

CAPITAL MARKET UPDATE



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Senior Living New Issue Rates as of 4/19/16

Maturity	Taxable Rates	Tax Free Rates				
	GNMA Taxable	FHA Tax-Exempt	A	BBB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.290%	1.950%	2.300%	2.65-3.25%	3.50-4.20%
10 yr.	NA	2.160%	2.700%	3.050%	3.625-4.00%	4.25-5.10%
20 yr.	NA	3.120%	3.400%	3.750%	4.25-4.65%	5.00-5.85%
30 yr.	3.700%	3.330%	3.600%	3.900%	4.75-5.00%	5.25-5.75%

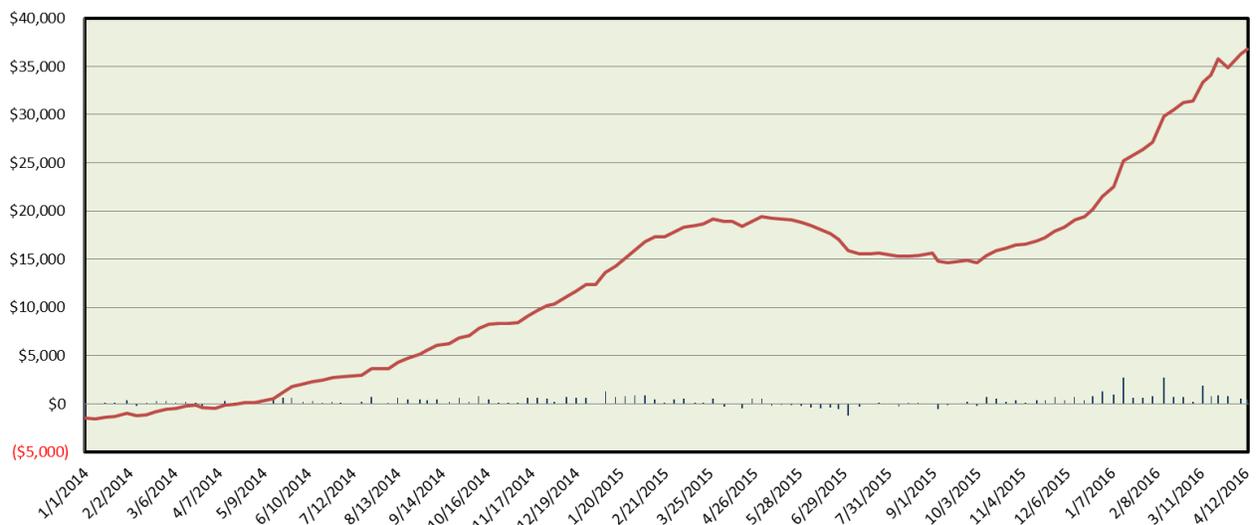
SIFMA Index	LIBOR
0.40%	0.44%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.71%	1.7870%	2.5950%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.23%	0.49%	0.73%	0.96%	1.21%
Weekly LIBOR Swap Rates	0.79%	0.99%	1.20%	1.41%	1.66%

Municipal Bond Fund Flows Since 1/1/2014

(Excludes Some State Specific Funds)



Market Commentary

Forty thousand Verizon wireless and wireline workers from Massachusetts to Virginia went on strike last week after ten months of failed negotiations over benefits and outsourcing. It is the largest work stoppage in the U.S. since 2011, when 45,000 Verizon employees walked the picket lines. Today approximately 11% of the American workforce belongs to a labor union, down from 20% in 1983. This includes 7.6 million workers in the private sector and 7.2 million in the public sector, according to Bureau of Labor Statistics data. Within the public sector, union membership peaks at 41.3% at the local government level -- teachers, police officers and firefighters. The teachers, in fact, have the largest trade union in the country, the National Education Association, with 3 million members. An estimated 49% of K-12 public school teachers belong to the NEA, the American Federation of Teachers, or another teachers union and, from time to time as we have seen in Chicago, Seattle, and New York, they go on strike. Yet within the public school sector are charter schools, which have union membership of only 7%. Charter school teachers generally have year-to-year contracts and no right to strike. Since the first one opened in Minnesota in 1992, the number of public charter schools has grown to 6,700. Today, charters educate more than 2.5 million children in 42 states from California to Maine.

