

**Municipal Bond Investor Weekly**

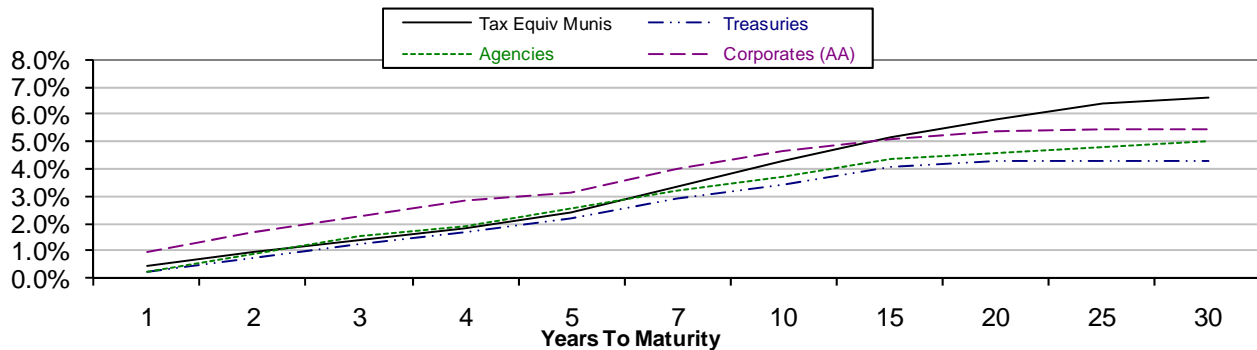
November 20, 2009

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**Week in Review**

Almost the entire municipal yield curve shifted to lower yields this week amid heavy buying, particularly among several large new issues that were definitely priced to sell. Investors are favoring the shorter maturities, widening the gap between 1-year and 30-year yields to 400 basis points – the highest in nearly 10 years. Broad investor interest across the curve is expected to remain in place over the near future. However, there is an expectation for some seasonal declines in issuance that normally occur around the holidays that could influence yields to remain near present levels or even move lower. This year may be a little different in that there could be more selling by individuals to capture capital gains than in previous years - as the municipal market approaches the one year anniversary of the tumult that sent yields soaring; even among quality credits. Although this would increase supply, it could also result in additional money to compete with typical reinvestment dollars, which is larger in January than other months. Supply might come up short as well, if issuers determine market conditions favor borrowing under the taxable Build America Bond structure. BAB's significant yield advantage over comparable corporate or agency bonds has garnered the attention of many investors looking to increase fixed income returns without taking on incremental credit risk.

**Comparative Yield Curves  
As of 11/19/2009**



Bond Yields (%) as of 11/19/2009 Close												
	1	2	3	4	5	7	10	15	20	25	30	
<b>Muni AAA G.O.<sup>1</sup></b>	0.31	0.63	0.90	1.19	1.58	2.18	2.81	3.37	3.79	4.17	4.31	
Weekly Change *	-6	-7	-11	-20	-20	-21	-15	-6	-3	0	5	
<b>Tax Equiv Munis<sup>2</sup></b>	0.48	0.97	1.38	1.83	2.43	3.35	4.32	5.18	5.83	6.42	6.63	
<b>Taxable AA Muni &amp; BAB<sup>3</sup></b>	1.27	1.77	2.35	2.85	3.33	4.10	4.79	5.54	5.96	6.45	6.84	
Weekly Change *	-8	-6	-15	-20	-21	-20	-18	-13	-6	-2	-2	
<b>Treasuries<sup>3</sup></b>	0.21	0.71	1.22	1.69	2.17	2.89	3.38	4.06	4.26	4.26	4.27	
Weekly Change *	-4	-11	-13	-12	-11	-10	-11	-15	-14	-12	-11	
<b>Agencies<sup>3</sup></b>	0.24	0.90	1.52	1.93	2.52	3.22	3.71	4.35	4.60	4.77	5.03	
Weekly Change *	-6	-12	-14	-14	-12	-11	-12	-16	-16	-15	-14	
<b>Corporates (AA)<sup>3</sup></b>	0.97	1.65	2.26	2.87	3.15	4.00	4.68	5.09	5.40	5.44	5.45	
Weekly Change *	-4	-10	-12	-13	-14	-12	-10	-18	-17	-14	-9	

Other Markets** as of 11/19/09 Close			
	Current	Last Week	Last Year
Dow Jones Industrial	10332	10198	7997
NASDAQ Composite	2157	2149	1386
Crude Oil	77.46	76.94	63.83
U.S. Dollar/Euro	1.49	1.49	1.26
Gold	1142	1107	745

Short-Term Yields (%)			
	Current	Last Week	One Year Ago
Prime Rate	3.25	3.25	4.00
1-Month LIBOR	0.24	0.24	1.41
Fed Funds	0.11	0.12	0.38
1-Month T-Bill	0.01	0.06	0.46
SIFMA Weekly Index	0.28	0.26	1.12

