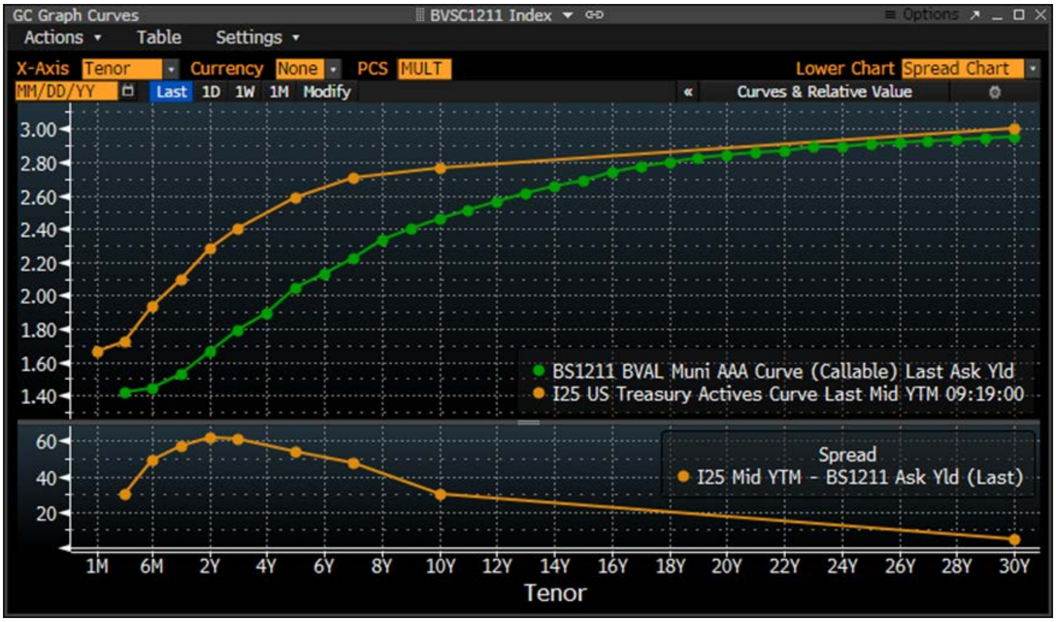
Municipals Rally into Quarter-End

- The first quarter of 2018 closed on a stronger note as municipal yields declined for the second time in a week. New issue supply remains well below last year's pace as it fell 29% compared to 2017, yet demand remains strong as evidence by five consecutive weeks of mutual fund inflows. Municipal/Treasury ratios suggest reasonable valuations with the one-year ratio at 76%, five-year ratio at 80% and ten-year ratio at 88%.

- Last week, Connecticut assumed responsibility for the capital city of Hartford's debt. The bailout was part of the state's budget enacted last year and is incorporated within the current ratings (A1/A+). The deal essentially places Hartford under the state's oversight. Connecticut has a history of helping out local credits with the most recent being Waterbury, which was under state oversight for five years.

- Both Moody's Investor Services and S&P Global Ratings expressed concern about the passage of a New Jersey bill turning over control of police and fire pensions and benefits to their members. Our current understanding is that union representatives would comprise seven of the twelve-member board of trustees of the new Police and Fireman's Retirement System. However, the legislation would require a vote of eight board members to raise benefits. If signed into law by the governor, we will have to monitor the likelihood of increased liabilities or changes in investment or funding policies.

Municipal vs. Treasury Curve



Source: Bloomberg