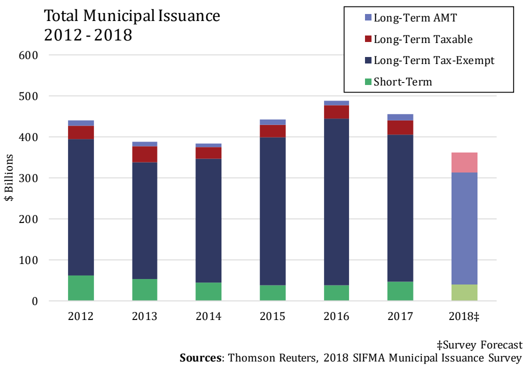
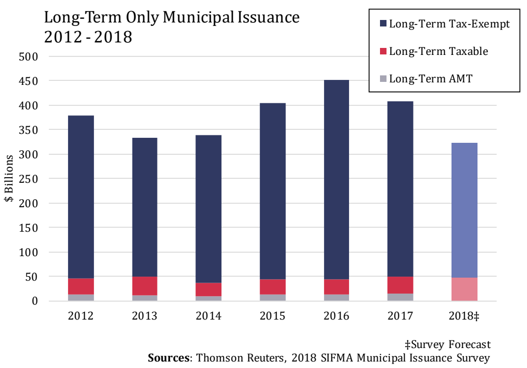
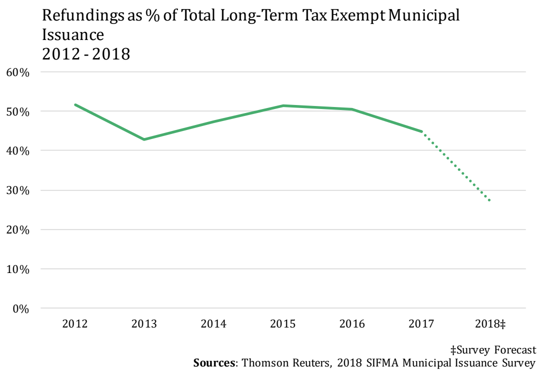






Issuance Forecast Highlights

MUNICIPAL ISSUANCE FORECAST			
$ Billions	2017‡	2018 (forecast)	% Change
Long-Term Issuance			
Tax-Exempt Municipal Issuance	358.8	275.0	-23.3%
Taxable Municipal Issuance	34.1	47.5	39.4%
AMT Municipal Issuance	15.0	0.0	-100.0%
Short-Term Issuance	46.7	40.0	-14.4%
Total	454.6	362.5	-20.3%
of which are Long-Term Municipal Bonds	407.8	322.5	-20.9%
Refunding as % of Long-Term Tax-Exempt Total	45%	27%	
Other Municipal Categories			
VRDO Issuance	4.3	5.0	17.1%
Direct Placements/Bank Loans	N/A	0.4	N/A
Floating Rate Note (FRN) Issuance	3.2	2.0	-37.8%

‡Data scaled to full year from data as of December 15, 2017

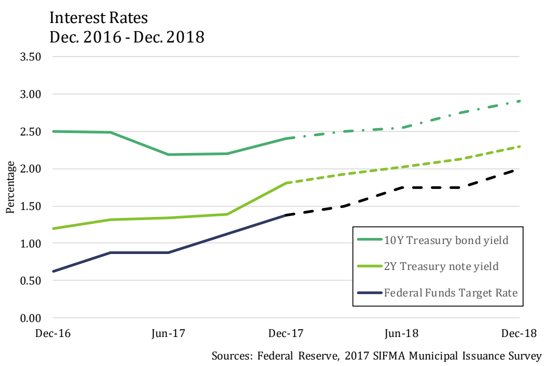
Respondents to the 2018 SIFMA Municipal Issuance Survey[1] expect total long-term municipal issuance to reach $322.5 billion in 2018, down from the $407.8 billion issuance in 2017.[2] Short-term issuance is expected to decline in 2018, with $40.0 billion in short-term notes expected to be financed compared to $46.7 billion in 2017. Including short-term issuance, total municipal issuance is expected to fall to $362.5 billion, down from $454.6 billion expected in 2017.

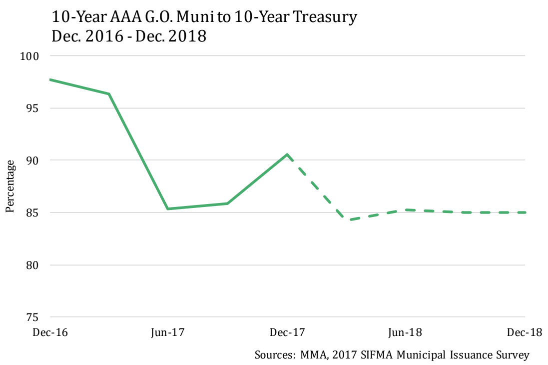
Respondents were polled as to events that would most likely have the greatest effect on the municipal market in 2018. Survey respondents almost unanimously considered the restrictions on private activity bonds and/or advance refundings to have the greatest effect, followed by fiscal pressures associated with underfunded pension programs and reductions in federal transfers to state and local governments. One respondent noted that the potential drop in corporate tax rates to also have an effect on the municipal market, while another respondent noted that the disclosures of direct loans would also have an effect.

