 2.40%

FIXED INCOME INDEX RETURNS AS OF 9/09/2016

	MTD	YTD
Barclays 3Yr	-0.24	1.37
Barclays 5Yr	-0.29	2.40
Barclays 7Yr	-0.30	3.13
Barclays MM Short 1-5Yr	-0.26	1.46
Barclays MM 1-10Yr	-0.30	2.72
ML US Gov/Corp 1-10 Yr	-0.19	3.30

Source:
Interactive
Data

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