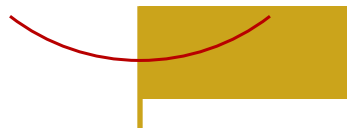




Muni Market Update



Market Update

The Building American Jobs Act of 2011 (H.R. 992), introduced by Democrats of the House Ways and Means Committee this past Thursday, would reinstate Build America Bond ("BAB") program with the following provisions:

- ◆ Federal subsidy rates of 32% in 2011 and 31% in 2012;
- ◆ Used to current refund previously issued BABs; and,
- ◆ Used to finance levees and other flood-control projects.

In addition to BABs, the bill would also:

- ◆ Reinstate the higher small issuer limit for bank-qualified bonds, back up to \$30 million from \$10 million;
- ◆ Exempt all tax-exempt bonds from the alternative minimum tax in 2011;
- ◆ Exempt water and sewer bonds from the private-activity bond cap.
- ◆ Continue issuance of recovery zone bonds through 2011 with issuers receiving an additional allocation;

- ◆ Provide a \$10 billion allocation for recovery zone economic development bonds;
- ◆ Allocate \$15 billion for recovery zone facility bonds;
- ◆ Permit Federal Home Loan Banks to guarantee tax-exempt bonds in 2011;
- ◆ Extend the ability of states to receive a portion of their low-income housing tax credit allocation as a direct payment through 2011;
- ◆ Create a new markets tax credit could be claimed against the AMT with respect to qualified investments made between March 15, 2010 and Jan. 1, 2012.

The California's attorney general office is continuing its interest in school districts' common practice of paying for issuance costs using original issue premium, as communicated in a March 1st letter signed by Constance - LeLouis, supervising deputy attorney general, on behalf of state Attorney General Kamala -Harris. The letter states, "As we

understand it, the School District is offering to sell otherwise authorized bonds at a premium in exchange for additional upfront cash. This cash would then be used to pay the costs of bond issuance and interim financing. It is our Office's view that this proposed use of premium for costs of issuance as described in the complaint is not authorized by the law. The law is clear that any premium, even if legitimate, must be deposited into a special fund, applied to pay debt service, and therefore cannot be diverted to pay costs of issuance. See Gov. Code, § 29303; Ed. Code, § 15146, subd. (f). Further, the practice of artificially inflating the interest rate to generate premium for unauthorized uses translates into additional bond proceeds over and above what the voters authorized. Thus, by diverting premium to unauthorized uses and by artificially inflating interest rates to generate premium, the School District is not act-

[\(Continued on page 4.\)](#)

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Visible Supply

30-Day

Negotiated:	\$4.638B
Competitive:	\$1.256B
Total:	\$5.895B
w/o Mar 13, 2011	
Tax Exempt:	\$1.865B
Taxable:	\$0.187B
Total:	\$2.052B

The 30-day visible supply is calculated by The Bond Buyer and reflects the total dollar volume of bonds to be offered at competitive bidding and through negotiation over the next 30 days.

Source: Thomson Reuters.

Economic Calendar



Archives

Searching for a previous article? View archived issues of the Muni Market Update [here](#).

New Issue Calendar

E.D.T.	Amount	Ratings	Issuer	State	Structure
Monday, March 14					
11:15AM	10,000M	NR/AA-	Central York Sch Dist	PA	2011-2016 BQ
Tuesday, March 15					
10:30AM	28,570M	A1/A-	C/O New Haven	CT	2012-2031
11:00AM	4,120M	NR/AA	T/O Brunswick	ME	2011-2020 BQ
11:00AM	71,250M	UR/UR	C/O Minneapolis GO TAX-ABLE	MN	2018-2020
11:00AM	33,800M	UR/UR	C/O Minneapolis GO	MN	2011-2017
11:00AM	116,800M	Aaa/AAA	Wake Co	NC	2012-2030
11:15AM	9,200M	Aa3/NR	Waynesboro ASD	PA	2011-2026
11:30AM	12,000M	NR/UR	T/O New Fairfield	CT	2013-2030
12:00PM	23,340M	Aaa/AAA	Colorado Wtr & Pwr Dev Auth	CO	2012-2032
Wednesday, March 16					
	181,525M	NR/AA+	C/O Boston	MA	
10:30AM			86,355M - Series A		2012-2031
10:45AM			38,900M - Series B		2012-2027
11:00AM			41,625M - Series C - TAXABLE (QSCB)		2017-2026
11:15AM			14,645M - Series D		2013-2016
11:00AM	4,950M	Aa3/NR	T/O Coventry	CT	2012-2031 BQ
11:30AM	5,000M	Aaa/NR	T/O Simsbury	CT	2012-2021 BQ
Thursday, March 17					
11:00AM	9,030M	UR/UR	Hopkins Co Sch Dist Series 2011A	KY	?
11:00AM	9,580M	UR/UR	Hopkins Co Sch Dist Series 2011B	KY	?
12:00PM	16,575M	UR/UR	Burnsville-Egan-Savage ISD #191	MN	2018-2030

