

# GFOASC Fall Conference

Municipal Market and Credit Trends

October 2016



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# Municipal Market and Credit Trends

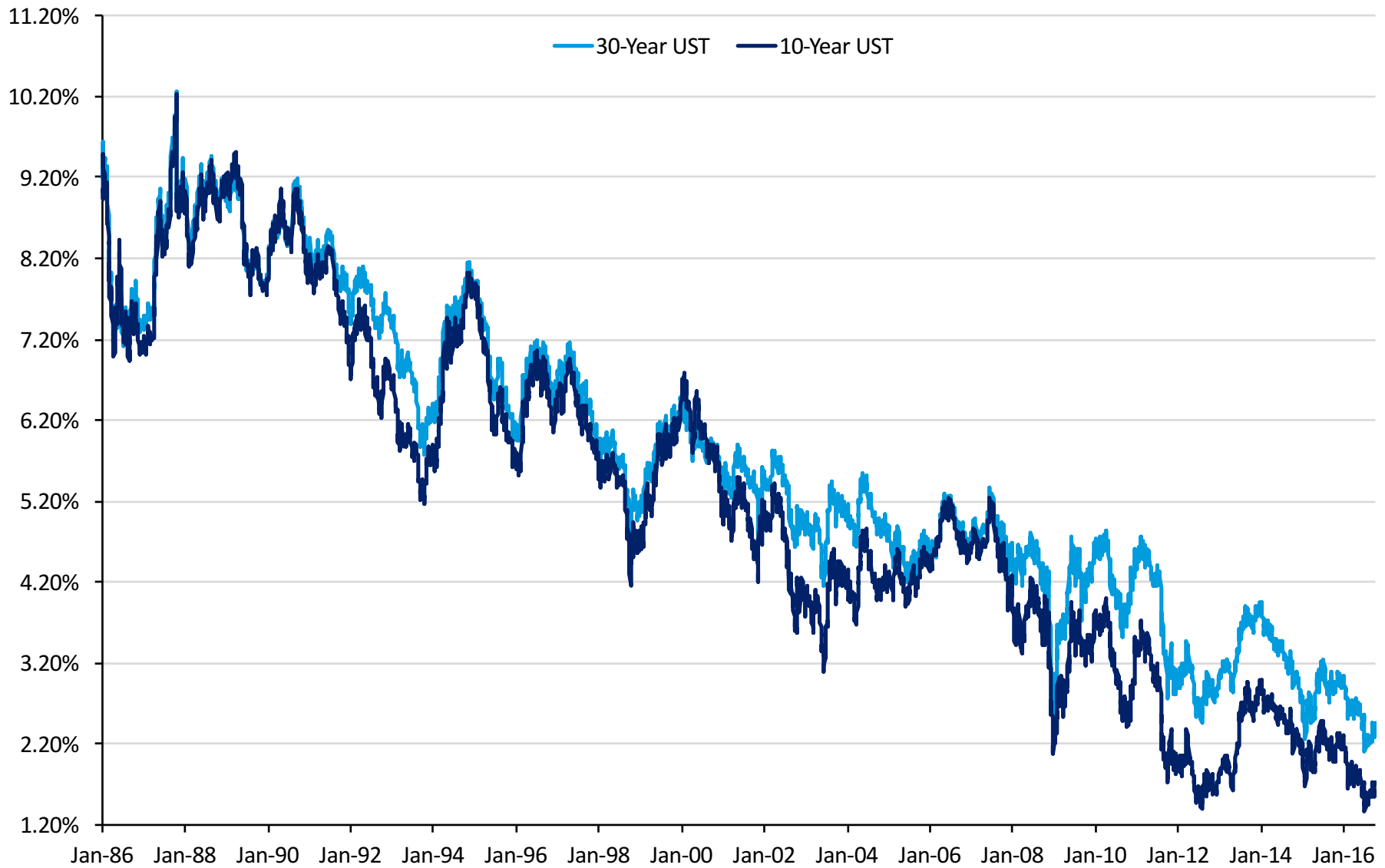
Today's Topics

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- Long Term View of the Market
- 2016 in the Markets
- Changes in the Regulatory Landscape
- Long-Term Interest Rate Outlook
- New Sources of Capital for Infrastructure

