

# Municipal Market Snapshot

## Current Market

### Tax-Exempt Market

- Municipal bond yields followed Treasury yields higher for the week ending March 10<sup>th</sup>, due to market perception of an interest rate increase by the Federal Reserve. With the exception of the 1-year, interest rates increased across the yield curve. The highest rate increases occurred in years 4 and 5, rising 7 basis points and on the long-end of the curve yields increased 6 basis points over the prior week.
- Muni-to-Treasury ratios declined from the prior week, as the 10-year ratio declined by 1.05% and the 30-year ratio declined 0.72% from the prior week.
- U.S. municipal bond funds reported \$73.1 million of net outflows in the week ended March 8<sup>th</sup>, compared with \$346.2 million in outflows in the previous week, according to data released by Lipper on Thursday.
- New issue supply for the week was \$10.8 billion. This week's new issue calendar is expected to be roughly \$6 billion.
- The state of California issued the largest bond deal of 2017 to date, as it sold \$2.79 billion of various purpose general obligation and refunding bonds.
- A bipartisan group of 156 U.S. Congressional members is urging the leaders of the House Ways and Means Committee to preserve the tax-exempt status of municipal bonds, sighting the reliability and efficiency of tax-exempt municipal bonds.

### Economy & Taxable Market

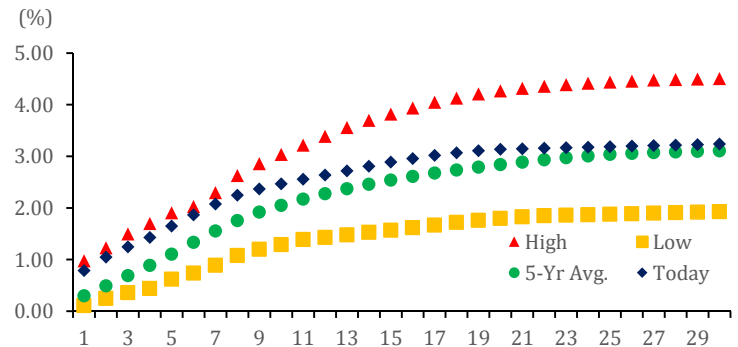
- Federal Reserve Chairwoman Janet Yellen said March 3<sup>rd</sup> that a rate increase would be appropriate this month if economic data perform as expected, echoing earlier statements from senior Federal Reserve policy makers.
- Total nonfarm payroll employment increased by 235,000 in February, and the unemployment rate was little changed at 4.7%, the U.S. Bureau of Labor Statistics.
- U.S. Treasury yields were higher across the yield curve from the prior week. Between 5- and 30-years, interest rates increased as much as 11 basis points (20-year) to as little as 8 basis points (7- and 30-year). On the front end of the yield curve interest rates increases 5 and 4 basis points maturities 2018 and 2019 respectively.

## Current Municipal Market Rates

Short Term Market	3/10/2017	3/3/2017	5 Yr. Avg.
SIFMA Index (%)	0.62	0.62	0.17
1-Month LIBOR (%)	0.88	0.83	0.27
SIFMA/1M-LIBOR Ratio	0.70	0.74	0.63
Long Term Market	3/10/2017	3/3/2017	5 Yr. Avg.
AAA MMD (2Yr) (%)	1.05	1.02	0.49
AAA MMD (5Yr) (%)	1.65	1.58	1.11
AAA MMD (10Yr) (%)	2.47	2.41	2.05
AAA MMD (30Yr) (%)	3.24	3.18	3.11
Bond Buyer 20 Bond Index (GO) (%)	4.02	3.95	3.83
Bond Buyer Revenue Bond Index (%)	4.17	4.11	4.37
BB-30 Day Visible Supply	\$10.96bn	\$14.58bn	\$9.53bn
All Muni Fund Flows	-\$0.07bn	-\$0.35bn	

