HEADLINE NEWS

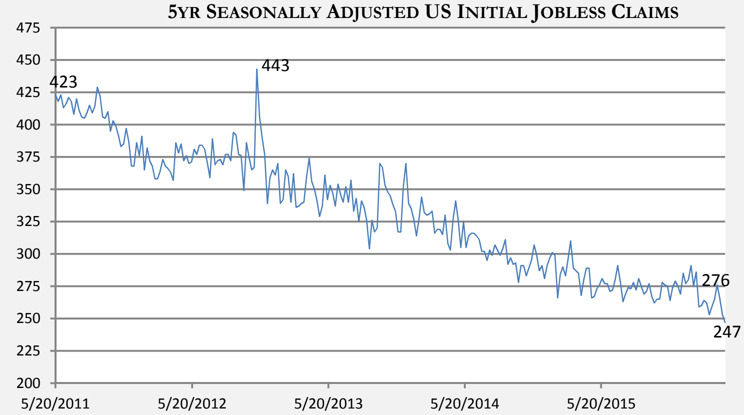
Puerto Rico Nears Key Dates

- The Commonwealth's Government Development Bank ("GDB") appears headed for at least a partial default as liquidity continues to shrink and a Congressional resolution likely not materializing in-time. The GDB suggested that a forbearance agreement with bondholders representing 25% of debt outstanding is in the early stages, but negotiations with the remaining creditors is unclear. We highlight a few key upcoming dates for Puerto Rico below:
  - *May 2:* The GDB owes $422 million in debt service on this date. In a recent report, Moody's stated, "On May 2, the Commonwealth of Puerto Rico will default on numerous securities" including GDB notes. Debt payments owed by the Commonwealth's Employees Retirement System, Industrial Development Company, and Highways and Transportation Authority may also be skipped on this date.
  - *July 1:* The Commonwealth and its multiple public agencies owe a combined $2.0 billion in debt on this date, including nearly $1.0 billion owed on general obligation bonds. The lack of a concrete federal plan and Puerto Rico's recently passed debt moratorium legislation call into question the Commonwealth's ability and willingness to make payments owed in July.

Fed Likely to Stay on Hold This Week

- Initial jobless claims declined to 247k from 253k previously, in contrast to the expected 265k. According to JP Morgan, "this is the lowest of the expansion to date and, in fact, the lowest since November 1973." Looking forward, we will see the 1Q GDP release on Thursday, which is expected at 0.6%, and there is an FOMC release on Wednesday.
- The team at Appleton does not anticipate a rate hike when the FOMC meets this week, but will be looking for any hints in the policy statement regarding a potential date in the future. Expectations for future hikes have increased to over 50% in November for the first time in 2016.

5YR SEASONALLY ADJUSTED US INITIAL JOBLESS CLAIMS



Source: Bloomberg

MARKET UPDATE

Muni Market Overview

- Municipals in the 5-10Yr range on the yield curve were up marginally for the week, but the Muni/Treasury ratio continued to decline with the Treasury sell off. This makes the 5th consecutive week of lower 10Yr M/T ratios.
- Issuance is expected around $9 billion this week, which is above the trailing 3yr average for this week of $5.7 billion and above the non-holiday weekly average for the year of $7.8 billion. Offsetting this slightly larger calendar, demand remains strong. For the week ending 4/20/16, muni fund flows added another $586 million to bring the YTD total to $18.3 billion and the 29th consecutive week of inflows.

FIXED INCOME INDEX RETURNS AS OF 4/22/2016

	MTD	YTD
Barclays 3Yr	0.22	0.99
Barclays 5Yr	0.39	1.54
Barclays 7Yr	0.47	1.54
Barclays MM Short 1-5Yr	0.26	1.02
Barclays MM 1-10Yr	0.45	1.80
ML US Gov/Corp 1-10 Yr	-0.22	2.10

Source: Interactive Data

Corporate Market Overview

- Domestic Investment grade issuance was once again curbed by earning season blackouts. However, a number of financial names (Bank of America, Citigroup, Morgan Stanley, Goldman Sachs) did report and issued bonds. On the week there was a lower than expected $29.2 billion issued, which brought the month to date total to $108 and the year to date total to $566 billion. A persistent surge of flows into taxable fixed income, and the search for yield, continues to push credit spreads to year to date tights. Higher quality intermediate duration bonds have been well bid and secondary flow remains strong.
- Treasury rates backed up last week with 5, 7, 10 and 30 Years all moving higher in lockstep by roughly 13bps. The 10Yr broke through the 1.87% resistance level for the first time in several weeks. The back-up in rates seems to have motivated some market participants to become active buyers of Treasuries.

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