

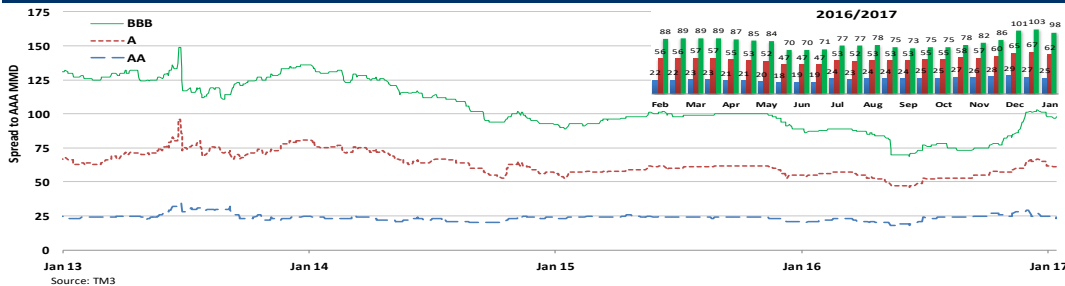
Comments:

- Last week muni volume was about \$8.2 billion. This week volume is expected to be \$8.9 billion. The negotiated market is led by \$1,162.5 million tax-exempt and taxable general obligation bonds for City of Chicago, IL. The competitive market is led by \$356.7 million of tax-exempt and taxable bonds for the Board of Regents of the University of Houston, Texas on Thursday.
- Last week credit spreads tightened 1 bp for AA and were unchanged for A and BBB.
- Weekly reporting muni bond mutual funds reported an inflow (first in eight weeks) of \$974.2 million for the week ending January 11 after an outflow of \$911.9 million for the week before. The eight week moving average is *negative* \$1.51 billion.
- From Friday to Friday, MMD yields decreased 7 bps in 1 year, 10-13 bps in 5 to 7 years and 8-9 bps in 10 to 30 years. Muni/Treasury ratios for 10 and 30 year MMD maturities ended the week at 90.4% and 97.4%, respectively, lower than the week before.
- The 2 to 30 year MMD spread was 184 on Friday, 1 bp wider than the previous Friday. The curve has flattened 30 bps since Dec 1 mostly reflecting lower rates on the long end of the curve.
- Last week munis started off the week with risk off after Fed suggested multiple rate hikes in 2017. Most competitive deals were priced aggressively and negotiated deals were able to provide significant bumps on final pricing. Trump's press conference on Wednesday did not cover any significant fiscal or tax issues. On Wednesday, ECB QE buying set the stage for stronger bonds. Munis were active in both secondary and primary. Inflow to muni bond funds positive from munis, but another week of high new issue volume seemed to pressure the longer end with the short end steady.

