



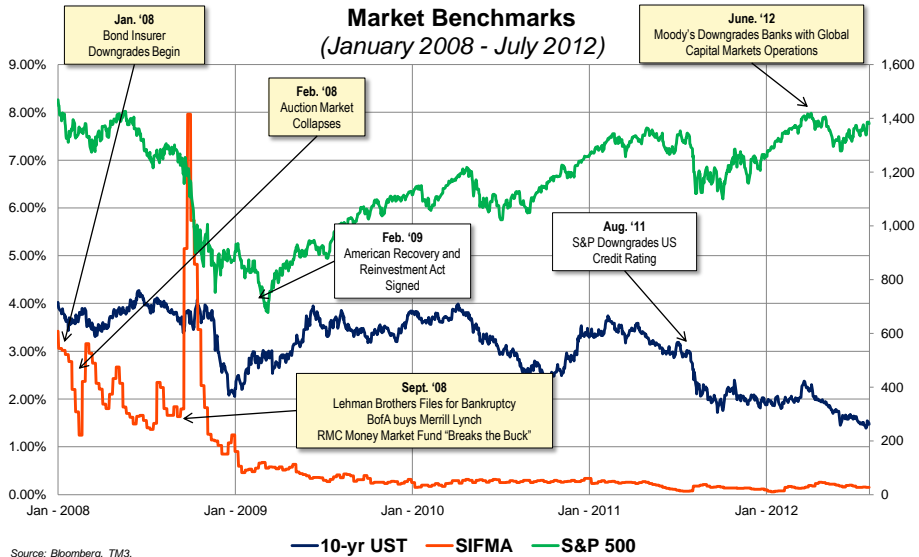
Municipal Market Update

May 2015



Notable Market Events

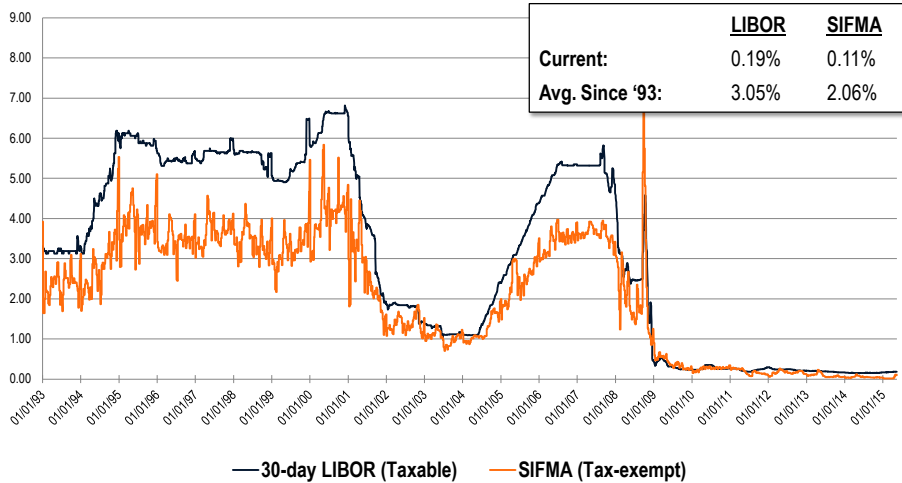
Do you remember when...



