
SPEER FINANCIAL, INC.

INDEPENDENT PUBLIC FINANCE CONSULTANTS SINCE 1954

N E W S L E T T E R

JANUARY 2008

THE MUNICIPAL MARKET

The year 2007 saw fairly steady long-term rates with steady to falling short-term rates. Long-term tax-exempt interest rates ranged just 0.73 of a percent high to low spread throughout the year. The *Bond Buyer* 20-Bond General Obligation Index hit 4.08% on March 8th, the lowest rate for the year. High for the year was 4.81% on August 23rd. The 25-Bond Revenue Index was also fairly stable with a March 15th low of 4.38% and a August 23rd high of 4.89%.

The economy seems to be mixed with a major focus on inflation, financial stocks and housing. Many other sectors seem to be prospering. Long term rates are expected to stay in this 4%-5% range. The Bond Buyer Index opened 2007 at 4.15% and closed at 4.44%.

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 2007 averaged 4.40%, near the low for the past two decades and the same as 2006. Volatility, as seen in the "Low-to-High-Spread" below, increased as various economic and other factors influenced the market. The relatively low variance of 0.73% between the high and low rates in 2007 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		
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%
2006	Dec 07	4.03%	Jun 29	4.71%	0.68%	4.40%
2007	Mar 08	4.08%	Aug 23	4.81%	0.73%	4.40%

A second indicator of the volatility of the municipal market is the difference in the average monthly yield. As shown below, 2007 volatility was moderate on a intermonthly basis compared to the past five years.

20 G.O. Bond Buyer Index - Monthly Average

	2002	2003	2004	2005	2006	2007
January	5.16%	4.64%	4.61%	4.41%	4.37%	4.23%
February	5.10%	4.73%	4.55%	4.35%	4.41%	4.22%
March	5.28%	4.89%	4.41%	4.57%	4.44%	4.15%
April	5.21%	4.92%	4.82%	4.46%	4.58%	4.26%
May	5.18%	5.10%	5.07%	4.31%	4.59%	4.31%
June	5.08%	4.74%	5.06%	4.23%	4.60%	4.60%
July	5.02%	4.33%	4.87%	4.31%	4.61%	4.56%
August	4.95%	4.41%	4.70%	4.32%	4.39%	4.67%
September	4.73%	4.74%	4.56%	4.29%	4.27%	4.52%
October	4.87%	4.76%	4.50%	4.50%	4.30%	4.41%
November	4.95%	4.81%	4.52%	4.57%	4.14%	4.46%
December	4.84%	4.90%	4.48%	4.46%	4.11%	4.43%
Monthly Average Differential	0.10%	0.16%	0.13%	0.10%	0.06%	0.08%

The Bond Buyer Index was reported at 4.32% on January 4, 2008. This compares to 4.44% during the last week of 2007.

Bond Insurance

Use of insurance was down 2%, from 49% of all bonds to 47%. This reflects the late 2007 turmoil in the bond market due to announcements of possible rating downgrades of those insurers who also insured various housing mortgage instruments.

Tax-Exempt Bond Sale Volume

The 2007 volume of long-term bonds was \$427 billion, a 11.5% increase from the \$383 billion in 2006. The bond volume was 84.5% traditional tax exempt, 8.7% subject to Alternate Minimum Tax and 6.8% taxable. About 18% was for refunding purposes, reflecting low rates. Some one-third was general obligation debt with two-thirds revenue supported. Approximately 17% of the par amount was sold competitively with 83% negotiated, primarily very large deals. Just 3.7% was bank qualified.

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

	2004	2005	2006	2007
January	\$20,533,400	\$22,500,400	\$18,712,300	\$31,217,100
February	27,117,000	30,757,700	23,866,900	32,028,500
March	38,682,500	45,021,800	27,045,900	44,285,000
April	31,790,300	31,433,600	29,301,100	33,541,000
May	37,752,100	35,858,600	34,625,800	43,136,900
June	35,562,100	44,292,000	45,093,500	47,014,300
July	25,370,500	34,168,500	27,890,100	31,852,300
August	28,125,100	34,212,400	31,625,300	29,332,000
September	25,172,000	30,956,100	27,946,900	32,757,700
October	31,999,600	27,825,900	31,392,000	45,014,300
November	25,636,500	38,889,400	42,492,800	29,377,600
December	32,721,200	32,269,500	43,433,300	28,032,000
Total	\$360,462,300	\$408,185,900	\$383,425,900	\$427,588,700
Monthly Avg ...	\$ 30,038,500	\$ 34,015,400	\$ 31,952,158	\$ 35,632,392

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	8,492,498	21
1990.....	127,932,800	8,826	14,494,992	34
2000.....	198,882,700	10,924	18,206,033	42
2001.....	286,307,900	13,614	21,030,403	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	26,498,736	52
2005.....	408,185,900	13,770	29,643,130	53
2006.....	383,712,300	12,498	30,701,896	48
2007.....	427,588,700	12,392	34,505,221	48

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

2007 Long-Term Municipal Bond Sales by Purpose

Purpose	Amount (000)	Percent
Development	\$ 8,519,500	2.0%
Education	106,394,200	24.9%
Electric Power	16,390,000	3.8%
Environmental	5,713,500	1.3%
Health Care	48,933,300	11.5%
Housing	30,397,500	7.1%
Public Facilities	12,842,000	3.0%
Transportation	41,812,600	9.8%
Utilities	44,862,600	10.5%
General Purpose	111,723,500	26.1%

The year 2007 continued to be busy for Speer Financial for which we thank all our clients.

	2007		2006		2005		2004	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Negotiated.....	45	\$391,064,830	62	\$375,935,000	60	\$628,216,722	73	\$310,641,131
Competitive.....	115	517,182,528	148	835,710,307	143	734,438,844	129	569,571,862
Total Sales.....	160	\$909,847,358	210	\$1,211,645,307	203	\$1,362,655,566	202	\$880,212,993

Speer Financial would like to thank the new and renewing clients who selected us as their Financial Advisor in 2007. 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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| City of Berwyn, IL | Peru School District 124, IL | Northbrook Park District, IL |
| Peoria Public Library, IL | Schaumburg School District 54, IL | Wheaton Park District, IL |
| Kendall County, IL | City of Lake Forest, IL | Village of Olympia Fields, IL |
| City of Raymond, Iowa | City of Center Point, Iowa | Rock Island School District 41, IL |
| Elk Grove Village, IL | Village of Phoenix, IL | Hawkeye Community College, IA |
| City of Flora, IL | | |

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