

MUNICIPAL BOND MARKET MONTHLY

JANNEY FIXED INCOME STRATEGY

July 14, 2010



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“Veritas Vos Liberabit” or “The Truth Shall Set You Free”

- Municipal demand technicals are strong aside from the low yield environment and credit quality concerns.
- Build America Bonds are trading at the widest spreads observed since BAB tracking began, partly due to credit worries.
- Risks stressing the municipal market have been overblown. Please review Janney’s Municipal Market “Myths” and “Truths” and “Veritas Vos Liberabit” meaning “The Truth Shall Set You Free.”
- Harrisburg, PA is currently exploring asset sales as recommended by a financial analysis.
- Central Falls, RI repaid its \$4 million TAN in full and on time and the state will determine what level of state oversight is necessary.
- The State of West Virginia’s rating was raised and the City of Miami and the Pennsylvania Turnpike’s (subordinate) bonds were lowered by Moody’s while the State of Illinois was downgraded by Fitch.

MARKET COMMENTARY

June was a schizophrenic month for the municipal market. New issue volume was tepid, with \$34.5 billion, the slowest June since 2001. More significantly, 28% of that volume was taxable BABs, which of course didn’t exist before last year so tax free volume was below \$25 billion. On the demand side, positive fund flows continued with year to date inflows to tax free mutual funds of nearly \$20 billion, compared to \$24 billion in outflows from domestic equity funds. June and July are the biggest months of the year for reinvestment cash from maturities, redemptions and coupon payments. The technicals for demand are strong, but for two kinks - the low yield environment – buyer resistance to sub 3% yields in ten years for example – and continuing concerns about credit quality – both of which may inhibit further positive performance.

Low Yields and High Ratios

Depending on maturity, yields are at the lowest level in years. Longer maturity yields, which have not plunged quite so dramatically, are near record territory, and would likely be at the lowest levels since 1967, except for the impact of recent municipal credit concerns. The grandfather of municipal bond indexes, The Bond Buyer Index, with a history going back more than a century, tracks AA rated twenty-year tax free general obligation bonds. The index, now at 4.36%, dropped below 4% briefly in October 2009. You’d need to go back to 1967 to find another sub 4% reading.

Bond Buyer (20 Year) Index is Near 50 Year Lows



Source: Thomson Reuters and Janney Fixed Income Strategy.

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The ten year Treasury yield, currently close to 3.08%, is also near fifty year lows.

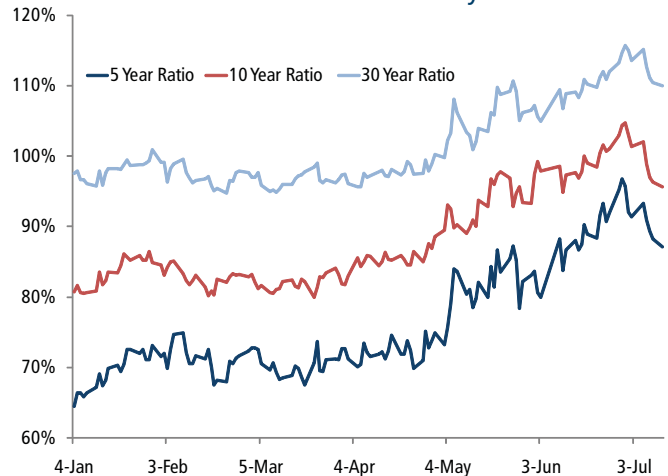
Shorter maturity yields are firmly in record territory. In the case of ten year maturities, for example, it's been more than fifty years since tax free yields dipped to these levels. Part of the phenomena derives from minimal interest rates across the board. The ten year Treasury yield, currently 3.08%, except for a dip to 2.13% during the December 2008 liquidity crisis, is also at fifty year lows. Inflation is nearly nonexistent and monetary policy emanating from the Fed remains extremely accommodative on the heels of first the Great Recession and more recently the fiscal crisis in Europe.

Short term rates are influenced largely by monetary policy and the general liquidity environment, but longer term rates are impacted by inflationary expectations, which are difficult to pin down. The breakeven level for ten year TIPS is about 1.86%, meaning that investors and traders in the Treasury Inflation Protection Securities market anticipate inflation to average about 1.86% over the next ten years. A projected slow growth economy in coming years supports the low inflation premise, but other observers, including a few FOMC members, believe that continuing federal budget deficits will increase inflationary pressure.

Municipal bond yields are impacted by factors other than the overall interest rate environment, which is why we look at municipal to Treasury (M/T) ratios as well as BAB spreads and other indicators of relative value.