Short-term (variable) rates remain at historically low levels

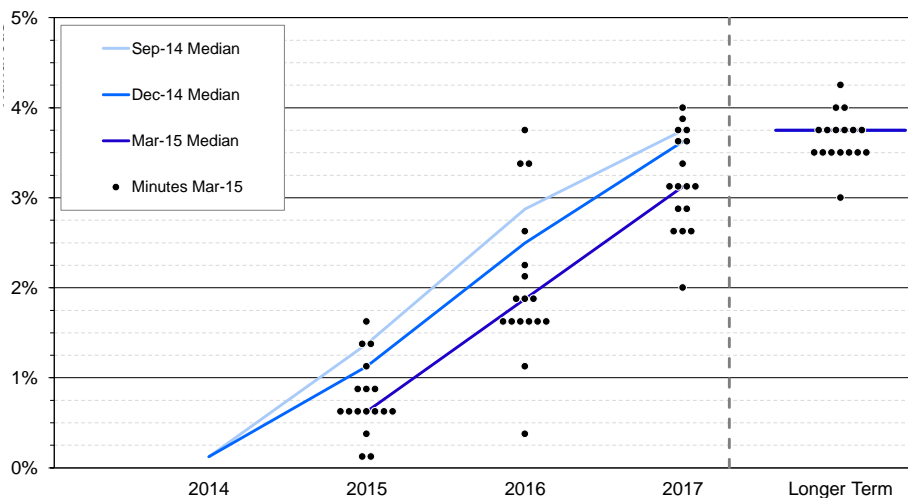


30-day LIBOR and SIFMA (Tax-exempt) Variable Interest Rates Since 1993



Source: Bloomberg, TM3.

But when will the Fed begin raising rates? FOMC "Dot Plot"

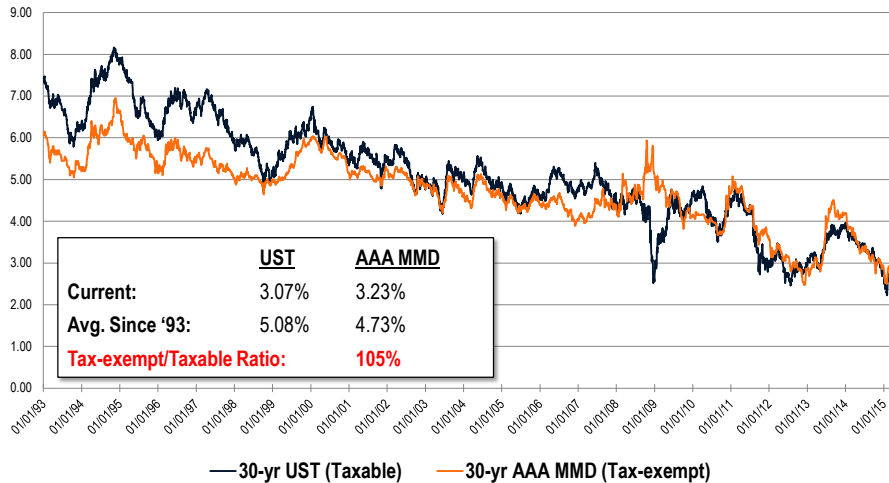


Source: Bloomberg; Fed Funds Futures as of 5/5/2015

Long-term fixed rates also remain at historically low levels



30-year UST and AAA MMD (Tax-exempt) Interest Rates Since 1993

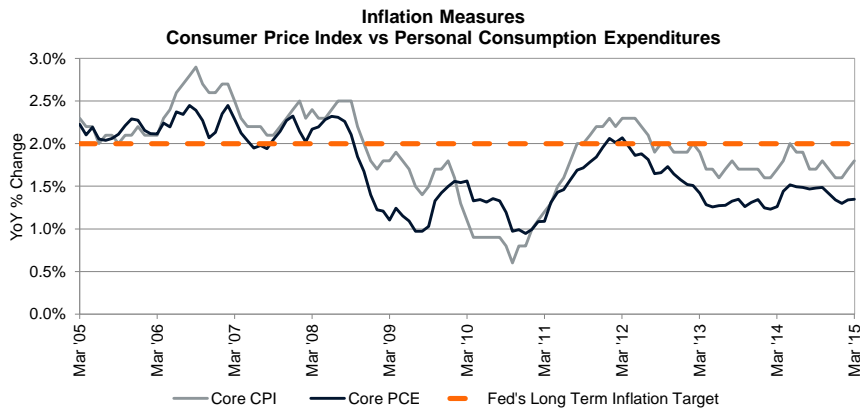


Source: Bloomberg, TM3.

