
SPEER FINANCIAL, INC.

INDEPENDENT PUBLIC FINANCE CONSULTANTS SINCE 1954

N E W S L E T T E R

JANUARY 2002

THE MUNICIPAL MARKET

The year 2001 saw a fairly steady long-term rate with very low but fluctuating short-term rates. Long-term tax-exempt interest rates ranged just under a one half percent spread through the year. The *Bond Buyer* 20-Bond General Obligation Index hit 4.91% on November 8th, the lowest rate for the year. High for the year was 5.34% on April 26th. The 25-Bond Revenue Index was also fairly stable with a November 8th low of 5.20% and a May 24th high of 5.65%.

A year-end rise in rates reflects an economy which is perceived to be slowing but looking for an upturn, with any fear of inflation being ignored.

Interest Rates

Interest rates, bond sale volumes, and related statistics in this Newsletter come from reports published in *The Bond Buyer* newspaper. The 20-Bond Bond Buyer Index is the average tax-exempt market value, expressed in terms of yield, on the general obligation bonds of twenty selected issuers with Moody's ratings ranging from Baa1 to Aaa, averaging A1, and maturing in twenty years.



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The annual yield of the Index in 2001 averaged 0.56% lower than 2001. Volatility, as seen in the "Low-to-High-Spread" below, dropped. The variance of 0.43% between the high and low rates in 2001 indicates the relative stability of the tax-exempt market.

20 G.O. Bond Buyer Index - Annual Averages

| | Year Low | | Year High | | Low-to-High | Average |
|------------|----------|-------|-----------|-------|-------------|--------------|
| | Date | Yield | Date | Yield | Spread | Annual Yield |
| 1991 | Dec 26 | 6.58% | Jun 13 | 7.19% | 0.61% | 6.92% |
| 1992 | Jul 30 | 5.89% | Mar 19 | 6.79% | 0.90% | 6.43% |
| 1993 | Oct 20 | 5.20% | Jan 14 | 6.19% | 0.99% | 5.69% |
| 1994 | Feb 03 | 5.25% | Nov 17 | 7.06% | 1.81% | 6.15% |
| 1995 | Dec 07 | 5.35% | Jan 05 | 6.66% | 1.31% | 5.95% |
| 1996 | Feb 15 | 5.33% | Jun 13 | 6.12% | 0.79% | 5.75% |
| 1997 | Dec 23 | 5.14% | Apr 03 | 5.88% | 0.74% | 5.51% |
| 1998 | Oct 01 | 4.82% | Apr 30 | 5.32% | 0.50% | 5.07% |
| 1999 | Jan 08 | 4.96% | Dec 29 | 6.00% | 1.04% | 5.48% |
| 2000 | Dec 28 | 5.14% | Jan 20 | 6.09% | 0.95% | 5.71% |
| 2001 | Nov 08 | 4.91% | Apr 26 | 5.34% | 0.43% | 5.15% |

A second indicator of the volatility of the municipal market is the difference in the average monthly yield. As shown below, 2001 volatility was generally low with certain periods being very active.

20 G.O. Bond Buyer Index - Monthly Average

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---------------------------------|-------|-------|-------|-------|-------|-------|
| January | 5.43% | 5.72% | 5.04% | 5.01% | 6.07% | 5.09% |
| February | 5.43% | 5.64% | 5.01% | 5.03% | 6.00% | 5.17% |
| March | 5.79% | 5.76% | 5.21% | 5.10% | 5.83% | 5.13% |
| April | 5.93% | 5.88% | 5.23% | 5.07% | 5.75% | 5.27% |
| May | 5.98% | 5.70% | 5.19% | 5.18% | 6.00% | 5.29% |
| June | 6.02% | 5.54% | 5.11% | 5.37% | 5.80% | 5.20% |
| July | 5.92% | 5.35% | 5.15% | 5.39% | 5.63% | 5.19% |
| August | 5.76% | 5.41% | 5.09% | 5.58% | 5.51% | 5.03% |
| September | 5.87% | 5.39% | 4.98% | 5.69% | 5.55% | 5.09% |
| October | 5.72% | 5.39% | 4.93% | 5.92% | 5.59% | 5.04% |
| November | 5.59% | 5.33% | 5.03% | 5.86% | 5.54% | 5.03% |
| December | 5.64% | 5.19% | 4.97% | 5.95% | 5.23% | 5.24% |
| Monthly Average Differential .. | 0.14% | 0.12% | | 0.10% | 0.07% | 0.13% |
| | | | | | 0.08% | |

The Bond Buyer Index was reported at 5.16% on January 10, 2002. This compares to 5.26% during the last week of 2001.

Tax-Exempt Bond Sale Volume

The 2001 volume of long-term bonds was \$286 billion, a increase from \$199 billion in 2000. The bond volume was 85% traditional tax exempt, 10% subject to Alternate Minimum Tax and 5% taxable. About 10% was for refunding purposes, reflecting low rates. Some one-third was general obligation debt with two-thirds revenue supported. Approximately 22% was sold competitively with 78% negotiated, primarily very large deals.

