

MUNICIPAL BOND MARKET MONTHLY

JANNEY FIXED INCOME STRATEGY

January 11, 2012



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Municipals Were Safe in 2011, Will Continue to be Secure in 2012

- Worries about a massive number of municipal market defaults and bankruptcies for 2011 were unrealized, as we expected. Municipal bonds, generally, remain a very safe asset class and should be widely used by investors seeking dependable income.
- Municipal issuers have a variety of levers available to them, which helped most avoid falling into distressed situations. There has been a significant amount of policy change recently, especially where state budgets are concerned.
- Negative forecasts and fear mongering may continue in 2012, but we expect such predictions will pass unfulfilled into next year.
- Our credit outlook for the municipal market is mostly "Stable"; however, we do have a "Cautious" outlook on the local government, airport, health-care, higher-ed, and tobacco sectors.
- Municipal market activity began on a positive note with strong demand meeting minimal new issue volume, pushing yields and M/T Ratios lower.
- We do not believe that the current interest rate environment should deter investors from municipal bonds. Rates have fallen since November and have room go even lower, according to historical data.
- S&P upgraded Alaska; Moody's downgraded Illinois; S&P raised the outlook on Arizona; Moody's lowered the outlook on Dallas-Fort Worth Airport; Moody's raised the outlook on South Carolina and Tennessee; and S&P downgraded the city of York, PA.

MUNICIPAL BONDS REMAIN SAFE FOR INCOME SEEKING INVESTORS

There are several traditional investing truths that came under fire in recent years. One of them questioned the safety of municipal bonds as an asset class. Several factors contributed to this skepticism. Most recently worries about a massive number of municipal market defaults and bankruptcies for 2011 existed. This unlikely collection of events, which we have been referring to as a "municipal meltdown," did not materialize. Now, as we turn the calendar to 2012 we believe that municipal bonds should once again be considered a safe asset class and be widely used by investors seeking income.

Most Distressed Issues Were Non-Traditional Municipals

To review, 2010 possessed many questions as investors and observers wondered how municipal market entities would adjust in the post-recession economy. 2011 was more psychologically challenging. Headline risk and baseless predictions captured investors' attention even though state governments' revenues recovered and municipal issuers adjusted budgets to conform to the new economic reality.

Distressed Municipal Bonds

Year	Distressed Municipals (#)	Distressed Municipals (Par Amount \$ in millions)
2011	107	\$24,616
2010	169	\$5,031
2009	259	\$8,952

Source: Income Securities Ad. Distressed Debt Newsletter, Janney FIS.

Now, investors can compare 2011 municipal distressed (includes bond issues that have tapped reserves, filed for Chp. 9 or defaulted) data to the baseless prediction calling for hundreds of billions of dollars of municipal defaults. We believe investors should take comfort in the fact that Meredith Whitney's overstatement heard around the country was nowhere close to actual experience, now that 2011 is in the rear-view mirror.

Distressed local governments such as Harrisburg, PA; Jefferson County, AL; and Central Falls, RI do not reflect general local government credit conditions.

“Never make predictions, especially about the future,” Casey Stengel – Hall of Fame major league baseball manager.

We expect more uncertainty about changes in the tax code, and the possible threat to municipal tax-exemption to surface, but nothing will actually happen along this front in 2012.

Although the par amount of distressed issues increased substantially in the last part of 2011 it is important to note that almost all of the “distressed” municipal issues listed were in non-traditional municipal sectors. Also important is that this considerable increase was not due to falling credit quality in traditional municipal bond sectors. The majority of distressed municipals in 2011, over \$18 billion, were California, Ohio, Virginia and Nassau County (NY) tobacco settlement bonds, which tapped reserve funds recently. For 2011, the only U.S. local governments to be included in the Distressed Debt Newsletter’s list included Central Falls, RI; Harrisburg, PA; Jefferson County, AL; Brighton, AL; and Pemberton, MN. Only the cities of Brighton, AL and Pemberton, MN defaulted on bondholders and this was in a par amount of just over \$2 million. (Please see the Janney Nov 2011 MBMM for more detail about these payment defaults and local government credit generally.)

What We Expect in 2012

Concrete predictions are usually not all that useful, hardly ever accurate, and almost always self-serving in one way or another. Instead of predictions we will make some general observations about what we expect for 2012. Total municipal market returns surprised most to the upside. The Barclay’s Municipal Bond Index of 46,000 municipal issues returned 10.70% in 2011. Please see the table on page 3 for sector by sector returns. We do not expect similar returns for 2012, but it would not surprise us if investors continue to be pleasantly surprised with their returns for 2012.

A key question we believe many will continue to be faced with is, “Do we expect more of the same headline risk and exaggerated predictions in 2012 that we endured in 2011?” And unfortunately the answer is, “Yes.” Some of the popular and financial press gained enough of a basic understanding of the municipal bond market recently in order to finally comprehend municipal bonds are not the next bubble to burst. But, a recently published 2012 financial preview stated that Whitney’s forecast was a year too early and expects Armageddon to take hold of the municipal sector in 2012. Such forecasts are attention grabbing but contain no truth or factual basis. This particular commentator’s prediction for 2012, like Whitney’s for 2011, will pass quietly unrealized as we turn to 2013.

“Levers” Allowed Municipal Credit Quality to Stay Strong

Many have asked us, “The economic environment still seems so volatile, how is it that municipal credit quality has been able to stay strong?” The answer is because municipal entities, generally, have a variety of what we commonly refer to as levers, or options, they can use in order to balance their budgets. For example, state governments have the sovereign ability to control most of their revenue and expenditures. Many local governments receive value from the many credit enhancement programs usually sponsored by state governments. Enhancements like Pennsylvania’s Act 47 for Distressed Municipalities and Pennsylvania’s School District Intercept Program are examples. And most revenue bond issues have the ability to adjust user or other fees as need is demonstrated.

