

Municipal Market Snapshot

News, Analysis and Commentary

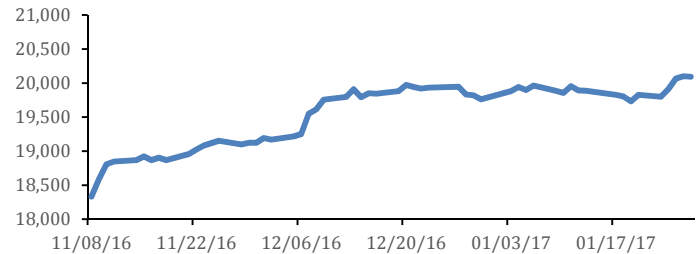
Tax-Exempt Market

- With promises from President Trump to rebuild the infrastructure in America, states have begun submitting lists of priority projects in need of funding. Thus far 43 states have submitted list for roughly 300 projects to the National Governors Association.
- The Senate for the state of Illinois will vote on a new budget in February. Fitch has stated that it will cut the State's credit rated which is currently BBB+ if legislation does not pass a budget. The State has not passed a budget in 18-months.
- Jefferson County, Alabama will await a ruling on its Chapter 9 case and appeal.
- West Contra Costa HealthCare District filed for Chapter 9 in the U.S. Bankruptcy Court and recently posted a bondholder notice on the MSRB's EMMA website. The District has \$57 million of certificates of participation outstanding.
- Standard and Poor's projects that six oil-producing states Alaska, Louisiana, New Mexico, North Dakota, Oklahoma and Wyoming are in recession. S&P said that Real GDP for these states have experienced contraction due to a significant withdrawal from exploration during the past 18 months. This has caused considerable damage to their economies.
- New York City plans to borrow \$39.2 billion over four fiscal years for capital according to a financial plan released last week in conjunction with the city's preliminary fiscal 2018 budget. New York City intends to issue \$16 billion of general obligation bonds in fiscal years 2018 through 2021; \$16 billion of income and sales tax bonds issued through the Transitional Finance Authority; and \$7.1 billion of water and sewer bonds. The City also plans to issue \$1.3 billion of state-backed education bonds.
- President Trump's nominee for Treasury Secretary Steven Mnuchin has stated he would like to propose legislation to enhance private activity bonds so they can be used to encourage more private investment in infrastructure projects.

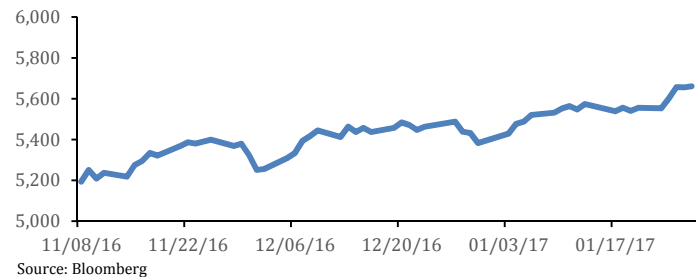
Economy

- The Dow Jones Industrial Average closed above 20,000 for the first time Wednesday and posted an all-time high on Thursday closing at 20,100.91. The Nasdaq and S&P 500 also posted all-time highs during the week. The Nasdaq closed at 5,660.78 on January 27th and the S&P 500 closed at 2,298.37 on January 25th. The equity markets have rallied considerably since the election. President Trump's policies to promote infrastructure projects and cut regulations helped propel the indices.
- Since the election the ICE Dollar Index (USDIX) has risen considerable. The ICE U.S. Dollar Index is a futures contract which is the leading benchmark for the international value of the US dollar and the world's most widely-recognized traded currency. USDIX has appreciated against other currencies across the global.
- U.S. GDP grew 1.9% in the fourth quarter according to the Commerce Department a decline from the 3.5% the third-quarter GDP rate. Economists polled expected a 2.2% growth rate in the fourth-quarter.
- Durable Good Order decreased by 0.4% month-over-month in December 2016, following an upwardly revised 4.8% drop in November. This marks the second consecutive month of decline due to transport equipment, which declined 2.2% and defense goods falling 33.4%. Excluding defense orders, durable good rose 1.7% in December from November. For all of 2016, overall durable-goods orders fell 0.3% from the prior year.
- Consumer sentiment grew in January to 98.5 from 98.2 in December. Consumer sentiment has increased 7.1% since January 2016. Consumers expressed a higher level of confidence January than other times in the last 12 years. The surge in confidence is a result of an optimistic outlook for the economy and job growth. Consumers have reported a more positive assessment of their financial situation due to gains in both incomes and household wealth. Many believe the stronger economy would result in higher inflation and subsequently higher interest rates.
- Microsoft will issue \$17 billion in corporate bonds making it biggest bond deal of the year in the debt market as investors expect interest rates to rise later this year.

