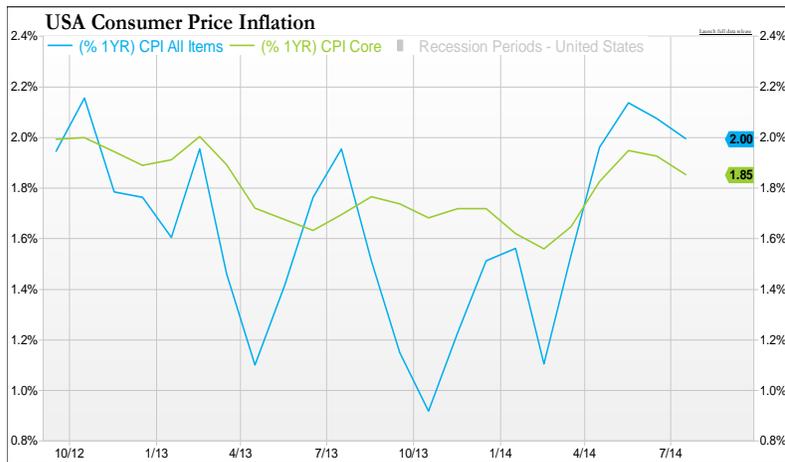


**HEADLINE NEWS**
**Market Watches the Fed**

All ears and eyes will be open to Fed speak on Wednesday. The consensus is that rates will remain unchanged and the taper will continue on pace, but that the market is eager for future rates guidance and an open dialogue on the Fed's balance sheet unwinding plan. Janet Yellen will be speaking after the release and we expect her to address the continued slack in the labor market. The market is also watching a number of economic releases this week, including PPI, which was released on Tuesday morning and matched expectations of 0.0% for August. On Wednesday morning, CPI is projected to come in at 0.0% for August, after a 0.1% for the previous month, and the Initial Jobless Claims on Thursday is expected at 305K.



Source: FactSet

**Detroit Begins Confirmation Trial**

The City of Detroit continues to move rapidly towards an exit from protection under Chapter 9 of the Bankruptcy Code. Since the city's confirmation trial began two weeks ago, Detroit has announced the creation of a new regional water authority and a settlement with Syncora Guarantee, two major items that were unresolved going into proceedings. The settlements will most likely provide the federal judge overseeing Detroit's bankruptcy with an easier path to determining the "fairness" of the city's restructuring plan. What remains uncertain is if Detroit has reduced liabilities and expenses to sufficiently put the City on sustainable financial footing post-bankruptcy.

**High-Yield Market Sees Second Consecutive Week of Outflows**

After a brief reprieve, the high-yield market appears under pressure again. In the last week, the high-yield market declined 0.79% contributing to a 1.0% decline in the month-to-date period. Technical factors appear to be compounding price weakness in the market. In the week ending Wednesday, Lipper reported that high-yield mutual funds and ETFs saw an outflow of \$766 million. While this pales in comparison to the record outflow of \$7.1 billion we saw in August, it represents the second straight week of notable outflows. This drag on demand is coming just as the market is digesting an increasingly large new issue calendar. As we noted last week, corporate bond issuance has been off to the races since the Labor Day holiday- the calendar for the month of September is expected exceed \$150 billion of new investment grade and high-yield issuance, according to Janney Montgomery.

**MARKET UPDATE**
**Municipal Market Sees Increase in 30 Day Visible Supply**

Municipal yields were higher for the week, with the 5Yr increasing by 5bps to 1.17% and the 7Yr up 7bps to 1.74%. For the upcoming week, the new issue calendar finally fills out a bit to \$4.5 billion, after two consecutive weeks of approximately \$2.5 billion. Further, 30-day visible supply has increased dramatically over previous weeks at \$13.5 billion and above the average for the year, which is \$7.4 billion. Notably, the Commonwealth of Massachusetts is bringing their second "Green Bond" offering of \$350 million. While the bonds are backed by the State General Obligation pledge, the proceeds of the deal are going specifically to environmentally beneficial capital projects.

**Corporate Yields Higher as Spreads Widen**

Investment Grade Corporate bonds tracked the Treasury market last week as promising economic news drove yields higher. Not only were yields higher, but credit spreads were wider by an average of +2 across the credit and sector spectrum. However, spreads between corporate and US Treasury yields continue to remain near their lowest (tightest) levels since the financial crisis

of 2007 and the recent recession. The new issuance market continues to be robust as demand remains strong an borrowing cost stay relatively low. There was just over \$39 billion issued last week, which brings this month's total \$97.125 billion and year-to-date volume to \$1.02 trillion. We are on target to beat last year's total of \$1.111 trillion. US Treasury yields at week's end were: 2Yr at .56%, 5Yr at 1.82%, 10Yr at 2.61%, and the 30Yr at 3.35%.

**FIXED INCOME INDEX RETURNS**

	MTD 9/12/14	YTD 9/12/14
Barclays 3Yr	-0.09	1.27
Barclays 5Yr	-0.22	2.92
Barclays 7Yr	-0.47	4.87
Barclays MM Short 1-5Yr	-0.14	1.26
Barclays MM 1-10Yr	-0.47	3.47
ML US Gov/Corp 1-10 Yr	-0.64	1.79

Source:  
Interactive  
Data

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

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