We are seeing extensive policy changes at the state and local government levels concerning budgets. Many, for example, have been aimed at shoring up pension liabilities/funding plans. While additional adjustments are likely going to be needed, it is the nature of state and local governments to adjust slowly, but we have been closely monitoring broader trends to make sure surprises are not waiting around the corner. Going forward we are expecting that it is chiefly political, not economic, factors that will influence or deter changes that will affect municipal credit quality. This concerns balancing revenues and expenditures where both state and local government general obligations are concerned and usually matching higher user fees and capital updates and expansion where revenue bond issuers are concerned. Neither taxpayers nor users generally want to pay more so we are going to closely monitor how political actors handle the social and political aspects of future financial planning. While political actors are facing financial choices with important consequences, we would be surprised to see tensions result in violent social unrest in 2012 due to fiscal austerity measures.

Janney Recommendation

We continue to recommend investors focus on buying high quality general obligation and revenue bonds from issuers that have minimized their exposure to potential negative credit factors, possess updated ratings by one or more of the leading rating agencies, and that release financial information on a regular basis. While many municipal bonds fall into the “high quality” category, there are some that do not and we advise investors to make sure they understand the difference and to seek expert guidance. In addition, classic conservative investors who are seeking a steady stream of income should always diversify and only seek higher risk credits after a complete understanding of the credit profile is gained.

Janney's credit outlook for the municipal market is generally "Stable."

However, we have a "Cautious" outlook on the local government, airport, health-care, higher-ed and tobacco sectors.

While they appear to have reached a plateau, state credit profiles could worsen in the long term if future action is not taken to battle structural budget gaps.

JANNEY MUNICIPAL SECTOR OUTLOOK

Janney's credit outlook for the municipal market is generally "Stable"; however, we do have a "Cautious" outlook on the local government, airport, health-care, higher-ed and tobacco sectors. Although downgrades might number upgrades in some sectors in 2012 we believe such actions will be at a pace that is slower than the pace previously experienced and we also believe credit quality will not fall far from current median ratings. So, we generally expect municipal issuers will continue to utilize all the levers at their disposal to maintain their generally strong investment grade credit quality in 2012.

Janney Municipal Sector Outlook and Review

Sector	Janney Outlook	Last Month Change	Barclay's 12 Month Return	Key Sector Trends	Recent Janney Sector Review
Municipal Bond Index	-	-	10.70%	Barclay's Muni Index, 46k issues	-
State Government	Stable	Same	10.89%	Possess flexibility and autonomy	Oct 2011 Note
Local Government	Cautious	Same	11.09%	Lower revenues will force decisions	Nov 2011 MBMM
School Districts	Stable	Same	-	State support continues as a plus	Jan 2012 MBMM
Airports	Cautious	Same	11.73%	Enplanements continue higher	Jan 2012 MBMM
Higher Education	Cautious	Same	11.66%	Public schools have pricing advantage	Jan 2012 MBMM
Health Care	Cautious	Same	12.48%	Bigger is better, uncertainty continues	Jan 2012 MBMM
Housing	Stable	Same	9.86%	Fundamentals remain and strong rel val	Jul 2011 Note
Public Power (Elec.)	Stable	Same	10.36%	Essential purpose enhances stability	Jan 2012 MBMM
Tobacco	Cautious	Same	8.38%	U.S. tobacco consumption dropping	Jun 2011 Note
Toll Facilities	Stable	Same	11.73%	Activity is leveling off, still near 04 levels	Jan 2012 MBMM
Water and Sewer	Stable	Same	11.08%	Key essentiality factor remains	Jan 2012 MBMM

Source: Barclay's Capital as of Dec. 30, 2011 and Janney FIS.

JANNEY SECTOR BRIEFS

State Government (Stable)

We kept our "Stable" outlook on the U.S. state government sector and do not anticipate a change to this outlook in 2012. U.S. states showed they were willing and able to pay debt service in 2011, and we expect the same fulfillment of debt service obligations in 2012 and beyond. Recent activity and data demonstrate that states are not overleveraged in the same manner as the worst European sovereigns. Many states resolved FY2012 budget shortfalls, as expected, with credit-friendly solutions such as tax increases and spending cuts. We expect the same for FY2013. While they appear to have reached a plateau, state credit profiles could worsen in the long term if future action is not taken to battle structural budget gaps in a limited number of cases. One-time fixes, short-term budget solutions, and expectations to "grow out" of fiscal deficits are misguided approaches. Several obstacles still exist for states to overcome in order for their credit profiles to return to medium and long term fiscal stability. Spending pressures from growing pension liabilities, questions about Medicaid expenditures and uncertainty surrounding future federal deficit reduction, while manageable in the short term, could build over time. We expect many of the solutions will need to be political in nature in order to become sustainable and result in long-lasting positive credit effects.

Local Government (Cautious)

Overall, local government credit quality remains flexible and median ratings are still in the higher investment grade echelon as we begin the new year, despite the Janney "Cautious" outlook. Median local government ratings are still at prominent levels, between Aa2 and Aa3, depending upon the sub-sector. This is despite the effects from the Great Recession and the extremely high level of headline risk investors and observers have endured. We expect issuers will experience some slight credit deterioration and rating downgrades in the near term but overall credit quality will remain close to

Although we have a “Cautious” outlook on the U.S. Local Government Sector, we do not expect a significant percentage of them to substantially deteriorate in credit quality.

We remain concerned about uncertainty with regard to the U.S. economic recovery, are looking out for potential blowback from the European debt crisis, and believe there is still a very strong possibility of a mild European recession.

Our airport sector outlook is one that could move to “Stable” if the U.S. economic recovery firms.

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current medians and issuers will continue to make their scheduled debt service payments. The sector’s credit strengths far outweigh its weaknesses.

Median Local Government Ratings

Sub-sector	Median Rating
County	Aa2
City	Aa3
School Districts	Aa3

Source: Moody’s Local Govt Medians Sept 2011 & Janney FIS.