Inflation remains muted

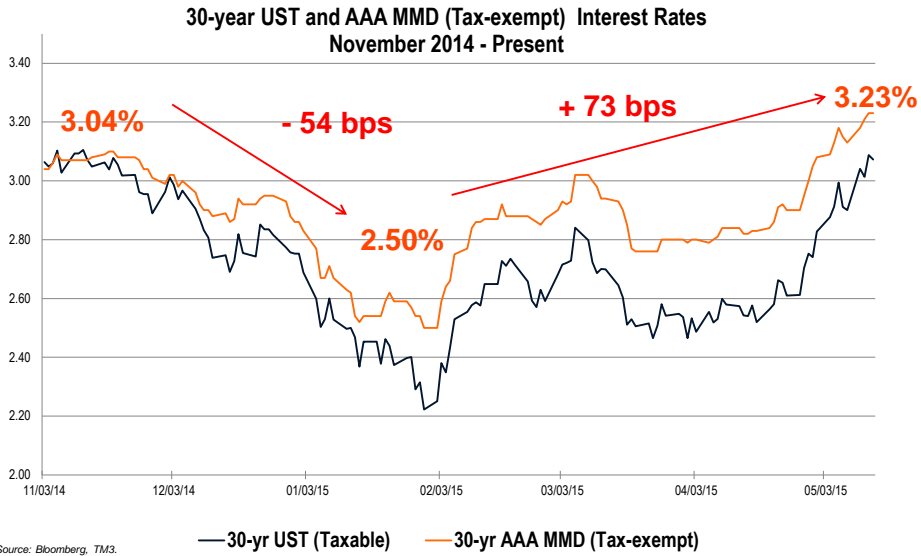


- The personal consumption expenditures (PCE) price index, the Fed's preferred gauge of core inflation, continues to undershoot the 2% target.



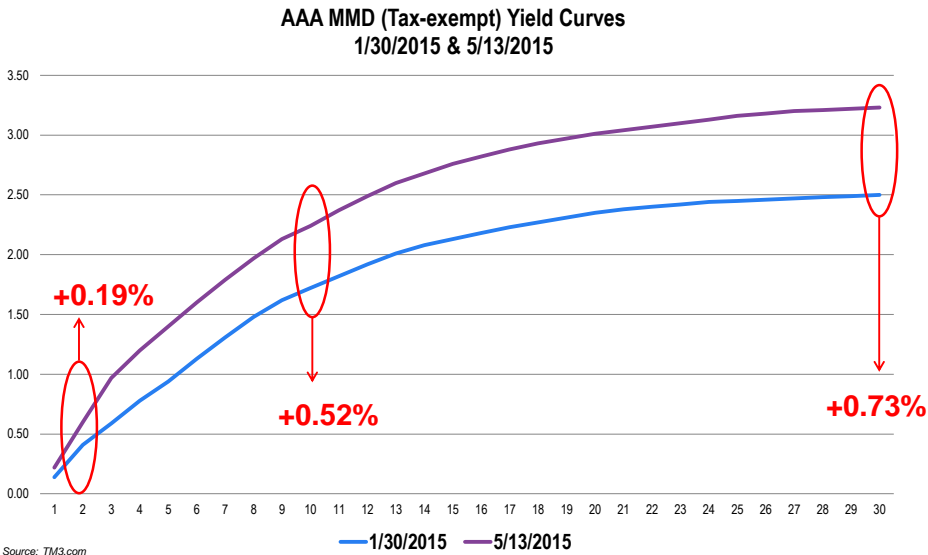
Source: Bloomberg

Recent bond market sell-off has given back gains from earlier in the year

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Steepening of the yield curve since end of January

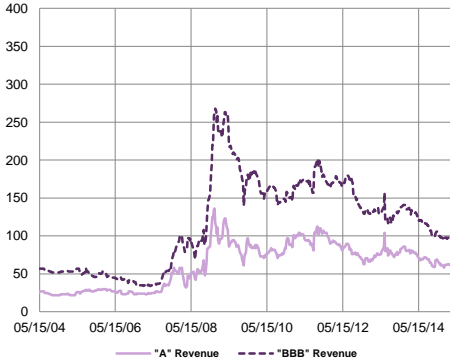



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Credit spreads have continued to narrow since 2008

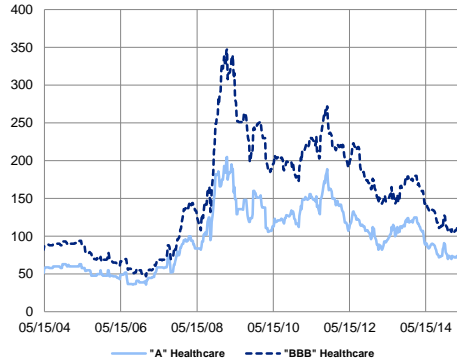


30-year Maturity Credit Spreads
Revenue Credits
 in basis points



	"A" Revenue	"BBB" Revenue
Current	64 bps	103 bps
Minimum	22 bps	33 bps
Maximum	136 bps	268 bps

