



Michigan Municipal Market Update



Municipal Securities Group

Alex Rorke

Senior Managing Director of
Municipal Securities Group
arorke@hilliard.com

Jack Brusewitz

S.V.P. Public Finance Banker
jbrusewitz@hilliard.com
248.593.7705 (Office)
248.821.5200 (Mobile)

Thomas Enright

S.V.P. Public Finance Banker
tenright@hilliard.com
734.561.0255 (Office)

Robert Bond

S.V.P. - Head of Underwriting
rbond@hilliard.com

Brian Shaw

V.P. - Underwriter/Trader
bshaw@hilliard.com

Matt Huettner

Underwriting Associate
mhuettner@hilliard.com

Mark Rawlings

V.P. - Head of Quantitative
Services
mrawlings@hilliard.com

Sarah Fish

Public Finance Associate
sfish@hilliard.com

Kelly Flechler

Public Finance Associate
kflechler@hilliard.com

Michael Oldiges

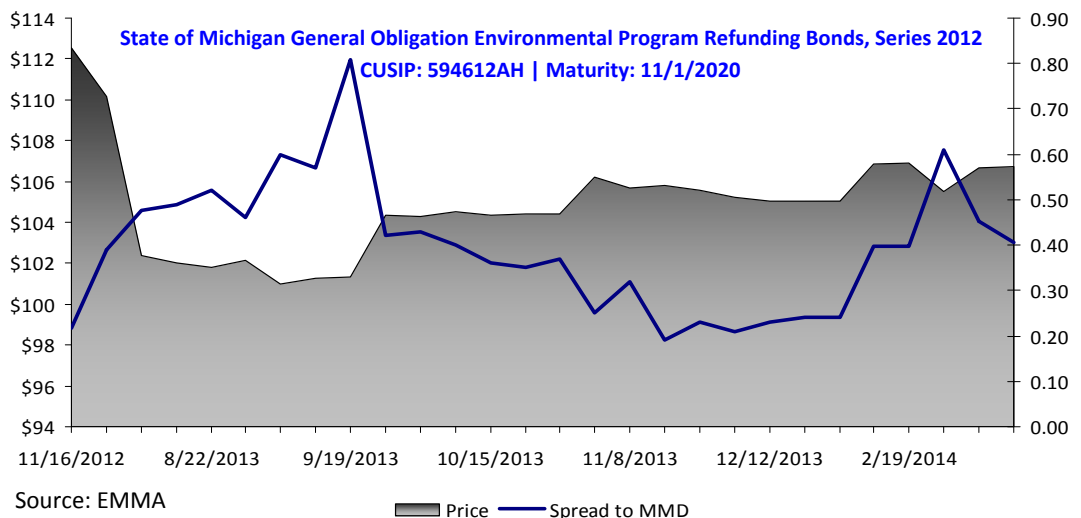
Public Finance Analyst
moldiges@hilliard.com

Municipal Commentary

Michigan's Trading Recovery & Credit Rally

Significant progress has been made since last summer in "market perception" of debt sold by State of Michigan issuers. Potential problem credits have been assigned Emergency Managers which seems to have alleviated some investor concerns about widespread credit deterioration within different state sectors.

Both Moody's and S&P recently revised the State's credit outlook to positive. Detroit has made significant progress to solving its severe funding problems, hoping to "start fresh" as the City positions itself to exit bankruptcy. That progress alone acts to accentuate the positive trends for the State in general. The municipal market may have discounted the potential impact of Detroit on other credits many months ago, but over the past several months, we have seen the State participate in a strong rally. Rates within Michigan markets have fallen and credit spreads have tightened. In addition, a continued lack of new issue supply across the nation, including Michigan, coupled with strong investor demand, is providing an excellent opportunity to access the capital markets on a long-term, fixed-rate financing.



Data above shows that just prior to the Detroit filing, the State of Michigan's G.O. credit traded in the secondary market at +20-30 bps to the widely accepted AAA MMD 8 year index. After Detroit's declaration of bankruptcy, that spread widened to as much as 80 bps, as shown by the large spike in the graph above occurring during the summer of 2013. Since mid-2013, the credit spreads have narrowed significantly, dropping back to pre-filing levels briefly in late 2013 at +20 bps, and currently settling in around +40 bps.

