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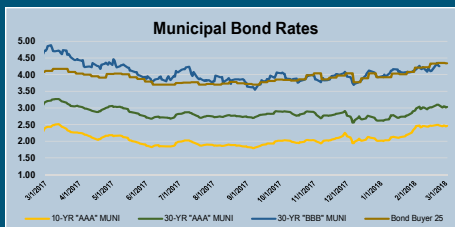
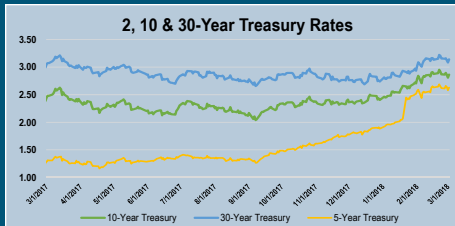
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### TREASURY BONDS MARKET DATA RESULTS:

Week Ending	March 2nd, 2018	1-Week Change
10-YR "AAA" BVAL	2.462%	+0.6 BPS
30-YR "AAA" BVAL	3.029%	+0.5 BPS
30-YR "BBB" BVAL	4.196%	-0.7 BPS
30-YR "A1" B.B. Rev.	4.34%	-1.0 BPS
10-YR Treasury	2.865%	-0.3 BPS
30-YR Treasury	3.140%	-1.7 BPS



BVAL is a municipal benchmark yield curve maintained by Bloomberg LP.

SOURCES: Bloomberg Markets Magazine, Municipal Market, The Bond Buyer & The Wall Street Journal.

# TAX-EXEMPT MARKET COMMENTARY

## TREASURY & MUNICIPAL BOND MARKET

Week Ending March 2nd, 2018

### MUNICIPAL BOND MARKET:

- Municipal bonds drifted between a couple basis points higher or lower day-by-day this week, and the **net week-over-week shows a near unchanged rate levels.**
- A portion of **the trading day on Thursday did show some strength for municipals in tandem with a stronger Treasury market**, as the market moved out of equities to Treasuries following President Trump's talk of using tariffs on certain metals to protect U.S. jobs.
- Investors once again added to municipal bond funds over the past week, as reported by ICI data, with a net +\$497 million deposited.

### GENERAL MARKET:

- President Trump spoke firmly on trade and potential tariffs Thursday, prompting multiple negative responses from U.S. trade partners and **raising the potential of trade war** escalation.
- New to the seat Fed Chairman Powell's congressional testimony leaned hawkish referring to strong economic growth and **opens the possibility of the Fed raising rates 4 times in 2018.**
- Stocks turned negative this week**, with the DOW losing approximately -1200 points Tuesday to Friday, more than offsetting Monday's near +400 point gain.

### THE WEEK AHEAD:

- Municipal bonds will see the largest **new issuance week thus far in 2018**, although the total is still only "average" on a 1-2 year historical basis. Large issuers will make up the bulk of supply with 13 deals of \$100 million or larger planned, with the State of California's \$2.1 billion transaction being the largest.
- The **ECB meets on Thursday** and while no rate change is expected markets will look for a message on an upcoming end to quantitative easing.
- The **Corporate bond new issue market will be active** with a heavy \$50-60 billion expected, led by a \$40 billion CVS transaction. The large size of issuance can impact the overall fixed income market and Treasury yields as investors hedge purchases and trades.

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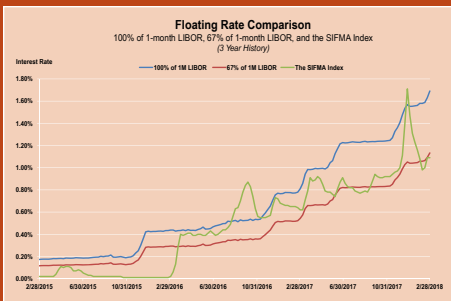
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## TREASURY BONDS MARKET DATA RESULTS:

Week Ending	March 2nd, 2018	1-Week Change
SIFMA	1.09%	FLAT
1-MTH LIBOR	1.69%	+6 BPS
3-MTH LIBOR	2.03%	+7 BPS
2-YR LIBOR SWAP	2.50%	+1 BP
10-YR LIBOR SWAP	2.88%	FLAT
30-YR LIBOR SWAP	2.96%	-1 BP



SOURCES: Bloomberg Markets Magazine, Municipal Market, The Bond Buyer & The Wall Street Journal

# TAX-EXEMPT MARKET COMMENTARY

## MUNICIPAL BOND SHORT TERM MARKET

Week Ending March 2nd, 2018

### MUNICIPAL BOND SHORT TERM MARKET:

- The SIFMA Index **reset at 1.09%**, flat week over week.
  - Assets at tax-exempt money market funds were **down \$2.27 billion to \$135.97 billion**.
  - The SIFMA Index is now **65% of one-month LIBOR**.
  - One month and three-month LIBOR continued ticking up in anticipation of a Fed rate increase in March.
- Federal Reserve Chairman Powell's first testimony in front of Congress was perceived optimistic and hawkish by many.
  - Market expectations continue to point to a 25 basis point rate increase later this month and are strengthening for three or four total rate increases in 2018. **Fed funds futures indicate a 100% chance of a rate increase in March and a 72% chance of at least three rate increases in 2018 and a 31% chance of at least 4 increases.**
- Despite the volatility in equities it was a quieter week for interest rates.
  - **The 10 year LIBOR swap rate was flat.**
- Institutions providing **new or replacement letters of credit** or liquidity facilities last week included Bank of America, Royal Bank of Canada and State Street Bank and Trust.
- Legal entity identifier—borrowers with existing interest rate swaps **should have obtained a GMEI** from gmeiutility.org.
  - Entering into new swaps, terminating or modifying swaps will also require that borrowers and issuers **obtain a GMEI through gmeiutility.org.**
- Clients should expect that, prior to entering into new swaps, terminating or modifying existing swaps, swap dealers will **require that they either adhere to ISDA Protocols 1.0 and 2.0 or enter letter agreements** that cover the same topics: CFTC Business Conduct Standards, eligible contract participant category, End-user Exception from clearing requirements, and documentation, valuation and reconciliation matters.

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