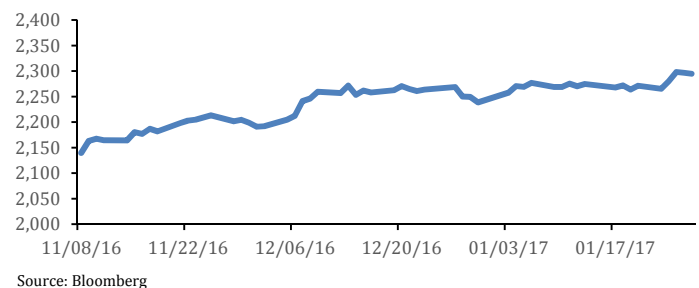
Dow Jones Industrial Average Since the Election



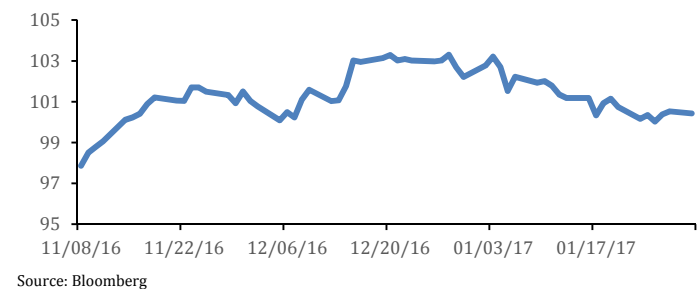
Nasdaq Since the Election



S&P 500 Since the Election



ICE Dollar Index Since the Election



Municipal Market Snapshot

Current Market

Short-Term Tax-Exempt Market

- The short-end market remained unchanged from the week. SIFMA reset at 0.66%, while 1-month LIBOR was 0.78%. The short end of the yield curve increased by as much as six basis points for the 2 year AAA MMD from the prior week.

Long-Term Tax-Exempt Market

- Municipal bond yields were up slightly on the after 10 years on the AAA MMD yield curve. Interest rates increased 3 basis points in the belly of the yield curve and 2 basis points on the long end of the yield curve. The 2-, 5- and 10-year yields were unchanged from the prior week.
- Ipree estimates volume for the week ending January 27th at approximately \$6.8 billion, up from a revised \$4.8 billion sold in the prior week. The new issue calendar consisted of \$4.7 billion negotiated financings and \$2.2 billion competitive deals.
- Municipal funds posted inflows of \$6.9 million last week. This coming after a return of municipal inflows of approximately \$511 million for the week ended January 20th.

Taxable Market

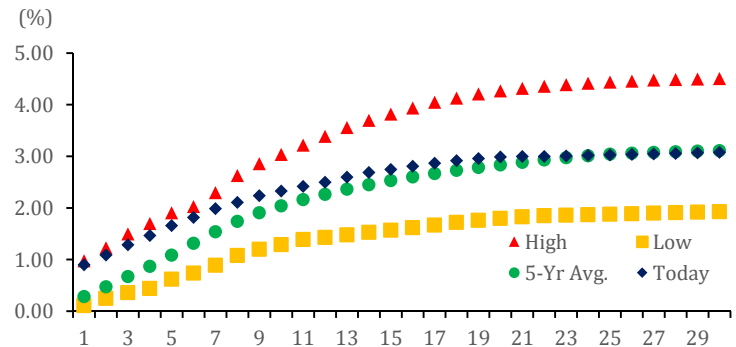
- U.S. Treasury yields marginally increased last week across the yield curve, led by 2-year maturities rising about 2 basis points. However, the modest yield increase disguised the volatility occurring early in the week. Treasury yields declined sharply on Monday after President Trump vowed to heavily tax imports. Yields increased on Tuesday and Wednesday, as equities rose to record highs last week with the Dow Jones Industrial Average, Nasdaq and the S&P 500 Index both closing at a record high. The yield increase was not sustained, as yields drifted modestly lower into the close of the week.