Click [here](#) for calendar updates.

The Navigator

- [Subscribe](#) to Rockfleet's complimentary tool to assist you in analyzing secondary transactions in fixed rate tax-exempt and taxable municipal securities on a daily basis:

 - ◆ Reviewing relative credit spreads to MMD and performing rich/cheap analyses;
- ◆ Examining how particular coupon structures are trading across the yield curve;
 - ◆ Assessing where on the yield curve the most and, for certain analyses the least, activity/sales volume is taking place;
 - ◆ Monitoring trades in-
- volving bonds priced to a call to assess the value assigned to a given structure (coupon, maturity, call); and,

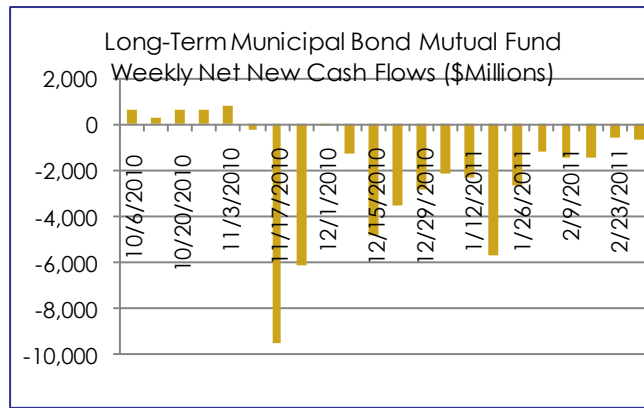
 - ◆ Evaluating across the yield curve where highly rated tax-exempt bonds are trading versus Treasuries.

Mutual Funds and Money Markets

Long-Term Mutual Fund Flows

Total estimated inflows to long-term mutual funds were \$3.22 billion for the week ended Wednesday, March 2, the Investment Company Institute reported.

Municipal bond funds had estimated outflows of \$711 million.



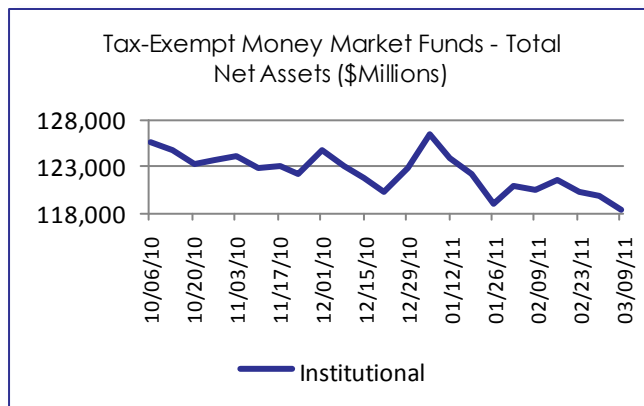
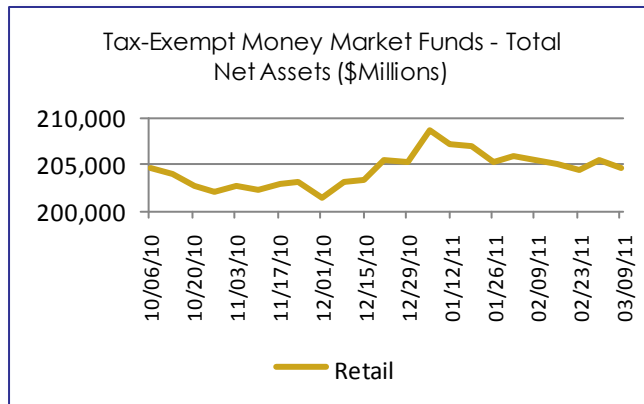
Money Market Mutual Fund Assets

