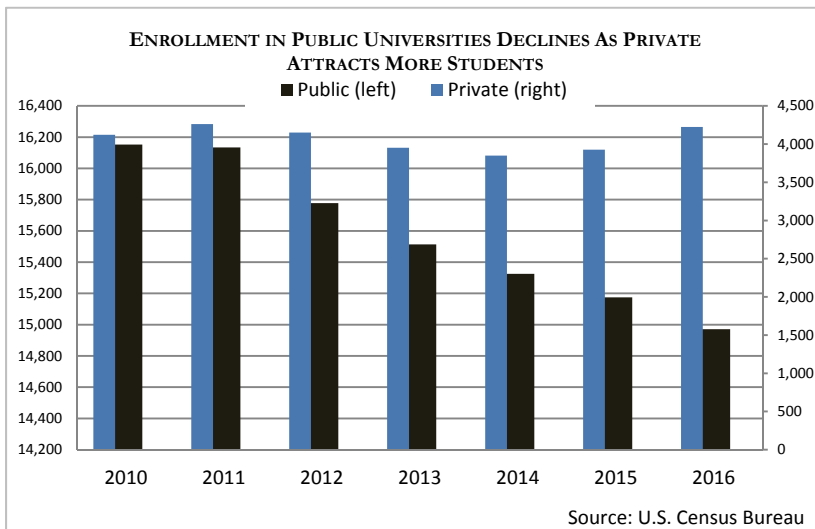


All Eyes on the Fed

- With little in the way of macroeconomic releases or earnings reports this week, all eyes will be on the Federal Reserve this Wednesday afternoon. According to the CME Group, the market-implied probability of a hike at this meeting is 0%, but there are a number of items worth monitoring. First, is the Fed's plan for reducing the balance sheet with many investors expecting the official announcement this week. The Fed is likely to start unwinding the balance sheet in October and will stress to investors that the normalization process will be measured and deliberate. The team at Appleton believes that the market impact should be muted with the Fed gradually reducing (or capping) the amount it reinvests in US Treasuries and mortgage-backed securities. The second item we will be focused on is any mention in the policy statement, or during the press conference, regarding a hike in December. The current probability of a hike at the December FOMC meeting currently sits at 57%. Lastly, we'll be watching the "dot plot" for changes to the Fed's economic forecasts. This might be where they signal a December hike and set market expectations for further hikes in 2018 and 2019.

College Enrollment Up, But Public Universities See Pressure

- The U.S. Census Bureau indicated that for 2016 enrollment in colleges and universities grew for the first time in four years with the total students reaching 19.2 million. Enrollment was up 0.6% year-over-year, boosted by a strong increase of 7.6% in private institutions. This marks the second year of increases to private colleges. On the other hand, public universities have seen a steady decline since 2010, averaging 1.3% per year. Public enrollment of 14.97 million in 2016 is 7.3% below the 2010 peak.
- Competition to attract students within the higher education market continues to be intense, as students and parents weigh the costs and benefits of achieving a post-high school degree. Although public universities should be in a better position, particularly with historically cheaper tuitions, budget pressures at the state level often lead to cuts in aid, especially in states such as Illinois.


Muni Market Overview

- The muni curve was higher and steeper over the week by 5 to 10bps in keeping with Treasuries, but not as dramatic. The 7Yr was up 9 bps to 1.48%.
- Issuance, at about \$6 billion, is below the weekly average of \$7.5 billion, and the reduced issuance continues to be supportive of munis overall. 30-day visible supply is slightly above the average for the year; therefore, issuance should potentially increase in the near term.
- While muni fund flows were barely positive for the week, they continue the trend of 9 consecutive weeks of positive flows totaling \$12.1 billion for the year.

Corporate Market Overview

- US Treasury yields jumped higher last week with the front end of the yield curve rising more than longer dated points along the curve (Bear Flattener). The 5Yr ended the week up 17bps to 1.81%, while the 30Yr closed the week up 10bps to 2.77%. The spread between the 2Yr UST and the 10Yr UST touched 81bps on Friday of last week, signaling some compression of yields in the intermediate range of the curve. The low on the year reached on 09/05/17 was 77bps, with July of 2017 being the last time it was at that same level. All market participant will be hyper focused on what comes out of the Fed on Wednesday and will be looking for details on what the portfolio runoff plan might be.
- Investment Grade supply continues to roll on as \$55 billion in new supply hit the market. The market conditions were on firmer footing which created a better week for new issue results versus last week's issuance. With that said, the \$109.6 billion of IG credit (including SAS) did put a little strain on the markets ability to consume that much debt but not enough to drive spreads in any meaningful direction.

FIXED INCOME INDEX RETURNS AS OF 09/15/2017		
	MTD	YTD
Barclays 3Yr	-0.05	2.64
Barclays 5Yr	-0.21	4.37
Barclays 7Yr	-0.22	5.31
Barclays MM Short 1-5Yr	-0.12	2.78
Barclays MM 1-10Yr	-0.22	4.41
ML US Gov/Corp 1-10 Yr	-0.22	2.16

Source: Interactive Data