Current Municipal Market Rates

Short Term Market	1/27/2017	1/20/2017	5 Yr. Avg.
SIFMA Index (%)	0.66	0.66	0.16
1-Month LIBOR (%)	0.78	0.78	0.26
SIFMA/1M-LIBOR Ratio	0.85	0.85	0.62
Long Term Market	1/27/2017	1/20/2017	5 Yr. Avg.
AAA MMD (2Yr) (%)	1.09	1.09	0.47
AAA MMD (5Yr) (%)	1.66	1.66	1.09
AAA MMD (10Yr) (%)	2.33	2.33	2.04
AAA MMD (30Yr) (%)	3.08	3.06	3.11
Bond Buyer 20 Bond Index (GO) (%)	3.87	3.83	3.83
Bond Buyer Revenue Bond Index (%)	4.02	3.96	4.38
BB-30 Day Visible Supply	\$7.64bn	\$10.57bn	\$9.51bn
All Muni Fund Flows	\$0.00bn	\$0.51bn	

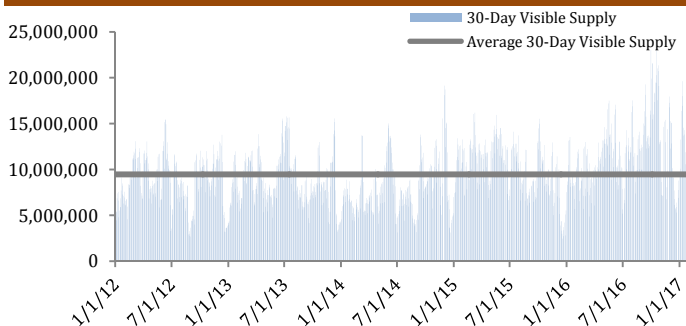
Source: TM3, the Bond Buyer, Bloomberg

Municipal Yield Curve Since 2012



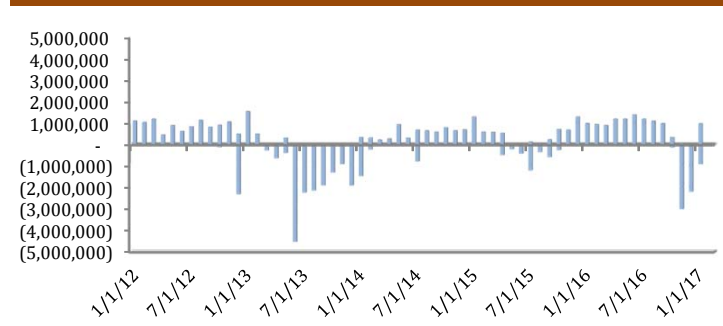
Source: TM3

30-Day Visible Supply Since 2012 (\$000)



Source: The Bond Buyer

Net Inflows and Outflows (\$000's)



Source: TM3

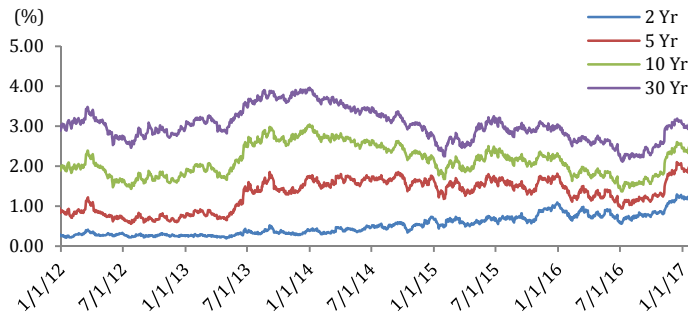
Largest Deals Priced During the Week Ending January 27, 2017

