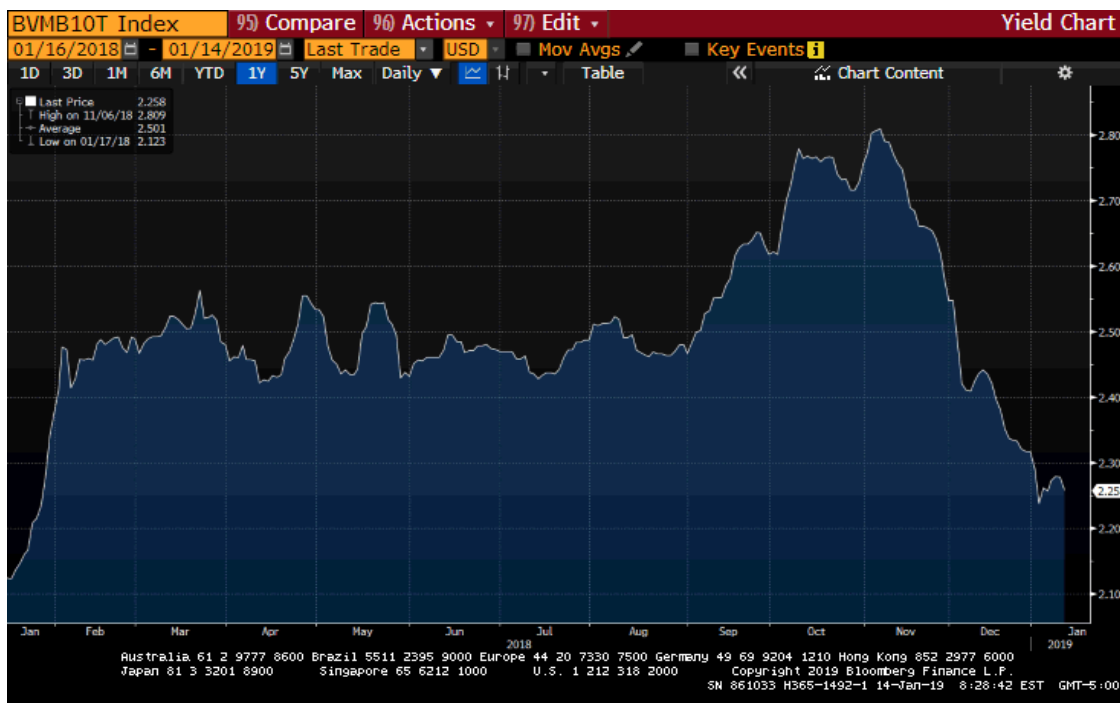




Municipals Not Impacted by Shutdown Yet

- 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

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