



January 9, 2017

MARKET NEWS

In line with the Committee's unanimous decision to raise rates, minutes from the December FOMC meeting indicated little opposition to raising the fed funds rate. The Committee took note of the progress toward its inflation and employment objectives, with most now seeing the latter as more or less achieved while inflation is expected to return to 2% over the medium term. Participants sounded somewhat more upbeat on the economic outlook, noting strength in consumer spending and residential investment, while business investment was also seen as showing signs of improvement.

The U.S. trade deficit widened to -\$45.2 billion in November from -\$42.4 billion in October, close to market expectations and roughly consistent with last week's advance goods report. However, with the trade deficit swinging from a multi-year low in September to a nine-month high in November, net exports appear to have provided a sizeable drag on Q4 2016 GDP growth following the 0.9 ppt add recorded in Q3 2016.

The U.S. payroll employment rose 156K last week, which was down from an upwardly revised 204K increase in November and was slightly below market expectations of a 175K increase. The unemployment rate rose as expected to 4.7% thus reversing one half of the November's drop to 4.6%. The Q4 average of 4.7% is down from 4.9% in Q3 and 5.0% a year ago.

Economic Calendar							
Date	Time CST	Release	Period	Survey	Actual	Prior	Revision of Prior
Monday							
01/09/2017	15:00	Consumer Credit	Nov	\$18.400b	--	\$16.018b	--
Tuesday							
01/10/2017	6:00	NFIB Small Business Optimism	Dec	99.3	--	98.4	--
01/10/2017	10:00	Wholesale Inventories MoM	Nov F	0.9%	--	0.9%	--
01/10/2017	10:00	Wholesale Trade Sales MoM	Nov	--	--	1.4%	--
01/10/2017	10:00	JOLTS Job Openings	Nov	5517	--	5534	--
Wednesday							
01/11/2017	7:00	MBA Mortgage Applications	6-Jan	--	--	0.1%	--
Thursday							
01/12/2017	8:30	Import Price Index MoM	Dec	0.7%	--	-0.3%	--
01/12/2017	8:30	Initial Jobless Claims	7-Jan	255k	--	235k	--
01/12/2017	8:30	Revisions: Philadelphia Fed Manf. Business Outlook Survey					
01/12/2017	8:30	Import Price Index ex Petroleum MoM	Dec	--	--	0.0%	--
01/12/2017	8:30	Continuing Claims	31-Dec	2077k	--	2112k	--
01/12/2017	8:30	Import Price Index YoY	Dec	0.0	--	0.0	--
01/12/2017	9:45	Bloomberg Consumer Comfort	8-Jan	--	--	45.5	--
01/12/2017	14:00	Monthly Budget Statement	Dec	-\$25.0b	--	-\$136.7b	--

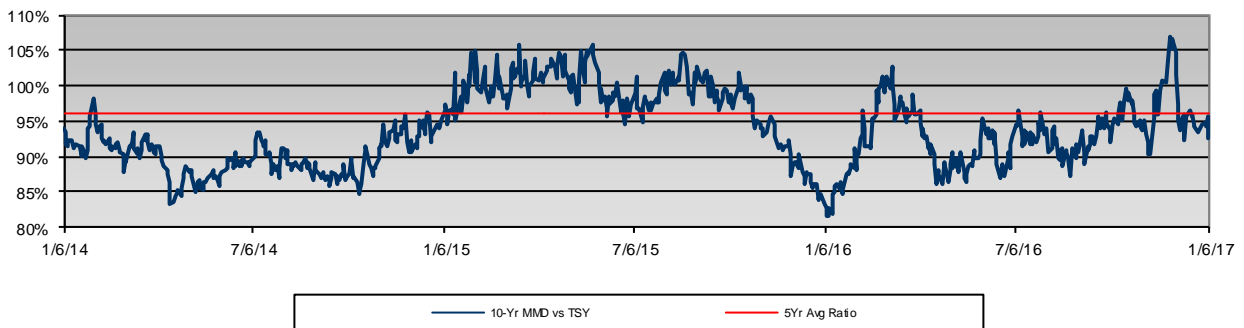
Friday								
01/13/2017	8:30	PPI Ex Food and Energy MoM	Dec	0.1%	--	0.4%	--	
01/13/2017	8:30	PPI Final Demand MoM	Dec	0.3%	--	0.4%	--	
01/13/2017	8:30	PPI Ex Food, Energy, Trade MoM	Dec	0.2%	--	0.2%	--	
01/13/2017	8:30	PPI Final Demand YoY	Dec	1.6%	--	1.3%	--	
01/13/2017	8:30	PPI Ex Food and Energy YoY	Dec	1.5%	--	1.6%	--	
01/13/2017	8:30	PPI Ex Food, Energy, Trade YoY	Dec	1.8%	--	1.8%	--	
01/13/2017	8:30	Retail Sales Advance MoM	Dec	0.7%	--	0.1%	--	
01/13/2017	8:30	Retail Sales Ex Auto MoM	Dec	0.5%	--	0.2%	--	
01/13/2017	8:30	Retail Sales Ex Auto and Gas	Dec	0.4%	--	0.2%	--	
01/13/2017	8:30	Retail Sales Control Group	Dec	0.4%	--	0.1%	--	
01/13/2017	10:00	Business Inventories	Nov	0.6%	--	-0.2%	--	
01/13/2017	10:00	U. of Mich. Sentiment	Jan P	98.5	--	98.2	--	
01/13/2017	10:00	U. of Mich. Current Conditions	Jan P	--	--	111.9	--	
01/13/2017	10:00	U. of Mich. Expectations	Jan P	--	--	89.5	--	
01/13/2017	10:00	U. of Mich. 5-10 Yr Inflation	Jan P	--	--	2.3%	--	
01/13/2017	10:00	U. of Mich. 1 Yr Inflation	Jan P	--	--	2.2%	--	

