



MARCH 2018 NEWSLETTER

March Madness

By Nancy Mullally, *CEO/CFO*

This week the Federal Reserve raised interest rates by .25 basis points. This makes the current Federal Funds Target Rate a 1.75%. All in all, that doesn't sound so bad but when you are coming from a zero interest rate it shows the economy has improved and is normalizing. The bond market actually rallied after the announcement because the stance from the new Fed Governor was gradual interest rate increases. Here are a few other Benchmarks as of March 23, 2018:

FED FUNDS TARGET RATE	1.75%
BROKER LOAN RATE	3.50%
PRIME RATE	4.75%
2 YR TREASURY NOTES	2.30%
5 YR TREASURY NOTES	2.63%
10 YR TREASURY BONDS	2.82%
30 YR TREASURY BONDS	3.08%

Many investors have been on the sidelines waiting for interest rates to rise but what is happening is a flattening of the curve. Take a look above only .78 basis points between the 2 and 30 year Treasuries. The markets will be looking for signs of inflation which would be an indicator of rising rates.

Municipals on the long end are relatively cheap compared to the taxable markets. Duration is the big question, does it pay you to be on the long end of the market or should you be looking at shortening duration? Now is the time to get a check up on the markets with your financial professional.



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Puerto Rico Update

Title III is in full swing. Many of you that own Puerto Rico bonds may have received a notice from the courts. The bonds affected are: Puerto Rico General Obligations, Puerto Rico (HTA) Highway and Transportation Bonds, Puerto Rico Employee Retirement Systems, Puerto Rico (PREPA) Electric Power Authority and Puerto Rico (COFINA) Sales Tax Revenue Bonds.

According to the Bond Buyer, many bondholders won't have to do anything to have their interest represented. This is because Judge Swain is allowing the bonds' Trustees to file a "master proof of claim" on behalf of all bondholders. If the bond issue doesn't have a Trustee, then bondholders should file the proof of claim.

We have been contacting the Trustees, Fiscal Agents, Paying Agents and Registrars to clarify who will be and should be filing. To date US Bank, and Bank of New York, as Trustees, have stated that they will be filing a "Master Proof of Claim" for the Employee Retirement Systems (ERS), Sales Tax Revenue Bonds (COFINA) and Electric Power bonds (PREPA).

We are still waiting to hear from the (HTA) Highway and Transportation (HTS) bonds and the General Obligations.

If you own the HTA's or General Obligations you will need to file your own claim by May 29, 2018., unless we receive verification that a master claim will be filed on your behalf. We will keep you posted regarding this, but if you prefer to file now, please do so.

There are several ways to process your claim:

- Electronically filing on the Claims Agents' website at: <https://cases.primeclerk.com/puertorico/EPOC-Index>.
- First class mail:
Commonwealth of Puerto Rico
Claims Processing Center. c/o Prime Clerk, LLC
Grand Central Station
PO Box 4708
New York, NY 10163-4708
- Overnight mail:
Commonwealth of Puerto Rico
Claims Processing Center, c/o Prime Clerk, LLC
850 Third Avenue, Suite 412
Brooklyn, NY 11232

The phone number for assistance is (844) 822-9231. The voicemail system begins in Spanish but English is also available.

If you have any further questions please feel free to contact your Alamo Capital Financial Professional at (925) 472-5700.



Puerto Rico Bond Prices Improving This week

By Carolie Smith, VP, Institutional Sales

On Thursday, March 22, 2018 Puerto Rico G.O. bonds traded up from 32.6 cents to an average of 35.6 cents on the dollar, their highest since Oct 11, 2017. Bonds in December 2017 were trading as little as 21 cents. The Federal Oversight Board cancelled a meeting set for Monday, March 26th to consider a revised financial plan after the Commonwealth boosted its projected budget surplus over the next six years. "The Board continues to work with the government of Puerto Rico on the fiscal plans and will announce a new certification date as soon as practicable," the Board said in a statement. Puerto Rico is expecting a surplus of \$5.5 billion over the next 6 years, an increase from \$3.4 billion estimated in the plan released last month.

Some are saying, however, that underlying assumptions being used may be unrealistic because the 'federal aid' portion has not been agreed upon. In addition, it's still unclear how much bondholders will recoup in bankruptcy. We will keep you posted as events unfold, but contact us if you have any questions or concerns.

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