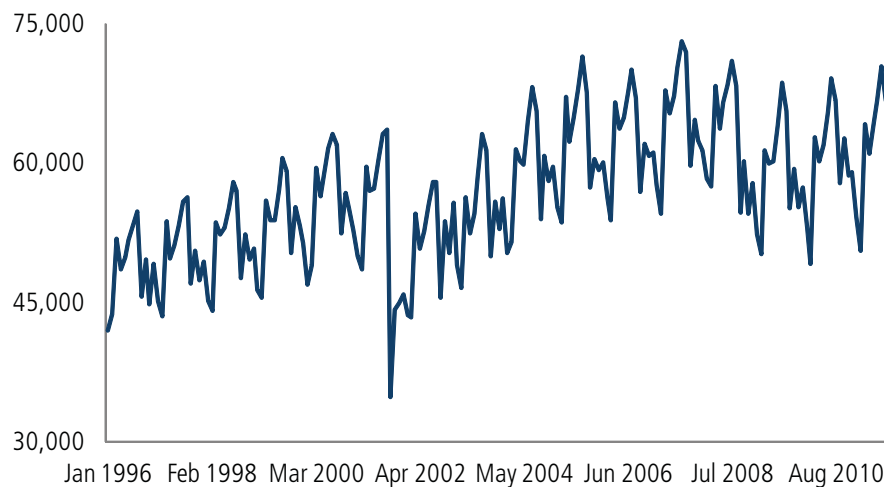
School Districts (Stable)

School districts should remain relatively “Stable,” despite decreasing revenues, as a result of state aid (or similar) intercept program backing. State aid intercept programs are mechanisms whereby states, after a school district has defaulted on a debt payment, will make school districts’ debt service payment using funds scheduled to be paid to the school. Overall, school district revenues will again be lower in 2012 because state aid is decreasing compared to the pre-recession years. It is likely that rating downgrades will also outnumber upgrades for school districts in 2012 but not at a level that will force school districts median Moody’s rating to fall far from its Aa3 Moody’s median rating.

Airports (Cautious)

We remain “Cautious” on the airport sector. Many U.S. airports and airlines saw activity drop off post-recession but the economic recovery, albeit a slow one, is helping to firm airport usage and activity. Airport industry trends stabilized and enplanements (passengers boarding planes) in 2011 over 2010 continued to improve. The majority of airports were on solid financial ground going into the economic crisis and are continuing to weather the storm as we had anticipated. Some downside risks remain a cause for concern, however. Airports remain exposed to high-fixed costs, which are difficult to deal with when management is trying to control spending. Jet fuel prices, which peaked in summer 2008 and bottomed in 2009, have remained volatile. Regulatory risks, especially those concerning environmental and emission controls, remain. And fallout from the American Airlines Chapter 11 bankruptcy, while uncertain, is strongly leaning toward the negative. Event risk for this sector is higher than that of other sectors. A prolonged “Severe” Homeland Security Advisory System warning or some type of security incident that lowers travel at a holiday or otherwise busy travel period could quickly lower airport usage. The outlook for 2012, however, is going to be strongly correlated with the overall economy’s performance. And our outlook is one that could move to “Stable” if the U.S. economic recovery firms.

Enplanements Continue to Trend Back Up



Source: Bureau of Transportation & Janney FIS. #s in thousands.

Less selective schools in states with declining applicant bases are vulnerable to downgrades in 2012.

We expect health-care to outperform other municipal sectors, but we remain "Cautious" due to the high level of uncertainty.

We are very cautious on anything on the multi-family side that is not part of a larger multi-family program.

Higher Education (Cautious)

The lethargic economy has had a particular impact on the higher education sector, and although our outlook remains "Cautious," public institutions and large private schools should fare better than smaller, less selective private colleges. There is also a regional element to consider. Even though many public schools, from flagship state institutions to smaller state system schools, have raised tuition as state aid diminishes, the costs still compare very favorably to most private schools, which is an important consideration in the struggling economic environment. In general, applications are up for public schools. Some private schools have been forced to lower their standards just to maintain class size. Reduced selectivity over time can damage school reputation, leading to fewer applications potentially perpetuating a damaging cycle.

Geography is also a factor. The overall number of graduating high school seniors is expected to be flat in the next several years according to The College Board, but on a regional basis this translates into fewer applicants from the mid-Atlantic and New England states and increases in applicants from southern and southwestern states. Smaller, less selective schools tend to have more regionally focused applicant pools. As the economy improves, and the pool of graduating seniors begins to grow again toward the end of this decade, the outlook for the sector will improve, but small, less selective schools in states with declining applicant bases are vulnerable to downgrades in 2012.

Health Care (Cautious)

Parts of the 2010 Affordable Care Act (ACA) face Supreme Court review in 2012. The political tussle over U.S. government deficits has put Medicare and Medicaid into the crosshairs of spending reduction. Given the state of flux surrounding health-care, we are cautious on the sector, but as with higher education, our outlook is mixed. There is an undercurrent of consolidation in health-care, with larger systems (both not-for and for profit) seeking to acquire smaller hospitals and systems as well as dedicated physician groups. The health-care landscape is rapidly evolving. Larger health-care organizations with strong market share are better prepared to handle upcoming changes. Strong management with a strategic focus will be critical in coming years. Smaller hospitals with dominant market share will fare better than those in highly competitive markets, with large resource rich competitors. Health-care issuers received more favorable treatment from rating agencies than other municipal borrowers this year. In the first three quarters of 2011, Moody's downgraded 23 health-care issuers and raised ratings for 19, but in dollar terms of debt affected, there were \$5.6 billion of upgrades, compared to \$4.1 billion in lowered ratings. We expect health-care to outperform other municipal sectors, but we remain "Cautious" due to the high level of uncertainty.