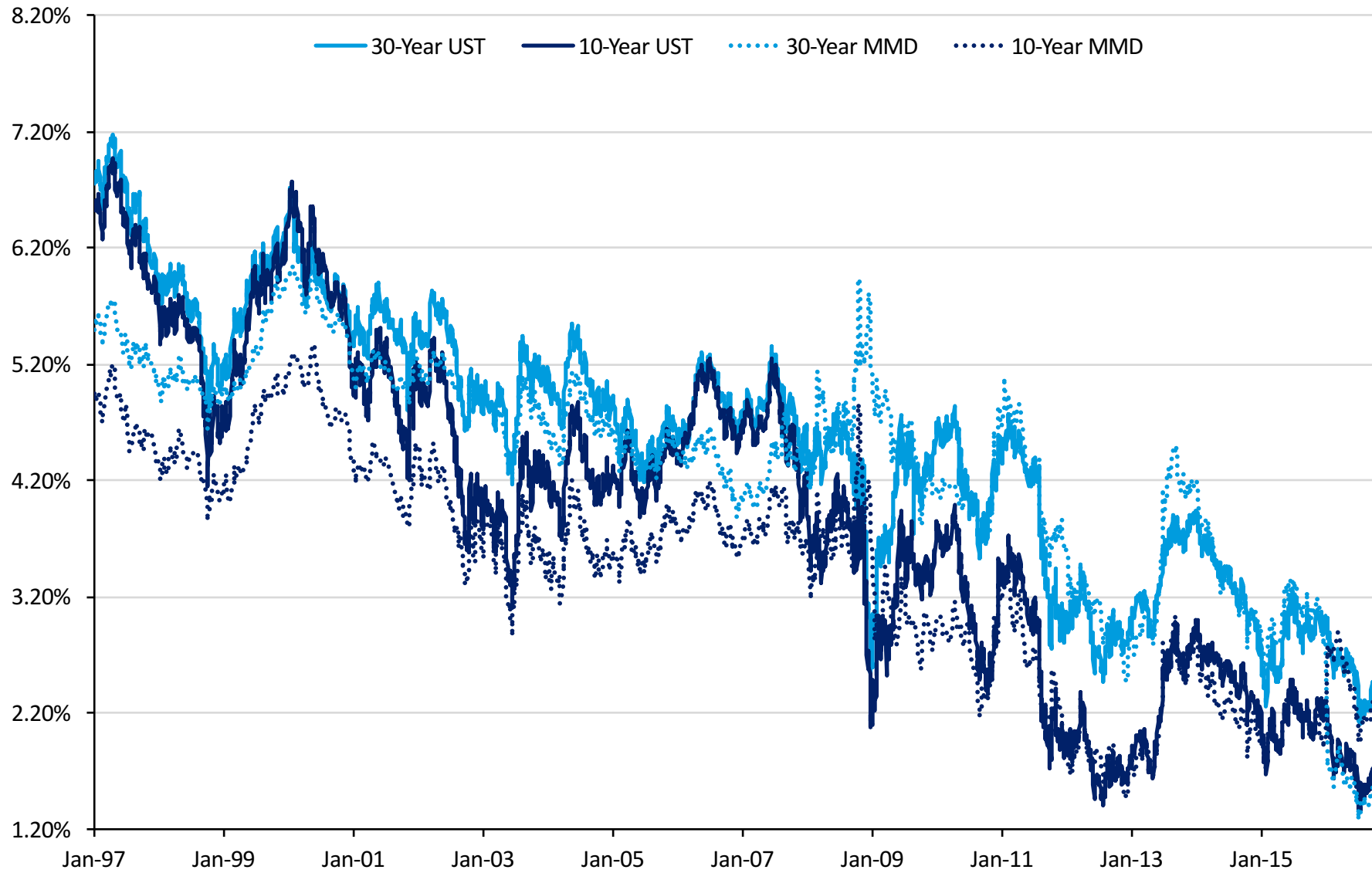
# Municipal Market and Credit Trends

## 30 Year History of Interest Rates



# Municipal Market