Issuer	Award Date	Size \$Mn	Rating Mdys/S&P/Fitch/Kroll	Coupon	Spread To MMD	Yield	Final Mty
Metro. Government of Nashville and Davidson Cnty.	1/24	\$455.540	Aa2/AA/NR/NR	4.000%	55 bps	3.470%	2036
Los Angeles Cnty. Metro. Transportation Authority	1/25	\$454.845	Aa2/AA+/NR/NR	5.000%	14 bps	3.180%	2042
Mayor and City Council of Baltimore (Wtr. & Swr.)	1/27	\$388.980	Aa3/AA-/NR/NR	5.000%	51 bps	3.580%	2046
Texas Public Finance Authority (Taxable)	1/25	\$375.000	Aaa / AAA / NR	3.974%	85 bps*	3.974%	2036
Bay Area Toll Authority	1/25	\$300.000	Aa3/AA/AA/NR	4.00%/5.00%	96/56 bps	4.05%/3.07%	2056

*Indicates spread to Treasuries
Source: TM3

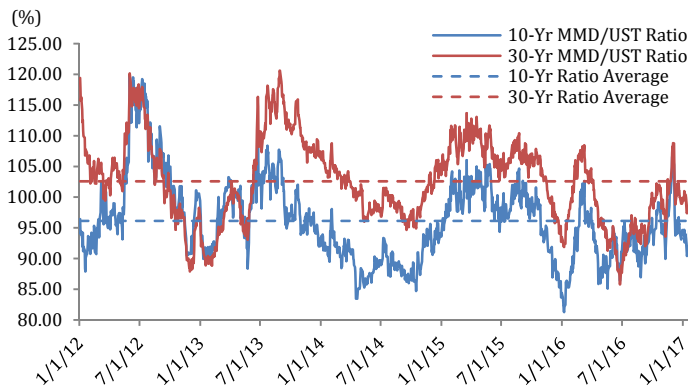
Municipal Market Snapshot

Taxable Yield Curves Since 2012



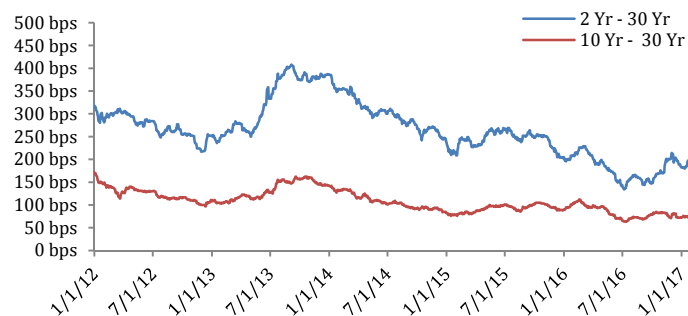
Source: U.S. Department of Treasury

Tax-Exempt/Taxable Ratios Since 2012



Source: TM3, U.S. Department of Treasury

MMD Benchmark Yield Curve Steepness Since 2012



Source: TM3

Forward Calendar (Week of January 30th)

Size (\$Mn)	Issuer	Bid State	Available Ratings (Mdy/S&P/Fitch/Kroll)
500,000	Black Belt Energy Gas District	AL Negt.	Aa3/Undef/Undef
478,510	Oklahoma Turnpike Authority	OK Negt.	Undef/Undef/AA-/Undef
444,590	Massachusetts Department of Transportation	MA Negt.	A3/A+/A+
402,200	Utah State Board of Regents (LIBOR-Index Notes)	UT Negt.	Undef/Undef/Undef
330,000	New York City Municipal Water Finance Authority	NY Negt.	Undef/AA+/Undef/Undef
323,635	North Clackamas School District No. 12	OR Negt.	Aa2/A+/Undef/Undef
300,000	University of Colorado Hospital Authority	CO Negt.	Undef/Undef/AA-/Undef
300,000	District of Columbia Water and Sewer Authority	DC Negt.	Aa1/AAA/Undef/Undef
296,185	Texas Tech University System Board of Regents	TX Negt.	Aa1/Undef/AA+/Undef
197,400	Massachusetts Department of Transportation (Subordinated)	MA Negt.	Aa2/AA+/AA+

Source: Ipreo, Bloomberg L.P.