Recently, front page stories about the fiscal problems faced by state and local issuers have had a negative impact on municipal trading levels pushing ratios and spreads to recent wide points, but the pendulum may be swinging in the other direction. Tax free to Treasury ratios, which have been moving higher for most of the year, leveled off and then fell after the July 4th holiday, as strong demand and modest supply combined to push tax free municipal bonds to outperform Treasuries. **Alan Schankel**

M/T Ratios Leveled Off and Fell After July 4th



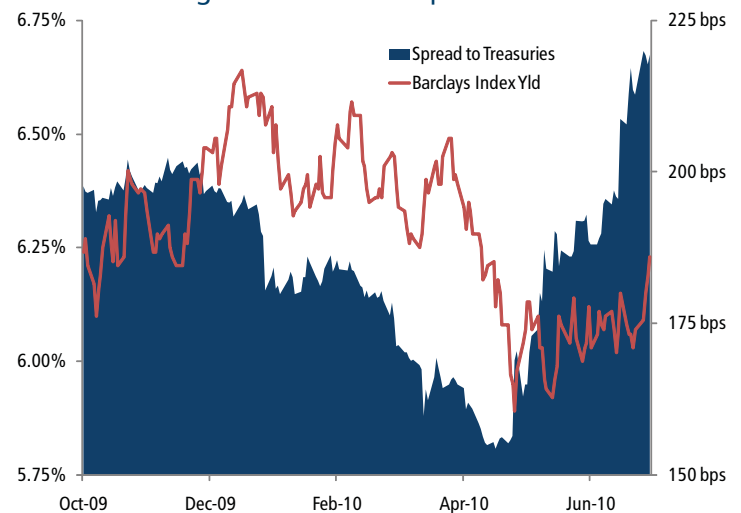
Source: Bloomberg; Municipal Market Advisors & Janney FIS.

M/T ratios moved higher for most of 2010, recently leveled off, and then fell after the July 4th holiday weekend.

BUILD AMERICA BONDS

Outperformance has not been in the cards for Build America Bonds which are trading at the widest spreads observed since BAB tracking began. The market for tax free municipals is dominated by individual investors with more than half of outstanding issues owned by households either directly or through mutual funds. Impending increases in marginal tax rates for many investors is driving much of the demand for tax frees. BABs on the other hand, with minimal tax advantage for individual investors, are primarily owned by institutions such as pension funds and insurance

BABs are Trading at Their Widest Spreads Ever



Source: Bloomberg; Barclays & Janney FIS.

BABs are primarily owned by institutions but should be considered by retail investors.

Last week, in the face of widening spreads, the Delaware River Port Authority issued tax-exempt bonds instead of BABs.

Credit concerns have been overblown. Balanced budgets are or are in the process of being passed.

State revenues were higher in the 1Q2010, according to the Rockefeller Institute.

companies, although individual investor participation seems to be growing as owners of IRA and other tax advantaged accounts seek the diversification advantages offered by BABs. The spread to Treasuries, based on the Barclays BAB index yield, has widened from 155 basis points in mid April to recent highs of 220 bps.

A growing number of BAB investors are non US, who have little experience with the U S municipal market. The recent run of stories and headlines about credit concerns among state and local issuers have served to dial back demand somewhat. The poster child for a distressed state, Illinois, is in the process of marketing a \$900 million BAB issue. Anticipation of the issue, which was originally scheduled to price a week before the July 4th holiday, has had a negative impact on all BAB levels. In the face of widening spreads, Delaware River Port Authority changed gears finding a traditional tax free issue produced more demand and lower post subsidy interest cost than a taxable BABs issue.

We believe that BAB spreads will again narrow, as credit concerns begin to recede and the market presence of BABs increases. About 9.4% of the Barclays Long Credit Index, which is a well regarded, frequently used benchmark for measuring the performance of mutual funds and other portfolios, is now comprised of taxable municipal issues, primarily BABs. In a recent report Barclays noted that this is up from 4.8% a year ago and projected growth to 17.2% by year end. BAB demand should continue to grow as professional money managers who track their results against this index work to match portfolio composition to the index as closely as possible.

Credit Concerns

As noted, municipal credit concerns have taken a toll on ratios and BAB spreads. The Great Recession has been challenging for states and municipalities, which likely face many more months and perhaps years of lower revenue, and budget pressure as the pace of their recovery lags that of the general economy. Consumers are spending less, so sales tax revenues are down. Unemployment remains frustratingly elevated, so income tax revenues are slow to recover. The positive news, from a fiscal standpoint, is that state and municipal governments are cutting expenses, in some cases with a meat cleaver, to get budgets in balance. New Jersey's new governor has followed through on his campaign pledges to cut spending, and although valid arguments can be made as to what expenses should be cut or the tradeoffs between higher taxes and lower expenditures, the process led to a balanced budget.

