

Municipal Market Weekly

Ramirez Municipal Strategy



May 14, 2018

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Municipals outperformed across the curve due to favorable valuations and weaker Treasuries. New issue supply last week was moderate and well received. Mutual funds had slight inflows on the week at \$167 mil.

Treasuries were underpinned through Wed by lower than expected inflation in the UK, which prompted the BOE to make no change to interest rate policy. Thursday's April CPI report indicated lower than expected consumer prices (+0.2% overall and +0.1% excluding food and energy), helping the US rates market to overcome fear of higher oil prices prompted by Trump pulling the US out of the Iran nuclear accord. The Treasury also auctioned 3yr, 10yr, and the largest-on-record (\$17 bil.) 30yr bond. All auctions were well received, particularly Thursday's 30yr bond auction. The 30yr gained -1 bps on the week to end at 3.11% with Treasuries in 2, 5, and 10yrs ending the week down between 2-5 bps. Benign inflation caused Treasury 5s30s to bull flatten by -6bps to an 11yr low of 27 bps. Muni investors took advantage of slightly weaker Treasury prices and good valuations to trade Munis in the secondary. The largest gains occurred in the 5yr sector, which rallied -7 bps to 2.05%, or 3.7 ratios to 72% of Treasuries. In contrast to the flatter Treasury curve, MMD 5s30s bull steepened by +5bps to 90 bps with the 5-30yrs spots outperforming by an average of +1.38 ratios. Munis in 2yrs and 5yrs have outperformed YTD by 9.2 and 3.5 ratios, respectively, while Munis in 10yrs and 30yrs have underperformed by 0.5 and 3.2 ratios, respectively. The S&P Main Muni index gained +19 bps on the week (-61 bps YTD), matching IG-Corp performance (+19 bps) and outperforming Treasuries (-11 bps) and Global Agg (-3 bps).

Gross new issue supply last week of \$7.1 bil. was +15% above the 12 week moving average. Mutual fund flows were effectively a non-event at +\$167 mil. on the week and are running at \$2.83 bil. YTD. Secondary supply (BWICs) was slightly elevated, but manageable at \$807 mil. average offered daily, including \$1 bil. offered on Wed. Dealer liquidity continues to improve as inventory, while still elevated at \$22.8 bil. (+28% above avg) through the end of April, has been reduced by -67%, or -\$3.8 bil. of VRDOs since mid-April. Dealers were able to offload VRDO inventory due to SIFMA resets that hit 100% of 1yr MMD during most of April, prompting many accounts to buy VRDOs over short-term fixed rate bonds. SIFMA reset last week -10 bps lower at 1.51% (78% 1ML).

Supply this week is a 2018 high at over \$10 bil., or 62% above the 12 week average of \$6.2 bil., with 16 deals in excess of \$100 mil., which means to us that the secondary will likely take a back seat to the primary. The negotiated space is led by \$1.52 bil. Grand Parkway Trans, TX, \$914 mil. San Francisco Airport, \$445 mil. PA Turnpike, \$305 mil. Mass Ed, and \$207 mil. Leander ISD, TX. The competitive space is led by \$1.25 bil. Commonwealth of PA and \$1.1 bil. NYC TFA. The PA GO transaction will be interesting to watch as the Commonwealth's spreads have remained firm at ~56 bps in 10yrs over the past 2yrs, despite widely publicized budget issues. Gross supply YTD is down -21% YoY (\$104 bil.) which is relatively in-line vs our full-year 2018 estimate of -27% YoY (\$317 bil.). Net supply over the next 30 days remains average at -\$8.3 bil., comprised of +\$12.4 bil. new issues, -\$13.9 bil. maturing, and -\$6.8 bil. announced calls. The states that stand to experience the largest change in outstanding debt include PA (+\$1.4 bil.), TX (+\$1.4 bil.), CA (-\$1.1 bil.), FL (-\$971 mil.), and Iowa (-\$909 mil.).

The 2yr, 5yr, and 30yr spots maintain fair relative value vs the 12mo and 3yr averages, at 73%, 72%, and 95% respectively. Despite this fact and the more recent ramp-up of new issue supply, we think that Munis (at least through 5yrs) are more likely than not to outperform over the coming months due to the typically price-supportive negative net supply months of June/July (-\$28--\$42 bil.). In anticipation of weaker technicals — mainly higher rates across the curve — we continue to advocate a defensive posture (5yrs-7yrs eff duration) using a laddered approach that includes intermediate (14-16 yr) maturities. We like 'AA' GO and 'A' rated Revenue credits in the 14-16yr intermediate maturity range with 5%+ coupons and shorter calls (5-8 yrs). These intermediate maturities with shorter-calls -- which have become cheaper as the curve has flattened -- capture ~68% of the MMD curve, and provide incremental yield with consistent, low-volatility roll-down (~50 bps). Our high-grade trading inventory continues to reflect this sentiment.