and Credit Trends

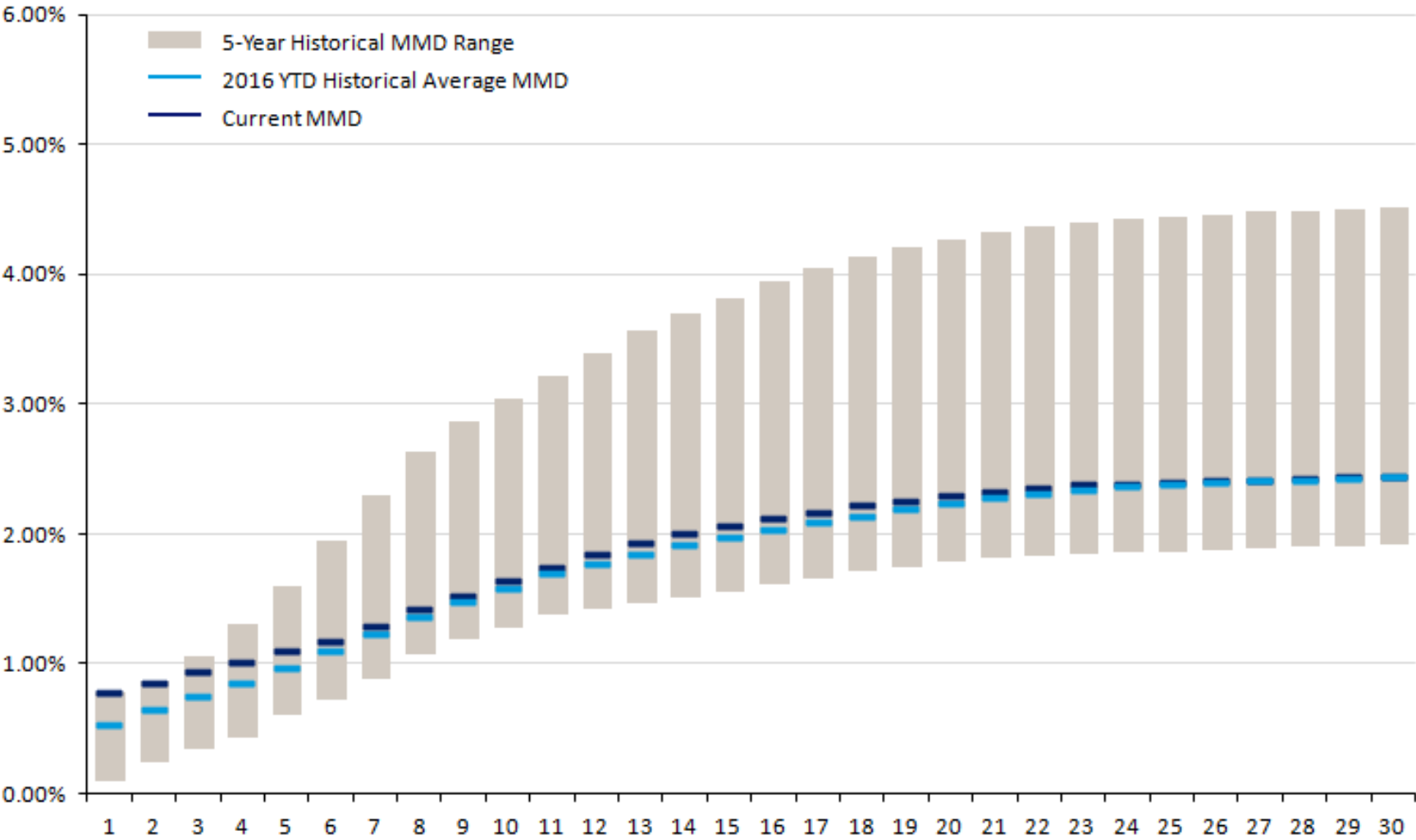
## 20 Year History of Interest Rates



Source: Thomson Reuters as of 10/7/16.