On the revenue front, there are signs of the light at the end of the tunnel. According to the Rockefeller Institute of Government, state revenue from major tax sources in the first quarter of 2010 rose 2.5% to \$164 billion, compared to the same period in 2009,

although it was still 11% below first quarter 2008 revenue levels. The Rockefeller report notes that this growth is modest and "not an indication of broad state fiscal recovery," but as the table shows, the trend is positive. Not all states saw improvements, and in fact thirty-three states had a drop in collections, but this is down from forty states in the previous quarter. New England, Mid-Atlantic and particularly the Far West saw revenue growth but other parts of the country are still contracting although at a slower rate, but this was the first overall positive quarter after five straight quarters of declines.

Percent Change in Tax Collections vs a Year Ago

Quarter	Pers Inc Tax (%)	Corp Inc Tax (%)	Sales Tax (%)	Total Change (%)
1Q2007	8.5	14.8	3.1	5.2
2Q2007	9.2	1.7	3.5	5.5
3Q2007	7.0	(4.3)	(0.7)	3.1
4Q2007	3.8	(14.5)	4.0	3.6
1Q2008	4.8	(1.4)	0.7	2.6
2Q2008	8.1	(7.0)	1.0	5.4
3Q2008	1.2	(12.9)	4.7	2.7
4Q2008	(1.2)	(16.8)	(6.4)	(4.6)
1Q2009	(17.4)	(20.1)	(8.3)	(11.6)
2Q2009	(27.2)	1.6	(9.3)	(16.5)
3Q2009	(11.8)	(22.1)	(10.0)	(11.4)
4Q2009	(4.3)	(0.5)	(5.3)	(4.0)
1Q2010	2.5	(0.6)	0.4	2.5

Source: Rockefeller Institute of Government.

Municipal credit generally remains strong.

Investors should continue to favor the municipal market despite constant headline risk.

The Wall Street Journal's "Muni Bonds: Don't Hit the Panic Button Yet," was a more realistic portrayal of the municipal market than other recent accounts. It was on page 8, Section B of the Saturday June 26, 2010 edition.

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State and local government is not out of the fiscal woods yet, but we believe municipal creditworthiness remains strong as further detailed in the below Municipal Market "Myths" and "Truths." Default and distress rates for state and local government issuers have not increased significantly, and although there may be isolated problems ahead, we see no systemic meltdown in the cards.

Alan Schankel

JANNEY SECTOR OUTLOOKS

The Janney Municipal Sector Outlook is Janney's short term outlook for various municipal sectors. We have not made any month to month changes to our sector outlooks. This month we did update the 12 month returns to show the relative gain by sector. Most recently we added a review of the single family housing sector, which can be found in the June 7 Municipal Bond Market Monthly and a review of the Public Power (Electric) sector which can be found in the June 21 Fixed Income Weekly.

Tom Kozlik

Janney Municipal Sector Outlook

Sector	Janney Outlook	Last Month Change	Barclay's 12 Month Return	Key Sector Trends	Recent Sector Review
Municipal Bond Index	-	-	9.61%	Barclay's Muni Index, 46k issues	-
State Government	Stable	Same	9.04%	Taxing power = more security	Feb 12 MBMM
Local Government	Cautious	Same	8.61%	Less support from states	-
School Districts	Stable	Same	-	State programs offer strong security	May 10 FIW
Airports	Cautious	Same	11.06%	Passenger and freight down YoY	Feb 8 FIW
Higher Education	Cautious	Same	9.60%	Low rated privates face pressure	Jan 25 FIW
Health Care	Cautious	Same	13.78%	Falling reimburse from new reform	Apr MBMM
Housing	Stable	Same	11.09%	Single family is stronger than multi	Jun MBMM
Public Power (Elec.)	Stable	Same	9.59%	Essential purpose, but volatile	Jun 21 FIW
Tobacco	Cautious	Same	17.20%	Cigarette consumption declining	May 3 FIW
Toll Facilities	Stable	Same	11.06%	Traffic down, DS cov. strong	March, MBMM
Water and Sewer	Stable	Same	9.28%	Essential purpose	Apr 19 FIW

Source: Janney Fixed Income Strategy.

MUNICIPAL MARKET "MYTHS" AND "TRUTHS" AND "VERITAS VOS LIBERABIT" WHICH MEANS "THE TRUTH SHALL SET YOU FREE"

At one time it was commonly acknowledged that the municipal bond market was considered a safe-haven for fixed income investors. But, a collection of factors have recently brought this viewpoint into question. Janney Fixed Income Strategy still judges the municipal bond market to be a sector fixed-income investors should favor, despite constant headline risk. Many stories published of late in the popular press have included overblown perspectives of municipal market risk.