Source: Bloomberg

LONG TERM MARKET

The Treasury curve flattened last week with long end yields lower by up to six bps, led by the 30 year yield. This rally was despite a better-than-forecasted increase in average hourly wage and strong December employment report. Equities were up on the week; the DJIA increased 0.73%, the S&P climbed 1.23% and the NASDAQ jumped 1.64%. The MMD scale was lower by up to nine bps over the week on approximately \$3 billion in new issuance and light secondary activity. Lipper reported outflows from Municipal Mutual funds of \$911 million for the week ended January 4. The market looks ahead to \$8.7 billion in new issue deals next week.

Ratio of 10-Year AAA MMD to 10-Year Treasury

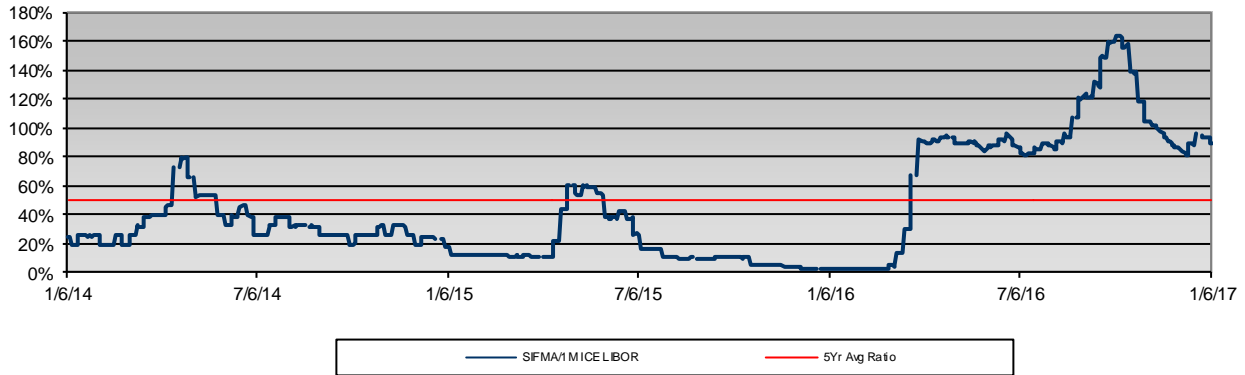


Source: Bloomberg, Thomson Financial Municipal Market Monitor (TM3)

SHORT TERM MARKET

The January coupon demand has leveled off and street carry remains light. VRDN inventory was down \$2.202 billion last week. The general market high grade average yield for dailies decreased 10 bps over the week, while the SIFMA index reset at 0.68% on Wednesday, down four bps from the week prior. Despite large outflows in bond funds, tax-exempt money market funds posted inflows of \$602 million last week.

