



Municipals Not Impacted by Shutdown Yet

- Despite the ongoing government shutdown, Moody's, S&P and Fitch have all recently stated that, thus far, it is having a minimal impact on municipal credits. Most federal funds to states and local governments continue to flow, even without an enacted budget.
- The largest categories of federal aid to state and local governments are nondiscretionary and determined by a formula to include Medicaid and most federal transportation aid. Medicare reimbursements to hospitals are also nondiscretionary and have continued to flow. Moody's was quick to mention that a prolonged shutdown would have a significant economic impact in areas with a large federal presence.
- In July 2011 after Moody's revised the U.S.' outlook to negative, it also revised the outlook to negative on five states that have an elevated dependence on federal revenues, specifically Virginia, Maryland, New Mexico, South Carolina and Tennessee. These states' rating outlook could be at risk again should the shutdown last into March.

AAA 10-Year Municipal Bond Yields



Source: Bloomberg

Please note: The opinions contained in the preceding commentary reflect those of Sterling Capital Management LLC. The stated opinions are for general information only and not meant to be predictions or an offer of individual or personalized investment advice. They are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. Any type of investing involves risk and there are no guarantees. Sterling Capital Management does not assume liability for any loss which may result from the reliance by any person upon such information or opinions.

Investment advisory services are available through Sterling Capital Management LLC, a separate subsidiary of BB&T Corporation. Sterling Capital Management LLC manages customized investment portfolios, provides asset allocation analysis and offers other investment-related services to affluent individuals and businesses. Securities and other investments held in investment management or investment advisory accounts at Sterling Capital Management LLC are not deposits or other obligations of BB&T Corporation, Branch Banking and Trust Company or any affiliate, are not guaranteed by Branch Banking and Trust Company or any other bank, are not insured by the FDIC or any other government agency, and are subject to investment risk, including possible loss of principal invested.