Respondents project long-term tax-exempt municipal issuance to reach $275.0 billion in 2018, a startling drop of 23.3 percent from the $358.8 billion in expected issuance in 2017.[3] On the other hand, taxable municipal issuance is expected to rise by 39.4 percent to $47.5 billion in 2018 from $34.1 billion in 2017.[4] Given possible future restrictions on private activity bonds and possible changes to the individual Alternative Minimum Tax (AMT), AMT issuance is expected to vanish entirely in 2018, down from the $15.0 billion issued in 2017.[5]

The share of refundings of the total issuance is expected to decline in 2018, with 27.0 percent of long-term tax exempt issuance expected as refundings in 2018 compared to 45.0 percent in 2017.[6]

[1] The survey was conducted from November 15, 2017 to November 30, 2017. The forecasts discussed in the text and appearing in the accompanying data tables are the median values of all submissions of individual member firms, unless otherwise specified.
[2] Annual figures for 2017 do not include private placements; source: Thomson Reuters.
[3] Survey estimates for long-term tax-exempt municipal bonds ranged from $200 billion to $375 billion for 2018.
[4] Survey estimates for long-term taxable municipal bonds ranged from $35 billion to $75 billion for 2018.
[5] Survey estimates for long-term AMT municipal bonds ranged from $0 billion to $20 billion for 2018.
[6] Survey estimates for refundings as a percentage of long-term tax-exempt issuance ranged from 20 percent to 40 percent in 2018.





TOP ISSUING SECTORS FOR 2018	
1	General Purpose (50%), Education (50%)
2	General Purpose (50%), Education (33%), Utilities (12.5%)
3	Utilities (67%), Transportation (33%)
4	Public Facilities (50%), Transportation (33%), Utilities (12.5%)
5	Housing (50%), Public Facilities (12.5%), Transportation (12.5%), Education (12.5%)
6	Housing (50%), Public Facilities (33%), Transportation (12.5%)

Source: SIFMA 2018 Municipal Issuance Survey

Respondents were generally unanimous that general purpose and education would be the two largest sectors for 2018, followed by utilities and transportation. In prior years, the general purpose sector has traditionally been the largest issuing sector by gross amount.

Respondents expected approximately 50 issuers to default in 2018 for a par value of $2 billion, defined for the purpose of the survey as the occurrence of a missed interest or principal payment or a bankruptcy filing.[7]

Interest Rate Forecast Highlights

Following the FOMC raising the federal funds target rate to 1.25-1.50 percent in mid-December 2017, the federal funds rate is expected to rise from 1.38 percent in end-December 2017 to 2.00 percent by end-December 2018.[8] The two-year Treasury note yield is expected to rise from 1.80 percent end-December 2017 to 2.30 percent by end-December 2018.[9] The 10-year Treasury note yield is also expected to climb from 2.40 percent end-December 2017 to 2.90 percent end-December 2018. [10] The ratio of the yield on 10-year AAA G.O. municipal securities to the 10-year Treasury benchmark is expected be 90.5 percent at end-December 2017 before falling to 85.0 percent end-December 2018.[11]

[7] Survey estimate for the number of issuers to default ranged from 38 to 100 issuers. Par value estimated to be in default ranged from $1 billion to $12 billion.
[8] The range for the federal funds target rate was 1.38 percent to 1.50 percent in December 2017, 1.38 percent to 1.75 percent in March 2018, 1.63 percent to 1.88 percent in June 2017, 1.63 percent to 2.00 percent in September 2017, and 1.63 percent to 2.25 percent in December 2018.
[9] The range for the two-year Treasury note yield was 1.75 percent to 1.90 percent in December 2017, 1.90 percent to 2.05 percent in March 2018, 2.00 percent to 2.15 percent in June 2018, 2.05 percent to 2.25 percent in September 2018, and 2.13 percent to 2.50 percent in December 2018.
[10] The range for the 10-year Treasury yield was 2.30 percent to 2.45 percent in December 2017, 2.45 percent to 2.80 percent in March 2018, 2.42 percent to 2.85 percent for June 2018, 2.42 percent to 2.85 percent in September 2018, and 2.45 percent to 3.00 percent in December 2018.
[11] The range for the 10-year AAA G.O. muni yield as a percentage of the 10-Year Treasury bond yield was 85 percent to 95 percent in December 2017, 83 percent to 90 percent in March 2018, 80 percent to 90 percent in June 2018, 81.5 percent to 90 percent in September 2018, and 80 percent to 93 percent in December 2018.

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