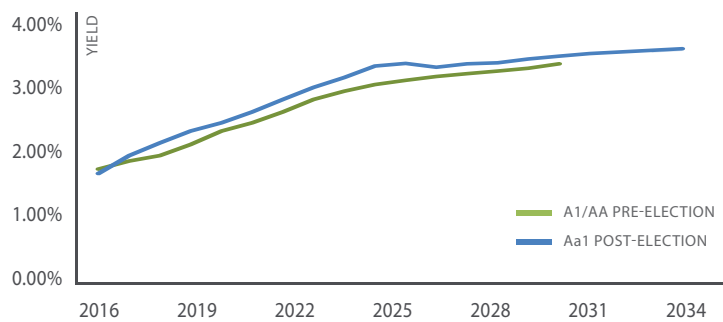


PUBLIC FINANCE MARKET UPDATE

Prepared by PMA Securities, Inc.

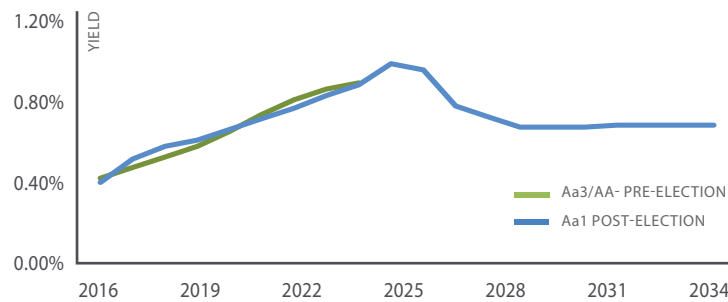
DECEMBER 2016

A1/AA Pre-Election vs. Aa1 Post-Election



Source: Bloomberg 12/5/16

Credit Spreads: Aa3/AA- Pre-Election vs. Aa1 Post-Election



Source: Bloomberg 12/5/16

PUBLIC FINANCE TRENDS

The Trump Effect

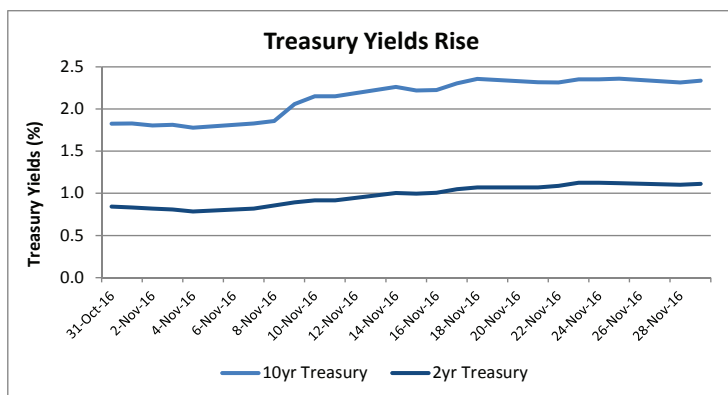
This market update shows the impact of Donald Trump's election on the muni bond market. Graph 1 above compares a Non Bank Qualified (NBQ) A1/AA issue sold pre-election to an NBQ Aa1 issue sold post-election. Although the Aa1 issue carries a rating 1-3 notches better than its counterpart, its yields were higher by 18-46 bps in comparable maturities, indicating the significant sell-off in the muni market post-election. Graph 2 above-right shows that the election not only impacted overall interest rates, but also credit spreads. The Aa1 NBQ post-election issue sold at comparable credit spreads (even wider at some points) to an issue rated two notches lower at Aa3/AA-. Investors appear to believe that Trump's election is good for the economy, directing investments toward the equity market and away from the safer bond market.

FEATURED ECONOMIC INDICATOR

Market Volatility Increases

Treasury bond yields rose for three consecutive weeks following the November 8 election. Investors are projecting that tax cuts, fiscal stimulus and less stringent regulations will boost economic growth, leading to higher inflation and more hikes in interest rates by the Federal Reserve. In addition, many analysts and traders believe that new policies, including higher deficit spending, will create greater volatility in rates and less predictable monetary policy. Part of November's rise in rates relates to what analysts call term premium, which reflects the risk related to uncertain future interest rates. A long period of relatively calm, predictable changes in rates may have been left behind.

Source: Wall Street Journal, Bloomberg



Source: Bloomberg

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Consumer Price Index (YoY)	11/17/16	OCT	1.6%	1.6%	1.5%
Core CPI (YoY)	11/17/16	OCT	2.2%	2.1%	2.2%
Chicago Fed National Activity Index	11/21/16	OCT	0.00	-0.08	-0.23 (R)
Existing Home Sales	11/22/16	OCT	5.44m	5.60m	5.49m (R)
Durable Goods Orders Ex. Transportation (MoM)	11/23/16	OCT	0.2%	1.0%	0.2%
Consumer Confidence	11/29/16	NOV	101.5	107.1	100.8 (R)
ISM Manufacturing	12/01/16	NOV	52.5	53.2	51.9
Change in Nonfarm Payrolls	12/02/16		180K	--	161K
Unemployment Rate	12/02/16	NOV	4.9%	--	4.9%

Source: Bloomberg Finance L.P. 12/1/16

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