Ratio of SIFMA Index to 1-Month ICE LIBOR



Source: Bloomberg, Thomson Financial Municipal Market Monitor (TM3)

RATE WATCH

Short-Term Market				Treasury			Long-Term Market			
	Current*	Previous	12 Month Rolling Avg		Current	Previous		Current	Previous	12 Month Rolling Avg
SIFMA Index (BMA)	0.68%	0.72%	0.42%	3 Month T-Bill	0.52%	0.50%	AAA MMD (5Y)	1.70%	1.79%	1.10%
1 Month ICE LIBOR	0.76%	0.77%	0.50%	6 Month T-Bill	0.61%	0.61%	AAA MMD (10Y)	2.24%	2.31%	1.71%
3 Month ICE LIBOR	0.83%	0.82%	0.60%	30 Year Treasury	3.01%	3.07%	AAA MMD (20Y)	2.87%	2.90%	2.36%
SIFMA/ 1M ICE LIBOR	89.09%	93.30%	80.43%	Fed Funds Target	0.75%	0.75%	AAA MMD (30Y)	3.00%	3.04%	2.55%
							BAA MMD (20Y)	3.85%	3.88%	3.22%
							AAA MMD (30Y) / UST (30Y)	99.68%	99.15%	97.82%

* Current is 01/06/17 EOD and Previous is 12/30/16 EOD

Source: Bloomberg, Thomson Financial Municipal Market Monitor (TM3)

RBC NEW ISSUE CALENDARS

RBC Capital Markets - Long Term - Forward Calendar - Senior Managed Deals*										
Pricing Date	Par Amt (000s)	Description	State	Maturity	RBC Role	Type	Moody's	S&P	Fitch	Insurer/Enhancement
1/9/17	2,380	BLUE RIDGE WEST MUNICIPAL UTILITY DISTRICT-SERIES 2017	TX	2018-41	SOM	BQ	A3			
1/10/17	7,700	ANTIETAM SCHOOL DISTRICT, BERKS COUNTY, GENERAL OBLIGATION BONDS-SERIES 2017	PA	2017-35	SOM	BQ		AA(A+)		MAC
1/10/17	54,725	COMMUNITY CONSOLIDATED SCHOOL DISTRICT #202 (PLAINFIELD), WILL AND KENDALL COUNTIES, GENERAL OBLIGATION REFUNDING BONDS	IL	2018-23	SOM	GO	Aa2			
1/10/17	10,485	FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 134D-SERIES 2017	TX	2019-42	SOM	GO				
1/10/17	2,600	FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 187-SERIES 2017	TX	2018-42	SOM	BQ	Baa2			
1/10/17	7,850	HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 UNLIMITED TAX BONDS-SERIES 2017	TX	2018-37	SOM	BQ				
1/10/17	7,230	JOINT SCHOOL DISTRICT NO. 28J IN ADAMS & ARAPAHOE COUNTIES (AURORA PUBLIC SCHOOLS)-SERIES 2017 B	CO	2017-20	SR-MGR	GO	Aa2	AA(AA-)		CO ST INT
1/10/17	200,000	JOINT SCHOOL DISTRICT NO. 28J IN ADAMS & ARAPAHOE COUNTIES (AURORA PUBLIC SCHOOLS)-SERIES 2017 A	CO	2017-36	SR-MGR	GO	Aa2	AA(AA-)		CO ST INT
1/10/17	18,750	NAZARETH AREA SCHOOL DISTRICT, NORTHAMPTON COUNTY, GENERAL OBLIGATION BONDS-SERIES 2017 & SERIES A	PA	2017-34	SOM	GO		AA		PA ST AID
1/10/17	239,645	PENNSYLVANIA HOUSING FINANCE AGENCY (ROP 1/9)-SERIES 2017-122	PA	2021-27 31,36 46 PAC	SR-MGR	HSG	Aa2	AA+		
1/10/17	5,550	SUNFIELD MUNICIPAL UTILITY DISTRICT NO. 1-SERIES 2017	TX	2019-42	SOM	GO	Baa2			
1/11/17	30,000	PINAL COUNTY COMMUNITY COLLEGE DISTRICT-SERIES 2017	AZ	2019-36	SOM	HGR ED	A1	AA		BAM
1/11/17	22,035	SOUDERTON AREA SCHOOL DISTRICT, MONTGOMERY AND BUCKS COUNTIES, GENERAL OBLIGATION BONDS-SERIES 2017	PA	2017-24	SOM	GO		AA		PA ST AID
1/12/17	203,055	CITY OF AUSTIN (TRAVIS, WILLIAMSON AND HAYS COUNTIES) AIRPORT SYSTEM REVENUE BONDS-SERIES 2017 A	TX	2021-36 41,46	SR-MGR	ARPT	A1	A		
1/12/17	143,740	CITY OF AUSTIN (TRAVIS, WILLIAMSON AND HAYS COUNTIES) AIRPORT SYSTEM REVENUE BONDS-SERIES 2017 B (AMT)	TX	2026-36 41,46	SR-MGR	ARPT	A1	A		
1/12/17	11,545	CLEAR LAKE CITY WATER AUTHORITY-SERIES 2017	TX	2018-38	SOM	GO	Aa3			
1/12/17	53,000	CULVER CITY UNIFIED SCHOOL DISTRICT (LOS ANGELES COUNTY) ELECTION OF 2014 GENERAL OBLIGATION BONDS	CA		SOM	GO	Aa2	AA		
1/12/17	32,950	DANIEL BOONE AREA SCHOOL DISTRICT, BERKS COUNTY, GENERAL OBLIGATION BONDS-SERIES 2017	PA	2018-30	SOM	GO		AA-		PA ST AID