Recent Municipal Headline Risk

Date	Title	Periodical	Note
June 14, 2010	Investors Looking Past Red Flags	Wall Street Journal	Investors are ignoring signs
May 24, 2010	Municipal Bonds: The Next Financial Land Mine?	Time Online	The looming municipal crisis
March 29, 2010	State Debt Woes Grow Too Big to Camouflage	New York Times	Same fate as Greece
March 15, 2010	The \$2 Trillion Hole	Barron's	More Defaults and Chp 9

Source: Janney Fixed Income Strategy.

“Condemnant quod non intellegunt,” meaning “They condemn because they do not understand.”

Most municipal market credits, unlike sub-prime loans or dot-com stocks, are solid investments and will continue to pay principal and interest until maturity.

The relationship where some municipal credit default swaps are higher than some of the distressed Foreign Sovereigns overstate municipal risk and make a strong argument to buy municipals on a relative value basis.

Although, recent articles in the popular press try to portray a balanced opinion about the status of the municipal market, too often writers and commentators are not relying on municipal market experts for facts about the realities stressing the municipal market. It seems like the questions about the municipal market risks, credits and nuances are being answered by the same pundits and reporters who are asking the questions. Another Latin phrase “Condemnant quod non intellegunt,” or “They condemn because they do not understand,” comes to mind and may help explain some of the confusion among the general financial media and pundits with regard to the municipal bond market.

It is the responsibility of the press to uncover hidden issues, question market participants, pontificate about market conditions and simply ask the question, “What if?” But, the confusion, lack of knowledge and resulting fear mongering we have seen in the print and televised media has occurred because of the media’s mis-understanding of the municipal market. The below municipal market “Myths” and “Truths” should help set the record straight. We believe that “Veritas Vos Liberabit” or “The Truth Shall Set You Free” and the “Truth” will allow investors to become more comfortable while considering municipal bond investments.

Municipal Market “Myths” and “Truths”

1. Myth- There is going to be a “Municipal Meltdown,” or a percentage of defaults or municipal bankruptcies will occur at a rate significantly higher than historical data.

Truth- Although the level of defaults and bankruptcies may rise above historical trends, there is no evidence to suggest that there is going to be a Municipal Meltdown, especially among the “safe” traditional general obligation, tax-backed and high quality revenue backed sectors. While there have been 225 municipal defaults since July of 2009, only two of those occurred in the traditionally safe municipal sectors, according to data from the Municipal Market Advisors. Additionally, an average of only 8 municipalities a year have filed for Chapter 9 municipal bankruptcy since 1934 (the recent high was 18 in 1991), and we do not expect this to rise significantly in 2010. Municipal revenues are lower but have stabilized and we do not expect this to be a factor that contributes to a significant rise in defaults or bankruptcies.

2. Myth- The municipal bond market is going to be the next investment market to crash in the same fashion as the value of dot-com stocks fell and the sub-prime loan market collapsed.

Truth- Sub-prime loans and dot-com stocks were exceptionally high risk investments to begin with. Municipal bonds are generally solid investments and will continue to pay principal and interest until maturity.

3. Myth- There is a contagion effect that will spread to all municipal bonds if there are defaults or bankruptcies that occur at a rate that is higher than historical trends.

Truth- The municipal market includes a very diverse collection of government, quasi-government and even corporate issuers which sell tax-exempt and taxable debt for various purposes. Each possesses various levels of risk. Investors need to be aware of the underlying credit of the bond. Is it secured by a general obligation, tax backed or high quality revenue source? Recent data shows that payment defaults over the last year have been almost exclusively in the non-rated, high risk areas such as stand-alone multifamily, land secured or senior living bonds. Statistics have shown that municipalities have seen the worst of their revenue declines and will continue to create new taxes or cut spending as necessary. For the most part states have tried to avoid broad based tax increases. Instead to help close many of the FY2010 budget gaps, taxes were raised on sweets such as candy and soda, energy production and tobacco products.

4. Myth- California, Illinois or New Jersey will be the next Greece.

Truth- The comparison is not accurate. No US state is even close. California, Illinois and New Jersey have tax supported debt to gross state product ratios of 3.8%, 3.7% and 6.2%. Greece’s government debt to gross domestic product ratio is 115.1%. (For more info see pages 4-5 of the June Municipal Bond Market Monthly.)

5. Myth- Illinois and California municipal credit default swaps have been trading at levels above those of Hungary, Ireland and Spain and are ready to go belly-up in the same fashion as Greece.