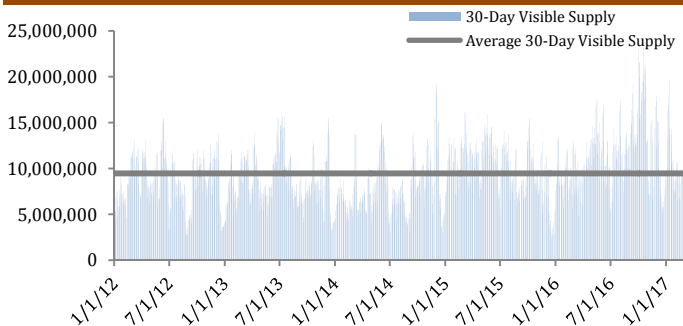
Source: TM3, the Bond Buyer, Bloomberg

## Municipal Yield Curve Since 2012



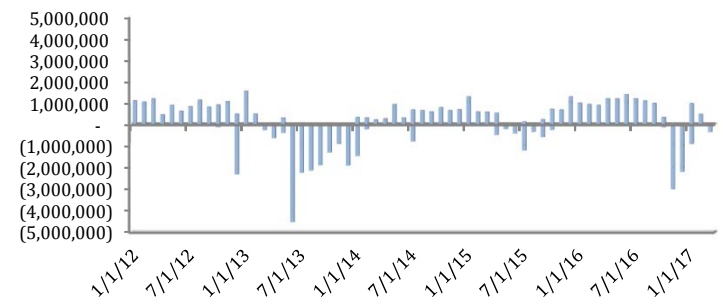
Source: TM3

## 30-Day Visible Supply Since 2012 (\$000)



Source: The Bond Buyer

## Net Inflows and Outflows (\$000's)



Source: TM3

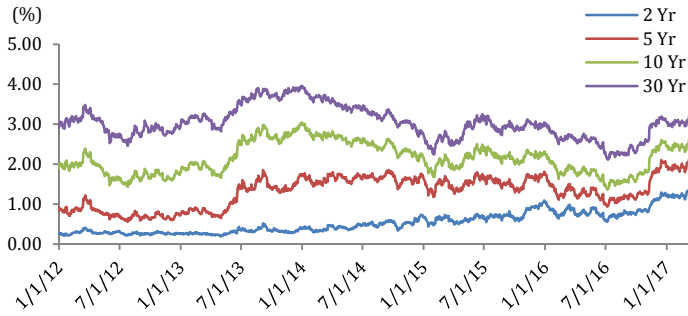
## Largest Deals Priced During the Week Ending March 10, 2017

Issuer	Award Date	Size \$Mn	Rating Mdys/S&P/Fitch/Kroll	Coupon	Spread To MMD	Yield	Final Mty
State of California	3/7	\$2,792.640	Aa3/AA-/AA-/NR	4.00%/5.00%	75/35 Bps	3.85%/3.45%	2038
New York City Transitional Finance Authority	3/8	\$794.560	Aa1/AAA/AAA/NR	3.50%/4.00%	60/59 Bps	3.61%/3.60%	2034
State of Maryland	3/8	\$575.000	Aaa/AAA/AAA/NR	3.250%	49.8 Bps	3.378%	2032
State of Maryland GO First Series C	3/8	\$465.395	Aaa/AAA/AAA/NR	5.000%	3 Bps	2.490%	2027
Dept. of Water and Power of the City of Los Angeles	3/9	\$345.410	Aa2/AA-/AA-/NR	5.00%/5.25%	26/16 Bps	3.42%/3.32%	2039

Source: TM3

# Municipal Market Snapshot

## Taxable Yield Curves Since 2012



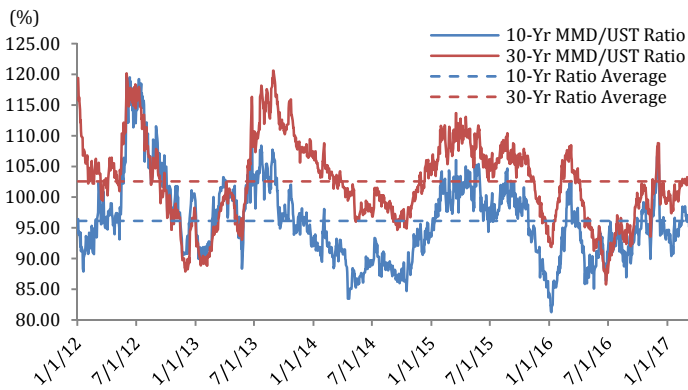
Source: U.S. Department of Treasury

## U.S. Treasury Rates

Security	3/10/2017	3/3/2017	5 Yr. Avg.
Effective Fed Funds	0.66	0.66	0.18
2 Yr Note	1.36	1.32	0.55
5 Yr Note	2.11	2.02	1.32
10 Yr Note	2.58	2.49	2.15
30 Yr Bond	3.16	3.08	3.03

Source: U.S. Department of Treasury

## Tax-Exempt/Taxable Ratios Since 2012



Source: TM3, U.S. Department of Treasury

## Municipal to U.S. Treasury Ratios

Current Yield Curve	2 Yr	5 Yr	10 Yr	30 Yr
MMD (%)	1.05	1.65	2.47	3.24
UST (%)	1.36	2.11	2.58	3.16
MMD/ UST Ratio	77.21	78.20	95.74	102.53

