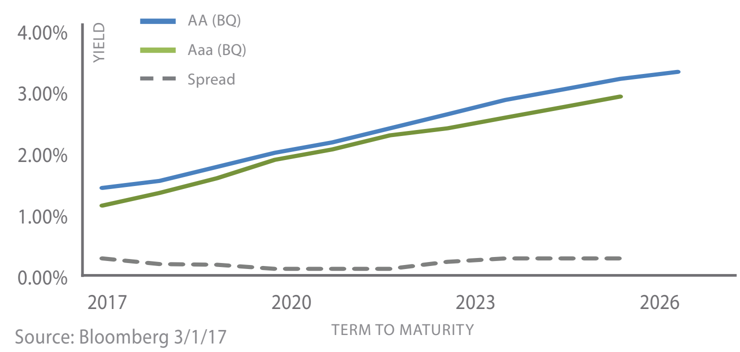
PUBLIC FINANCE MARKET UPDATE

Prepared by PMA Securities, Inc.

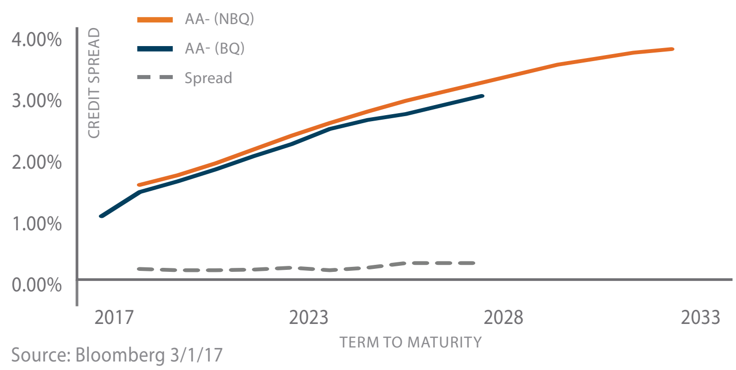
MARCH 2017

Credit Spread Differential



Source: Bloomberg 3/1/17

Bank-Qualification Benefit



Source: Bloomberg 3/1/17

PUBLIC FINANCE TRENDS

Normalizing Trends

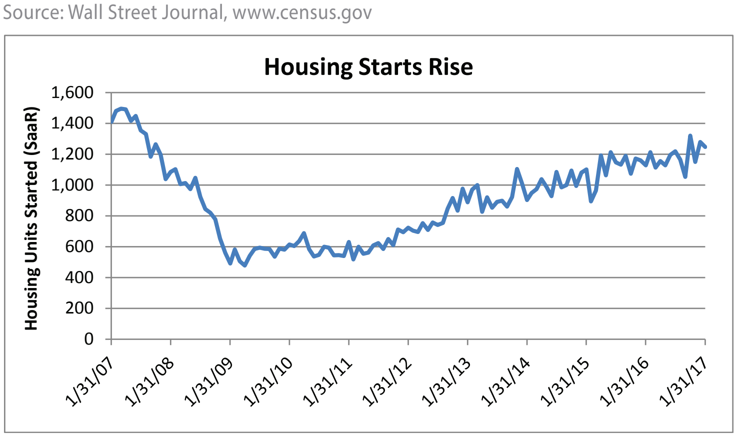
This month's analysis suggests that trends in the municipal market may be normalizing. Graph 1 above shows that credit sreads between an Aaa rated credit and an AA rated credit are what one might expect. The two bond issues have a 9-yr and 10-yr final term, respectively, and credit spreads range from 10-25 bps. Graph 2 above right indicates that for credits with a rating of AA-, the benefit of bank-qualified bonds ranges from 10-22 bps. While a stable market provides favorable conditions for issuers to enter the primary market, it will be interesting to see what March brings. Early indications suggest that investors are bullish on the equity market, in general, perhaps due to the President's apparent business-friendly policies. This could mean a sell-off (higher interest rates) in the municipal bond market, but only time will tell.

FEATURED ECONOMIC INDICATOR

Improving Housing Conditions

Single family housing starts were up 6.2% year-over-year in January and continued a positive trend after reaching a cycle-high in October. Meanwhile, multi-family construction is at its highest level in decades. Stronger housing starts point to better residential growth in the 1st quarter. Housing is seeing broad signs of improvement. An estimated 561,000 new homes were sold in 2016, up 12% from a year earlier. Builders say a return of younger buyers to the market is supporting sales growth. New home sales are also up. Factors to watch are low inventory, mortgage rates and home affordability.

Source: Wall Street Journal, www.census.gov



Source: Bloomberg

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Consumer Price Index (YoY)	02/15/17	JAN	2.4%	2.5%	2.1%
Retail Sales Ex. Auto (MoM)	02/15/17	JAN	0.4%	0.8%	0.4% (R)
Existing Home Sales	02/22/17	JAN	5.55m	5.69m	5.51m (R)
Cap Goods Orders Non-Def, Ex Air (MoM)	02/27/17	JAN	0.5%	-0.4%	1.1% (R)
Consumer Confidence	02/28/17	FEB	111.0	114.8	111.6 (R)
PCE Core (YoY)	03/01/17	JAN	1.7%	1.7%	1.7%
ISM Manufacturing	03/01/17	FEB	56.2	57.7	56.0
Change in Nonfarm Payrolls	03/10/17	FEB	174K	--	227K
Unemployment Rate	03/10/17	FEB	4.7%	--	4.8%

Source: Bloomberg Finance L.P. 3/1/17

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