

	Current Wk	Prior Wk
<b>Weekly Municipal Supply</b> (\$ Bln)		
Negotiated	\$2.57	\$3.58
Competitive	\$1.36	\$0.74
<b>TOTAL</b>	<b>\$3.93</b>	<b>\$4.32</b>

<b>Municipal 30 Day Visible Supply</b> (\$ Bln)	<b>\$7.12</b>	<b>\$9.12</b>
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<b>Bloomberg Municipal PICK Offerings Par</b> (\$ Bln)	<b>\$9.86</b>	<b>\$9.85</b>
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<b>Municipal Placement Ratio</b> (New Issues)	<b>97.40%</b>	<b>79.90%</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.68%</b>	<b>3.60%</b>
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Treasury Supply	Current Auction	Prior Auction
Day	Maturity	Amount (\$ Bln)
No UST Supply for the Week of 1/30		
<b>TOTAL</b>	<b>o</b>	<b>o</b>

Select Economic Releases				
Date	Event	Period	Survey	Prior
1/30	Personal Income	DEC	0.40%	0.00
1/30	Personal Spending	DEC	0.10%	0.10%
1/30	PCE Deflator (YoY)	DEC	2.30%	2.50%
1/31	Consumer Confidence	JAN	68.0	64.5
2/1	MBA Mortgage Applications	27-Jan	-	-5.00%
2/1	ADP Employment Change	JAN	183K	325K
2/1	ISM Manufacturing	JAN	54.5	53.9
2/2	Initial Jobless Claims	28-Jan	370K	377K
2/2	Continuing Claims	21-Jan	3530K	3554K
2/3	Change in Nonfarm Payrolls	JAN	150K	200K
2/3	Unemployment Rate	JAN	8.50%	8.50%
2/3	ISM Non-Manf. Composite	JAN	53.20	52.60
2/3	Factory Orders	DEC	1.50%	1.80%

## Trading Desk Commentary

In its statement last Wednesday, the Federal Open Market Committee extended the proposed horizon of its near-zero target interest rate by 18 months, stating that the slow growth in employment, real estate prices and production warrants the extremely accommodative stance for at least the next three years. Additionally, the Fed re-acknowledged that the severity of the European debt crisis and the recent volatility in global financial markets continue to pose serious downside risks to the U.S. recovery. The Fed's renewed commitment to a long-term easy money policy (and mention of potentially restarting an asset purchasing program) gave some degree of comfort for equity investors (enough for a roughly 80pt rally in the Dow Wednesday), but was soon tempered Friday by a near-miss in the U.S. Q4 '11 GDP (2.8% vs. 3.0% expected). The underwhelming economic releases late last week (New Home Sales and Leading Indicators both missed forecasts as well) and the bullish outlook for U.S. debt created by the Fed's rate-suppression plan was a strong positive for UST's and Munis. The UST 10-Year and the MMD AAA 10-Year spots rallied 16bps and 10bps, respectively, over the week – driving yields closer to or through previous all-time lows in yields.

UST's exuberance late in the week dragged Munis along with them. Furthermore, supply metrics in tax-exempts continue to support the strength in the tax-exempt sector. This week, dealers will only underwrite roughly \$4bln in new debt – not a large enough figure to satisfy much of the massive hunt for paper still prevailing in the market. The \$5-7bln expected to come to market over the next 30 days won't help much either. Muni investors are increasingly desperate to get cash invested. As a result, we are seeing credit spreads in lesser-rated names tighten significantly, especially in AA-to-BBB rated hospitals and power names, as buyers are willing to pay eye-popping prices just to get money to work and to seize any additional yield they can find.

The tone for this week will likely be dictated by the perceived comprehensiveness of the Greek debt accord expected to be released at some point over the next few days. Any delay or disappointment with an agreement's details could result in a volatile week. We will be watching closely as the more concrete information begins to emerge. Aside from news out of Europe, the lack of Muni supply and eighth straight week of inflows to Muni bond fund flows (Lipper) continue to suggest stability for tax-exempts heading in to the week.

Rates	Current	Yld	Prior	Muni to Treasury Ratio
	Wk	Change	Wk	
<b>Muni's</b>				
2 Year	0.35	0.00	0.35	167%
5 Year	0.74	-0.08	0.82	99%
10 Year	1.77	-0.06	1.83	94%
30 Year	3.23	-0.11	3.34	106%
<b>UST</b>				
2 Year	0.21	-0.04	0.25	
5 Year	0.75	-0.14	0.89	
10 Year	1.89	-0.14	2.03	
30 Year	3.05	-0.05	3.10	

## Explanation of Key Measures :

**Weekly Municipal Supply** - The total dollar volume of municipal securities expected to be offered during the upcoming week, broken down by deal type. This helps gauge near term supply and momentum along with the 30 day visible figure.

**30 Day Visible Supply** - The total dollar volume of municipal securities expected to be offered over the next 30 days. The visible supply, which is compiled and published by The Bond Buyer, indicates the near-term activity in the municipal market.

**Bloomberg PICK Offerings** - The total dollar amount of offerings listed on Bloomberg's dealer offerings system. The figure helps gauge secondary supply in the market.

**Placement Ratio** - The amount of bonds sold by underwriting syndicates each week as a percentage of the amount issued that week by issuers selling \$1,000,000 par value or more of securities. The ratio published by The Bond Buyer, helps gauge the demand for municipal bonds in the marketplace.

**Bond Buyer 20 G.O. Index** - Index published weekly representing the average yield of 20 G.O. bonds with 20 year maturities, rated AA2 by Moody's

**Sources:** Weekly municipal supply figures, and municipal rates are produced by Thompson Reuter (Municipal Market Data). 30 day visible figures, and the placement ratio are obtained through The Muni Center, and produced by The Bond Buyer. The 20 G.O. index yield is obtained through Bloomberg, and produced by The Bond Buyer. Pick offerings par value, UST supply, economic releases, and UST rates are obtained through Bloomberg Professional Service. Information obtained from these sources is believed to be reliable but is not guaranteed.

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