
SPEER FINANCIAL, INC.

INDEPENDENT PUBLIC FINANCE CONSULTANTS SINCE 1954

N E W S L E T T E R

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THE MUNICIPAL MARKET

The year 2005 saw a fairly steady long-term rate with rising short-term rates. Long-term tax-exempt interest rates ranged just 0.45 of a percent high to low spread through the year. The *Bond Buyer* 20-Bond General Obligation Index hit 4.18% on June 2nd and September 1st, the lowest rate for the year. High for the year was 4.63% on March 24th and November 3rd. The 25-Bond Revenue Index was also fairly stable with a June 2nd low of 4.72% and a November 3rd high of 5.24%.

The economy seems to be improving, with a major focus on inflation and job creation. Long term rates are (still) expected to rise, with the question of when. The Bond Buyer Index opened 2005 at 4.47% and closed at 4.38%.

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 2005 averaged 4.39%, lower than the past two decades. Volatility, as seen in the "Low-to-High-Spread" below, declined as various economic and other factors influenced the market. The relatively low variance of 0.45% between the high and low rates in 2005 indicates the relative stability of the tax-exempt market.

20 G.O. Bond Buyer Index - Annual Averages

	Year Low		Year High		Low-to-High Spread	Average Annual Yield
	Date	Yield	Date	Yield		
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%
2002.....	Oct 10	4.66%	Mar 21	5.34%	0.68%	5.03%
2003.....	Jun 12	4.21%	Aug 14	5.18%	0.97%	4.74%
2004.....	Mar 11	4.35%	May 13	5.14%	0.79%	4.68%
2005.....	Jun 02	4.18%	Mar 24	%	4.63	0.45%
						4.39%

A second indicator of the volatility of the municipal market is the difference in the average monthly yield. As shown below, 2005 volatility was moderate on a intermonthly basis compared to the past five years.

20 G.O. Bond Buyer Index - Monthly Average

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
January.....	6.07%	5.09%	5.16%	4.64%	4.61%	4.41%
February.....	6.00%	5.17%	5.10%	4.73%	4.55%	4.35%
March.....	5.83%	5.13%	5.28%	4.89%	4.41%	4.57%
April.....	5.75%	5.27%	5.21%	4.92%	4.82%	4.46%
May.....	6.00%	5.29%	5.18%	5.10%	5.07%	4.31%
June.....	5.80%	5.20%	5.08%	4.74%	5.06%	4.23%
July.....	5.63%	5.19%	5.02%	4.33%	4.87%	4.31%
August.....	5.51%	5.03%	4.95%	4.41%	4.70%	4.32%
September.....	5.55%	5.09%	4.73%	4.74%	4.56%	4.29%
October.....	5.59%	5.04%	4.87%	4.76%	4.50%	4.50%
November.....	5.54%	5.03%	4.95%	4.81%	4.52%	4.57%
December.....	5.23%	5.24%	4.84%	4.90%	4.48%	4.46%
Monthly Average Differential	0.13%	0.08%	0.10%	0.16%	0.13%	0.10%

The Bond Buyer Index was reported at 4.35% on January 6, 2006. This compares to 4.38% during the last week of 2005.

Tax-Exempt Bond Sale Volume

The 2005 volume of long-term bonds was \$408.2 billion, a 13% increase from the \$360.5 billion in 2004. The bond volume was 87% traditional tax exempt, 7% subject to Alternate Minimum Tax and 6% taxable. About 32% was for refunding purposes, reflecting low rates. Some one-third was general obligation debt with two-thirds revenue supported. Approximately 19% of the par amount was sold competitively with 81% negotiated, primarily very large deals.

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

	2002	2003	2004	2005
January	\$21,612,100	\$27,067,700	\$20,533,400	\$22,500,400
February	21,000,000	30,266,500	27,117,000	30,757,700
March	25,421,000	28,230,600	38,682,500	45,021,800
April	25,623,400	35,236,100	31,790,300	31,433,600
May	34,163,500	36,714,400	37,752,100	35,858,600
June	38,848,100	48,519,200	35,562,100	44,292,000
July	27,955,800	33,304,100	25,370,500	34,168,500
August	31,574,200	25,929,700	28,125,100	34,212,400
September	27,559,300	26,277,000	25,172,000	30,956,100
October	42,202,600	35,021,800	31,999,600	27,825,900
November	35,334,300	26,146,400	25,636,500	38,889,400
December	26,565,900	29,967,200	32,721,200	32,269,500
Total	\$357,860,600	\$382,680,700	\$360,462,300	\$408,185,900
Monthly Avg ...	\$ 29,821,700	\$ 31,890,058	\$ 30,038,500	\$ 34,015,400

The summary of bond sales below shows a very active market with issue size increasing.

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
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
2002.....	357,860,600	14,927	23,974,047	57
2003.....	382,680,700	14,833	25,799,279	57
2004.....	360,462,300	13,603	29,900,172	52
2005.....	408,185,900	13,770	30,956,100	53

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

2005 Long-Term Municipal Bond Sales by Purpose

Purpose	Amount (000)	Percent
Development	\$ 9,606,000	2.35%
Education	124,626,900	30.53%
Electric Power	12,825,600	3.14%
Environmental	7,735,700	1.90%
Health Care	38,020,700	9.31%
Housing	21,784,400	5.34%
Public Facilities	14,430,700	3.54%
Transportation	44,399,100	10.88%
Utilities	31,885,300	7.81%
General Purpose	102,871,500	25.20%

SPEER FINANCIAL CLIENT BOND SALES

The year 2005 continued to be busy for Speer Financial for which we thank all our clients.

	<u>2005</u>		<u>2004</u>		<u>2003</u>		<u>2002</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.....	60	\$628,216,722	73	\$310,641,131	77	\$399,992,632	83	\$644,329,624
Competitive.....	<u>142</u>	<u>733,835,624</u>	<u>129</u>	<u>569,571,862</u>	<u>148</u>	<u>657,908,683</u>	<u>131</u>	<u>713,400,212</u>
Total Sales.....	202	\$1,362,052,346	202	\$880,212,993	225	\$1,057,901,314	214	\$1,357,729,836

Speer Financial would like to thank the new and renewing clients who selected us as their Financial Advisor in 2005. We appreciate your trust and continue to strive to provide the highest possible quality of service to all clients, regardless of issue size or length of service.

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| Village of Elwood | Town of Cortland | City of Darien |
| Village of Newark | Champaign Park District | Lake County Forest Preserve District |
| Matteson SD 162 | Darien Park District | Village of Wood Dale |
| Kane County | Lockport Twp PD | Harvey Park District |
| Village of Davis Junction | City of Sidney, Iowa | Kane County Forest Preserve District |
| City of Eldora, Iowa | | Permanent Planning II, Iowa |

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