

HEADLINE NEWS
The Doves Prevail, Uncertainty Remains

- The much anticipated FOMC announcement on Thursday dominated market discussions prior to the release. Following the meeting, the markets rallied on the news that The Fed Funds Rate would remain unchanged, coupled with the dovish comments that accompanied the decision. While the Treasury market reacted with strength, the Fed decision still leaves uncertainty about when the tightening will begin and will cause each forthcoming major economic data release to be further scrutinized. The US Treasury curve ended the week flatter, with the 3Yr down 5 Bps to .98%, the 5Yr down 7 bps to 1.45%, and the 10Yr down 6bps to 2.13%.
- The Fed also updated its predictions, or "Dot Plot," for specific economic data. All were revised downward:

Fed sees longer run Federal funds rate range from 3%-4%.

- 2015 Fed Funds Rate .1%- .6% vs. .4%- .9%
- 2016 Funds Rate 1.1%-2.1% vs. 1.4%-2.4%
- 2017 Fed Funds Rate 2.1%-3.4% vs. 2.4%-3.8%

Longer run unemployment rate central tendency projection of 4.9%-5.2% compares to its June forecast of 5%-5.2%.

- Fed sees 2016 jobless rate central tendency at 4.7%-4.9% vs its June forecast of 4.9%-5.1%
- 2017 jobless rate 4.7%-4.9% vs 4.9%-5.1%
- 2018 jobless rate 4.7%-5.0%

Longer-run real GDP central tendency projection of 1.8%-2.2% compares to its June forecast of 2%-2.3%.

- 2016 GDP growth 2.2%-2.6% vs 2.4%-2.7%
- 2017 GDP growth 2.0%-2.4% vs. 2.1%-2.5%
- 2018 GDP growth 1.8%-2.2%

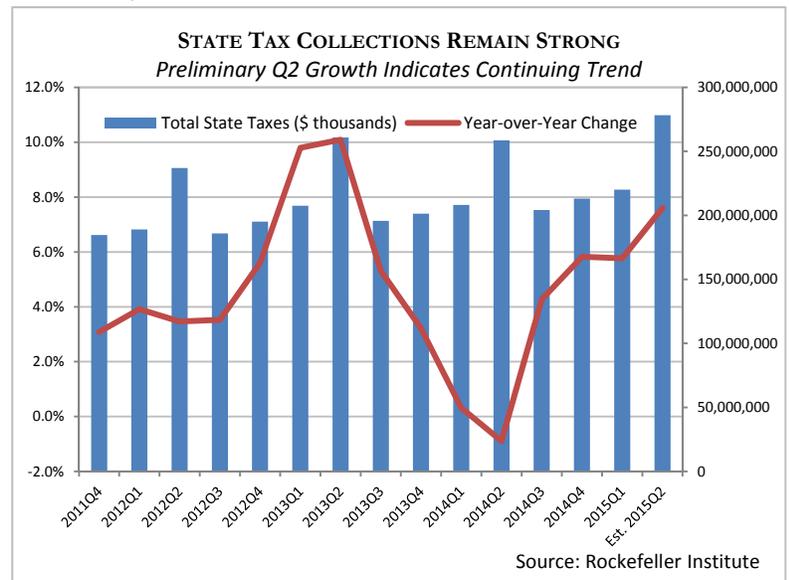
Longer run PCE inflation central tendency at 2%

- 2016 PCE inflation 1.5%-1.8% vs 1.6%-1.9%
- 2017 PCE inflation 1.8%-2.0% vs. 1.9%-2.0%
- 2018 PCE inflation 2.0%

Source: <http://www.federalreserve.gov/monetarypolicy/files/fomcprotabl20150617.pdf>

State Tax Revenues Continue Upward Trend

- Total state tax revenues for the quarter ending March 31, 2015 were up 5.8%, compared to the same period a year ago. This follows growth of 4.3% and 5.8%, respectively, for the prior two quarters.
- Preliminary reports from 46 states indicate state tax revenue growth for the April-June quarter accelerated to 7.6% and was driven by strong personal income tax collections.
- Total tax collections for the 12 months ending June 30th, which lines up with the fiscal year end for most states, indicates growth of 6.0%. That is well above the projected growth rate for FY2015, providing states with budgetary flexibility in the current fiscal year.


MARKET UPDATE
Muni Market Overview

- After the Fed release last Thursday, Municipals were stronger. Inside of 5Yrs, the curve was lower by 3 or 4bps, leaving the 5Yr at 1.39% to end the week. Between 5Yrs and 10Yrs, the curve was lower by 9 to 10bps, and the 7Yr was 9bps lower to end at 1.77%.
- The calendar has remained subdued since the end of summer holiday slow down, with this week expected at \$5.5 billion and below the non-holiday average of \$8.1 billion. The largest deal of the week is \$750 million NYC Transitional Finance Authority (Aa1/AAA/AAA).

Corporate Market Overview

- Issuance in the Investment Grade space last week was muted, as the market waited for the Fed's decision. Twelve issuers priced just over \$10 billion (Monday – Wednesday), which was much lower than consensus estimates of \$25 - \$30 billion. Now that the Fed rate talk is out of the way, for now, we expect there to

be a significant increase of issuance over the next couple of weeks.

- Secondary trading was somewhat choppy at times as the strong demand could not be satisfied by such low issuance. Spreads were steady as many investors remained risk neutral.

FIXED INCOME INDEX RETURNS AS OF 9/18/2015

	MTD	YTD
Barclays 3Yr	0.12	0.96
Barclays 5Yr	0.10	1.25
Barclays 7Yr	0.26	1.34
Barclays MM Short 1-5Yr	0.04	1.02
Barclays MM 1-10Yr	0.17	1.34
ML US Gov/Corp 1-10 Yr	0.47	1.76

Source: Interactive Data

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