Housing (Stable)

The U.S. housing market remains challenged, and although some State HFA single family (SF) housing programs have experienced delinquency and foreclosure results that are worse than statewide averages State HFA programs generally possess other strong credit metrics. We still believe most SF programs are underrated and we expect their overall credit profiles will continue to perform and pay bond debt service, despite this recent mortgage activity. This point is a key reason why we maintain a "Stable" outlook for the housing sector. In addition, the relative value of these housing bonds compared to AA revenue and AAA municipal market data yields remains "highly attractive." Most enjoy programs with solid financial positions and strong excess collateral. State HFA Issuer Credit Ratings or general obligation pledges sometimes provide additional security. The programs' mortgage portfolios do not contain sub-prime loans. The majority of them are 30-year fixed rate first mortgage loans, from borrowers with above average credit scores. Most State HFA's have experienced management teams with several years of industry experience. The management teams are usually very willing to utilize resources, usually in the form of available agency funds, to support single family housing program's ratings. If the rating agencies threaten a downgrade because of a cash-flow issue, for example, managements have been known to dedicate funds if necessary. In 2012 and 2013 we could see some pressure mostly from exposure to private mortgage insurers, guaranteed investment contracts, and swap and liquidity providers. We are very cautious on anything on the multi-family side that is not part of a larger multi-family program. Stand-alone multi-family projects will continue to suffer in this economic environment.

The median Moody's rating for municipally owned utilities and for utilities which generate their own power is Aa3.

Lower than anticipated revenue caused California, Ohio, Virginia, and Nassau County (NY) tobacco issues to tap reserve funds for payment of December 2011 interest payments.

Water is an essential product consumers cannot do without and provides a benefit in the form of low levels of payment delinquency.

Public Power (Stable)

The public power utility sector has been one of the more stable municipal sectors throughout the recession and will continue to be in 2012. Utilities in the sector continue to benefit from monopolies, stable medians, and strong ratings. The median Moody's rating for municipally owned utilities and for utilities which generate their own power is Aa3. However, the median rating for electric providers is just lower at A1. The greatest short term issue facing utility credit quality is the political pressure to keep rates low because the recession slowed overall economic demand and power sales declined. Other sector pressures also exist. The transition to cleaner fuels can be expensive. The costs of meeting new emissions standards is a factor expected to provide credit pressure in the public power sector. Increased regulation could add to costs and would need to be recovered in rate increases. Despite these pressures we believe credit quality in the sector will remain "Stable" in the near term because of the sector's monopolistic nature, delivery of an essential service, and conservative financial management.

Tobacco (Cautious)

The \$6 billion paid to U.S. states in April 2011 from the settlement of litigation against cigarette manufacturers, based on cigarette sales in 2010, was the lowest total since 2006. This lower than anticipated revenue caused California, Ohio, Virginia, and Nassau County (NY) issues to tap reserve funds for payment of December 2011 interest payments. A dispute between states and manufacturers over non-participating manufacturers' (NPM) provisions and adjustments is ongoing with arbitration of amounts based on 2003 sales underway. The amount in question for 2003 is \$1.1 billion, with totals for years from 2003 through 2010 exceeding \$7 billion. Reports of a settlement of the NPM dispute in June proved premature, but recent indications are that 12 states, including New Jersey and Rhode Island, have been exempted from the arbitration. Uncertainty surrounding the NPM dispute should ease as more details become available, and potentially disputes are resolved. The continuing decline in U.S. smoking levels has moderated. Department of Treasury statistics indicate cigarette consumption declined 2.7% in the twelve months through October 2011, well below the peak declines of 10% following the federal tobacco excise tax increase in April 2009.

Toll Facilities (Stable)

The economic recovery helped strengthen this sector's results but vehicle miles traveled has leveled off recently and we expect activity to reflect overall economic activity in 2012. We still believe the worst is over for toll facilities throughout the US and defaults and or bankruptcies will remain the exceptions. Traffic volume declined starting in 2008 as a response to lower business activity and rising oil prices, but has since stabilized. The pace of the economic recovery remains slow but we expect the economic recovery to continue to continue to gain momentum in 2012 and traffic volume should follow. Vehicle miles traveled are remain near 2004 levels so we will likely not see peak 2007 levels for some time, at least a few years. The credit profiles of the larger more established issuers within this sector remain steady and the majority still possess medium to high ratings and our outlook on the sector remains "Stable."

Water and Sewer (Stable)

We expect municipal water and sewer credit quality to remain "Stable" in 2012 despite continuing near-term recessionary pressures and continued worries about weather conditions. The essential nature of water and strong financial ratios for operators in the sector cause us to recommend this sector but with a caveat based on regions. Water scarcity, whether it ends up being simply a myth or not, is a larger issue depending upon the region of the U.S. From a demand standpoint water is an essential product consumers cannot do without and provides benefit from low levels of payment delinquency. This stable collection ability and our expectation that demand will remain constant even as prices increase are also positives for the sector. We expect future debt levels to rise to meet infrastructure demands but ratios should remain at positive levels in the near term.

The municipal market is beginning 2012 on a very positive note.

Compared to weekly totals averaging about \$5.7 billion last year, supply in the new year is muted, with only \$1 billion selling during the first week of January, and about \$5 billion on tap for the second week. We expect the primary pace to pick up as the month and year progress.

Both December and January are strong redemption months with significant proceeds from maturing and advance refunded issues available for reinvestment.

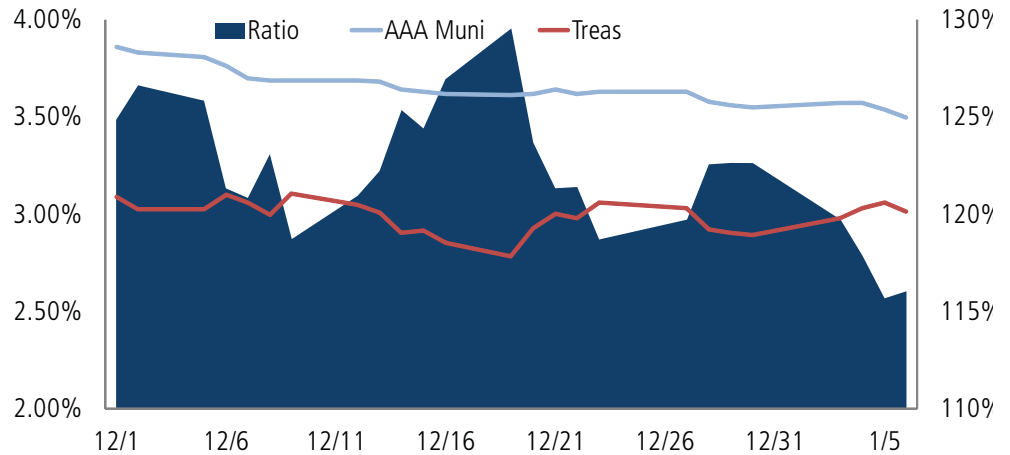
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MARKET COMMENTARY