30-year Maturity Credit Spreads
Healthcare Credits
 in basis points



	"A" Healthcare	"BBB" Healthcare
Current	79 bps	118 bps
Minimum	36 bps	47 bps
Maximum	205 bps	347 bps

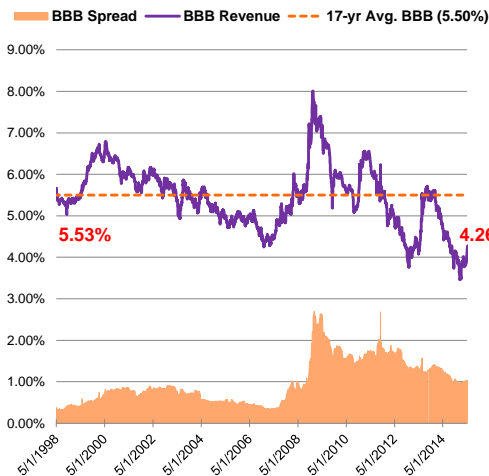
Source: TM3.com

30-year Revenue Bond Rates

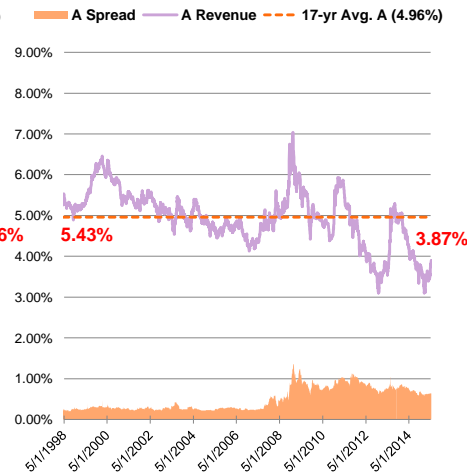
"BBB" and "A" Rated



30-year Maturity "BBB" Rated
Revenue Yields



30-year Maturity "A" Rated
Revenue Yields



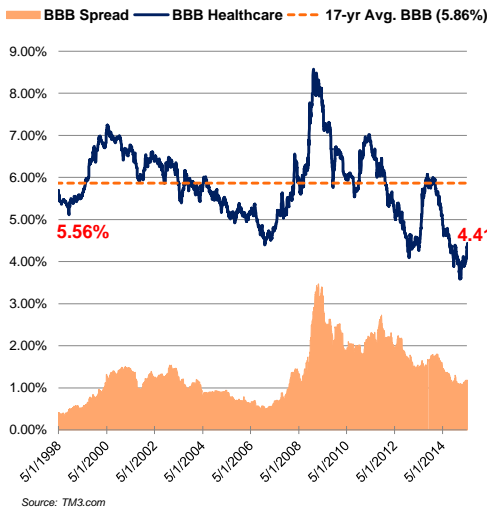
Source: TM3.com

30-year Healthcare Bond Rates

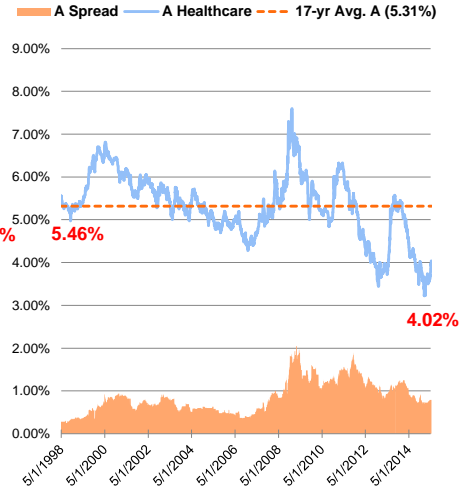
"BBB" and "A" Rated



30-year Maturity "BBB" Rated Healthcare Yields



30-year Maturity "A" Rated Healthcare Yields



Source: TM3.com

Sector spot rates



Maturity	Revenue Bonds			Healthcare Bonds			
	AA Rated	A Rated	BBB Rated	AA Rated	A Rated	BBB Rated	
2	0.71%	0.84%	1.40%	0.75%	0.88%	1.44%	