Truth- Although it is true that the municipal credit default swaps for Illinois and California are trading at higher levels than those Foreign Sovereigns we believe that the pricing levels are being exaggerated in a credit default swap market that is very thinly traded.

State pension funding levels were funded at an average level of 84% according to a 2008 Pew Center on the States report.

Rating agencies teams covering municipal issuers have unparalleled experience and an exceptional amount of expertise.

Investors should not over-react to doomsday scenarios and incidents with extenuating circumstances.

6. Myth- Pension funding levels are at desperately low levels and the plans have never been funded at levels so low.

Truth- While growing pension liability remains a concern, current pension levels are not going to cause widespread defaults and bankruptcies to states and municipalities. State pension funding levels were, in fact, at an average of 84% in 2008 according to a Pew Center on the States report. Pension funding levels rise and fall mostly in tune with the bumps and grinds of the equity market. "Funding levels were as low as 50% in the 1970s, 80% in the 1980s and only reached 100% in the mid 1990s after stock market returns averaged 28% per year," according to James Spiotto, a lawyer with Chapman and Cutler, from Richard Larkin's "State & City Pension Funding: A Contrarian View."

7. Myth- Pension and other post employment obligations will cause state and municipalities' budget gaps to widen further and eventually result in debt service defaults or municipal bankruptcies.

Truth- Hefty pension and health benefit liabilities exist for some, but they are a medium to long term credit risk as payments are not all due now and can often be postponed, despite additional future expense incurred from deferring their payment.

8. Myth- Municipal ratings are worthless. The rating agencies rated sub-prime loans "AAA" while they were closer to a "D". I do not trust the rating agencies.

Truth- The rating agencies and many in the industry swung and missed on assessing the risk and rating sub-prime mortgage loan structures. But their mistakes in that area do not mean that municipal ratings are worthless. In fact, we have found the rating agencies perform a very thorough analysis of the municipal credits they oversee. There are occasionally situations in which issuers do not sell debt on a regular basis, therefore their ratings become somewhat stale if not re-evaluated. But, the staffs at the rating agencies who cover municipal issuers have unparalleled experience and an exceptional amount of expertise in municipal market credit.

9. Myth- My bond is insured, so I do not have to think about the underlying credit rating or security protecting bond debt service payments.

Truth- If you bought a municipal bond that was insured chances are pretty good that the ratings of the insurer are now below investment grade. Only four municipal insurers remain rated in the investment level and above: Assured Guaranty and Assured Guaranty Municipal Corp. (formerly FSA) are rated Aa3/AAA; Berkshire Hathaway Assurance Corp. is Aa1/AA+ and National Public Finance Guarantee Corp. (formerly MBIA) at Baa1/A. Investors should be aware of the insurer and the underlying rating of outstanding bonds and assess whether it still fits within their investment strategy.

10. Myth- Municipal insurance is worthless.

Truth- This is not entirely true. Although insurance is being used sparingly, we are seeing strong retail investor demand for new issues which Assured Guaranty (Aa3/AAA) and Assured Guaranty Municipal Corp. (Aa3/AAA) insure. Financially viable insurers do add potential claims paying ability and value because when included there is another organization that has done credit work on the security and has their own "skin in the game." This myth is however closer to being accurate in cases where investors own bonds covered by insurers rated below investment grade. It is important to note that even insurers rated below investment grade are still typically performing a surveillance function on insured credits.

11. Myth- Harrisburg and Central Falls have or will file for Chapter 9 municipal bankruptcy.

Truth- A municipality can default on a bond payment without filing for municipal bankruptcy and can file for municipal bankruptcy without defaulting on a bond payment. In these two cases the cities have not and likely will not file for Chapter 9 municipal bankruptcy. Harrisburg is likely to file for Pennsylvania's Act 47 (distressed municipality) oversight program, while Central Falls, RI will soon find itself under the purview of a state overseer. This type of state oversight should be viewed as a credit positive

The events in Harrisburg and Central Falls are not reflective of municipal fiscal conditions nation-wide.

State oversight should be considered a credit positive for fiscally distressed municipalities.

Please see page 10 which lists all of Janney's recent municipal market related research.

12. Myth- Cities such as Harrisburg, PA; and Central Falls, RI are representative of municipalities' fiscal conditions nationwide.