This week has several Fed speakers, trade talks with China, Trump decides if he will be deposed by Muller (Thurs), Middle East tensions. On the economic data front, we have retail sales, TIC flows, mortgage delinqs, housing starts, building permits, among others.

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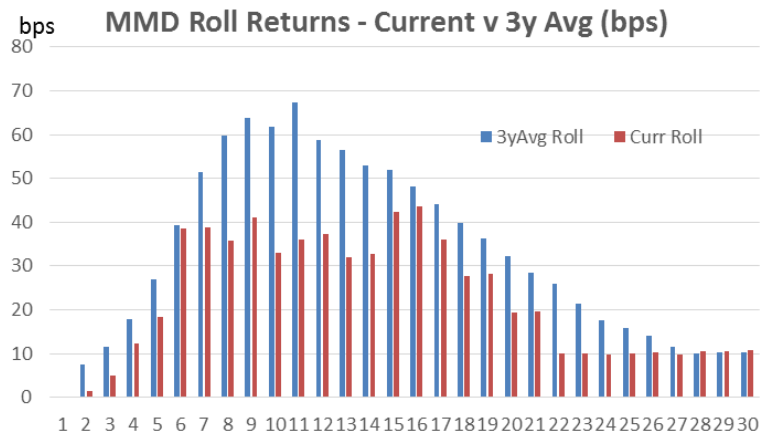
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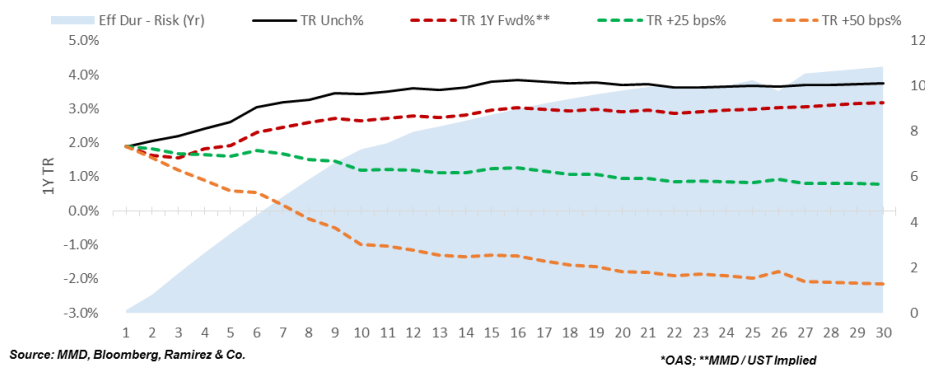
2018 Strategy

- Ladder strategy
- Defensive posture (5yr-7yr eff dur)
- Intermediate bonds with shorter calls (5-8yrs); cheaper vs longer calls, capture better spread and rolldown, faster reinvestment
- Best rolldown range is generally 8-15yrs.
- Coupon: 5%+ (lower convexity vs 4%)
- Credit: 'AA' GOs, 'A' rated or better Revenue Bonds;

| | Scenarios | | | | |
|---------------------|----------------|------------|------------|------------|------------|
| | Bear Case | Base Case | | Bull Case | |
| Strategy | Ladder (Short) | 70/30 Bar | Ladder | 30/70 Bar | Ladder |
| Crv Shft (avg bps)* | 50 | 25 | 25 | 7 | 7 |
| Quality | Revs >= A+ | Revs >= A+ | Revs >= A+ | Revs >= A+ | Revs >= A+ |
| TR % Proj. | 1.66% | 2.39% | 1.75% | 3.64% | 3.70% |
| OAS (bps) | 6 | 36 | 15 | 54 | 56 |
| Eff Dur (yrs) | 0.4 | 6.2 | 3.3 | 8.0 | 10.7 |
| WAM | 1.5 | 14.2 | 4.8 | 21.6 | 29.0 |
| Cnvx | 0.01 | -0.85 | 0.30 | -1.88 | -1.94 |



