Bloomberg BRIEF

Municipal Market

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Sales May Rise 20% in 2012, Says JPMorgan

BY ESME E. DEPREZ

Municipal borrowers may sell 20 percent more long-term debt next year compared with 2011 as yields sink to near historic lows, according to **Peter DeGroot,** head of municipal research at JPMorgan Chase & Co. in New York.

As much as $350 billion of bonds maturing in more than 12 months may be sold in 2012, compared with $291 billion projected for this year, DeGroot and **Josh Rudolph,** an associate, said in a note to investors. Rates on tax-exempt debt will decline in the first quarter and remain low into the second, while rising by year-end, he said.

"We believe the past year's focus on default risk and bankruptcies is a bit off the mark," DeGroot and Rudolph said in the report, sent Friday. "General-obligation credit has two key exposures to the economic cycle: tax revenues and pension funding. Neither of the two are expected to deteriorate enough to broadly threaten ability to pay."

In the first quarter of next year, yields on tax-exempt securities will fall by 20 basis points, or 0.2 percentage point, for five-year maturities to 35 basis points on 10-year and 40 basis points for 30-year debt, according to the report.

By the end of December 2012, the analysts said yields will rise on five-year bonds by 30 basis points and 55 basis points for 30-year issues.

"There are two key risks to our relatively sanguine view towards state and local

continued on next page

Munis 'Cheap' on Losing Streak

BY ANDREA RIQUIER

The longest losing streak for 30-year municipal bonds in nine months has left tax-exempt debt "cheap" relative to lower-yielding U.S. Treasuries, said **Guy Davidson**, who manages $30 billion at AllianceBernstein Holdings.

Top-rated 30-year munis yielded 3.92 percent Nov. 25, the most since Aug. 9, as the Bloomberg Valuation Index added 4.1 basis points in the week. The yield rose for eight straight trading days from Nov. 10 to Nov. 22, the longest stretch since Feb. 1-14.

Municipal sales will dwindle to $7.2 billion this week from $12.2 billion the week of Nov. 14, the most this year. More declines in Treasury yields will also draw investors to tax-exempt bonds, said Davidson, director of municipal investments at AllianceBernstein.

"If the Treasury market continued to rally, long-term municipals will follow, mainly

continued on next page

BLOOMBERG BAROMETER

BENCHMARK STATES 5-YEAR CDS

STATE	THIS WEEK	LAST WEEK	CHANGE(BPS)
California	239	224	+15
Florida	142	140	+2
Illinois	278	261	+17
New York	148	141	+7
Pennsylvania	157	144	+13
Texas	97	88	+9
Wisconsin	132	120	+12

IN THE PIPELINE

MUNICIPALITY	AMOUNT
Puerto Rico	$1 billion Rev
Liberty Development Corp. NY	$702 million Rev
MTA NY	$500 million Rev
Connecticut Transportation	$500 million Rev
Dallas ISD TX	$205 million GO
Pima County Sewers AZ	$197 million Rev

BLOOMBERG VALUATION AAA BENCHMARK MUNICIPAL YIELDS

DESCRIPTION	CURRENT	CURRENT DATE	PREVIOUS	PREVIOUS DATE	NET CHANGE
BVAL 1Y	0.20	11/25	0.19	11/24	0
BVAL 2Y	0.38	11/25	0.37	11/24	0
BVAL 3Y	0.65	11/25	0.65	11/24	0
BVAL 4Y	0.87	11/25	0.86	11/24	+0.01
BVAL 5Y	1.13	11/25	1.13	11/24	0
BVAL 6Y	1.35	11/25	1.34	11/24	+0.01
BVAL 7Y	1.56	11/25	1.55	11/24	0
BVAL 8Y	1.80	11/25	1.80	11/24	0
BVAL 9Y	2.04	11/25	2.04	11/24	0
BVAL 10Y	2.23	11/25	2.22	11/24	0
BVAL 20Y	3.54	11/25	3.55	11/24	-0.01
BVAL 30Y	3.93	11/25	3.90	11/24	+0.03

VOLUME

NEW SUPPLY:	SOLD YTD	TRADED	OFFERINGS
30-DAY $7.2 Bln ↑ 0.1%	$177 Bln (Neg Fixed LT) $55 Bln (Comp Fixed LT)	$8.7 Bln (MSRB) ↓ 22.9%	$8.9 Bln (Bloomberg Pick) ↓ 5.2%

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