# Municipal Market and Credit Trends

## MMD Yield Curve (Last Five Years)

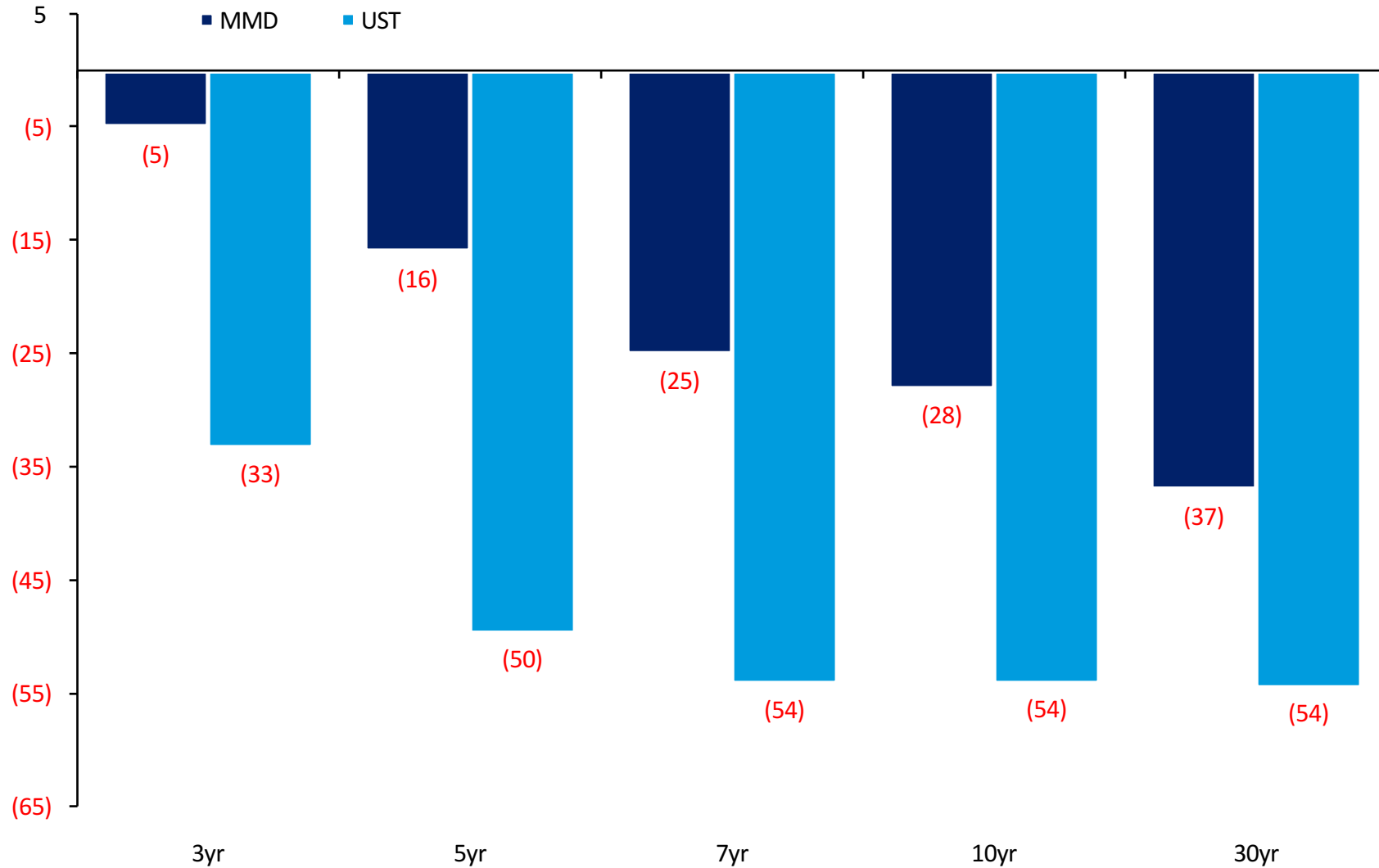


Source: Thomson Reuters as of 10/7/16.