Total money market mutual fund assets decreased by \$1.40 billion to \$2.750 trillion for the week ended Wednesday, March 9, the Investment Company Institute reported.

Tax-exempt funds decreased by \$2.23 billion.

Assets of retail money tax-exempt market funds decreased by \$810 million to \$204.69 billion.

Institutional tax-exempt fund assets decreased by \$1.42 billion to \$118.43 billion. ♣



Source: Investment Company Institute. www.ici.org

Events

[Information Management Network's 9th Annual California Municipal Finance Conference](#) | March 14 – 15, 2011 | Huntington Beach, CA

[Information Management Network's 3rd Annual Distress Investment Summit](#) | March 14 – 15, 2011 | Huntington Beach, CA

[Information Management Network's 16th Annual Public Funds Summit](#) | March 14 – 15, 2011 | Huntington Beach, CA

[Women Advisors Forum](#) | March 15, 2011 | Miami, FL

[SIFMA/ICI Municipal Bonds: Myth vs. Reality: What's Really Happening in the World of Municipal Bonds?](#) | March 17, 2011 | New York, NY

[IAWatch's 13th Annual IA Compliance Best Practices Summit 2011](#) | March 21 – 22, 2011 | Washington, DC

[Smith's Research & Grading's Affordable Housing Finance Conference](#) | March 24 – 25, 2011 | Fort Lauderdale, FL

[Texas City Management Association William "King" Cole Session II](#) | March 24 – 25, 2011 | League City, TX

[The Bond Buyer's Southeast Public Finance Conference](#) | March 30, 2011 | Miami, FL

[SIFMA Annual Private Client Group Conference](#) | April 7 – 8, 2011 | New York, NY

[More events...](#)

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Market Update (cont'd)

ing consistent with statutory law, and is also incurring debt beyond what the voters authorized in violation of the California Constitution."

Rick Ketchum, chairman and chief executive officer of the Financial Industry Regulatory Authority ("FINRA"), stated at a recent conference that FINRA will continue taking enforcement action to deter excessive entertainment of issuers and their family members and friends, sometimes paid with bond proceeds, and also of rating agency employees in attempts to influencing bond ratings.

Tax exempts were mostly unchanged last week as the primary market was the main focus. Although volume remained sparse, it was the highest weekly volume since late December of last year. Ten, twenty and thirty year MMD AAA yields were 3.00%, 4.30%, and 4.78%

respectively, to start the week. At week's end, these levels were unchanged in a thinly traded secondary and light primary market.

Last week saw very light secondary activity as the market focused on high grade deals, namely \$378,480M Maryland, GO and \$355,130M Georgia Road & Tollway Authority. Rockfleet was part of the winning syndicate on the Georgia deal. Yields on 5.00% coupons for institutional investors on both deals were priced on or slightly through the MMD AAA scale. Retail coupons were priced over the AAA scale. Overall, both competitive deals were priced at levels expected by the market.

Lack of supply continues to be the theme. This week's supply will be even lower than last week's. Expected supply

for this week is approximately @2.05 billion. The feeling on the street is the long end of the tax exempt market wants to cheapen as dealers are sitting on inventory with a lackluster bid side. Light supply and low trading volume is keeping tax exempt yields relatively low. Any substantial increase in supply could send long term municipal yields higher without any significant buyers.

The majority of tax exempt issuance this year has been issues with a Aa rating or better. Issues coming to market rated below Aa are far fewer than this time last year. This lack of issuance has helped contribute to the current low supply environment. It will be interesting to see what the new price discovery will be if and when these credits do enter the market. ♣