Truth- This generalization is far from the truth. Although there has been some credit deterioration these types of stresses are very, very rare. Just because the fiscal distress surrounding those cities is in the news it does not mean that they are going to file for municipal bankruptcy or default on debt service payments. Municipal market investors should not overreact to doomsday scenarios and incidents, such as those surrounding these municipalities, with extenuating circumstances. **Tom Kozlik**

HARRISBURG, PA EXPLORES ASSET SALES

Harrisburg is in the process of seeking solutions to solve its fiscal problems, although there have not been any substantial updates recently. The city released a Request for Proposal asking for details about professional appraisal services. We expect this is because they are considering selling assets as recommended to the city by a financial study conducted at the beginning of 2010. Additionally, Harrisburg failed to make a \$637,500 loan payment, the second missed payment in a row, to Covanta Holding Corp. a developer of waste to energy plants based in New Jersey, as expected. The missed payments are from a \$20 million advance extended by Covanta which the city guaranteed. We expect Harrisburg will eventually find itself under state oversight as part of the Pennsylvania Act 47 program, as mentioned in this and within previous publications. **Tom Kozlik**

CENTRAL FALLS, RI REPAYS NOTE

The city of Central Falls (B3/C/NR), RI population of about 19,000 faces a \$3 million deficit on its \$18 million budget and filed for temporary receivership on May 18. Rhode Island municipalities do not have the legal ability to file for Chapter 9 bankruptcy and the state's superior court approved a temporary receiver appointment, an unprecedented action. A temporary receiver was appointed by the court, but Central Falls withdrew its state receivership petition after new legislation signed by the governor created a process by which distressed Rhode Island municipalities will be monitored and aided by the State Department of Revenue. It is now expected that the temporary court appointed receiver will transition to some type of state oversight and the town possibly could end up under state receivership.

Central Falls' weak financial position has been a result of several factors including state aid reductions, inaccurate budget assumptions, and growing fixed costs, including contractual salary increases and pension obligations. The city is currently projecting a \$5 million budget gap for fiscal 2011, a sizable 28% of operations. Future rating action will also incorporate the city's ability to demonstrate meaningful progress toward structurally balanced operations as well as improvement in reserve and liquidity levels. The city has approximately \$16 million of outstanding debt, not including pension obligations, and was able to make a June 30th payment due on a \$4 million TAN. This payment was made possible because on behalf of the city the Rhode Island Health and Educational Building Corp. privately placed \$4.25 million of Qualified School Construction Bonds secured by an intercept of state school construction aid.

State Oversight is Considered a Credit Positive

These types of oversight programs should be generally seen as a positive credit factor from an investors' point of view. Although it does not necessarily mean the state is going to be backing the city's outstanding debt, it typically helps municipalities overall credit. **Tom Kozlik**

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Select Recent Rating Outlook and Rating Changes (July 12, 2010)

Issuer	State	Recent Rating Action	Date	Underlying Rating(s)	Notes
West Virginia (State of)	WV	Moody's raised to Aa1 from Aa2	July 9, 2010	Aa1/AA/AA	Ongoing positive trends and positive fund balance
Palm Beach Port (Rev)	FL	Moody's downgraded to Ba1 from Baa3	July 1, 2010	Ba1/NR/BBB-	Multi-year decline in cargo; narrow DS coverage ratio
PA Turnpike (Sub Rev Bonds)	PA	Moody's downgraded to A3 from A2	June 30, 2010	A3/A-	Considerable amount of current and expected subordinate debt issuance
Pike County	PA	S&P upgraded to A+ from A	June 29, 2010	NR/A+/NR	Strong and sustained economic growth; tax base diversification
Santa Rosa Bay Bridge Auth	FL	Fitch lowered to C from CCC	June 28, 2010	B3/CC/C	Accelerated drain on liquidity; constrained financial profile
MSA Backed Tobacco Bonds	Var	Fitch wrote, bonds "under downward pressure"	June 21, 2010	Various	Declining payments and a 10.4% tob shipments decrease
Hartford Cty Metro Dist Com	CT	Moody's affirmed Aa1, but negative outlook	June 24, 2010	Aa1/AA+	Declining debt coverage; increased fixed costs
Illinois Regional Tran Auth	IL	Fitch downgraded to AA-	June 18, 2010	Aa3/AA+/AA-	Falling tax collections; state's postponed aid payments
MS Dev Bank (Gas Supply)	MS	S&P lowered to A/A-	June 18, 2010	Baa1/A/NR	BP North America guarantees the obligation
Miami (City of)	FL	S&P lowered to A- from A+	June 16, 2010	A1/A-/AA-	Lower reserves due to declining revenue and a sizable pension
Staten Island Univ Hospital	NY	Moody's upgraded to Baa3 from Ba2	June 11, 2010	Baa3/NR/BB+	Stable operating performance; resolution of lawsuits
Montclair (Town of)	NJ	Moody's downgraded to Aa3 from Aa2	June 10, 2010	Aa3	Structurally imbalanced budget
Illinois (State of)	IL	Fitch lowered to A from A+	June 11, 2010	A1/A+/A	Continuous fiscal problems; reliance on deficit borrowing