| Selected Deals for the Week Ending 1/20/17 | | | |
|--|-------------|---------------------|----------|
| Issuer | Par (\$mil) | Ratings (M/S&P/F/K) | U/W |
| Negotiated | | | |
| City of Chicago, IL, GO (Te & Tx) | 1,162.50 | /BBB+/BBB- | GS |
| Texas Transportation Commission, State of TX GO, | 800.00 | Aaa/AAA/AAA | Barclays |
| Dept. of Water & Power of the City of Los Angeles, CA, Power Rev | 500.00 | Aa2/AA-/AA- | RBC |
| School Dist. No. 1, City and County of Denver, CO, GO | 476.65 | Aa2/AA-/AA- | RBC |
| Hosp. Auth of Hall Co. and City of Gainesville, GA, (NE Georgia Health) | 385.02 | /A/A | BAML |
| Univ. of Massachusetts Building Auth, Rev (Te & Tx) | 352.00 | Aa2/AA-/AA- | Citi |
| Pennsylvania Turnpike Commission, Subordinate Rev | 286.92 | A3/NR/A- | Loop |
| Maryland Health & Higher Ed. Facil Auth, Rev (Univ of MD Medical Sys) | 272.57 | A2/A-/A | JPM |
| Philadelphia Auth for Indust. Develop., PA, Rev (Thomas Jefferson Univ.) | 254.00 | A2/A-/ | BAML |
| City of Denton, TX, Utility Rev | 224.05 | NR/AA-/A+ | JPM |
| Spring ISD Harris County, TX, ULT GO | 198.08 | // | RBC |
| Successor Agcy San Diego, CA, Tax Allocation (Tx) | 177.95 | /aa/ | Stifel |
| Successor Agcy. to the Redevelop. Agcy. of Palm Desert, CA, Tax Allocation | 150.93 | /A/ | Stifel |
| West Palm Beach Utility System, FL, Rev (Te & Tx) | 139.00 | Aa2/AA+/ | Citi |
| Lone Star College System, TX, LT GO | 132.17 | NR/AAA/NR | JPM |
| Prosper ISD, TX, ULT GO | 125.00 | Aaa/AAA/ | Ray Jay |
| ISD No. 742 St Cloud, MN, GO | 104.50 | // | Baird |
| Competitive | | | |
| Tue, 1/17 | | | |
| New Jersey Environmental Infra. Trust, (Green Bonds) (2 bids) | 109.39 | Aaa/AAA/AAA | '19-'29 |
| Wed, 1/18 | | | |
| City & County of San Francisco, CA, GO | 174.11 | Aa1/AA+/AA+ | |
| Fulton County, GA, GO | 104.79 | Aa1/AA+/AA+ | '17-'44 |
| Thurs, 1/19 | | | |
| Board of Regents of the Univ. of Houston, TX, Rev (Te & Tx) | 356.71 | Aa2/AA/ | '18-'38 |
| Sources: Bond Buyer and IPREO | | | |

Bold=Mischler

Municipal Credit Spreads to MMD AAA - 30 Yr. Maturity (January 1, 2013 to Present)

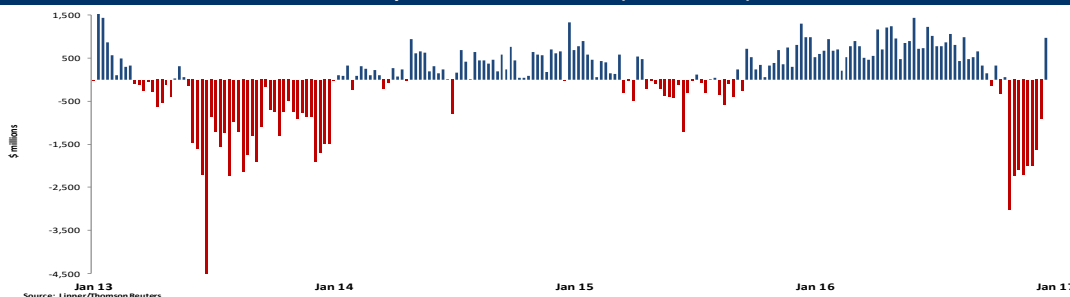


MMD Spots

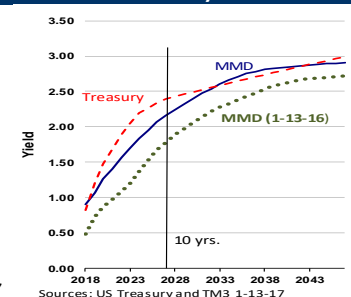
| Mat | 13-Jan | 6-Jan | Chg. | 12 mo. low | 12 mo. high |
|-----|--------|-------|-------|------------|-------------|
| 1 | 0.90 | 0.97 | -0.07 | 0.38 | 0.98 |
| 5 | 1.57 | 1.70 | -0.13 | 0.79 | 1.91 |
| 7 | 1.84 | 1.94 | -0.10 | 1.03 | 2.18 |
| 10 | 2.16 | 2.24 | -0.08 | 1.29 | 2.58 |
| 15 | 2.54 | 2.63 | -0.09 | 1.57 | 2.93 |
| 20 | 2.78 | 2.87 | -0.09 | 1.80 | 3.20 |
| 25 | 2.86 | 2.95 | -0.09 | 1.88 | 3.30 |
| 30 | 2.91 | 3.00 | -0.09 | 1.93 | 3.35 |

Source: TM3

Weekly Muni Bond Fund Flows (2013-Present)



MMD vs Treasury Yield Curves



Sources: US Treasury and TM3 1-13-17