Two tax-exempt charter school financings are in the market this week when tax bills and housing data are at the forefront. The Arlington Higher Education Finance Corporation of Texas has an \$18.2 million non-rated deal for Newman International Academy, and the California School Finance Authority is bringing a \$34 million BB rated transaction for Downtown College Prep. The \$7.2 billion municipal new issue calendar also includes a \$42.9 million Forsyth County Development Authority financing for Towne Club Windermere Retirement Living in Cumming, Georgia. The North Carolina Medical Care Commission also plans an issue with \$39.4 million of BBB rated revenue refunding bonds for The United Methodist Retirement Homes, and the Tarrant County Cultural and Educational Facilities Finance Corporation is in the market with a \$92.7 million financing for A rated Buckner Retirement Services of Texas.

West Texas intermediate crude oil prices slipped earlier this week until Kuwait reported that an oil workers' strike has reduced its daily output by half. Over the weekend, sixteen major oil producers met in Doha, Qatar to discuss excess supply but failed to agree to cap production as some had hoped. Kuwaiti oil workers protesting public sector pay reform have provided an unexpected lift to oil as well as stock prices. Last week, corporate earnings and economic data had sway as well. Industrial production fell more than expected last month as did consumer sentiment, retail sales and the producer price index; but initial unemployment claims fell to a level not seen since 1973, the consumer price index rose along with energy prices, and 30-day Fed Fund futures prices imply the probability of a change in U.S. monetary policy at next week's Federal Open Market Committee at 3%. The Dow Jones Industrial Average reacted by rising by 320 points and the S&P 500 Index by 1.62% on the week. Fixed income markets weakened somewhat. 10-year Treasury yields climbed 4 basis points while the 10-year AAA general obligation municipal bond yield was up 2 basis points. 30-year Treasury and muni yields finished flat.

In the municipal market, investors added \$2.4 billion to municipal bond funds last week, bringing net investment since the beginning of the year to \$17.7 billion. The new issue calendar totaled \$7.5 billion. HJ Sims underwrote \$27,350,000 million of draw down senior living revenue bonds for Cypress Point; the non-rated bonds issued through the Florida Development Finance Corporation were priced at par to yield 7.25% in 2046 with a 6-year first call feature. The McClellan Development Authority sold \$20.9 million of non-rated revenue bonds for McClellan Independent Living Facility with 2051 term bonds priced at 7.00% to yield 7.401%. The Illinois Finance Authority issued \$69.9 million of A-minus rated revenue bonds including 2031 term bonds priced at 5.00% to yield 2.94%; \$33 million of floating rate notes were issued in a separate series. Creekside at Twin Creeks Community Development District was in the market with a \$15.5 million non-rated special assessment bond issue with 30-year term bonds priced at 5.60% to yield 5.65%. And the East Central Telecommunications District in Vermont brought a \$9.2 million transaction that included 2039 term bonds priced at par to yield 5.25%. At this writing, the 30-day visible supply of municipal bonds totals \$13.7 billion.



2016 Economic and Financial Market Outlook

At the 2016 Sims Conference, Leo Grohowski, Chief Investment Officer of BNY Mellon Wealth Management, presented his economic and financial market outlook.

First, Leo addressed the current stock market rally. As of March 9th of this year, the S&P 500 has been up 174% over 83 months. The average rally since 1932 has been 167% over 58 months. By far the strongest rally occurred from 1990 - 2000 – over 400% for almost 10 years.

Second, Leo analyzed household debt as a percentage of disposable personal income. It is now 104.4% – about where it was in 2003 and far below the almost 130% in 2008.

Third, Leo explained that the year-over-year percentage change in retail sales is close to 0%, and inflation is rising between 1% - 2%; both are signs of slow expansion.

Finally, Leo examined international economic growth. The U.S. and the United Kingdom lead the developed countries while China, the Middle East and North Africa lead emerging markets. Leo expects Latin America to have negative economic growth.

Given these statistics, Leo predicted more of the same – slow expansion and low interest rates with one significant caveat – the 2016 U.S. elections. Leo analyzed the S&P 500 performance by partisan control from 1933 - 2015. The worst performance was a Republican President and a Democratic Congress – 4.9% annual growth. The best performance was a Republican President with a Republican Congress – 15.1% annual rate.

For anyone who would like to review Leo's full presentation, please e-mail Anita Clavin – aclavin@hjsims.com.

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