A Strong Municipal Market

The municipal market is beginning 2012 on a very positive note, with strong demand meeting minimal new issue volume, pushing yields and ratios lower. Since December 1, the 30 year MMD AAA benchmark yield has fallen 36 basis points, from 3.86% to 3.50%, while the 30 year Treasury yield, at 3.02%, is only 8 basis points lower over the same period. Despite a drop from 125%, the 30 year muni to Treasury ratio is still compelling at 116%.

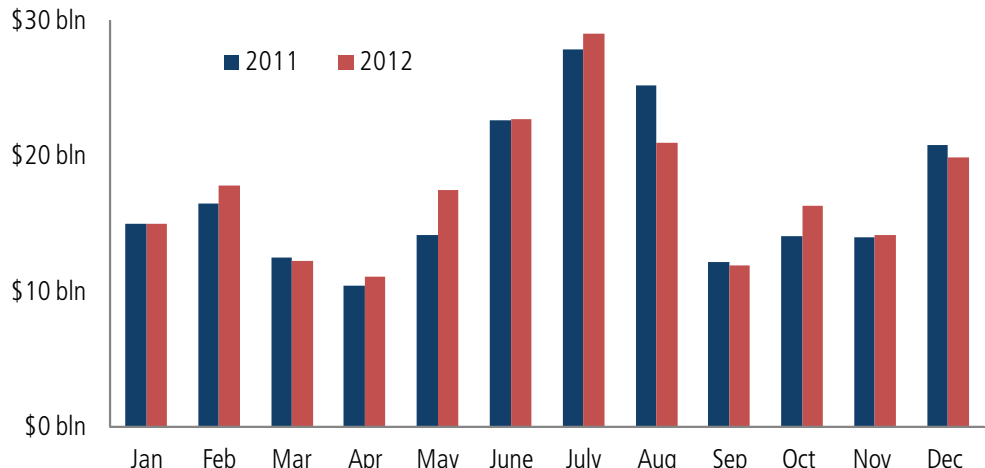
30 Year Yields and M/T Ratios are Trending Lower



Source: Thomson Reuters & Janney FIS.

Both December and January are strong redemption months with significant proceeds from maturing and advance refunded issues available for reinvestment. Continued positive flows to municipal mutual funds add to demand. Low rates have driven the amount of current refundings higher in the second half of 2011, and we expect this to continue well into this year, but current refundings have less impact on demand since the amount of bonds being called roughly matches the amount of bonds being issued. Although we believe 2012 new issue totals will exceed those of 2011 by about 20%, most of the differential will be from current refundings, with new money issues expected to extend the slower pace of 2011.

Strong Reinvestment Flows December to February



Source: Thomson Reuters & Janney FIS.

Municipal rates are not near all time lows.

See our Municipal Market Note titled, "Dispelling the 'Low Rate' Environment Myth," dated November 18, 2011 for details.

MUNICIPAL YIELDS FELL, BUT STILL FAR FROM ALL-TIME LOWS

We argued that municipal rates were not near all time lows according to historical experience in our Municipal Market Note titled, "Dispelling the 'Low Rate' Environment Myth," dated November 18, 2011. While we did not specifically assert that the market could go lower, that claim was implied and that is exactly the direction municipal rates have followed since our November announcement. While we are not going to offer a prediction about the direction of absolute levels of municipals for 2012, a higher rate environment is probably not as likely as a flat or trend that continues lower. In addition, this will likely be the general interest rate environment for some time, or at least for the next few years. Therefore, while we can advise municipal investors to climb the maturity or credit scale for additional yield we do not recommend waiting for rates to increase or to climb the credit scale to the far extreme of the traditional safe municipal sectors unless there is a complete understanding of the credit profile.

Bond Buyer's Weekly 20 GO Yield Has Fallen Since November 2011



Source: Bond Buyer Weekly 20 GO Index from Bloomberg & Janney FIS.

MUNICIPAL BOND MARKET MONTHLY

January 11, 2012



Select Recent Changes to Ratings & Outlooks (as of Jan 9, 2012)