MMD Callable Curve (5% Cpn) - 1Y Total Return Projections*



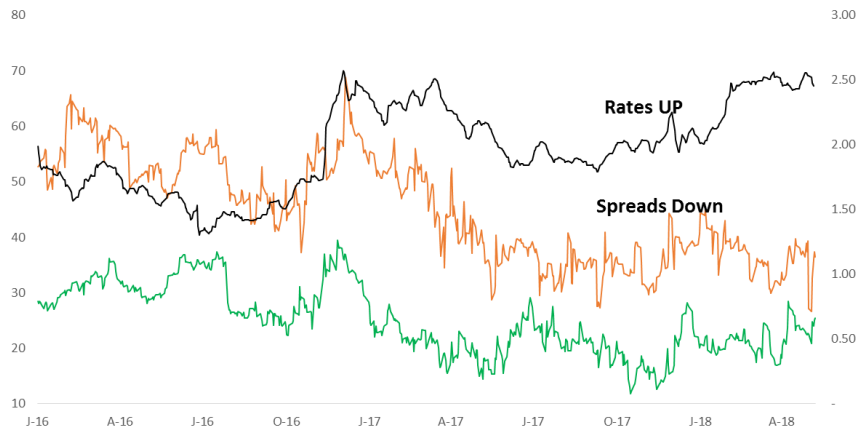
Source: MMD, Bloomberg, Ramirez & Co.

*OAS; **MMD / UST Implied

| MMD Callable Curve (5% Cpn) - 12M FWD Total Return Projections* | | | | | | | | |
|---|------------------|--------|-------|--------|--------|--------|--------|--------|
| | Mty | 1-30y | 1-5y | 6-10y | 11-15y | 16-20y | 21-25y | 26-30y |
| | Eff Dur | 0.0 | 2.3 | 6.0 | 8.2 | 9.4 | 10.0 | 10.5 |
| Scenarios | Unch | 3.59% | 2.40% | 3.30% | 3.61% | 3.77% | 3.65% | 3.70% |
| | 1Y Fwd Rates | 2.87% | 1.79% | 2.56% | 2.81% | 2.96% | 2.93% | 3.11% |
| | Parallel +25 bps | 1.07% | 1.65% | 1.49% | 1.17% | 1.10% | 0.87% | 0.82% |
| | Parallel +50 bps | -1.44% | 0.90% | -0.29% | -1.24% | -1.57% | -1.90% | -2.05% |

Credit spreads have tightened while rates have increased...

'AA' and 'A' GO 10Y Credit Spreads (bps)



Source: Bloomberg

— AA 10Y — A 10Y — AAA 10Y Bench

| MUNI TAX-EXEMPT SPREADS | | | | | | | | |
|-------------------------|---------|---------|-----|-----|-----|----|-------|-------|
| 2Y STATISTICS | | | | | | | | |
| | | 5/14/18 | Avg | Min | Max | SD | Z-Scr | Value |
| 10Y | AA GO | 25 | 25 | 12 | 40 | 6 | 0.06 | Fair |
| | A GO | 37 | 45 | 27 | 69 | 9 | -0.90 | Fair |
| | BBB REV | 76 | 96 | 67 | 118 | 10 | -2.09 | Rich |
| 30Y | AA GO | 42 | 35 | 22 | 51 | 5 | 1.39 | Cheap |
| | A GO | 45 | 59 | 27 | 94 | 14 | -0.96 | Fair |
| | BBB REV | 99 | 110 | 85 | 144 | 12 | -0.90 | Fair |
| | HY | 317 | 399 | 285 | 494 | 68 | -1.21 | Rich |

| SECTOR CREDIT SPREADS (10Y) | | | | | | | | |
|-----------------------------|--------|---------|-----|-----|-----|----|----------|-------|
| 2Y STATISTICS | | | | | | | | |
| Sector | Rating | 5/11/18 | Avg | Min | Max | SD | 3Y Z-Scr | Value |
| GO | AA | 25 | 25 | 12 | 40 | 6 | 0.06 | Fair |
| | A | 48 | 55 | 25 | 86 | 13 | -0.54 | Fair |
| HOSP | AA | 29 | 38 | 24 | 60 | 6 | -1.44 | Rich |
| | A | 59 | 65 | 48 | 102 | 7 | -0.86 | Fair |
| HI ED | AA | 20 | 25 | 12 | 40 | 6 | -0.94 | Fair |
| | A | 42 | 53 | 33 | 94 | 10 | -1.09 | Rich |
| TRANS | AA | 18 | 26 | 12 | 47 | 8 | -1.06 | Rich |
| | A | 35 | 46 | 23 | 87 | 10 | -1.06 | Rich |
| POWER | AA | 17 | 17 | 5 | 32 | 6 | 0.00 | Fair |
| | A | 43 | 47 | 32 | 72 | 8 | -0.57 | Fair |
| WTR / SWR | AA | 26 | 23 | 10 | 41 | 5 | 0.49 | Fair |
| | A | 52 | 60 | 27 | 104 | 16 | -0.53 | Fair |
| HY | <BBB- | 317 | 399 | 285 | 494 | 68 | -1.21 | Rich |

