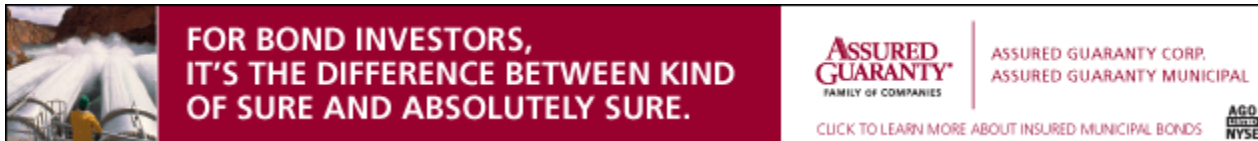


Municipal Market Advisors

3:30p, September 30, 2010

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*Municipal bonds declined modestly today as this week's new-issues continue to weigh on the market however light secondary activity this afternoon likely mitigated further losses:

*"There seems to be some position squaring heading into quarter-end," a trader said. "With a fair amount of supply this week dealers appear to be trying to clean up balances. We see the market off by 1- to 3-basis points with the intermediate sector perhaps a little weaker. Trading activity has really died down this afternoon though."

*High-grades were cheaper by 1- to 4-basis points today, traders said.

*"We are deep into a bullish run in our market and clearly a lot of people think we are at the tail-end of it," a trader said. "The fact that we are right up on quarter-end is likely to keep trading on the quiet side and that will make for few changes that perhaps we should be seeing. I think we will see the market start to move faster come next week and dealers should start to unload these balances. We still do have money on the sidelines though so I don't think we see a huge correction like we had last October."

*In the secondary markets this afternoon:

*Through 2:45 pm we noted zero block trades today on **New York State Urban Development Corp.** or **North Carolina** GOs.

*Block trades on **Dallas Area Rapid Transit** BABs in 2041 with a make-whole call are still slightly tighter than the original spread set earlier this week:

Date	Yield	30-YR UST	Spread
9/30	4.93	3.75	+118
9/29	4.90-4.83	3.68	+122/+115
Orig	4.92	3.72	+120

***Illinois** GO Build America Bonds in 2035 with a make-whole call traded various times in block sizes at considerably tighter spreads than they traded mid-month:

Date	Yield	30-Year UST	Spread
9/30	6.74%	3.72%	+302
9/14	7.02%	3.81%	+321

8/18	6.96%- 6.93%	3.71%	+325/+322
7/29	7.10%	4.10%	+300
Original	7.35%	4.10%	+325

*In the primary markets today:

*The **Dormitory Authority of the State of New York** priced for retail investors \$610 million personal income tax revenue bonds. Details are below along with a historical comparison.

***New Jersey** re-priced \$604 million general obligation bonds in 2 series today with additional cuts. Compared to yesterday's retail scale, bonds were cut across the board between 8- and 17-basis points. Details are below. The account is closed.

*"Everyone is quick to point out that this deal came wider than where it did last time and it saw these huge cuts," a trader said. "However it is important to point out that the Jersey credit has had a lot of negative news since the last issue and this time it is a larger deal to digest. I'm not sure that the spreads are really wider to the type of credit it is, instead it I just wider than the last time it printed."

*The **Salt River Project Agricultural Improvement and Power District** priced \$216 million tax-exempt river project revenue bonds today. Compared to yesterday's retail scale, bonds were cut 4- to 8-basis points 10-years and out. Details are below along with a historical comparison. The account is now closed.

*Government bonds were little changed past 3:00 pm today after selling off this morning. The Federal Reserve purchased \$2.2 billion Treasury securities maturing from 2021 to 2040. Major U.S. equity indexes were down slightly after experiencing a good amount of volatility early on.

*After the close of stock futures, two-year notes yielded 0.42%, versus 0.43% yesterday, 10-year notes traded at 2.51%, after an intra-day high of 2.60% and an intra-day low of 2.47%, while 30-year bonds yielded 3.69%, after an intra-day high of 3.77% and an intra-day low of 3.65%.

*On the economic front:

- Initial jobless claims drop below expectations: 9/25: 453,000 vs. 9/18: 469,000 (forecast: 460,000)
- Continuing claims below forecast but still higher: 9/18: 4.457 million vs. 9/11: 4.450 million (forecast: 4.473 million)
- Annualized Gross Domestic Product rises a tick: 2nd quarter: +1.7% vs. 1st quarter: +1.6% (forecast: +1.6%)
- Personal Consumption increases above forecast: 2nd quarter: +2.2% vs. 1st quarter: +2.0% (forecast: +2.0%)

*Quoted bid-side BMA swap rates/PCT of Libor, 2/10/30-years: 0.52% (+1bp/86.75%); 2.17% (+2bps/84.87%); 3.00% (+3bps/90.50%).