Sources: (1) Municipal Market Data (2) Tax Equiv Yield calculations on AAA-rated tax exempt yields assume a 35% tax rate (3) Treasury, Agency, Corporate yields from Bloomberg. Lipper Total Returns from Lipper and The Wall Street Journal (YTD = Year To Date). Short Term Yields are from Bloomberg, Federal Reserve and Securities Industry and Financial Markets Association. The SIFMA Weekly Index is a 7-day high-grade market index comprised of tax-exempt variable rate demand obligations (VRDO's) that are not subject to AMT, are greater than \$10 million issuance size and have an AA or better rating. \* In Basis Points. \*\* Bloomberg as of close Thursday.

## Buyer Participation

**Retail:** very strong this week and focused mainly on maturities between 2010-2021 and 2029-2039.

**ARB Accounts:** basically inactive at this time.

**Bond Funds:** participation was very strong, with both state specific and national funds buying, in typically 20 plus year maturities.

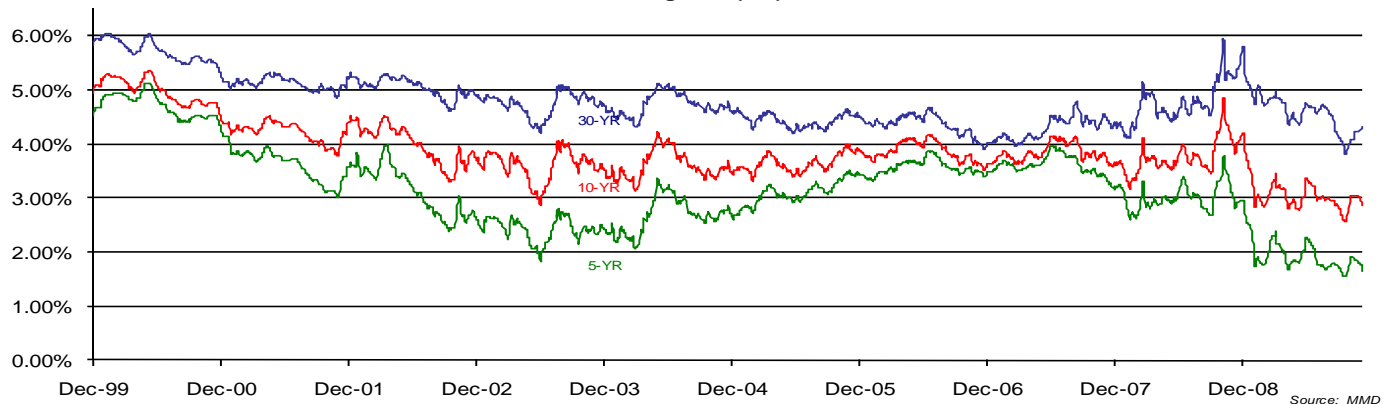
**Insurance Companies:** mixed, limited purchasing of tax-exempt in 20 year maturities, focusing on BABs.

**Bank Trust/Investment Advisors:** very active thru 10 years, coupon credit and dollar price sensitive. Buyers are focusing on December/ January reinvestment opportunities.

## Upcoming Economic Releases

- 11/23 Existing Home Sales (Oct)
- 11/24 Real GDP (2nd estimate) 3Q09  
S&P/C-S Home Prices (Sept)  
Consumer Confidence (Nov)
- 11/25 Jobless Claims, through 11/21  
Personal Income (Oct)  
Personal Spending  
PCE Price Index ex-food & energy  
Durable Goods Orders  
Consumer Sentiment (Nov)  
New Home Sales (Oct)  
FOMC Minutes from 11/4
- 11/26 Thanksgiving Day
- 11/27 No significant data

**Historical Perspective on the Municipal Market**  
AAA General Obligation (GO) Yields



## Rating Changes of Note

**Bethlehem Area School District PA**, general obligation bonds downgraded by Moody's to Baa1 from A3.

**Roseville CA** electric system revenue bonds downgraded by Moody's to A2 from A1.

**Sayre Health Care Facilities Authority PA (Guthrie Health)** revenue bonds upgraded by S&P to A+ from A

**Winchester Development Authority VA (Valley Health System)** downgraded by Moody's to A1 from Aa3 and by S&P to A+ from AA-.

Source: S&P, Moody's, Fitch

## Week of November 2 - New Issue Calendar

Total (\$ in billions)	\$2.4
Negotiated	\$1.2
Competitive	\$1.2

## Raymond James Participation (\$ in millions)

- \$272 Royal Oak MI Beaumont Hospital, Selling Group
- \$30 Rhode Island HFA, Selling Group

BAB: Taxable Build America Bond, BQ: Bank Qualified, SG: Selling Group  
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