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

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State and Other Select Issuer Ratings (July 12, 2010)

State	Moody's Rating	Outlook	Last	S&P Rating	Outlook	Last	Fitch Rating	Outlook	Last
Alabama	Aa1	Stable	4/16/2010	AA	Stable	8/3/2007	NR	-	-
Alaska	Aa1	Stable	4/16/2010	AA+	Stable	3/27/2008	AA+	Stable	4/5/2010
Arizona (*)	Aa2	Negative	4/16/2010	A+	Negative	12/23/2009	NR	-	-
Arkansas	Aa1	Stable	4/16/2010	AA	Stable	1/10/2003	NR	-	-
California	A1	Stable	4/16/2010	A-	Negative	1/14/2010	A-	Stable	4/5/2010
Colorado (*)	NR	-	-	AA	Stable	7/10/2007	NR	-	-
Connecticut	Aa2	Stable	4/16/2010	AA	Stable	9/26/2003	AA	Stable	6/3/2010
Delaware	Aaa	Stable	-	AAA	Stable	2/22/2000	AAA	Stable	4/13/2006
Dist. of Columbia	Aa2	Stable	4/16/2010	A+	Stable	6/6/2007	AA-	Stable	4/5/2010
Florida	Aa1	Stable	4/16/2010	AAA	Negative	1/14/2009	AAA	Negative	4/5/2010
Georgia	Aaa	Stable	-	AAA	Stable	7/29/1997	AAA	Stable	4/13/2006
Hawaii	Aa1	Negative	4/16/2010	AA	Stable	1/29/2007	AA+	Negative	4/5/2010
Idaho (*)	Aa1	Stable	4/16/2010	AA	Stable	7/20/2009	AA-	Stable	2/13/2007
Illinois	A1	Stable	6/4/2010	A+	Negative	12/10/2009	A	Negative	6/11/2010
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	Stable	4/16/2010	AA+	Stable	5/20/2005	-	-	-
Kentucky (*)	Aa1	Negative	4/16/2010	AA-	Stable	6/23/2009	AA	Negative	4/5/2010
Louisiana	Aa2	Stable	4/16/2010	AA-	Stable	10/9/2009	AA	Stable	4/5/2010
Maine	Aa2	Stable	4/16/2010	AA	Negative	3/10/2010	AA+	Stable	4/5/2010
Maryland	Aaa	Stable	-	AAA	Stable	5/7/1992	AAA	Stable	4/13/2006
Massachusetts	Aa1	Stable	4/16/2010	AA	Stable	3/15/2005	AA+	Stable	4/5/2010
Michigan	Aa2	Stable	4/16/2010	AA-	Stable	5/22/2007	AA-	Stable	4/5/2010
Minnesota	Aa1	Stable	4/16/2010	AAA	Stable	7/24/1997	AAA	Stable	4/5/2010
Mississippi	Aa2	Stable	4/16/2010	AA	Stable	11/30/2005	AA+	Stable	4/5/2010
Missouri	Aaa	Stable	-	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	AA+	Stable	10/11/2006	NR	-	-
Nevada	Aa1	Stable	4/16/2010	AA+	Stable	6/23/2006	AA+	Stable	4/5/2010
New Hampshire	Aa1	Stable	4/16/2010	AA	Stable	12/4/2003	AA+	Stable	4/5/2010
New Jersey	Aa2	Stable	4/16/2010	AA	Stable	7/19/2005	AA	Stable	4/5/2010
New Mexico	Aaa	Stable	4/16/2010	AA+	Stable	2/5/1999	NR	-	-
New York	Aa2	Stable	4/16/2010	AA	Stable	9/14/2004	AA	Stable	4/5/2010
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+	Stable	3/17/2009	NR	-	-
Ohio	Aa1	Negative	4/16/2010	AA+	Negative	9/23/2009	AA-	Stable	4/5/2010
Oklahoma	Aa2	Stable	4/16/2010	AA+	Stable	9/5/2008	AA+	Stable	4/5/2010
Oregon	Aa1	Stable	4/16/2010	AA	Stable	8/23/2007	AA+	Stable	4/5/2010
Pennsylvania	Aa1	Negative	4/16/2010	AA	Stable	11/6/1998	AA+	Stable	4/5/2010
Puerto Rico	A3	Stable	4/16/2010	BBB-	Stable	5/22/2007	NR	-	-
Rhode Island	Aa2	Stable	4/16/2010	AA	Negative	3/9/2009	AA	Negative	4/5/2010
South Carolina	Aaa	Stable	3/23/2007	AA+	Stable	7/11/2005	AAA	Stable	4/13/2006
South Dakota (*)	A1	Stable	-	AA	Stable	12/21/2006	AA	Stable	4/5/2010
Tennessee	Aaa	Stable	4/16/2010	AA+	Stable	10/12/2006	AAA	Stable	4/5/2010
Texas	Aaa	Stable	4/16/2010	AA+	Stable	8/10/2009	AAA	Stable	4/5/2010
Utah	Aaa	Stable	-	AAA	Stable	6/7/1991	AAA	Stable	4/13/2006
Vermont	Aaa	Stable	2/2/2007	AA+	Stable	9/11/2000	AAA	Stable	4/5/2010
Virginia	Aaa	Stable	5/27/2004	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	Positive	4/5/2010
Wisconsin	Aa2	Stable	4/16/2010	AA	Stable	8/15/2008	AA	Stable	4/5/2010

