



MACKAY MUNICIPAL MANAGERS PROVIDES MID-YEAR UPDATE ON TOP FIVE 2016 MUNICIPAL MARKET INSIGHTS

Princeton, NJ, July 28, 2016 – MacKay Municipal Managers™, the municipal bond team of fixed income investment advisory firm MacKay Shields LLC, today reported being [on target with all five of the municipal market insights issued at the start of 2016](#). Highlights and updates include:

1. Market disruptions likely – both the probability and severity will be elevated.

The consensus views of future rate moves have been fluid and inconsistent this year, due in part to mixed economic data. More recently, the Brexit referendum has lifted economic uncertainty further, perpetuating volatility in the global markets.

2. Market technicals to drive returns - technical conditions to play a greater role.

Technical factors have played a heightened role in driving returns in 2016. Demand in the municipal market has been significant with year-to-date mutual fund inflows of \$33 billion through June. So far this year, there has been \$221 billion new issuance through June 2016 with 60 percent of that new issuance representing refinancing and advanced refundings in the muni market.

3. Revenue bonds outperform - defined revenue streams preferred over pension uncertainty.

This remains on track – the revenue bond segment of the Barclays Municipal Bond Index has returned 4.82%, outperforming the general obligation segment by 86 basis points through June, which returned 3.96%. During the same period, the Barclays Municipal Bond Index returned 4.33%.

4. Transportation sector outperforms - spending and usage to increase.

Consistent with the MacKay analysis at the start of the year, the transportation segment (a sector within the Barclays Municipal Bond Index) returned 4.95%, outperforming the Barclays Municipal Bond Index by 62 basis points, which returned 4.33% through June.

5. High-yield municipals to SPRING Ahead, but then investors should FALL back to investment grade.

The MacKay forecast was that high-yield municipal bonds would outperform during the first half of the year. However, MacKay believes that investment grade should outperform in the latter part of the year. This forecast remains on target as the Barclays High Yield Municipal Bond Index has returned 7.98%, outperforming the Barclays Municipal Bond Index by 365 basis points, which has returned 4.33% through June.

“The muni market has performed very much in line with our outlook issued at the beginning of 2016. Set against this landscape, our relative-value investment approach has continued to bring favorable results in a highly dynamic environment. Using an active management approach, we’re able to manage through changing conditions that impact municipal liquidity and provide positive opportunities for investors seeking tax-free income,” said John Loffredo, co-head of MacKay Municipal Managers™.

To view the team’s mid-year muni update, please visit:

<https://www.mackayshields.com/insights-landing/640-2016-municipal-bond-market-insights-mid-year-update-2>.

About MacKay Shields LLC

MacKay Shields LLC (“MacKay”) is an indirect wholly-owned subsidiary of New York Life Insurance Company and a wholly-owned subsidiary of New York Life Investment Management Holdings LLC. MacKay is a global, multi-product fixed-income focused investment management firm with \$95.6 billion in assets under management as of June 30, 2016. MacKay manages fixed income strategies for high-net worth individuals, institutional clients and mutual funds, including unconstrained bond, global high yield, high yield, high yield active core, municipal high yield, short duration high yield, low volatility high yield, municipal short term, core investment grade, municipal investment grade, core plus, core plus opportunities, convertibles, emerging markets credit, and bank loans.

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