

Weekly Trading Desk Update

WEEK OF JUNE 5TH - JUNE 9TH

Trading Desk Commentary

MACRO:

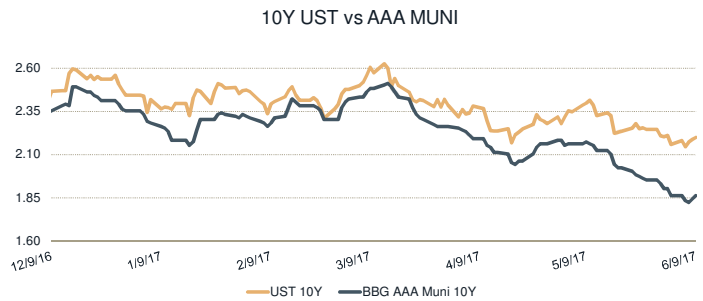
- Despite touching the lowest level of the year on reports of increased Chinese buying and political fireworks, the yield on the 10YR UST managed to move modestly higher by the end of the week.
- “Fully vindicated” was the response of the White House following Former FBI Director Comey’s testimony. While many questions remain and formal investigations from the special counsel have just begun, markets did not seem immediately alarmed from anything said during the Senate hearing.
- Although an increase to the Federal Funds rate is all but certain at the conclusion of Wednesday’s meeting, market participants will be laser focused on the language of the statement and the post-announcement press conference. Chair Yellen will hopefully shed light on the committee’s assessment of recently weaker economic data and the possibility of late year balance sheet reduction.

MUNI MARKET:

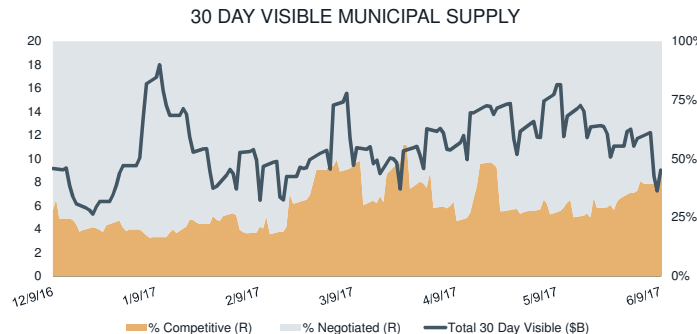
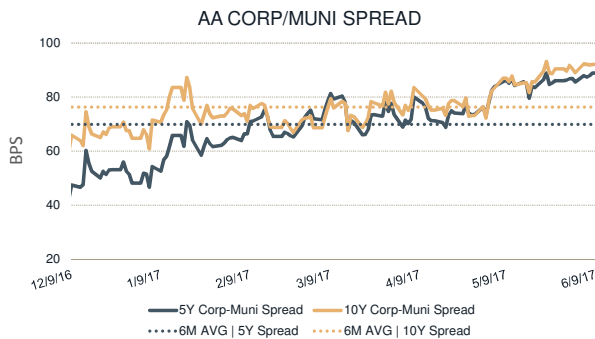
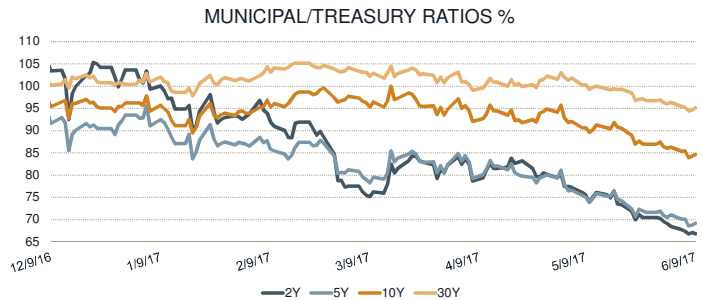
- Close to \$1 billion came into the muni space last week after minimal outflows the week prior. Demand for new issues remained healthy as evidenced by the A3/A- rated St. Louis Airport transaction we were monitoring. The Non-AMT portion was 6x oversubscribed and yields were bumped by as much as 13 basis points in the intermediate portion of the curve.
- Municipals outperformed Treasuries for the sixth consecutive week, most notably in the 30-year portion of the curve. Outperformance over the past several weeks has pushed ratios in the 10-year part of the curve to levels not seen in over seven years.
- On the credit front, Massachusetts’s general obligation rating was downgraded one notch to AA by S&P. The Commonwealth has high debt levels and below-average funding of its pension obligations. S&P also cited an unwillingness to build rainy day reserves which declined following the recession.

MARKET OVERVIEW

	6/2/17	6/9/17	Δ bps	1M Trend
Muni	2Y	0.88	0.89	1
	5Y	1.22	1.22	0
	10Y	1.86	1.86	0
	30Y	2.71	2.72	1
UST	2Y	1.29	1.33	5
	5Y	1.72	1.77	5
	10Y	2.16	2.20	4
	30Y	2.81	2.86	5



	5/11/17	6/9/17	1M Trend
MUNI/UST Ratios	2Y	75%	67%
	5Y	75%	69%
	10Y	90%	85%
	30Y	100%	95%



EXPLANATION

30 Day Visible Supply: The total dollar volume of municipal securities expected to be offered over the next 30 days. The visible supply, which is compiled and published by The Bond Buyer, indicates the near-term activity in the municipal market. Competitive and Negotiated are broken out as a percentage of total supply.

Bloomberg PICK Offerings: The total dollar amount of offerings listed on Bloomberg's dealer offerings system. The figure helps gauge secondary supply in the market.

Bond Buyer 20 G.O. Index: Index published weekly representing the average yield of 20 G.O. bonds with 20 year maturities, rated AA2 by Moody's.

SOURCES: 30 day visible figures are obtained through Bloomberg, and produced by The Bond Buyer. The 20 G.O. index yield is obtained through Bloomberg, and produced by The Bond Buyer. Pick offerings par value, UST supply, economic releases, and UST rates are obtained through Bloomberg Professional Service. Information obtained from these sources is believed to be reliable but is not guaranteed.

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