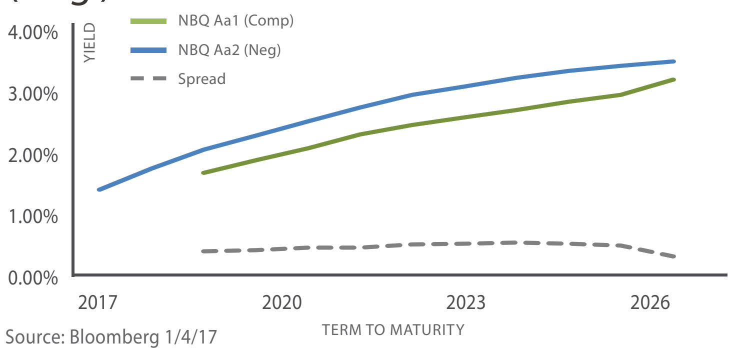
PMA SECURITIES

PUBLIC FINANCE MARKET UPDATE

Prepared by PMA Securities, Inc.

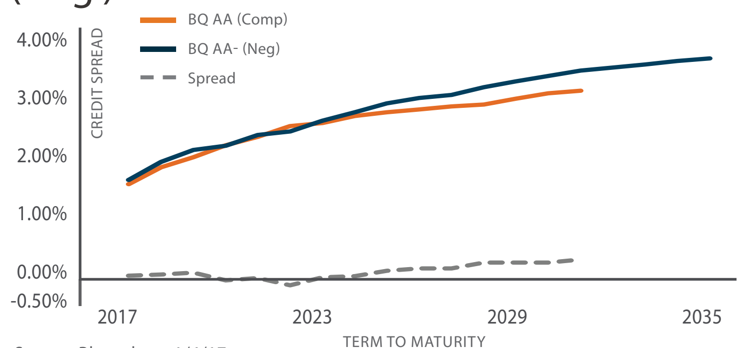
JANUARY 2017

NBQ Comp. vs Neg.: Aa1 (Comp.) vs. Aa2 (Neg.)



Source: Bloomberg 1/4/17

BQ Comp. vs Neg.: AA (Comp.) vs. AA- (Neg.)



Source: Bloomberg 1/4/17

PUBLIC FINANCE TRENDS

Competitive vs. Negotiated Sale Method

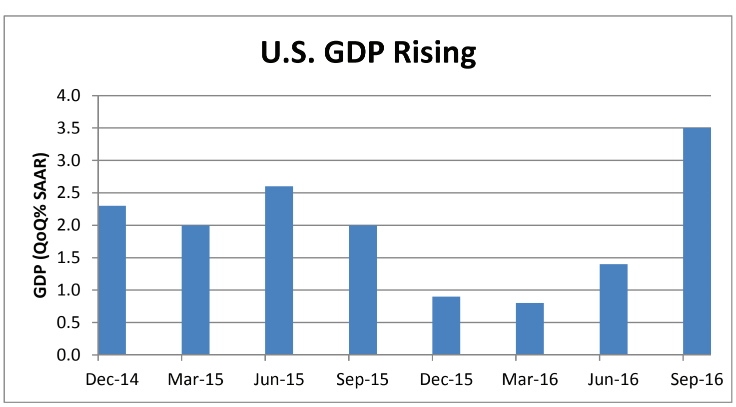
This month, we analyze the impact of a competitive (comp) sale versus a negotiated (neg) sale in both the NBQ and BQ markets. In both markets we compare a higher-rated competitive transaction with a lower-rated negotiated transaction. We anticipated the competitive bond issue for both markets would be sold at lower yields, which is the case as illustrated in the above graphs. However, the degree to which the competitive sales outperformed the negotiated sales is noteworthy. In Graph 1, we see the competitive sale sold between 30-50 basis points (bps) lower than the negotiated sale in the NBQ market. In Graph 2, this difference is 34 bps at most for the BQ market. Some of this difference should be due to the higher credit rating, but the impact of the method of sale should not be discounted.

FEATURED ECONOMIC INDICATOR

GDP Revised Up for 3rd Quarter 2016

Real gross domestic product increased at an annual rate of 3.5 percent in the third quarter of 2016, according to the "third" estimate released by the Bureau of Economic Analysis. Growth was revised up from 3.2% due to higher business investment, personal consumption, and government spending. While the higher growth is viewed positively, many economists expect the third quarter reading to be an outlier for the year due in part to unusually strong exports. Positively, consumer spending was revised up to a healthy 3% annual rate from an earlier estimate of 2.8%. Looking ahead, the consumer continues to look strong as Consumer Confidence increased to 113.7 in December from 109.4 in November.

Source: www.bea.gov, Wall Street Journal



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. 1/4/17

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