Source: Bloomberg

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Market Performance Indicators

| WEEK ENDING: 5/11/18 | | TOTAL RETURN (%) | | | | | | | | | | YIELD (%) | | | | | | |
|--------------------------|---------|------------------|-------|-------|-------|-------|-------|-------|-------|------|-------|-----------|------|------|------|---------|---------|-------|
| INDEX | Eff Dur | May | | | | | | | | WTD | YTD | Lo | Hi | Mean | Vol | Z-score | | |
| | | WTD | '18 | 2Q18 | 1Q18 | 2018 | 2017 | 2016 | 2015 | | | | | | | | 5/11/18 | Δ |
| TREASURY-TERM | | | | | | | | | | | | | | | | | | |
| TREASURY - ALL | 6.2 | -0.11 | -0.12 | -0.93 | -1.18 | -2.10 | 2.31 | 0.63 | 0.84 | 2.80 | 0.04 | 0.56 | 1.73 | 2.80 | 2.17 | 0.33 | 1.87 | 2.56 |
| SHORT | 2.0 | -0.02 | -0.01 | -0.11 | -0.20 | -0.32 | 0.87 | 1.25 | 0.67 | 2.73 | 0.04 | 0.65 | 1.47 | 2.73 | 1.95 | 0.41 | 1.90 | 2.81 |
| SHORT-INT | 3.8 | -0.12 | -0.11 | -0.59 | -0.86 | -1.45 | 1.75 | 1.84 | 1.57 | 3.08 | 0.05 | 0.66 | 1.91 | 3.08 | 2.37 | 0.37 | 1.93 | 3.00 |
| INTRMD | 5.3 | -0.12 | -0.09 | -0.72 | -1.21 | -1.93 | 2.59 | 1.78 | 1.25 | 3.34 | 0.04 | 0.53 | 2.47 | 3.35 | 2.80 | 0.27 | 1.99 | 2.62 |
| LONG-INT | 6.9 | -0.06 | -0.06 | -0.84 | -1.80 | -2.63 | 3.51 | 2.20 | 1.09 | 3.55 | 0.02 | 0.53 | 2.73 | 3.60 | 3.08 | 0.25 | 1.90 | 2.22 |
| LONG | 14.9 | 0.34 | -0.22 | -2.15 | -3.57 | -5.64 | 10.47 | 5.77 | -3.26 | 3.96 | -0.02 | 0.40 | 3.45 | 4.01 | 3.68 | 0.14 | 1.94 | 0.76 |
| MUNICIPAL-TERM | | | | | | | | | | | | | | | | | | |
| SHORT | 1.9 | 0.12 | 0.17 | -0.03 | 0.24 | 0.21 | 1.16 | 0.39 | 0.88 | 1.99 | -0.03 | 0.28 | 1.03 | 2.04 | 1.44 | 0.32 | 1.74 | 2.70 |
| SHORT-INT | 3.3 | 0.22 | 0.42 | 0.09 | -0.33 | -0.25 | 2.39 | 0.12 | 1.96 | 2.19 | -0.05 | 0.31 | 1.30 | 2.28 | 1.71 | 0.24 | 1.60 | 2.35 |
| INTRMD | 4.8 | 0.24 | 0.66 | 0.30 | -1.09 | -0.79 | 4.74 | 0.28 | 3.27 | 2.55 | -0.04 | 0.36 | 1.84 | 2.67 | 2.18 | 0.24 | 1.48 | 1.57 |
| LONG-INT | 5.2 | 0.24 | 0.73 | 0.38 | -1.35 | -0.97 | 5.42 | 0.38 | 3.68 | 2.65 | -0.04 | 0.38 | 1.99 | 2.79 | 2.32 | 0.23 | 1.43 | 1.36 |
| LONG | 6.5 | 0.22 | 1.03 | 0.39 | -1.56 | -1.18 | 8.19 | 0.97 | 4.52 | 3.31 | -0.02 | 0.38 | 2.79 | 3.49 | 3.08 | 0.18 | 1.28 | 0.83 |
| MUNICIPAL-QUALITY | | | | | | | | | | | | | | | | | | |
| MUNI-EXEMPT | 5.0 | 0.19 | 0.67 | 0.32 | -0.92 | -0.61 | 4.95 | 0.90 | 3.32 | 2.71 | -0.03 | 0.34 | 2.05 | 2.82 | 2.37 | 0.21 | 1.58 | 1.48 |
| MUNI-TAXABLE | 8.0 | -0.03 | -0.06 | -0.97 | -0.80 | -1.76 | 6.81 | 4.16 | 1.30 | 4.11 | 0.02 | 0.33 | 3.59 | 4.13 | 3.82 | 0.13 | 2.09 | 1.59 |