Long-Term Municipal Bond Sales Volume - By Month (000 Omitted)

| | 1998 | 1999 | 2000 | 2001 |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| January | \$18,270,500 | \$ 18,082,300 | \$ 9,864,200 | \$12,690,200 |
| February | 24,633,500 | 16,921,400 | 13,176,700 | 21,137,500 |
| March | 28,842,700 | 24,421,900 | 17,514,700 | 25,251,100 |
| April | 22,487,300 | 17,326,500 | 16,166,100 | 18,707,100 |
| May | 25,150,500 | 17,514,600 | 15,842,400 | 28,773,700 |
| June..... | 30,825,000 | 24,447,900 | 23,508,800 | 30,210,500 |
| July..... | 24,287,500 | 19,259,300 | 14,942,100 | 20,944,300 |
| August | 23,210,900 | 16,785,700 | 16,873,000 | 24,049,400 |
| September..... | 18,432,500 | 19,450,100 | 16,479,500 | 14,253,800 |
| October | 21,444,300 | 18,526,700 | 19,527,500 | 32,168,900 |
| November | 22,287,400 | 18,733,200 | 20,010,300 | 29,630,000 |
| December | <u>24,284,100</u> | <u>14,401,700</u> | <u>14,977,400</u> | <u>28,491,400</u> |
| Total | \$284,156,200 | \$225,871,300 | \$198,882,700 | \$286,307,900 |
| Monthly Avg | \$ 23,679,683 | \$ 18,822.608 | \$ 16,573,558 | \$ 23,858,991 |

The summary of bond sales below shows an average mid-1990's market.

Long-Term Municipal Bond Sales -- Annual Summary

| Year | Amount (000) | No. Of Issues | Size of Avg. Issue | Sales Per Day(1) |
|------------|-----------------|------------------|-----------------------|---------------------|
| 1960 | \$ 7,229,500 | 6,529 | \$ 1,107,291 | 25 |
| 1970 | 17,761,646 | 4,701 | 3,778,270 | 18 |
| 1980 | 47,133,366 | 5,550 | 8,942,498 | 21 |
| 1985 | 204,280,608 | 10,062 | 20,302,187 | 39 |
| 1990 | 127,932,800 | 8,826 | 14,494,992 | 34 |
| 1993 | 291,853,600 | 14,379 | 20,297,211 | 55 |
| 1996 | 183,346,000 | 11,326 | 16,188,063 | 43 |
| 1997 | 220,449,000 | 12,316 | 17,899,400 | 47 |
| 1998 | 284,156,200 | 14,993 | 18,952,591 | 58 |
| 1999 | 225,871,300 | 13,017 | 17,352,025 | 50 |
| 2000 | 198,882,700 | 10,924 | 16,573,558 | 42 |
| 2001 | 286,307,900 | 13,614 | 21,030,336 | 52 |

Note: (1) Sales per day assumes 52, five-day weeks.

2001 Long-Term Municipal Bond Sales by Purpose

| Purpose | Amount (000) | Percent |
|-------------------------|-----------------|---------|
| Development | \$ 7,506,800 | 2.6% |
| Education..... | 71,380,700 | 24.9% |
| Electric Power..... | 11,369,800 | 4.0% |
| Environmental | 6,083,700 | 2.1% |
| Health Care | 23,304,700 | 8.1% |
| Housing | 21,806,000 | 7.6% |
| Public Facilities | 11,032,400 | 3.9% |
| Transportation..... | 32,210,500 | 11.3% |
| Utilities..... | 29,210,900 | 10.2% |
| General Purpose..... | 72,402,400 | 25.3% |

SPEER FINANCIAL CLIENT BOND SALES

The year 2001 continued to be busy for Speer Financial for which we thank our clients.

| | <u>2001</u> | | <u>2000</u> | | <u>1999</u> | | <u>1998</u> | |
|-------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|
| | <u>No.</u> | <u>Amount</u> | <u>No.</u> | <u>Amount</u> | <u>No.</u> | <u>Amount</u> | <u>No.</u> | <u>Amount</u> |
| Negotiated..... | 58 | \$162,885,391 | 35 | \$151,538,460 | 49 | \$305,399,035 | 38 | \$299,542,000 |
| Competitive..... | <u>127</u> | <u>538,814,739</u> | <u>93</u> | <u>288,545,895</u> | <u>84</u> | <u>327,379,506</u> | <u>118</u> | <u>439,121,373</u> |
| Total Sales | 185 | \$701,700,130 | 128 | \$440,084,355 | 133 | \$632,778,541 | 156 | \$738,663,373 |

* * * * *

Speer Financial would like to thank the new and renewing clients who selected us as their Financial Advisor in 2001. We appreciate your trust and continue to strive to provide the highest possible quality of service to all clients.

City of Danville, IL
City of Warrenville, IL
City of Fairfax, IA
City of Elgin, IA
City of Alburnett, IA
Mt. Prospect S.D. 57, IL
Carbondale P.D., IL
Kingsbury P.D., IL
Coogan Utilities, IA
Pecatonica Public Lib. Dist. IL
Village of Bedford Park, IL

City of Chicago, IL
Village of Phoenix, IL
Village of Lena, IL
City of Charleston, IL
City of Geneva, IL
Fairfield S.D. 225, IL
Savanna P.D., IL
Fayette County, IA
Frankfort Township. IL
Lisle-Woodridge Fire Dist., IL

Village of Hoffman Estates, IL
City of Grand Mound, IA
City of Gilman, IL
City of Gilbertville, IA
Fisher S.D. No. 1, IL
Hamilton P.D., IL
Will County , IL
Campton Township, IL
Edgar Marshall Water Authority, IL
Will County Forest Preserve District
Michigan Public Power Agency, MI

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