Issuer	State	Recent Rating Action	Date	Underlying Rating(s)	Notes
Illinois (State of)	IL	Downgraded to A2 from A1 by Moody's	6-Jan-2012	A2/A+/A	Failure to institute recurring plan
Alaska (State of)	AK	Upgraded to AAA from AA+ by S&P	5-Jan-2012	Aaa/AAA/	Building reserves
Woonsocket (Town of)	RI	On review for a downgrade (Moody's)	5-Jan-2012	Ba1/NR/BBB-	Deficits and underfunded pension
Reno (City of)	NV	Downgraded to Aa3 from Aa2 by Moody's	1-Jan-2012	Aa3/A	Various stresses to finances
Lebanon Auth (water rev)	PA	Upgraded to AA from A+ by S&P	29-Dec-2011	NR/AA	Strong debt service coverage
East Providence (Town of)	RI	Downgraded to BB+ from BBB+ by S&P	23-Dec-2011	Ba1/BB+	Various stresses to finances
Arizona (State of)	AZ	Raised outlook to stable from negative, S&P	23-Dec-2011	Aa3/AA-	Improved financials
Erie (County of)	NY	Upgraded to A- from BBB+ by S&P	20-Dec-2011	A2/A-/A	Stronger reserves
National Public Fin Guar	NA	Downgraded to Baa2 from Baa1 by Moody's	20-Dec-2011	Baa2/BBB/	Concern over \$1 billion settlemt
Long Beach (City of)	NY	Downgraded to Baa3 from A1 by Moody's	20-Dec-2011	Baa3/NR	Multi-year deficits
Lyndhurst (Township of)	NJ	Downgraded to Baa1 from A1 by Moody's	14-Dec-2011	Baa1/NR	Loss of largest taxpayer
Dallas-Fort Worth Airport	TX	Lowered outlook to negative from stable, Moody's	13-Dec-2011	A1/A+/A+	American Airlines bankruptcy
Suffolk (County of)	NY	Lowered outlook to negative from stable, Moody's	14-Dec-2011	Aa2/AA/AA-	Negative unreserved GF balance
Nassau (County of)	NY	Downgraded to A+ from AA- by Fitch	13-Dec-2011	A1/A+/A+	No improvement in finances
Detroit (City of)	MI	Lowered outlook to negative from stable, Fitch	13-Dec-2011	Ba3/BB/BB-	State financial review
University of Cincinnati	OH	Upgraded to Aa3 from A1 by Moody's	6-Dec-2011	Aa3/AA-	Improving Finances
South Carolina (State of)	SC	Raised outlook to stable from neg by Moody's	7-Dec-2011	Aaa/AA+	Lowered Aug after US neg out
Tennessee (State of)	TN	Raised outlook to stable from neg by Moody's	7-Dec-2011	Aaa/AA+	Lowered Aug after US neg out
119 of 161 Local Govt Isrs	NA	Raised outlook to stable from neg by Moody's	7-Dec-2011	Various	Lowered Aug after US neg out
Wenatchee (Town of)	WA	Downgraded to BBB from A- by S&P	2-Dec-2011	Baa2/AAA	\$42 million enterprise default
Sparta (Township) SD	NJ	Lowered outlook to negative from stable, Moody's	1-Dec-2011	Aa2/AA-	Lack of financial information
Newtown (Township)	PA	Downgraded to Aa3 from Aa1 by Moody's	30-Nov-2011	Aa3/NR	Lower general fund reserves
Assured Guaranty	NA	Lowered outlook to AA- from AA+ by S&P	30-Nov-2011	Aa3/AA-	S&P multi-month review
NJ Housing single family	NJ	Placed rating on watch for downgrade (Moody's)	18-Nov-2011	Aa2/AA	Weak mortgage performance
Gwynedd Mercy College	PA	Outlook to positive from stable, by S&P	24-Nov-2011	NR/BBB-	Strong managt and budgeting
Rockefeller University	NY	Downgraded to AA+ from AAA by S&P	17-Nov-2011	Aa1/AA+	Debt relative to resources
York (City of)	PA	Downgraded to BBB- from BBB by S&P	14-Nov-2011	NR/BBB-	Trend of operating deficits

Source: Moody's; S&P; Fitch and Janney FIS.

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State and Other Select Issuer Ratings (Jan 9, 2012)

State	Moody's			S&P			Fitch		
	Rating	Outlook	Last	Rating	Outlook	Last	Rating	Outlook	Last
Alabama	Aa1	Stable	4/16/2010	AA	Stable	8/3/2007	AA+	Stable	5/3/2010
Alaska	Aaa	Stable	11/22/2010	AAA	Stable	1/5/2012	AA+	Stable	4/5/2010
Arizona (*)	Aa3	Negative	2/9/2011	AA-	Stable	12/23/2011	NR	-	-
Arkansas	Aa1	Stable	4/16/2010	AA	Stable	1/10/2003	NR	-	-
California	A1	Stable	4/16/2010	A-	Stable	7/7/2011	A-	Stable	4/5/2010
Colorado (*)	Aa1	Stable	4/16/2010	AA	Stable	7/10/2007	NR	-	-
Connecticut	Aa2	Negative	6/28/2011	AA	Stable	9/26/2003	AA	Stable	6/3/2010
Delaware	Aaa	Stable	4/30/2010	AAA	Stable	2/22/2000	AAA	Stable	4/13/2006
Florida	Aa1	Stable	4/16/2010	AAA	Stable	7/12/2011	AAA	Negative	4/5/2010
Georgia	Aaa	Stable	4/16/2010	AAA	Stable	7/29/1997	AAA	Stable	4/13/2006
Hawaii	Aa2	Stable	5/17/2011	AA	Stable	1/29/2007	AA	Stable	6/15/2011
Idaho (*)	Aa1	Stable	4/16/2010	AA+	Stable	3/30/2011	AA	Stable	4/5/2010
Illinois	A2	Stable	1/6/2012	A+	Negative	1/25/2011	A	Stable	1/21/2011
Indiana (*)	Aaa	Stable	4/16/2010	AAA	Stable	7/18/2008	AA+	Stable	4/5/2010
Iowa (*)	Aaa	Stable	4/16/2010	AAA	Stable	9/11/2008	AAA	Stable	4/5/2010
Kansas (*)	Aa1	Negative	4/6/2011	AA+	Stable	5/20/2005	AA	Stable	2/13/2007
Kentucky (*)	Aa2	Negative	3/30/2011	AA-	Stable	6/23/2009	AA-	Negative	2/15/2011
Louisiana	Aa2	Stable	4/16/2010	AA	Stable	5/4/2011	AA	Stable	4/5/2010
Maine	Aa2	Stable	4/16/2010	AA	Negative	3/10/2010	AA+	Stable	4/5/2010
Maryland	Aaa	Negative	8/4/2011	AAA	Stable	5/7/1992	AAA	Stable	4/13/2006
Massachusetts	Aa1	Stable	4/16/2010	AA+	Stable	9/16/2011	AA+	Stable	4/5/2010
Michigan	Aa2	Stable	4/16/2010	AA-	Stable	5/22/2007	AA-	Positive	7/27/2010
Minnesota	Aa1	Negative	8/1/2011	AA+	Stable	9/29/2011	AA+	Stable	7/7/2011
Mississippi	Aa2	Stable	4/16/2010	AA	Stable	11/30/2005	AA+	Stable	4/5/2010
Missouri	Aaa	Stable	4/16/2010	AAA	Stable	2/16/1994	AAA	Stable	4/13/2006
Montana	Aa1	Stable	4/16/2010	AA	Stable	5/5/2008	AA+	Stable	4/5/2010
Nebraska (*)	Aa2	Stable	4/16/2010	AAA	Stable	5/5/2011	NR	-	-
Nevada	Aa2	Stable	3/24/2011	AA	Stable	3/10/2011	AA+	Stable	4/5/2010
New Hampshire	Aa1	Stable	4/16/2010	AA	Stable	12/4/2003	AA+	Stable	4/5/2010
New Jersey	Aa3	Stable	4/27/2011	AA-	Stable	2/9/2011	AA-	Stable	8/17/2011
New Mexico	Aaa	Negative	8/4/2011	AA+	Stable	2/5/1999	NR	-	-
New York	Aa2	Stable	4/16/2010	AA	Stable	9/14/2004	AA	Positive	5/31/2011
North Carolina	Aaa	Stable	1/12/2007	AAA	Stable	6/25/1992	AAA	Stable	4/13/2006
North Dakota (*)	Aa1	Stable	4/16/2010	AA+	Positive	5/12/2011	NR	-	-
Ohio	Aa1	Negative	4/16/2010	AA+	Stable	7/19/2011	AA+	Stable	4/11/2011
Oklahoma	Aa2	Stable	4/16/2010	AA+	Stable	9/5/2008	AA+	Stable	4/5/2010
Oregon	Aa1	Stable	4/16/2010	AA+	Stable	3/10/2011	AA+	Stable	4/5/2010
Pennsylvania	Aa1	Negative	4/16/2010	AA	Stable	11/6/1998	AA+	Negative	5/14/2010
Puerto Rico	Baa1	Negative	5/3/2011	BBB	Stable	3/7/2011	BBB+	Stable	1/19/2011
Rhode Island	Aa2	Negative	5/31/2011	AA	Stable	4/22/2011	AA	Stable	7/18/2011
South Carolina	Aaa	Stable	12/7/2011	AA+	Stable	7/11/2005	AAA	Stable	4/13/2006
South Dakota (*)	Aa2	Stable	5/27/2010	AA+	Stable	3/25/2011	AA	Stable	4/5/2010
Tennessee	Aaa	Stable	12/7/2011	AA+	Positive	5/5/2011	AAA	Stable	4/5/2010
Texas	Aaa	Stable	4/16/2010	AA+	Stable	8/10/2009	AAA	Stable	4/5/2010
Utah	Aaa	Stable	4/16/2010	AAA	Stable	6/7/1991	AAA	Stable	4/13/2006
Vermont	Aaa	Stable	4/16/2010	AA+	Stable	9/11/2000	AAA	Stable	4/5/2010
Virginia	Aaa	Negative	8/4/2011	AAA	Stable	11/11/1992	AAA	Stable	4/13/2006
Washington	Aa1	Stable	4/16/2010	AA+	Stable	11/12/2007	AA+	Stable	4/5/2010
West Virginia	Aa1	Stable	7/9/2010	AA	Stable	8/21/2009	AA+	Stable	7/8/2011
Wisconsin	Aa2	Stable	4/16/2010	AA	Stable	8/15/2008	AA	Stable	4/5/2010
Wyoming (*)	NR	-	-	AAA	Stable	5/3/2011	NR	-	-