| HIGH-GRADE | 5.0 | 0.24 | 0.68 | 0.26 | -1.21 | -0.95 | 4.22 | -0.09 | 3.21 | 2.37 | -0.04 | 0.36 | 1.54 | 2.50 | 1.94 | 0.30 | 1.43 | 1.87 |
| 'A' RATED | 4.8 | 0.19 | 0.66 | 0.28 | -1.07 | -0.79 | 5.40 | 0.82 | 3.60 | 2.73 | -0.03 | 0.36 | 2.08 | 2.85 | 2.38 | 0.21 | 1.61 | 1.51 |
| 'BBB' RATED | 5.1 | 0.18 | 0.64 | 0.36 | -0.94 | -0.58 | 7.97 | 0.94 | 4.31 | 3.25 | -0.03 | 0.33 | 2.79 | 3.36 | 3.06 | 0.15 | 1.26 | 0.68 |
| HIGH YIELD | 6.7 | 0.26 | 1.06 | 1.51 | 0.58 | 2.11 | 9.69 | 3.52 | 1.81 | 4.91 | -0.04 | -0.25 | 4.86 | 6.17 | 5.37 | 0.30 | -1.54 | 0.80 |
| MUNICIPAL-SECTOR | | | | | | | | | | | | | | | | | | |
| PRE-RE | 2.4 | 0.15 | 0.22 | -0.02 | 0.10 | 0.08 | 1.07 | 0.32 | 0.95 | 1.93 | -0.05 | 0.27 | 0.93 | 2.00 | 1.35 | 0.34 | 1.69 | 2.74 |
| GO | 5.1 | 0.19 | 0.69 | 0.28 | -1.19 | -0.91 | 4.56 | 0.08 | 2.99 | 2.57 | -0.03 | 0.36 | 1.76 | 2.69 | 2.16 | 0.27 | 1.48 | 1.89 |
| DED TAX | 5.6 | 0.20 | 0.72 | 0.43 | -0.84 | -0.41 | 3.73 | 1.92 | 1.24 | 2.85 | -0.03 | 0.35 | 2.21 | 2.98 | 2.59 | 0.21 | 1.19 | 0.66 |
| WTR-SWR | 5.2 | 0.20 | 0.74 | 0.28 | -1.24 | -0.96 | 5.31 | 0.53 | 3.92 | 2.63 | -0.03 | 0.36 | 1.97 | 2.76 | 2.30 | 0.22 | 1.54 | 1.38 |
| PUB PWR | 4.5 | 0.19 | 0.64 | 0.34 | -0.99 | -0.66 | 3.20 | 1.18 | 4.57 | 2.55 | -0.03 | 0.33 | 1.77 | 2.67 | 2.24 | 0.27 | 1.17 | 0.69 |
| HEALTHCARE | 5.3 | 0.18 | 0.78 | 0.40 | -0.99 | -0.59 | 7.00 | 1.24 | 4.65 | 3.22 | -0.02 | 0.38 | 2.72 | 3.37 | 2.98 | 0.18 | 1.37 | 1.05 |
| HIGHER ED | 5.7 | 0.19 | 0.78 | 0.32 | -1.14 | -0.83 | 6.20 | 0.62 | 3.87 | 2.95 | -0.03 | 0.35 | 2.38 | 3.09 | 2.66 | 0.20 | 1.47 | 1.34 |
| TRANSPORT | 5.1 | 0.21 | 0.69 | 0.31 | -1.28 | -0.97 | 6.25 | 0.93 | 3.76 | 2.80 | -0.03 | 0.38 | 2.13 | 2.92 | 2.45 | 0.22 | 1.58 | 1.33 |
| HOUSING | 8.9 | 0.12 | 0.68 | 0.24 | -0.66 | -0.41 | 5.59 | 1.52 | 3.71 | 3.15 | -0.02 | 0.35 | 2.66 | 3.27 | 2.94 | 0.13 | 1.61 | 0.61 |
| TOBACCO | 8.0 | 0.55 | 1.38 | 3.04 | 1.72 | 4.81 | 17.82 | 6.17 | 13.48 | 4.22 | -0.02 | -0.38 | 3.87 | 5.26 | 4.72 | 0.30 | -1.67 | -1.71 |
| IDB | 4.3 | 0.18 | 0.53 | 0.42 | -0.35 | 0.07 | 6.41 | 1.53 | 3.66 | 3.20 | -0.06 | 0.25 | 2.73 | 3.40 | 3.05 | 0.16 | 0.91 | 0.60 |
| GLOBAL / CORP | | | | | | | | | | | | | | | | | | |
| GLOBAL | 7.2 | -0.03 | -0.48 | -2.08 | 1.36 | -0.75 | 7.39 | 1.77 | -3.15 | 1.99 | 0.02 | 0.29 | 1.47 | 2.00 | 1.68 | 0.14 | 2.15 | 2.00 |
| US CORP-IG | 7.5 | 0.19 | -0.12 | -1.05 | -2.32 | -3.34 | 6.42 | 5.84 | -0.68 | 3.97 | 0.00 | 0.66 | 3.03 | 4.00 | 3.36 | 0.28 | 2.14 | 2.50 |
| US CORP-HY | 4.9 | 0.28 | 0.20 | 0.85 | -0.86 | -0.02 | 7.50 | 18.37 | -4.47 | 6.27 | -0.03 | 0.56 | 5.31 | 6.36 | 5.75 | 0.30 | 1.75 | -0.30 |