# Municipal Market and Credit Trends

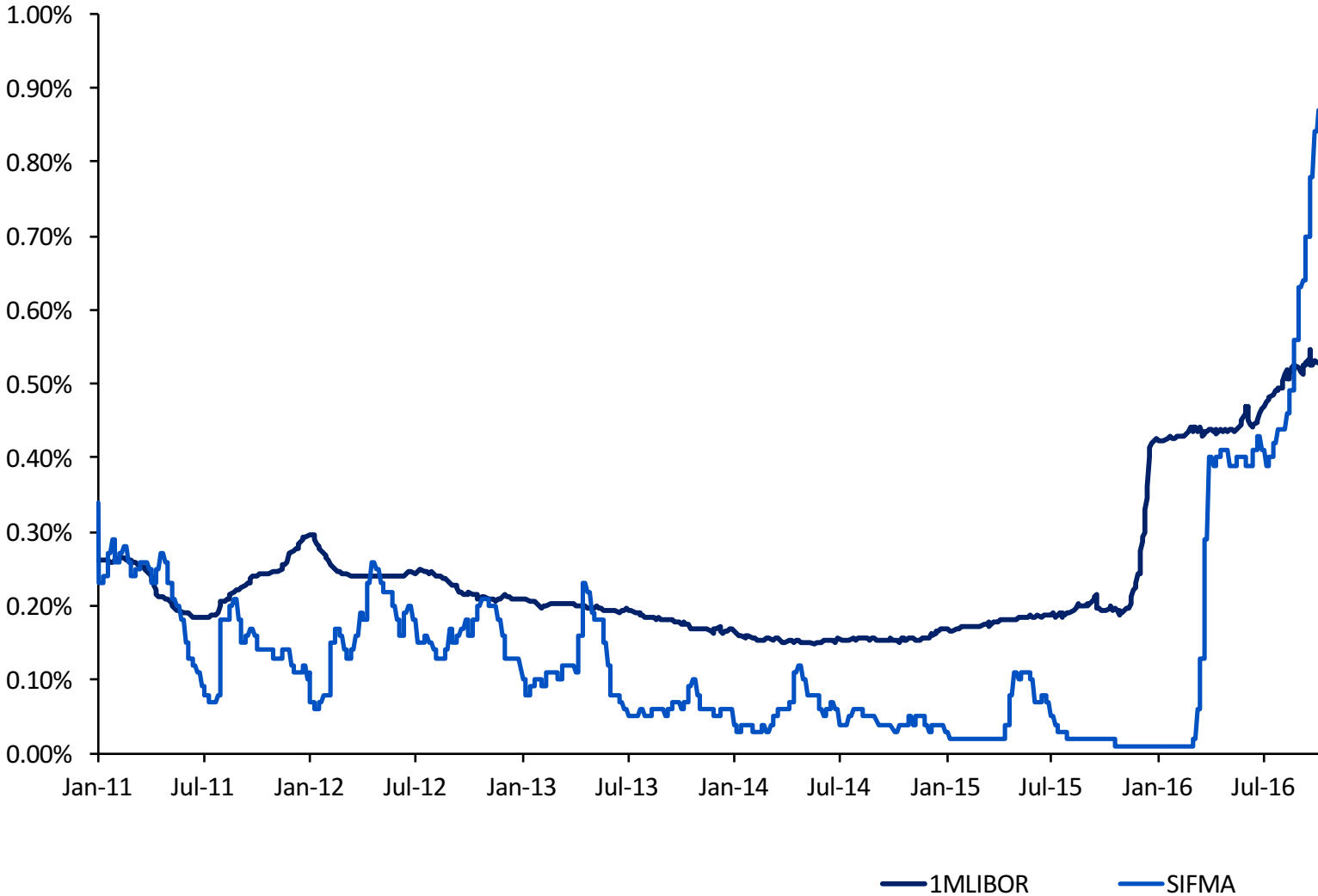
## Change in MMD & UST (2016 YTD)

