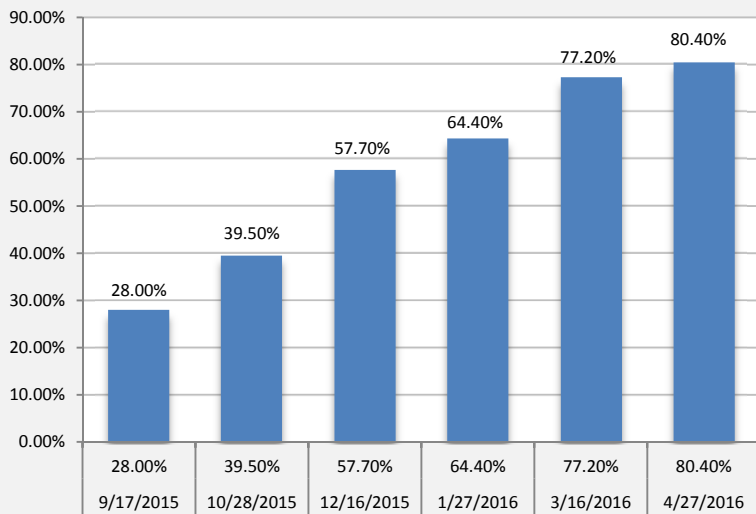


**HEADLINE NEWS**
***It's All About the Fed***

While the probability of a Fed move at the September meeting has declined due to global weakness and a disinflation scenario exacerbated by weakness in commodities, the Fed could justify a rate hike, and many in the markets would breathe a sigh of relief to have it behind us. *Analysis paralysis* may rule the day, however, and the dreaded event may continue to plague the markets into October or December. Rumors of press conferences at ALL meetings will broaden the option going forward.

**PROBABILITY OF A FED RATE MOVE**  
**Current FED Effective Rate: .14%**



Source: Bloomberg

***PR Restructuring Plan Implies Debt Impairment***

- Governor Padilla's Working Group released an economic and fiscal recovery plan, which lays out a five-year projection of revenues and expenditures to determine debt affordability for the island.
- Including revenue enhancements and expenditure cuts, Puerto Rico will only have \$5 billion in primary surplus revenues to repay \$18 billion in scheduled debt service over the five-year period.
- Debt restructuring details were absent from the plan, but the projections imply that the majority of, if not all, bondholders owning Puerto Rican debt would experience some form of impairment.
- We note that the plan is only a "proposal" and that the ultimate outcome for bondholders and Puerto Rico's budget could be materially different. The plan is an opening salvo in what is expected to be a prolonged and arduous restructuring process with creditors and stakeholders.

***A Thinly Traded Market Awaits the Fed's News on Thursday***

- While Retail Sales increased less than anticipated, the bond market reaction was to take yields higher (10Yr Treasury from 2.18% to 2.23%) with 10 of 13 major retail categories reporting increases last month. Additionally, July data was revised higher. CPI tomorrow will be the final data that the Fed will have for consideration during the rate move discussion. The decision will be announced on Thursday afternoon at 2:00PM EDT.

**MARKET UPDATE**
***Muni Market Overview***

- This week's calendar is just \$4.5 billion, which is significantly lower than this year's non-holiday average of about \$8.3 billion. Further, the 30-day visible supply is just \$8.7 billion, below the average for the year of \$10.8 billion. The market seems to be on hold before the FOMC rate decision on 9/17.
- The Municipal bond fund flows showed the third consecutive week of outflows: \$771million (9-9-15), \$695 million (9-2-15), and \$333 million (8-27-15), which brought the Year-to-Date aggregate inflows to \$5.5 billion.

***Corporate Market Overview***

- Investment Grade credit issuance was back with a vengeance last week after a 13 day hiatus. There were 34 issuers who priced a total of just over \$54 billion, bringing the week into the top 6 weeks of issuance so far this year. There was \$27.75 billion issued on Wednesday alone. The largest deal was Gilead's (GILD A3/A-) \$10 billion, 6 part debt offering on

Wednesday. The early ten year maturity price guidance was +170/10Yr. Final pricing was +150/10Yr, and the bond traded very well in the greys. Demand continues to be robust and the market was set up well to receive the flood of new issuance.

**FIXED INCOME INDEX RETURNS AS OF 9/11/2015**

	MTD	YTD
Barclays 3Yr	-0.01	0.82
Barclays 5Yr	-0.14	1.00
Barclays 7Yr	-0.18	0.88
Barclays MM Short 1-5Yr	-0.08	0.90
Barclays MM 1-10Yr	-0.20	0.96
ML US Gov/Corp 1-10 Yr	0.22	1.50

Source: Interactive Data

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