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

MUNICIPAL BOND MARKET MONTHLY

July 14, 2010



Janney Municipal Bond Market Publications

Title	Date	Publication	Notes
The Front of the Line	July 7, 2010	Note	New types of bonds with enhanced security
Detroit- Dist. State Aid	July 7, 2010	Credit	Details the strong security mechanism
COFINA	June 29, 2010	Credit	Strongest of the Puerto Rico credits
Factors Stressing the MBM	June 15, 2010	Note	There is not going to be a Municipal "Meltdown"
Battle Uncertainty with Diver	June 7, 2010	Monthly	Battle uncertainty, CA will not be the next Greece
Harrisburg Update	April 30, 2010	Note	Harrisburg May 1, 2010 payment will not be made
CIFG Insurance	April 30, 2010	Note	Details of CIFG insured bonds remain uncertain.
DC Ballpark	April 22, 2010	Note	DC Ballpark possesses strong debt service coverage
In Like a Lamb Out Like	April 9, 2010	Monthly	Health-care reform impact mixed; ratings recalibration
Moody's Rating Changes	March 17, 2010	Note	Moody's ratings may be "recalibrated" higher
Historical Defaults are Low	March 5, 2010	Monthly	Low Ratios; Exaggerated risk of defaults and Chapter 9
Pitt. & Allgh. Hotel Tax	March 3, 2010	Credit	Review of the Hotel Room Excise Tax Rev Bonds
Recession Weakens States	February 12, 2010	Monthly	IL, NJ, NY, RI, CA & PR experiencing fiscal stress
Harrisburg Update	February 4, 2010	Note	City Council reviewing options including bankruptcy
Miami-Dade County	January 20, 2010	Note	S&P lower its outlook to negative from stable
2010 Municipal Outlook	January 1, 2010	Outlook	Expectations for 2010 in the municipal market
2009 Municipal Review	December 1, 2009	Review	Review of municipal market in 2009
New Jersey Tobacco	December 9, 2009	Credit	Tobacco Settlement Asset-Backed Bonds
Long Island Power Auth	October 19, 2009	Credit	Credit will remain strong in the near term
Miami-Dade County	October 15, 2009	Credit	Stress in short intermediate term
Hackensack U Med Center	October 8, 2009	Credit	Some near term questions
Review of 1H 2009	September 29, 2009	Note	A "New Normal" municipal market
Insured Bond Review	September 18, 2009	Note	Your insured bonds may now be unrated
E. Stroudsburg, PA Stu Hsg	August 31, 2009	Credit	Low cost, high qual ed should secure enrollment
Insurer Update	August 19, 2009	Note	Only four insurers are rated above invest grade
Municipal Sect Scorecard	August 17, 2009	Note	Janney's municipal sector outlooks
PA School District Intercept	July 27, 2009	Credit	Intercept is based on PA's rating
Slippery Rock, PA Stu Hsg	July 23, 2009	Credit	If enrollment is high, occupancy should remain high
Build America Bonds	July 21, 2009	Note	Build America Bond Update
Florida Hurricane Fund	July 15, 2009	Credit	Strong credit despite uncertainties
Maryland CDA Hsg	July 9, 2009	Credit	Facing pressure but management is committed
Penn College of Tech, PA	April 3, 2009	Credit	Expect continued favorable results
Local Government Outlook	April 1, 2009	Note	Moody's assigned neg outlook to local govt

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

Stable: Janney FIS believes there are factors which point towards stable issuer or sector credit quality which are unlikely to result in either potential credit ratings upgrades or downgrades.

Cautious: Janney FIS believes there are factors which introduce the potential for declines in issuer or sector credit quality that may result in potential credit ratings downgrades.

Negative: Janney FIS believes there are factors which point towards weakening in issuer credit quality that will likely result in credit ratings downgrades.

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Overweight: Janney FIS expects the target asset class or sector to outperform the comparable benchmark (below) in its asset class in terms of total return

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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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