GAIN INSIGHT ON HOW TO NAVIGATE THE COMPLEX MUNICIPAL BOND MARKET

ABOUT US

Municipal Market Advisors is a leading independent strategy, research and consulting firm in the municipal bond industry. MMA's subscription services provide *clarity* and *insight* into the complex world of municipal bond investing. Our independence facilitates objective analysis and distinctive views of the issues confronting investors so informed investment decisions can be made.

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- MMA's subscription services provide timely independent unbiased market coverage delivered intraday, daily and weekly via internet, email, Bloomberg and PDA.
- Cost effective solution to monitoring and understanding "The Market".
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For Full Muni Outlook and additional information on how our advisory or subscription services can add value to your portfolio, please contact Steve McLaughlin at 973-701-1111 or log on to www.mma-research.com and sign on for a free trial.

MARKET SUMMARY

MARCH MUNICIPAL PERFORMANCE CONSISTENT WITH PAST

MMA's municipal price index lost more than -2% in March, the weakest performance in March since 2002. The rise in yields was accompanied by similar weakness in the broader interest rate market as US and global economic conditions improved (defined by rising equity indices and constructive comments from Federal Reserve officials) and a predominantly negative municipal price trend as defined by MMA's index. The municipal price trend returned to a positive condition on March 21, but at month-end the momentum was static ahead of the adverse seasonal period of early April. The swift shift in the municipal price trend reflected an above average market volatility. Such forceful movements not only inhibit individual investors' activity in the market, but also raise havoc to risk management strategies for liquidity providers, i.e. dealers. March's weakness followed an uncharacteristically poor February. The two months combined for the strongest correction since Meredith Whitney's "campaign of fear" was placed in its proper context in January 2011, Figure 1. As a result, for the first time in 30 weeks, municipal bond funds posted a weekly outflow, as investors began to fear a prolonged trend to higher yields and were attracted to the positive returns found in stocks. The S&P 500 has posted a YTD gain of 12% and rose above 1400 for the first time since June 2008. Municipal issuance in March, \$34.5B, was higher than February by 44.7%. 1Q municipal issuance was \$78B, and the 12-month total was \$322B. Compared to 1Q09, 1Q12's total was -15% less (excluding BAB's). The comparison is notable, as it was in 1Q09 that corporate issuance established a record \$1.16T, that was nearly attained in 2012. The resumption of near record corporate issuance further fanned concerns that "smart corporate treasurers" were taking advantage of a fleeting low rate opportunity. Also, corporate debt was touted as offering more performance potential for investors than other fixed-income. Municipal issuers relative restraint highlighted the political and fiscal impediments to fund infrastructure needs. Improved US economic conditions could also affect banks' key role as an institutional demand component for tax-exempt debt. In 2011, bank holdings of municipal bonds surged 17% outpacing all sectors

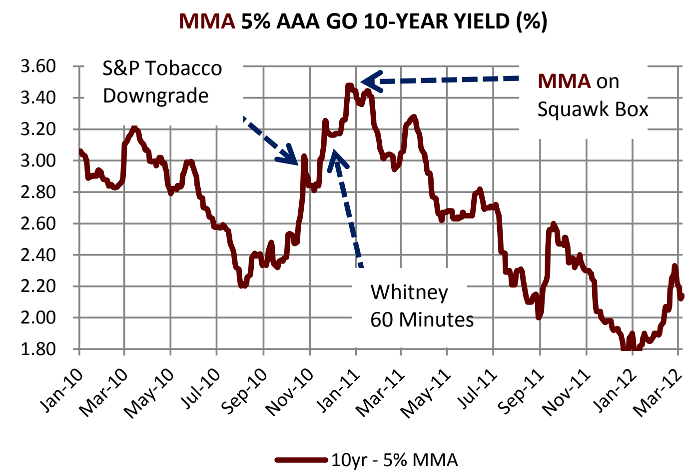

Figure 1: Municipal's 10-year yield made its sharpest corrective movement since Meredith Whitney's "campaign of fear" was put in the correct context.

Ownership of Muni Bonds by Investor Segment									
Investor Segment	$ Outstanding ($Bn)						Change		
	4q10		3q11		4q11		$ Qtr	% Qtr	% Ann
Households	1,958	52%	1902	51%	1879	50%	(23)	-1%	-4%
Money Funds	334	9%	292	8%	297	8%	5	2%	-11%
Mutual Funds	534	14%	535	14%	551	15%	17	3%	3%
Closed End Fds	81	2%	80	2%	82	2%	2	3%	1%
Non-Fin. Cos.	21	1%	20	1%	19	1%	(1)	-3%	-8%
Banks	**257**	**7%**	**287**	**8%**	**301**	**8%**	**14**	**5%**	**17%**
Broker Dealers	40	1%	37	1%	32	1%	(5)	-14%	-21%
Prop/Cas. Ins.	348	9%	350	9%	347	9%	(3)	-1%	0%
Life Insurers	112	3%	118	3%	119	3%	1	1%	6%
GSEs and Gov'ts	25	1%	22	1%	21	1%	(1)	-3%	-14%
Foreign Buyers	72	2%	80	2%	83	2%	3	4%	15%
Total	3,796	100%	3,734	100%	3,743	100%	10	0%	-1%

Figure 2: Bank's increased presence in municipals drew greater media attention in March, both from increased portfolio investment and direct lending.

MUNI OUTLOOK FOR MARCH 2012

tracked by the Federal Reserve, Figure 2. In March, bank portfolios remained a presence, however, improved loan demand from consumers could slow future interest as well as improved access to equity capital. It was in the 1980's that tax law changes prompted bank liquidations of their portfolios accumulated in the 1970's. Municipal performance in March was led by the high-yield sector where higher yields and perceived greater price stability contributed to further gains. As measured by ETF's, high-yield municipals have gained more than 6% in 2012. Despite high-yield's performance, credit headlines were ever present and Puerto Rico's significant March bond sales drew attention to the territory's fiscal challenges and pension funding stress. Elsewhere, Detroit, MI's and Stockton, CA's exploration of bankruptcy emphasized the increased attention of issuers' willingness, or lack thereof, to protect bondholders. Finally, Jefferson Co. AL announced its intention to default on its April 2 $15M municipal bond coupon payment.

Date	Major Loans	10-Year Yields	
of Pricing	Issue/Ratings	T-E	T/E @ 35%
02/29/12	MMA 5% AAA Mean	1.90	2.92
03/07/12	NY MTA A2/A/A	2.79	4.29
03/09/12	IL GO A2/A+/A	3.62	5.57
03/20/12	OH GO Aa1/AA+/AA+	2.68	4.12
	NYC GO Aa2/AA/AA	2.72	4.18
	WI Trans GO Aa2/AA+/AA+	2.73	4.20
03/21/12	OR GO Aa1/AA+/AA+	2.58	3.97
03/28/12	WI GO Aa2/AA/AA	2.36	3.63
	FL PECO Aa1/AAA/AAA	2.44	3.75
03/30/12	MMA 5% AAA Mean	2.14	3.29

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