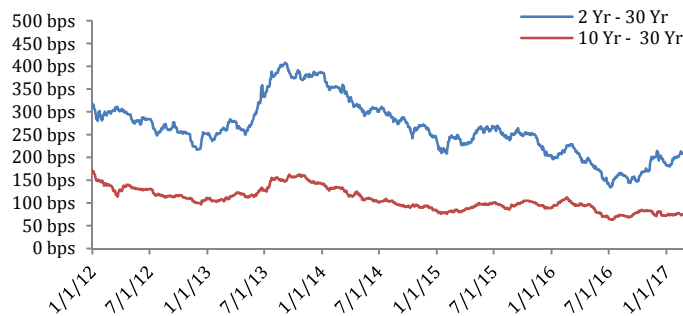
Source: TM3, U.S. Department of Treasury

## Economic Calendar

Date	Time	Event	Period	Survey	Prior
3/13/2017	10:00	Labor Market Conditions Index Change	Feb	2.5	--
3/14/2017	6:00	NFIB Small Business Optimism	Feb	105.8	105.9
3/14/2017	8:30	PPI Final Demand MoM	Feb	0.10%	0.60%
3/14/2017	8:30	PPI Ex Food and Energy MoM	Feb	0.20%	0.40%
3/14/2017	8:30	PPI Ex Food, Energy, Trade MoM	Feb	0.20%	0.20%
3/14/2017	8:30	PPI Final Demand YoY	Feb	1.90%	1.60%
3/14/2017	8:30	PPI Ex Food and Energy YoY	Feb	1.50%	1.20%
3/14/2017	8:30	PPI Ex Food, Energy, Trade YoY	Feb	--	1.60%
3/15/2017	7:00	MBA Mortgage Applications	10-Mar	--	3.30%
3/15/2017	8:30	Empire Manufacturing	Mar	15	18.7
3/15/2017	8:30	CPI MoM	Feb	0.00%	0.60%
3/15/2017	8:30	CPI Ex Food and Energy MoM	Feb	0.20%	0.30%
3/15/2017	8:30	CPI YoY	Feb	2.70%	2.50%
3/15/2017	8:30	CPI Ex Food and Energy YoY	Feb	2.20%	2.30%
3/15/2017	8:30	CPI Core Index SA	Feb	251.109	250.783
3/15/2017	8:30	CPI Index NSA	Feb	243.352	242.839
3/15/2017	8:30	Real Avg Weekly Earnings YoY	Feb	--	-0.60%
3/15/2017	8:30	Real Avg Hourly Earning YoY	Feb	--	0.00%
3/15/2017	8:30	Retail Sales Advance MoM	Feb	0.10%	0.40%
3/15/2017	8:30	Retail Sales Ex Auto MoM	Feb	0.10%	0.80%
3/15/2017	8:30	Retail Sales Ex Auto and Gas	Feb	0.20%	0.70%
3/15/2017	8:30	Retail Sales Control Group	Feb	0.20%	0.40%
3/15/2017	10:00	NAHB Housing Market Index	Mar	65	65
3/15/2017	10:00	Business Inventories	Jan	0.30%	0.40%
3/15/2017	14:00	FOMC Rate Decision (Upper Bound)	15-Mar	1.00%	0.75%
3/15/2017	14:00	FOMC Rate Decision (Lower Bound)	15-Mar	0.75%	0.50%
3/15/2017	16:00	Total Net TIC Flows	Jan	--	-\$42.8b
3/15/2017	16:00	Net Long-term TIC Flows	Jan	--	-\$12.9b
3/16/2017	8:30	Housing Starts	Feb	1261k	1246k
3/16/2017	8:30	Housing Starts MoM	Feb	1.20%	-2.60%
3/16/2017	8:30	Building Permits	Feb	1260k	1285k
3/16/2017	8:30	Building Permits MoM	Feb	-2.60%	4.60%
3/16/2017	8:30	Initial Jobless Claims	11-Mar	240k	243k
3/16/2017	8:30	Continuing Claims	4-Mar	2053k	2058k
3/16/2017	8:30	Philadelphia Fed Business Outlook	Mar	30	43.3
3/16/2017	9:45	Bloomberg Consumer Comfort	12-Mar	--	50.6
3/16/2017	9:45	Bloomberg Economic Expectations	Mar	--	50
3/16/2017	10:00	[JLTS] Job Openings	Jan	--	5501
3/16/2017	10:00	Revisions: Job Openings and Labor Turnovers	Feb	0.20%	-0.30%
3/17/2017	9:15	Industrial Production MoM	Feb	75.50%	75.30%
3/17/2017	9:15	Capacity Utilization	Feb	0.30%	0.20%
3/17/2017	9:15	Manufacturing (SIC) Production	Mar P	97	96.3
3/17/2017	10:00	U. of Mich. Sentiment	Mar P	111	111.5
3/17/2017	10:00	U. of Mich. Current Conditions	Mar P	87.1	86.5
3/17/2017	10:00	U. of Mich. Expectations	Mar P	--	2.70%
3/17/2017	10:00	U. of Mich. 1 Yr Inflation	Mar P	--	2.50%
3/17/2017	10:00	U. of Mich. 5-10 Yr Inflation	Mar P	--	0.60%
3/17/2017	10:00	Leading Index	Feb	0.40%	0.60%