5	1.62%	1.81%	2.33%	1.73%	1.92%	2.44%	
10	2.55%	2.84%	3.26%	2.67%	2.96%	3.38%	
20	YTC	3.32%	3.67%	4.08%	3.45%	3.80%	4.21%
	YTM	3.97%	4.18%	4.43%	4.05%	4.26%	4.51%
30	YTC	3.52%	3.87%	4.26%	3.67%	4.02%	4.41%
	YTM	4.26%	4.44%	4.63%	4.34%	4.51%	4.70%

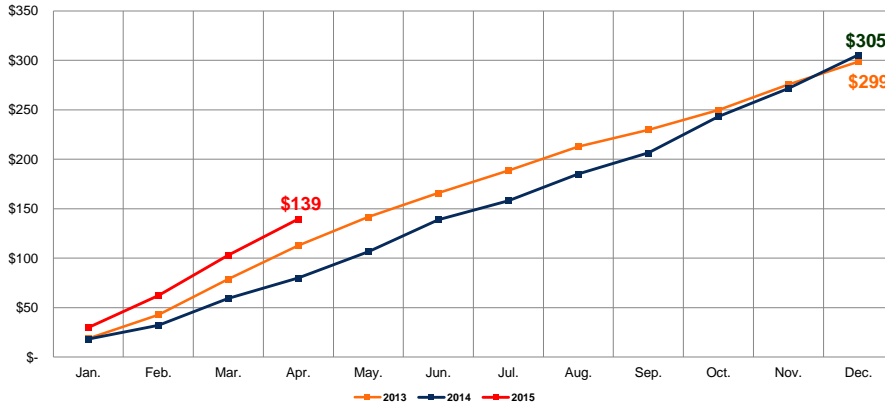
YTC = Yield to Call
YTM = Yield to Maturity

1. Source: TM3.

Municipal bond supply has increased in 2015



Cumulative Total Issuance - in \$ billions



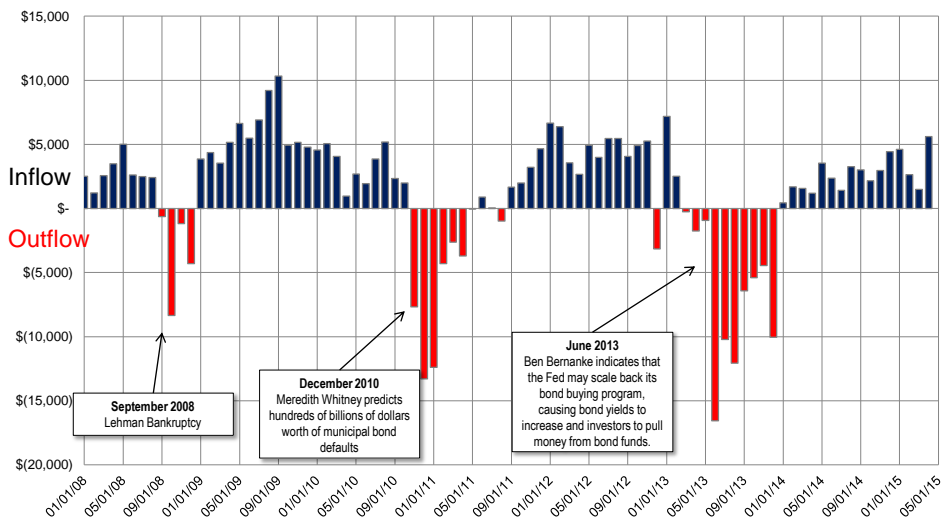
	Tax-Exempt Issuance	Taxable Issuance
As of 5/1/2013	\$94.7 billion	\$15.1 billion
As of 5/1/2014	\$70.7 billion	\$7.6 billion
As of 5/1/2015	\$127.0 billion	\$9.6 billion

1. Source: Bloomberg

Municipal Demand Municipal Funds – Periodic, Event-driven Severe Outflows



Monthly Muni Bond Mutual Fund Inflows/Outflows (Since '08) - in millions



Source: ICI Statistics