Source: Moody's; S&P; Fitch and Janney FIS. (*) Denotes a Lease or Issuer Credit Rating.

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Municipal Credit Rating Scale and Definitions

	Rating Agency			Definition
	Moody's	S&P	Fitch	
Investment Grade	Aaa	AAA	AAA	Exceptionally strong credit quality and minimal default risk.
	Aa1	AA+	AA+	Upper medium grade and subject to low credit risk.
	Aa2	AA	AA	Upper medium grade and subject to low credit risk.
	Aa3	AA-	AA-	Upper medium grade and subject to low credit risk.
	A1	A+	A+	Strong credit quality and subject to low default risk.
	A2	A	A	Strong credit quality and subject to low default risk.
	A3	A-	A-	Strong credit quality and subject to low default risk.
	Baa1	BBB+	BBB+	Subject to moderate risk and possess some speculative characteristics.
	Baa2	BBB	BBB	Subject to moderate risk and possess some speculative characteristics.
Baa3	BBB-	BBB-	Subject to moderate risk and possess some speculative characteristics.	
Sub-Investment Grade	Ba1	BB+	BB+	Weak credit quality with speculative elements and substantial credit risk.
	Ba2	BB	BB	Weak credit quality with speculative elements and substantial credit risk.
	Ba3	BB-	BB-	Weak credit quality with speculative elements and substantial credit risk.
	B1	B+	B+	Very weak credit quality, very speculative with high credit risk.
	B2	B	B	Very weak credit quality, very speculative with high credit risk.
	B3	B-	B-	Very weak credit quality, very speculative with high credit risk.
	Caa1	CCC+	CCC+	Extremely weak credit quality and subject to very high credit risk.
	Caa2	CCC	CCC	Extremely weak credit quality and subject to very high credit risk.
	Caa3	CCC-	CCC-	Extremely weak credit quality and subject to very high credit risk.
	Ca	CC	CC+	Highly speculative and are in or near default with some prospect for recovery.
		C	CC	Lowest class of rated bonds and may be in default with little prospect for recovery.
			CC-	Lowest class of rated bonds and may be in default with little prospect for recovery.
	D	D	DDD	Issuer is in default and/or has failed to make a payment.

Source: Moody's; S&P; Fitch and Janney FIS.

