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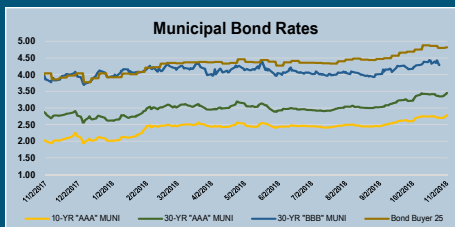
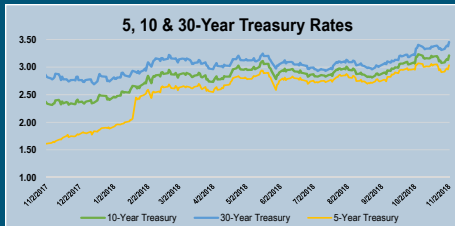
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TREASURY BONDS MARKET DATA RESULTS:

Week Ending	November 2nd, 2018	1-Week Change
10-YR "AAA" BVAL	2.783%	+8.6 BPS
30-YR "AAA" BVAL	3.449%	+10.4 BPS
30-YR "BBB" BVAL	4.385%	+10.0 BPS
30-YR "A1" B.B. Rev.	4.82%	+2.0 BPS
10-YR Treasury	3.213%	+13.7 BPS
30-YR Treasury	3.455%	+14.4 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 November 2nd, 2018

MUNICIPAL BOND MARKET:

- Municipal bond funds suffered their 6th consecutive week of net cash outflows, with **investors removing \$1.3 billion from the municipal market.**
- The city of **Chicago postponed their sale of \$1.3 billion sales tax bonds due to "recent market fluctuations"** after pre-marketing earlier in the week. Some investors view the postponement as needed time for the underwriters and City to gain investor support at planned pricing spreads/rates.
- New issue municipal supply last week was close to average for 2018** with \$6.9 billion priced after Chicago postponed its \$1.3 billion transaction.
- Combining new issue supply with secondary market volume, which included **more the \$5 billion in investor sell lists** (bid wanted), adds pressure to the weak market tone for both primary and secondary markets.
- While cash outflows and rising rates generated the 2nd straight month municipal bonds posted a loss, **the year-to-date return of -0.85% is still outperforming other fixed income categories** like U.S. Treasuries (-1.88%) and corporate bonds (-3.50%).
- The IRS confirmed last year's tax law changes and prohibition on advanced refunding tax-exempt bonds **DOES NOT apply to the advanced refunding of taxable bonds**, specifically Build America Bonds issued in 2009 & 2010.

GENERAL MARKET:

- Decent corporate earnings and a stronger than expected October employment report **bolstered equities and drove interest rates higher over the 5-day trading week.**
- The October jobs report showed a +250k change to nonfarm payrolls, **50k above expectations** and enough to cover the -16k revision to September.
- The gradual rise in rates places the benchmarks near or at multi-year high rates**, the 30-year Treasury close on Friday at 3.455% is the highest rate posted since July 2014.

THE WEEK AHEAD:

- Tuesday's midterm election in the U.S. will likely be the headline for the week** as citizens and analysts alike watch the composition of Congress and it's impact on everything from taxes and government spending to global policies.
- Included within ballots nationwide is **\$76.3 billion of municipal bond related questions** according to IPREO, which markets the **largest slate of bond election questions since 2006.**
- With the election and volatility markets saw 2-years ago on election night, **the new issue municipal calendar is fairly light** this week with approximately \$3.5 billion planned.
- The FOMC meets this week to discuss the economy and their forecasts, and while the **market does not expect any change to their benchmark target rates**, everyone will monitor their statement for direction in December and 2019.
- Bond market activity may also be impacted late this week** as the market enters a holiday weekend. Bond markets will be closed on Monday the 12th for Veterans' Day.

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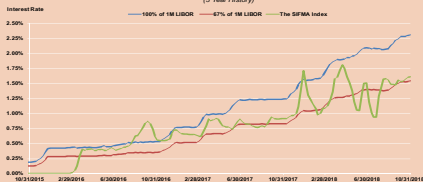
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TREASURY BONDS MARKET DATA RESULTS:

Week Ending	November 2nd, 2018	1-Week Change
SIFMA	1.61%	+1 BP
1-MTH LIBOR	2.32%	+2 BPS
3-MTH LIBOR	2.59%	+7 BPS
SOFR	2.25%	+6 BPS
2-YR LIBOR SWAP	3.11%	+10 BPS
10-YR LIBOR SWAP	3.28%	+14 BPS
30-YR LIBOR SWAP	3.34%	+14 BPS

Floating Rate Comparison
100% of 1-month LIBOR, 67% of 1-month LIBOR, and the SIFMA Index
(2 Year History)



Swap Rate History
10 Year LIBOR and SIFMA Swap Rates
(10 Year History)



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

TAX-EXEMPT MARKET COMMENTARY

MUNICIPAL BOND SHORT TERM MARKET

Week Ending November 2nd, 2018

MUNICIPAL BOND SHORT TERM MARKET:

- The SIFMA Index **reset at 1.61%**, up one basis point week over week.
 - Assets at tax-exempt money market funds were **down \$270 million to \$134.15 billion**.
 - The SIFMA Index is currently **69% of one-month LIBOR**.
- One of the last impediments to a Fed rate increase in December has come and gone with the outstanding October nonfarm payroll report.
 - Fed funds futures point to a **75% chance of an additional rate hike** on December 19th.
 - Expectations are split for 2019 between 1-3 total rate hikes.
- **LIBOR swap rates moved higher with long-term swap rates moving more than short-term swap rates.**
 - The 2-year LIBOR swap rate was up 10 basis points while the 10-year LIBOR swap rate was up 14 basis points.
- **Issuance in SOFR backed debt continued to ramp up as Fannie Mae issued another \$5 billion in notes backed by the index pegged as the LIBOR replacement.**
- Institutions providing **new or replacement letters of credit** or liquidity facilities last week included Bank of America, Barclays Bank Plc, Citibank, Royal Bank of Canada, TD Bank and US Bank.
- 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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