(basis points)



# Municipal Market and Credit Trends

## Short-Term Indices (Past 5 Years)



Source: Thomson Reuters as of 10/5/16.



# Municipal Market and Credit Trends

## Regulatory Landscape

2009-2010	2011	2012	2013	2014	2015	2016
Build America Bonds	BABs sequestration					
		GASB No. 67 & No. 68 Adopted		GASB No. 67 Effective	GASB No. 68 Effective  GASB No. 74 Adopted (Effective 2017)  GASB No. 75 Adopted (Effective 2018)  GASB No. 77 Adopted	GASB No. 77 Effective
Dodd-Frank Act enacted in July 2010			Volcker Rule		Liquidity Coverage Ratio	FDIC Assessment
		Municipalities Continuing Disclosure Cooperation (MCDC) Initiative		Municipal Advisor Rule becomes effective	MCDC Settlements	Money Market Reforms

# Municipal Market and Credit Trends

## Interest Rate Forecasts

STREET MEDIANS FORECAST <sup>(1)</sup>					
Metric	10/7/16	2016Q4	2017Q1	2017Q2	2017Q3
Fed Fund Rate <sup>(4)</sup>	0.50%	0.62%	0.62%	0.87%	0.87%
3-Month LIBOR	0.87%	1.05%	1.05%	1.25%	1.25%
10YR T-Note	1.73%	1.50%	1.75%	2.00%	2.10%
30YR T-Bond	2.46%	2.25%	2.45%	2.60%	2.75%

BANK OF AMERICA MERRILL LYNCH FORECAST <sup>(1)</sup>					
Metric	10/7/16	2016Q4	2017Q1	2017Q2	2017Q3
Fed Fund Rate <sup>(4)</sup>	0.50%	0.70%	0.75%	0.90%	1.00%
3-Month LIBOR	0.87%	0.92%	1.00%	1.11%	1.23%
10YR T-Note	1.73%	1.72%	1.83%	1.94%	2.06%
30YR T-Bond	2.46%	2.38%	2.52%	2.66%	2.77%