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Janney Municipal Bond Market Publications

Title	Date	Pub	Notes
PA Turnpike	January 9, 2012	Note	Pennsylvania Turnpike remains strong despite comments
2012 Municipal Credit Outlook	December 8, 2011	Note	Most issuers remain resilient
US State Exposure to European Exports	December 7, 2011	Note	Exposure is low and not a significant threat
Assured Guaranty downgraded by S&P	December 1, 2011	Note	S&P downgraded Assured to AA- from AA+, no surprise
Dispelling the "Low Rate" Environ Myth	November 18, 2011	Note	Muni yields are not at all-time lows
US Local Govt Credit Remains Strong	November 15, 2011	Monthly	Local govt strong despite outliers
State Fiscal Health Scorecard Update	October 27, 2011	Note	Spreads have tightened after budget adjustments
Municipals - Attractive Relative Value	October 24, 2011	Note	Spreads and M/T Ratios remain attractive
Bond Insurance Part 1, 2 and 3	October 21, 2011	Note	Municipal bond insurer update
Investors Should Expect Sequestration	October 19, 2011	Monthly	Ratios remain attractive and compromise not likely
Harrisburg Update	October 13, 2011	Note	PA state capital filed for bankruptcy
Elevated M/T Ratios are Opportunity	October 5, 2011	Note	M/T Ratios are very attractive across the curve
Opportunities in Municipals Despite Gridlock	September 22, 2011	Monthly	M/T Ratios and spreads to benchmarks are attractive
Bank Qualified and 2% DiMinimis	September 14, 2011	Note	Temporary incentives offer opportunities
Washington's Questionable Influence	August 31, 2011	Monthly	Political rhetoric will be overstated in the coming months
PA School Intercept Program	August 31, 2011	Note	Creates a level of security that enhances underlyings
State Fiscal Health Scorecard Update	August 12, 2011	Note	State are financially flexible and autonomous
New Jersey Debt Overview	August 3, 2011	Note	Review of New Jersey debt programs
Five States on Downgrade Watch	July 20, 2011	Note	Moody's placed 5 states on Review for Downgrade
SF Housing Spreads Highly Attractive	July 18, 2011	Note	Municipal bond buying opportunity as spreads widen
Municipals 6 Months after Whitney	July 6, 2011	MBMM	Default statistics show Whitney overstated
Tobacco Sector Update	June 22, 2011	Note	MSA Payments dropped in 2011 but better days ahead
Washington Will Not Target Tax-Exempts	May 25, 2011	Monthly	We do not expect lawmakers to eliminate tax-exemption
Non-Profit Healthcare Sector	May 23, 2011	Note	Risk reward favors large/higher rated issuers
New Jersey Bonds Oversold	May 10, 2011	Note	NJ yields offer investor value
State Fiscal Health Scorecard Update	April 28, 2011	Note	Stronger state health indicators
State Tax Revenues Continue to Grow	April 20, 2011	Note	Preliminary results show higher state revenues
Negative Rating Agency Moves...	April 20, 2011	Monthly	DeKalb County multi-notch downgrade
Pennsylvania Debt Overview	April 6, 2011	Note	Review of GO and Revenue programs
Diversify Across States	March 29, 2011	Note	Benefits outweigh the costs
Philadelphia Please Touch Museum	March 3, 2011	Credit	This credit should not be considered investment grade
Protests Have Not Spooked Investors	February 28, 2010	Monthly	Showed signs of recovery & state stress overblown
Connecticut- Overview of Debt	February 23, 2010	Note	Four CT Bond Issuance Programs
Muni Market Turmoil Equals Opp.	January 24, 2011	Note	Includes investor strategies for the market
Au Revior to BABs, Concerns Overblown	January 14, 2011	Monthly	BABs not Renewed, we expect headline risk in 2011
States' Ability/Will to Pay is Strong	January 10, 2011	Note	Includes State Fiscal Health Scorecard
SF Housing Bonds are Attractive	January 3, 2011	Note	Wider spreads, housing indicators and strong credit
Tobacco Sector Upgrade	December 21, 2010	Note	We raised our outlook on MSA payment-backed bonds
No Looming Municipal Crisis	December 21, 2010	Note	Suggestions of stress have been overblown
Munis Attractive, Credit Pressures	December 20, 2010	Outlook	Mixed performance, mixed messages and metaphors
North Shore Long Island Health	December 9, 2010	Credit	Dominant provider in its area is rated Baa1/A-/A-
Tobacco Bonds	December 6, 2010	Note	Downgrades and lower consumption, IL Railsplitter
Inexpert Advice Continues	December 6, 2010	FI Weekly	Doomsday forecasts persist
For-Profit Entities TE Debt	November 19, 2010	Note	Private companies sometimes sell tax-exempt debt
Heavy New Issue Supply	November 18, 2010	Note	Municipal yields moved sharply higher
BABS Last Year? Marcellus Shale	November 12, 2010	Monthly	Odds of BABs at 50% and local govt sector review
Muni Bond Insurance Update	November 3, 2010	Note	The end of the AAA era- Assured downgraded
PA Turnpike	October 5, 2010	Credit	New Special Sub debt maintains Aa3/NR/AA ratings
State Taxes Were Stronger	September 21, 2010	Monthly	Harrisburg side-stepped a default and NJ charged
Brethren Village, PA	August 30, 2010	Credit	A PA CCRC with lower than expected occupancy
Tobacco Sector and PA Act 47	August 13, 2010	Monthly	We lowered our tobacco outlook and explain PA Act 47
NYC TFA	July 22, 2010	Credit	Bondholders have first priority, 10x dsc

Source: Janney Fixed Income Strategy.

Analyst Certification

We, Tom Kozlik and Alan Schankel, the Primarily Responsible Analysts for this report, hereby certify that all of the views expressed in this report accurately reflect our personal views about any and all of the subject sectors, industries, securities, and issuers. No part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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Positive: Janney FIS believes there are apparent factors which point towards improving issuer or sector credit quality which may result in potential credit ratings upgrades

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Agencies: Janney FIS ratings employ the "Barclay's U.S. Agency Index" as a benchmark.

Mortgages: Janney FIS ratings employ the "Barclay's U.S. MBS Index" as a benchmark.

Investment Grade Credit: Janney FIS ratings employ the "Barclay's U.S. Credit Index" as a benchmark.

High Yield Credit: Janney FIS ratings for employ "Barclay's U.S. Corporate High Yield Index" as a benchmark.

Municipals: Janney FIS ratings employ the "Barclay's Municipal Bond Index" as a benchmark.

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