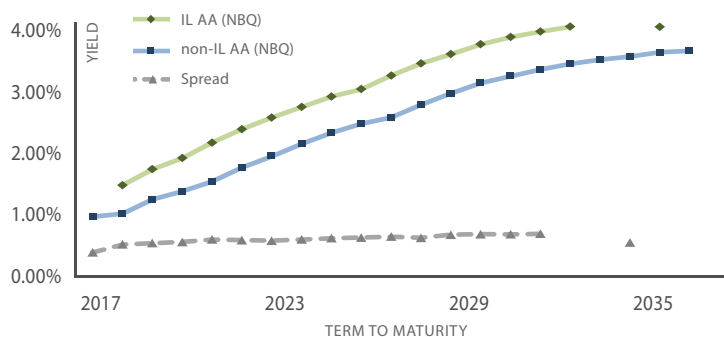


PUBLIC FINANCE MARKET UPDATE

Prepared by PMA Securities, Inc.

APRIL 2017

IL AA (NBQ) vs. Non-IL AA (NBQ)



Source: Bloomberg 4/3/17. Yields reflected are yields to maturity.

PUBLIC FINANCE TRENDS

No Good News for Illinois Issuers

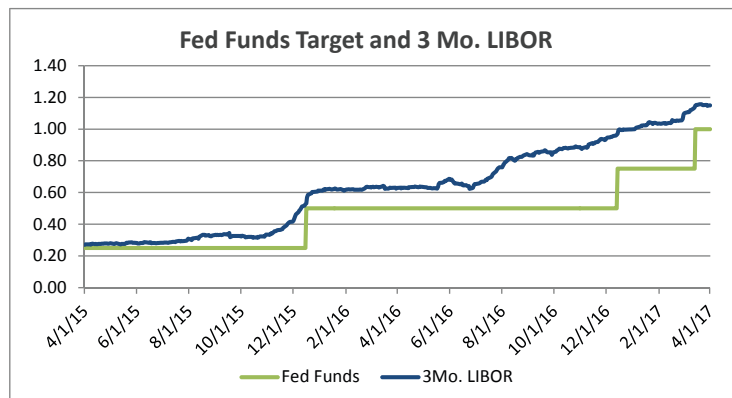
Graph 1 (above left) compares an Illinois ("IL") AA bond issue with a non-IL AA issue and indicates that the IL penalty is still relevant for issuers in today's market. The penalty appears most severe around the 15-year term where it is 0.52% or 52 basis points (bps) in Graph 1. Graph 2 (above right) shows how the market has changed since December 2016 to March 2017. Even though December 2016 experienced the highest interest rates in the municipal market since the presidential election, the March 2017 Aaa BQ IL issue sold with yields that were slightly higher than the December 2016 Aaa BQ IL issue. This indicates that, while the municipal market in general has experienced a rally (lower yields) since post-election highs, IL issuers are still subject to higher yields, perhaps due to wider credit spreads and the IL penalty.

FEATURED ECONOMIC INDICATOR

Fed Leading Interest Rates Higher

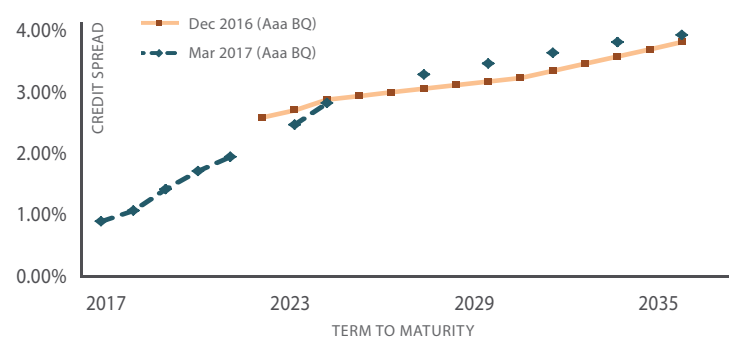
The Federal Reserve has increased interest rates three times since December 2015 by a total of 75 basis points including two hikes since December 2016. Current and projected employment and inflation data, as well as the Fed's own projections, suggest that the Fed will continue to raise rates in the coming months and years. Rising rates represent an opportunity for short-term investors. Money market products such as commercial paper and some certificates of deposit price off of LIBOR. 3-Month LIBOR has increased about 80 basis points since the Fall of 2015 contributing to higher yields earned by investors in these products.

Source: Wall Street Journal, www.census.gov



Source: Bloomberg

Dec 2016 (Aaa BQ) vs. Mar 2017 (Aaa BQ)



Source: Bloomberg 4/3/17. Yields reflected are yields to maturity.

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Consumer Price Index (YoY)	03/15/17	FEB	2.7%	2.7%	2.5%
Core CPI (YoY)	03/15/17	FEB	2.2%	2.2%	2.3%
Retail Sales Ex. Auto (MoM)	03/15/17	FEB	0.2%	0.2%	1.1% (R)
Chicago Fed National Activity Index	03/20/17	FEB	0.03	0.34	-0.02 (R)
Cap Goods Orders Non-Def, Ex Air (MoM)	03/24/17	FEB	0.5%	-0.1%	0.1% (R)
Consumer Confidence	03/28/17	MAR	114.0	125.6	116.1 (R)
ISM Manufacturing	04/03/17	MAR	57.2	57.2	57.7
Change in Nonfarm Payrolls	04/07/17	MAR	175K	--	235K
Unemployment Rate	04/07/17	MAR	4.7%	--	4.7%

Source: Bloomberg Finance L.P. 4/3/17

Contact Information

ROBERT E. LEWIS

Senior Vice President, Managing Director—Public Finance
 630.657.6445 | rlewis@pmanetwork.com

TAMMIE S. BECKWITH SCHALLMO

Senior Vice President, Managing Director—Public Finance
 630.657.6446 | tammie@pmanetwork.com

ANDREW KIM

Director—Public Finance
 630.657.6449 | akim@pmanetwork.com

PMA Securities, Inc. | 2135 CityGate Lane, 7th Floor | Naperville, IL 60563

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