Rates & Ratios

| | This Wk Last Wk Beg Qtr Beg Yr | | | | Mean | | Value | | WTD | | MTD | | QTD | | YTD | |
|----------------------|--------------------------------|--------|--------|--------|------|------|-------|-------|--------|-------|--------|-------|--------|-------|--------|-------|
| | 5/11/18 | 5/4/18 | 4/2/18 | 1/2/18 | 12M | 3Y | 12M | 3Y | Perf | Perf | Perf | Perf | Perf | Perf | | |
| AAA MMD / UST | | | | | | | | | Ratios | | Ratios | | Ratios | | Ratios | |
| 2 Yr | 73% | 75% | 73% | 81% | 72% | 82% | Fair | Fair | -1.7 | Out | -0.1 | Out | -0.1 | Out | -8.5 | Out |
| 5 Yr | 72% | 76% | 80% | 75% | 72% | 79% | Fair | Fair | -3.7 | Out | -7.4 | Out | -7.4 | Out | -2.9 | Out |
| 10 Yr | 82% | 82% | 88% | 81% | 85% | 91% | Rich | Rich | -0.2 | Out | -5.8 | Out | -5.8 | Out | 1.0 | Under |
| 30 Yr | 95% | 95% | 98% | 91% | 97% | 99% | Fair | Fair | -0.2 | Out | -3.7 | Out | -3.7 | Out | 3.6 | Under |
| UST | | | | | | | | | BPS | | BPS | | BPS | | BPS | |
| 2 Yr | 2.54 | 2.51 | 2.26 | 1.91 | 1.76 | 1.17 | Cheap | Cheap | 3.0 | Under | 27.7 | Under | 27.7 | Under | 62.0 | Under |
| 5 Yr | 2.84 | 2.80 | 2.57 | 2.24 | 2.16 | 1.73 | Cheap | Cheap | 4.6 | Under | 27.7 | Under | 27.7 | Under | 60.4 | Under |
| 10 Yr | 2.98 | 2.96 | 2.75 | 2.45 | 2.48 | 2.20 | Cheap | Cheap | 2.0 | Under | 23.1 | Under | 23.1 | Under | 53.2 | Under |
| 30 Yr | 3.11 | 3.13 | 2.98 | 2.80 | 2.91 | 2.83 | Cheap | Cheap | -1.3 | Out | 12.8 | Under | 12.8 | Under | 31.5 | Under |
| AAA MMD | | | | | | | | | BPS | | BPS | | BPS | | BPS | |
| 2 Yr | 1.85 | 1.87 | 1.65 | 1.56 | 1.27 | 0.93 | Cheap | Cheap | -2.0 | Out | 20.0 | Under | 20.0 | Under | 29.0 | Under |
| 5 Yr | 2.05 | 2.12 | 2.04 | 1.68 | 1.57 | 1.36 | Cheap | Cheap | -7.0 | Out | 1.0 | Under | 1.0 | Under | 37.0 | Under |
| 10 Yr | 2.44 | 2.43 | 2.41 | 1.98 | 2.11 | 2.00 | Cheap | Cheap | 1.0 | Under | 3.0 | Under | 3.0 | Under | 46.0 | Under |
| 30 Yr | 2.95 | 2.97 | 2.94 | 2.55 | 2.81 | 2.81 | Fair | Fair | -2.0 | Out | 1.0 | Under | 1.0 | Under | 40.0 | Under |