U.S. Treasury Rates

Security	1/27/2017	1/20/2017	5 Yr. Avg.
Effective Fed Funds	0.66	0.66	0.18
2 Yr Note	1.22	1.20	0.53
5 Yr Note	1.94	1.95	1.30
10 Yr Note	2.49	2.48	2.14
30 Yr Bond	3.06	3.05	3.03

Source: U.S. Department of Treasury

Municipal to U.S. Treasury Ratios

Current Yield Curve	2 Yr	5 Yr	10 Yr	30 Yr
MMD (%)	1.09	1.66	2.33	3.06
UST (%)	1.22	1.94	2.49	3.06
MMD/ UST Ratio	89.34	85.57	93.57	100.00

Source: TM3, U.S. Department of Treasury

Economic Calendar

Date	Time	Event	Period	Survey	Prior
1/30/2017	8:30	Personal Income	Dec	0.40%	0.00%
1/30/2017	8:30	Personal Spending	Dec	0.50%	0.20%
1/30/2017	8:30	Real Personal Spending	Dec	0.30%	0.10%
1/30/2017	8:30	PCE Deflator MoM	Dec	0.20%	0.00%
1/30/2017	8:30	PCE Deflator YoY	Dec	1.70%	1.40%
1/30/2017	8:30	PCE Core MoM	Dec	0.10%	0.00%
1/30/2017	8:30	PCE Core YoY	Dec	1.70%	1.60%
1/30/2017	10:00	Pending Home Sales MoM	Dec	1.00%	-2.50%
1/30/2017	10:00	Pending Home Sales NSA YoY	Dec	-0.30%	1.40%
1/30/2017	10:30	Dallas Fed Manf. Activity	Jan	15	15.5
1/31/2017	8:30	Employment Cost Index	4Q	0.60%	0.60%
1/31/2017	9:00	S&P CoreLogic CS 20-City MoM SA	Nov	0.70%	0.63%
1/31/2017	9:00	S&P CoreLogic CS 20-City YoY NSA	Nov	5.00%	5.10%
1/31/2017	9:00	S&P CoreLogic CS 20-City NSA Index	Nov	--	191.79
1/31/2017	9:00	S&P CoreLogic CS US HPI YoY NSA	Nov	--	5.61%
1/31/2017	9:00	S&P CoreLogic CS US HPI NSA Index	Nov	--	185.06
1/31/2017	9:45	Chicago Purchasing Manager	Jan	55	54.6
1/31/2017	10:00	Conf. Board Consumer Confidence	Jan	112.8	113.7
1/31/2017	10:00	Conf. Board Present Situation	Jan	--	126.1
1/31/2017	10:00	Conf. Board Expectations	Jan	--	105.5
2/1/2017	7:00	MBA Mortgage Applications	27-Jan	--	4.00%
2/1/2017	8:15	ADP Employment Change	Jan	167k	153k
2/1/2017	9:45	Markit US Manufacturing PMI	Jan F	55.1	55.1
2/1/2017	10:00	ISM Manufacturing	Jan	55	54.7
2/1/2017	10:00	ISM Prices Paid	Jan	65.5	65.5
2/1/2017	10:00	ISM New Orders	Jan	--	60.2
2/1/2017	10:00	ISM Employment	Jan	--	53.1
2/1/2017	10:00	Construction Spending MoM	Dec	0.20%	0.90%
2/1/2017	14:00	FOMC Rate Decision (Upper Bound)	1-Feb	0.75%	0.75%
2/1/2017	14:00	FOMC Rate Decision (Lower Bound)	1-Feb	0.50%	0.50%
2/1/2017		Wards Total Vehicle Sales	Jan	17.50m	18.29m
2/1/2017		Wards Domestic Vehicle Sales	Jan	14.00m	14.19m
2/2/2017	7:30	Challenger Job Cuts YoY	Jan	--	42.40%
2/2/2017	8:30	Nonfarm Productivity	4Q P	1.00%	3.10%
2/2/2017	8:30	Unit Labor Costs	4Q P	1.90%	0.70%
2/2/2017	8:30	Initial Jobless Claims	28-Jan	250k	259k
2/2/2017	8:30	Continuing Claims	21-Jan	2063k	2100k
2/2/2017	9:45	Bloomberg Consumer Comfort	29-Jan	--	45.2

Source: Bloomberg L.P.

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