

HEADLINE NEWS
Market Reaction to PIMCO Muted

On Friday, Bill Gross, co-founder of the company, announced his departure from Pacific Investment Management Co. (PIMCO) after a 43-year tenure. The Treasury market initially sold off after hearing the news, but recovered by close. There have been outflows from the Total Return Fund during the year bringing the fund's assets down to \$222 billion from its peak of \$293 billion last year. With outflows from Gross's former bond fund hovering around \$10 billion on Friday, investors are seeking other options, including Separately Managed Accounts.

High Yield Market Could Feel Effects of PIMCO

The events at PIMCO may lead to bouts of forced selling in order to meet redemptions. This could have a particularly noticeable impact in less liquid markets like high-yield and emerging market debt. Although emerging and high-yield debt makes up only a small portion of PIMCO holdings, the downward pressure could be meaningful given the increasingly scarce participation of dealers in these markets. This is just the latest bout of bad news for the high-yield market, which has been forced to absorb three straight weeks of significant outflows.

Labor Trends Vary Across the Country

The U.S. Bureau of Labor Statistics released employment and wage data of local counties for the first quarter of 2014. While

the data is backward looking, it shows the vast differences in demographic trends among the 339 largest U.S. counties. For instance, year-over-year percentage increases in employment ranged from 7.5% for Weld County, CO to negative 2.6% for Peoria County, IL, while the national growth rate was 1.7%. Of note, all ten of the largest U.S. counties showed year-over-year growth in both employment and average weekly wages and the majority outpaced the U.S.'s growth in both metrics.

10 LARGEST COUNTIES	EMPLOYMENT GROWTH	AVERAGE WEEKLY WAGE GROWTH
Orange, CA	2.50%	2.70%
Maricopa, AZ	2.30%	3.30%
Los Angeles, CA	2.00%	3.80%
Miami-Dade, FL	2.60%	4.40%
Harris, TX	3.00%	4.70%
King, WA	3.30%	4.70%
Cook, IL	1.00%	5.00%
Dallas, TX	3.10%	5.40%
San Diego, CA	2.10%	6.80%
New York, NY	2.50%	12.00%
Top 10 Median	2.50%	4.70%
US	1.70%	3.80%

*Data compares March 2014 v. March 2013
 Source: U.S. Bureau of Labor Statistics

MARKET UPDATE
Demand Continues to Absorb Muni New Issue Supply

The Municipal yield curve flattened over the week with the short-end holding steady and the longer-end declining, 2bps in the 7Yr and 7bps in the 10Yr on out. Last week's moderately higher supply was absorbed by the market due to strong investor demand and consistent bond fund inflows. This week's calendar is slightly smaller than last week's at \$5.5 billion. Leading the calendar is \$1.1 billion Texas Transportation Commission and \$730 million Connecticut Special Tax Obligation bonds, both of which should be well received by the market. 30-day visible supply has dropped to \$7.8 billion, down from the recent high of about \$14 billion.

No Shortage of Demand and Supply in IG Corporate Bonds

Last week's \$33.085 billion in issuance brought the month-to-date total to \$157.36 billion, just shy of this year's monthly high of \$157.9 billion in January. Deals were well received and were oversubscribed. Given that, most deals traded higher in price once released into the secondary market. One of the most notable deals of the week was Sysco Corp (SYY A2/A-), which issued \$5 billion across 6 maturities. In 10 years it came at +102 with a coupon of 3.5%. U.S. Treasury mutual funds were not the only funds to see positive flows, as IG Corporate mutual funds pulled in about \$1.68 billion, marking the largest weekly inflow since July and the 15th consecutive week of positive flows.

Long US Treasuries Continue to Outperform

U.S. Treasuries regained composure last week as market jitters from the previous week were shaken out. The long-end of the Treasury curve continues to outperform, as investors seek risk off assets due to civil unrest and a global economy that is moving at a snail's pace. The UST 2Yr bond rose 1 bp to end the week at .58%, the 10Yr fell 5 bps to 2.53%, and the 30Yr dropped 7 bps to 3.21%. Additionally, U.S. Government/Treasury mutual funds saw positive inflows of \$41.9 million versus last week's -\$2.35 billion.

FIXED INCOME INDEX RETURNS		
	MTD 9/26/14	YTD 9/26/14
Barclays 3Yr	-0.04	1.32
Barclays 5Yr	-0.10	3.05
Barclays 7Yr	-0.21	5.14
Barclays MM Short 1-5Yr	-0.10	1.30
Barclays MM 1-10Yr	-0.25	3.70
ML US Gov/Corp 1-10 Yr	-0.48	1.95

Source: Interactive Data

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

This commentary reflects the opinions of Appleton Partners based on information that we believe to be reliable. It is intended for informational purposes only, and not to suggest any specific performance or results, nor should it be considered investment, financial, tax or other professional advice. It is not an offer or solicitation. Views regarding the economy, securities markets or other specialized areas, like all predictors of future events, cannot be guaranteed to be accurate and may result in economic loss to the investor. While the Adviser believes the outside data sources cited to be credible, it has not independently verified the correctness of any of their inputs or calculations and, therefore, does not warrant the accuracy of any third-party sources or information. Specific securities identified and described may or may not be held in portfolios managed by the Adviser and do not represent all of the securities purchased, sold, or recommended for advisory clients. The reader should not assume that investments in the securities identified and discussed were or will be profitable. Any securities identified were selected for illustrative purposes only, as a vehicle for demonstrating investment analysis and decision making.