1/12/17	160,000	EL PASO COUNTY SCHOOL DISTRICT NO. 20 (ACADEMY)	CO	2017-40	SOM	GO	Aa2	Aa2		CO ST INT
1/12/17	4,000	NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10-SERIES 2017	TX	2026-42	SOM	BQ		BBB+		
1/12/17	9,420	OWEN J. ROBERTS SCHOOL DISTRICT, CHESTER COUNTY, GENERAL OBLIGATION BONDS-SERIES 2017 A	PA	2018-37	SOM	BQ	Aa2			PA ST AID
1/12/17	10,250	STATE PUBLIC SCHOOL BUILDING AUTHORITY, COLLEGE REVENUE BONDS (DELAWARE COUNTY COMMUNITY COLLEGE PROJECT) - SERIES 2017	PA	2017-36	SOM	HGR ED	A1	AA		BAM
1/12/17	4,080	TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18-SERIES 2017	TX		SOM	BQ				
1/12/17	9,780	WILLOW FORK DRAINAGE DISTRICT-SERIES 2017	TX	2023-33	SOM	BQ		A+		

*Preliminary, subject to change.

RBC Capital Markets - Short Term - Forward Calendar - Senior Managed Deals*

Pricing Date	Par Amt (000s)	Description	State	Maturity	RBC Role	Type	Moody's	S&P	Fitch	Insurer/Enhancement
1/12/17	5,800	MASON CITY SCHOOL DISTRICT OH UT GO BANS SER 2016	OH	2017	SOM	NOTE	Aa1(MIG1)			

*Preliminary, subject to change.

Source: RBC Capital Markets

Source: <http://www.rbc.com/economics/>, Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Board, Bloomberg. Preliminary, subject to change. This announcement is not an offer, solicitation, commitment or recommendation to buy or sell the bonds and does not purport to be a complete statement of all material facts relating to the bonds. The offering is made only by means of the Official Statement, copies of which may be obtained from RBC Capital Markets. This communication is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. Products and services are offered through RBC Capital Markets or RBC Wealth Management, as applicable. RBC Capital Markets may buy from or sell to customers on a principal basis in the securities or related derivatives that are the subject of this communication. RBC Capital Markets has or may have proprietary positions in the securities or in related derivatives that are the subject of this communication. RBC Capital Markets may have been manager or co-manager of a public offering of securities of the issuer within the past twelve months. Additional information is available upon request. All information contained in this communication constitutes RBC Capital Markets' judgment as of the date of this communication, and is subject to change without notice and is provided in good faith but without legal responsibility. The information contained in this communication has been compiled by RBC Capital Markets from sources believed to be reliable, but no representation or warranty, express or implied, is made by RBC Capital Markets, its affiliates or any other person as to its accuracy, completeness or correctness. The material contained herein is not a product of any research department of RBC Capital Markets or any of its affiliates. Nothing herein constitutes a recommendation of any security or regarding any issuer; nor is it intended to provide information sufficient to make an investment decision. RBC Capital Markets is not acting as a fiduciary or as a municipal, financial, commodity or investment adviser to the Obligated Person or any other person or entity. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934. Nothing in this communication constitutes legal, accounting or tax advice or individually tailored investment advice. This material has been prepared without regard to the individual financial circumstances and objectives of persons who receive it and such investments or services may not be suitable for all investors. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Potential investors are advised to consult with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent appropriate. This document may not be reproduced, disclosed, distributed or summarized, whole or in part, to any third party without the prior consent of RBC Capital Markets. To the fullest extent permitted by law neither RBC Capital Markets, nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this communication or the information contained herein. RBC Capital Markets is a registered trademark of Royal Bank of Canada. RBC Capital Markets is the global brand name for the capital markets business of Royal Bank of Canada and its affiliates, including RBC Capital Markets, LLC (member FINRA, NYSE and SIPC). © Registered trademark of Royal Bank of Canada. Used under license. © Copyright 2017. All rights reserved.