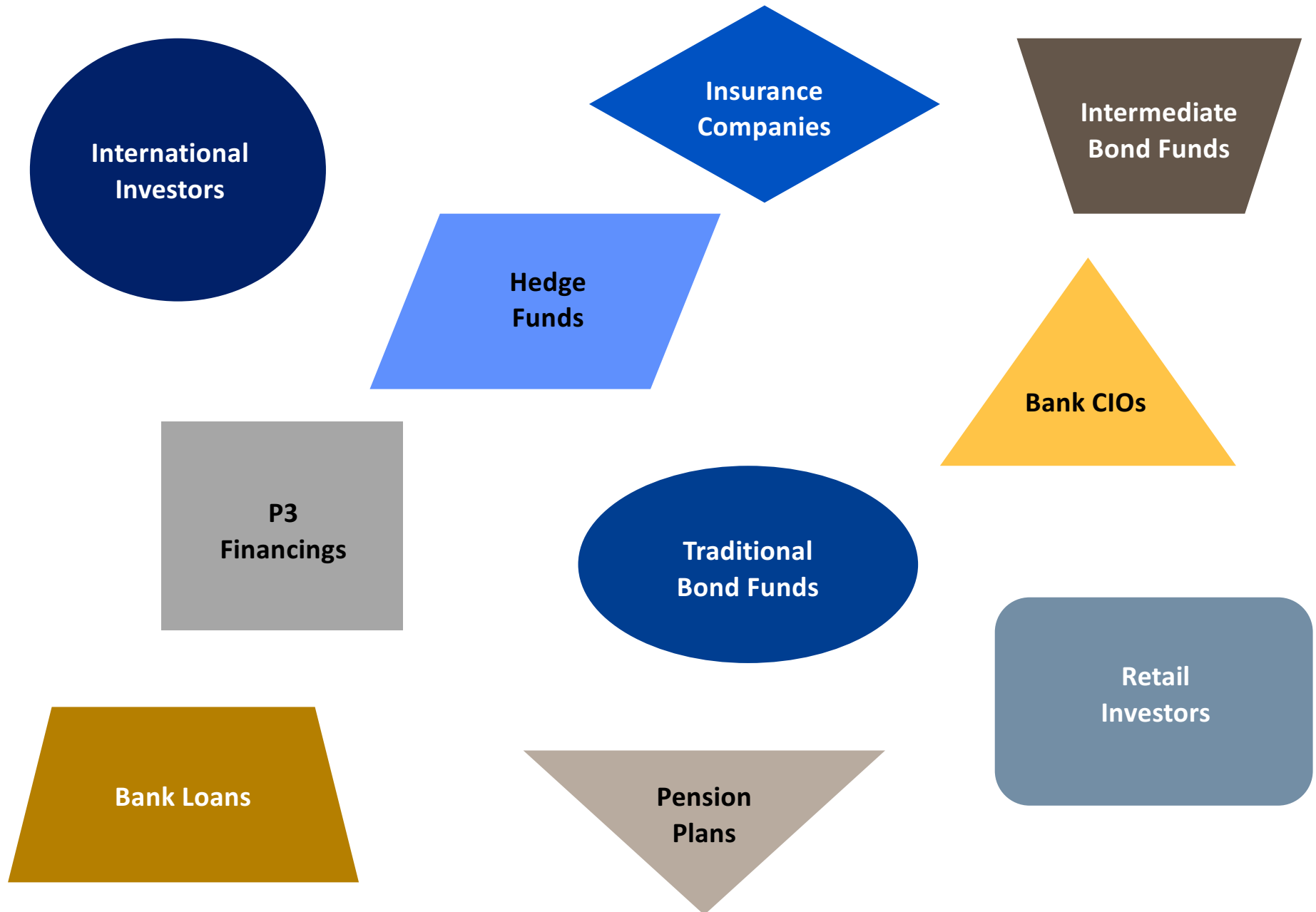
BANK OF AMERICA MERRILL LYNCH FORECAST <sup>(2)</sup>						
Metric	2015	2016	2017	2018	2019	2020
Fed Fund Rate <sup>(4)</sup>	0.25%	0.50%	1.00%	1.50%	2.00%	2.75%
3-Month LIBOR	0.16%	0.50%	0.75%	1.25%	1.75%	2.50%
10YR T-Note	2.27%	1.50%	1.90%	2.25%	2.50%	3.25%

(1) Source: BofAML Global Research and Bloomberg as of 10/7/16.

(2) Source: BofAML Global Research as of 10/5/16.

# Municipal Market and Credit Trends

New Sources of Capital



# Municipal Market and Credit Trends

What's Old is New Again

Bank of America  
Merrill Lynch

THE  
**NATIONAL**  
MONTHLY MUNICIPAL  
BOND SUMMARY  
DECEMBER ISSUE  
1917

Containing all issues of Municipal Bonds bought or sold and all current offerings from circulars and advertisements between December 1, 1916, and December 1, 1917.

For the exclusive use of

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THE NATIONAL QUOTATION BUREAU, Inc.  
Incorporated  
66 Liberty Street, New York  
Tel. Cortlandt 845-846.