Source: Bloomberg L.P.

## MMD Benchmark Yield Curve Steepness Since 2012



Source: TM3

## Forward Calendar (Week of March 10<sup>th</sup>)

Size (\$Mn)	Issuer	Bid State	Available Ratings (Mdv/S&P/Fitch/Kroll)
523.515	Empire State Development Corporation	NY Comp.	Undef/AAA/Undef/Undef
507.320	Empire State Development Corporation	NY Comp.	Undef/AAA/Undef/Undef
400.000	Ohio Water Development Authority	OH Negt.	Aaa/AAA/Undef/Undef
318.975	Empire State Development Corporation	NY Comp.	Undef/AAA/Undef/Undef
296.000	County of Hamilton	OH Negt.	Undef/Undef/Undef/Undef
287.000	California Health Facilities Financing Authority	CA Negt.	A1/Undef/Undef/Undef
247.930	Empire State Development Corporation	NY Comp.	Undef/AAA/Undef/Undef
246.355	Empire State Development Corporation	NY Comp.	Undef/AAA/Undef/Undef
232.110	Monroe County Industrial Development Corporation	NY Negt.	Undef/Undef/Undef/Undef
201.000	City of Chesapeake	VA Negt.	Aa1/AAA/Undef/Undef

Source: Ipreo, Bloomberg L.P.

# Municipal Market Snapshot

## **NON-ADVICE DISCLAIMER**

### **Important Information about Our Communications with You**

In connection with its responsibilities under the federal securities laws and the rules of the Municipal Securities Rulemaking Board, Hutchinson, Shockey, Erley & Co. (HSE) wants to ensure that you understand the purpose of our communications with you and the role we intend to play in any transactions that we may engage in with you. We are communicating with you for the purpose of soliciting business as an underwriter of municipal securities. We propose to serve as an underwriter, not as a financial advisor or municipal advisor, in connection with any transaction that may result from our communications. Please note that:

- HSE is not recommending that you take any action;
- HSE is not acting as the advisor to you or any obligated person on a municipal securities issue and do not owe a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to you or any obligated person with respect to the information and material contained in this communication;
- HSE is acting for its own interests; and
- You and any person that will have a repayment obligation with respect to any municipal securities issue being considered should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you or the obligated person deem appropriate before acting on this information or material.

## **MSRB Rule G-17**

HSE would serve as an underwriter in connection with the proposed Offering of municipal securities, not as a financial advisor. Rule G-17 of the Municipal Securities Rulemaking Board requires an underwriter such as HSE to deal fairly at all times with both municipal issuers and investors. HSE's primary role in the Offering would be to purchase securities with a view to distribution in an arm's-length commercial transaction with the Issuer, and HSE has financial and other interests that differ from those of the Issuer. Unlike a municipal advisor, HSE as an underwriter does not have a fiduciary duty to the Issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the Issuer without regard to its own financial or other interests. HSE will have a duty to purchase any securities sold in the offering from the Issuer at a fair and reasonable price, but must balance that duty with its duty to sell those securities to investors at prices that are fair and reasonable. HSE makes no recommendation with regard to the hiring of a municipal advisor by the Issuer. HSE's compensation as an underwriter would be contingent on the closing of the Offering. Such contingent compensation presents a conflict of interest, because it may cause HSE to recommend the Offering even if it is unnecessary or to recommend that the size of the Offering be larger than is necessary. If retained, HSE will review the official statement for the securities sold in the Offering in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the Offering.

## **Informational Accuracy and Future Performance Disclaimer**

Some information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. Any opinions expressed are subject to change without notice. Any performance information shown represents historical market information only and does not infer or represent any past performance. It should not be assumed that any historical market performance information discussed herein will equal such future performance.