Muni Primary Market

Gross Supply (\$ in millions)

| | As of 5/11/18 |
|-----------------|------------------|
| Last Week | 7,147.7 |
| 12wk Moving Avg | 6,210.6 |
| YTD | 104,358.6 |

Source: Bloomberg

Weekly Visible Supply (\$ in millions)

| | Week of 5/14/18 |
|-------|--------------------|
| Total | 10,066.3 |
| Comp. | 4,038.9 |
| Neg. | 6,027.4 |

Source: Bloomberg, Ramirez

30-Day Visible Supply (\$ in millions)

| | Current Total | 2018 High \$ | 2018 High Date | 2018 Low \$ | 2018 Low Date |
|-------|------------------|-----------------|-------------------|----------------|------------------|
| Total | 13,305.8 | 13,739.8 | (4/17) | 4,175.5 | (1/2) |
| Comp. | 6,795.3 | 6,795.3 | (5/14) | 903.1 | (1/26) |
| Neg. | 6,510.5 | 8,296.2 | (4/2) | 1,991.3 | (4/25) |

Source: Bond Buyer

Top Competitive Issuances Coming to Market

| Issuer | State | Amount (\$ 000's) |
|---------------------|-------|-------------------|
| Commonwealth of PA | PA | 1,247,000 |
| NYC Trans Fin Auth | NY | 1,100,000 |
| Boston | MA | 150,000 |
| ND Pub Fin Auth | ND | 131,090 |
| Nevada Hwy Impt Rev | NV | 116,755 |

Source: Bloomberg

Top Negotiated Issuances Coming to Market

| Issuer | State | Amount (\$ 000's) |
|---------------------------|-------|-------------------|
| Grand Parkway Transp Corp | TX | 1,521,920 |
| San Francisco Arpt Comm | CA | 914,395 |
| PA Tpk Commission | PA | 444,815 |
| MA Educatnl Fin Auth | MA | 305,490 |
| Leander ISD | TX | 207,465 |

Source: Bloomberg

Underwriters will attempt to market \$10.1 bil. of municipals in the week of 5/14, led in the negotiated space by \$1.52 bil. Grand Parkway Transp Corp, \$914 mil. San Francisco Arpt Comm, and \$445 mil. PA Tpk Comm. The competitive calendar is highlighted by \$1.25 bil. Commonwealth of PA, \$1.10 bil. NYC Trans Fin Auth, and \$150 mil. Boston.

Ramirez Negotiated Issuances Coming to Market

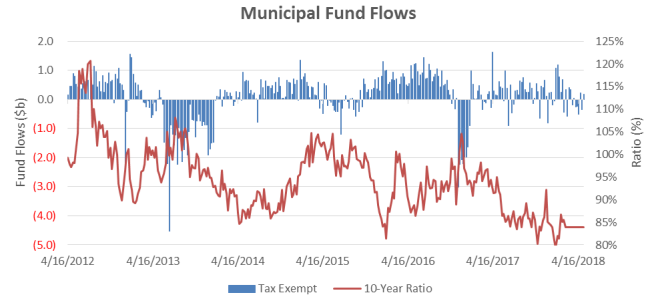
| Issuer | State | Amount (\$ 000's) | Senior Manager | Ramirez Role |
|-------------|-------|-------------------|----------------|--------------|
| Leander ISD | TX | 207,465 | FTN | Co-Manager |

Economic Calendar

| Monday (5/14) | Tuesday (5/15) | Wednesday (5/16) | Thursday (5/17) | Friday (5/18) |
|-------------------------------|--------------------------------|---------------------------|-----------------------------------|---------------|
| Fed Speakers: Mester, Bullard | Empire Manufacturing | MBA Mortgage Applications | Initial Jobless Claims | |
| \$48 Bln 3-Month Bill Auction | Retail Sales | Housing Starts | Continuing Claims | |
| \$42 Bln 6-Month Bill Auction | TIC Flows | Building Permits | Philadelphia Fed Business Outlook | |
| | Fed Speakers: Kaplan, Williams | Industrial Production | Bloomberg Consumer Comfort | |
| | Fed Nominees Clarida and | Capacity Utilization | Leading Index | |
| | 4-Week Bill Auction | | \$11 Bln 10-Year TIPS Reopening | |

Muni Market Demand

Tax-exempt mutual funds returned to inflows for the week ending May 9, with an inflow of \$167 million. This compares to the 12-week moving average of a \$51 million outflow.