*Quoted Libor rates, 2/10/30-years: 0.60% (Unch); 2.56% (+2bps); 3.33% (+5bps).

*MSRB block trades, courtesy TheMuniCenter:

*Georgia GO 5 7/1/12 0.53% (-3 Consensus)

*Utah GO 5 7/1/14 0.94% (-7) Last Fri: 0.86% Orig: 0.86%

*Charlotte NC 5 8/1/16 1.52% (-13)

*FBE PECO 5 1/1/21 C20 2.84% (+8)

*Lynchburg Va Pub Impt 5 12/1/24 C20 3.00% (-15) Orig 2.95%

*In the primary markets, **M.R. Beal & Co.** priced for retail investors \$610 million personal income tax revenue bonds for the **Dormitory Authority of the State of New York**; NR/AAA/AA; callable at par in 2/15/2020:

Maturity	Coupon	Yield	+/- Consensus
2/2011	NRO	NRO	
2012	2.00	0.55	-1
2012	5.00	0.55	-1
2015	2.50	1.37	+2
2015	5.00	1.37	+2
2020	4.00	2.67	+5
2020	5.00	2.67	+5
2025	NRO	NRO	
2025pc	4.00	3.20	-6
2030	NRO	NRO	
2030pc	4.00	3.63	-3
2035	NRO	NRO	
2035pc	5.00	3.91	-11
2040	NRO	NRO	

*In review of the last time this credit was issued, on September 15th, 2010, **Goldman, Sachs & Co.** priced and re-priced \$463 million personal income tax revenue bonds for the **New York State Thruway Authority**; NR/AAA/AA; callable at par in 9/15/2020:

Maturity	Coupon	Yield	+/- Consensus	Re-pricing
3/2011	NRO	NRO		
2012	2.00	0.53	-4	-2
2012	5.00	0.53	-4	-2
2015	4.00	1.38	+2	
2015	5.00	1.38	+2	
2020	4.00	2.68	-1	-1
2020	5.00	2.68	-1	-1
2025	3.125	3.24	-5	
2025pc	5.00	3.24	-5	
2030	3.625	3.68	-2	-2
2030pc	5.00	3.68	-2	-2

***Morgan Stanley & Co. Inc.** priced \$604 million general obligation bonds for **New Jersey** in 2 series; Aa2/AA/AA; callable at par in 8/15/2020; the 're-pricing' column reflects changes from yesterday's retail scale:

Maturity	Coupon	Yield	+/- Consensus	Re-pricing
8/2013	2.00	1.05	+25	+8
2013	4.00	1.05	+25	+8
2013	5.00	1.05	+25	+8
2015	2.50	1.70	+37	+16
2015	5.00	1.70	+37	+16
2020	3.25	2.94	+34	+17
2020	4.00	2.94	+34	+17
2020	5.00	2.94	+34	+17
2021pc	3.25	3.09	+35	+17
2021pc	5.00	3.09	+35	+17

*Morgan Stanley & Co. Inc. priced \$216 million tax-exempt river project revenue bonds for the **Salt River Project Agricultural Improvement and Power District**; Aa1/AA/NR; callable at par in 12/1/2020; the 're-pricing' column reflects changes from yesterday's retail scale:

Maturity	Coupon	Yield	+/- Consensus	Re-pricing
12/2014	4.00	0.99	0	
2020	2.50	2.65	+5	+8
2020	5.00	2.65	+5	+8
2025	3.00	3.19	+17	+6
2025pc	5.00	3.19	+17	+6
2027pc	5.00	3.34	-7	+4

*In review, on September 29th, 2009, the **Salt River Project Agricultural Improvement and Power District, Ariz.** sold \$325 million electric revenue bonds to **JPMorgan Securities Inc.**; Aa1/AA/NR; callable at par in 1/1/2019:

Maturity	Coupon	Yield	+/- Consensus
2013	3.00	1.28	-45
2014	3.00	1.60	-31
2018	4.00	2.65	-15
2019	4.50	NRO	
2020pc	4.00	2.88	-33

*Weekly reporting municipal bonds fund net cash inflows +\$619 million during week ended Wed. September 22 – Investment Co. Institute

*Looking ahead to new issuance, **The Bond Buyer's** 30-day visible supply totaled \$14.771 billion, a decrease of \$1.256 billion. It is comprised of \$11.179 billion of negotiated sales and \$3.591 billion of competitive sales.

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