## SOUTH CAROLINA

Offerings                      Wants

**GREENWOOD, PAVING 6S, 1918-25.**  
Sidney Spitzer & Co Jan 8 @ 4.85 | A

**HORRY COUNTY, REF 4½S, 15½ YRS.** J C Mayer & Co,  
Cinn bought 40M in Mar 1917.

**—RD & BR 4¾S, 15½ YRS.** J C Mayer & Co, Cinn  
bought 10M in Mar 1917.

**HUNTER TOWNSHIP, S D No 5, 20 YR 5S.** First Nat  
Bank of Clinton bought \$27,500 at 104.281 in Dec 1916.

**KERSHAW COUNTY, BRIDGE 25 YR 5S.** Field  
Richards & Co, N Y bought 100M at 106.14 (4.58B) in  
Mar 1917.

Robinson-Humphrey-WdlwCo July 2 50 @ 4½B |(1942) C

**LAURENS COUNTY, RD 5S, July 1932-47.**  
Field Richards & Co Sept 1 117 @ 4.85B C

**—JAIL 5S.** J D Bell, Pres of Commercial Bank, Clinton  
bought 35M at 100.214 (4.96B) in Sept 1917.

Sidney Spitzer & Co Nov 26 @ 4.75B |(1918-31) A

**—RD IMP 5S, July 1922-47.** N B Dial, Pres of Enter-  
prise National Bank, Laurens bought 150M at 100.223  
(4.98B) in Sept 1917.

Field Richards & Co Nov 12 16 @ 4.90B | C

**LAURENS COUNTY, S D 6S, July 1937.**  
Lee Higginson & Co May 11 @ 4.75B | C

**McCALL, SCH 20 YR 5S.** Hayden Miller & Co, Cleve bought  
15M at 100.11 (4.99B) in June 1917.

**McCORMICK COUNTY, HIGHWAY 5S, Apr 2, 1920-42.**  
Wm R Compton Co Aug 1 130 @ 4.75B |(T E)(1930-42) C

Provident Svgs Bk&TrCo Sept 1 130 @ mkt |(1930-42) C

H A Kahler & Co Oct 1 130 @ 4.75B | C

**MILLS, MILL S-D 20 YR 0¾S.** J H Hilsman & Co, Atlan-  
ta, bought 25M at 100.84 (4.68B) in Jan 1917.

**MITCHELL, S D 5S, Aug 1928.**  
BankersTr&SavBk,Mnpls Oct 11 5 @ 4.50B | C

**NEWBERRY, REF 20 YR 5S.** Stacy & Braun bought  
30M at par and \$1170 premium in Mar 1917.

**OAKTON, S D No 50, 6S, Apr 1, 1937.**  
H A Kahler & Co Aug 1 2 @ mkt | C

**OCONEE COUNTY, SCH DIST No 26 5S, July 1936.**  
Robinson-Humphrey-WdlwCo July 2 7 @ 4.80B | C

**PERRY, S D No 42, 6S, Apr 1920-35.**  
Hanchett Bond Co May 1 4 @ 5.00B | C

**PICKENS COUNTY, RD IMP 20 YR 4¾S.** Palmetto Na-  
tional Bank, Columbus bought 250M at 101.644 (4.87B)  
in May 1917.

**—RD 20 YR.** Breed Elliott & Harrison, Cinn bought 250M  
at 100.67 in July 1917.

**PINE GROVE, No 20, 6S, May 1947.**  
H A Kahler & Co Aug 1 \$2,500 @ mkt | C

**RILEY'S CREEK DR D.** Sidney Spitzer & Co, bought  
25M in Mar 1917.

**ROCK HILL, WATER & LT 5S, Jan 1951.**  
J H Hilsman & Co Mar 3 175 @ 4.40B | S C

**SALUDA, SCH 5½S, 1937.**  
Sidney Spitzer & Co Sept 17 @ 5.00B | A

**SALUDA COUNTY, CT HOUSE 5S, 3-22 YRS SER.** Weil  
Roth & Co, N Y bought 50M at 103.36 (4.62B) in May  
1917.

**SPARTANBURG REF 20 YR 4¾S.** J H Hilsman & Co,  
Atlanta, bought 15M at 100.315 in April 1917.

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