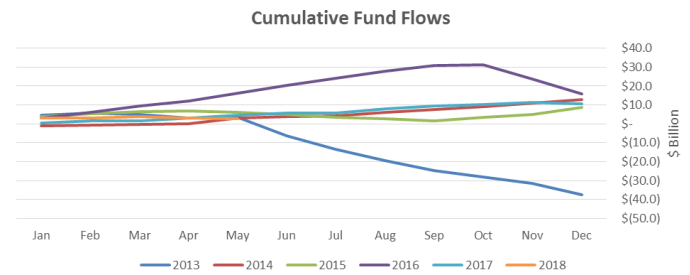


Source: Lipper Fund Flows

US Lipper Fund Flows

| Sector | Flow Change (\$B) | YTD (\$B) |
|--------------|-------------------|------------------|
| Tax-Exempt | Inflow: 0.167 | Inflow: 2.831 |
| Money Market | Inflow: 8.211 | Outflow: -53.816 |
| Taxable | Inflow: 0.086 | Inflow: 46.959 |
| Equities | Outflow: -0.231 | Inflow: 28.015 |

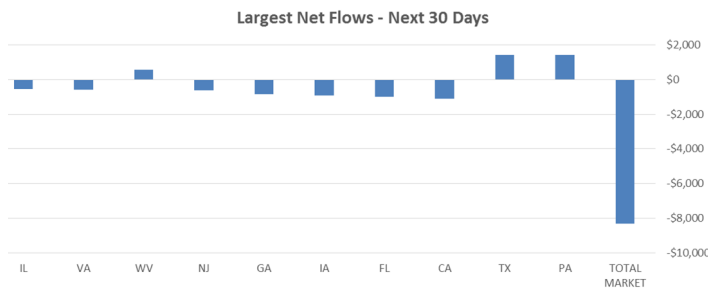
Source: Lipper Fund Flows



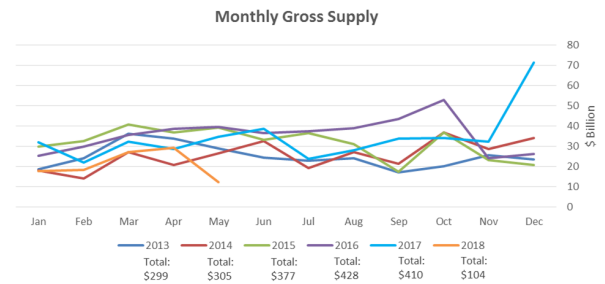
Source: Bloomberg

Muni Market Supply

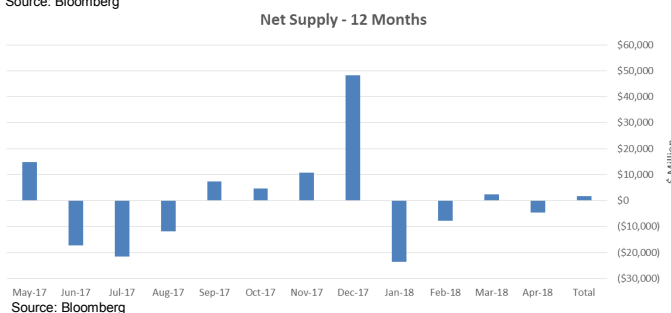
Over the next 30 days we see net muni market supply at -\$8.32 bil., comprised of \$12.37 bil. new issues, \$13.91 bil. maturing, and \$6.77 bil. announced calls. The states that stand to experience the largest change in outstanding debt include Pennsylvania (+\$1.43 bil.), Texas (+\$1.42 bil.), California (-\$1.11 bil.), Florida (-\$971 mil.), and Iowa (-\$909 mil.).



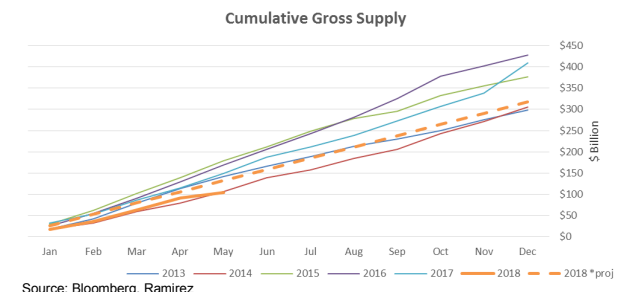
Source: Bloomberg



Source: Bloomberg, Ramirez



Source: Bloomberg



Source: Bloomberg, Ramirez

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¹ For purposes of the debt Rule FINRA 2242, a "debt security" excludes any equity security, municipal security and security-based swap (each as defined under the Exchange Act) and any US Treasury (as defined in FINRA Rule 6710 (p)).