

Municipal Market Comments



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from  Montage Investments

State Ratings Trends

Since our last survey of state credit ratings in July 2013, the trend for states has been generally positive. While individual states continue to face tough sledding due to slower growth or persistent structural budget problems, most states have experienced improved revenues flows and improving credit trends. Persistently high unemployment continues to hamper state income tax revenues, but the robust performance of U.S. equity markets, improving real estate markets and continued modest growth in retail sales activity have helped fuel a broad improvement in states' financial pictures through the third quarter of 2013. As a result of the general improvement in state credit trends over the past year, Moody's revised its outlook for the "U.S. States" sector to stable from negative in mid-August.

Federal government uncertainty continues to be one of the major challenges facing state credit quality. Sequestration appears to have had only modest direct effects on state and local financial performance through the second and third quarters. Absent a federal budget, though, mandated spending cuts will continue. Likewise, the rollout of the Affordable Care Act and selective adoption of Medicaid expansion create a host of new challenges for the states, and for state budgets, in the intermediate term.

Since July, one state (Pennsylvania) had its general credit ratings downgraded while two were upgraded (California and Texas). In addition to the rating changes, the rating agencies revised their outlooks on nine states (see page 2). Most of these outlook changes were by Moody's. Following Moody's revision of the United States' rating outlook back to stable, it also revised to stable those states that it views as most closely linked to U.S. credit rating. The table on page 2 and 3 shows the current ratings and outlook for the 50 states and Puerto Rico, with changes since July highlighted in ***bold, italicized text***.

A handwritten signature in black ink, appearing to read "Brian Tournier".

Brian Tournier

Director of Research

Ascent Investment Partners

Recent State Rating and Outlook Changes

State	Rating Action
California	Fitch upgrade to A from A-
Florida	Fitch outlook change to Stable from Negative
Hawaii	S&P outlook change to Positive from Stable
Maryland	Moody's outlook change to Stable from Negative
Minnesota	Moody's outlook change to Stable from Negative
Missouri	Moody's outlook change to Stable from Negative
New Mexico	Moody's outlook change to Stable from Negative
New York	Moody's outlook change to Positive from Stable
Pennsylvania	Fitch downgrade to AA from AA+
Texas	S&P upgrade to AAA from AA+
Virginia	Moody's outlook change to Stable from Negative
Washington	Moody's outlook change to Stable from Negative Fitch outlook change to Stable from Negative

Sources: Moody's; S&P; Fitch

Updated Credit Ratings of the 50 States – 10/28/13

State	Ratings (1)	Rating Outlooks
Alabama	Aa1 / AA / AA+	Stable / Stable / Stable
Alaska	Aaa / AAA / AAA	Stable / Stable / Stable
Arizona (2)	Aa3 / AA- / nr	Stable / Stable / na
Arkansas	Aa1 / AA / nr	Stable / Stable / na
California	A1 / A / A	Stable / Stable / Stable
Colorado (2)	Aa1 / AA / nr	Stable / Stable / na
Connecticut	Aa3 / AA / AA	Stable / Stable / Negative
Delaware	Aaa / AAA / AAA	Stable / Stable / Stable
Florida	Aa1 / AAA / AAA	Stable / Stable / Stable
Georgia	Aaa / AAA / AAA	Stable / Stable / Stable
Hawaii	Aa2 / AA / AA	Stable / Positive / Stable
Idaho (2)	Aa1 / AA+ / AA+	Stable / Stable / Stable
Illinois	A3 / A- / A-	Negative / Negative / Negative
Indiana (2)	Aaa / AAA / AA+	Stable / Stable / Stable
Iowa (2)	Aaa / AAA / AAA	Stable / Stable / Stable
Kansas (2)	Aa1 / AA+ / AA	Negative / Stable / Stable
Kentucky (2)	Aa2 / AA- / A+	Negative / Negative / Stable
Louisiana	Aa2 / AA / AA	Stable / Stable / Stable

State	Ratings (1)	Rating Outlooks
Maine	Aa2 / AA / AA	Negative / Stable / Stable
Maryland	Aaa / AAA / AAA	Stable / Stable / Stable
Massachusetts	Aa1 / AA+ / AA+	Stable / Stable / Stable
Michigan	Aa2 / AA- / AA	Positive / Positive / Stable
Minnesota	Aa1 / AA+ / AA+	Stable / Stable / Stable
Mississippi	Aa2 / AA / AA+	Stable / Stable / Stable
Missouri	Aaa / AAA / AAA	Stable / Stable / Stable
Montana	Aa1 / AA / AA+	Stable / Stable / Stable
Nebraska (2)	Aa2 / AAA / nr	Stable / Stable / na
Nevada	Aa2 / AA / AA+	Stable / Stable / Stable
New Hampshire	Aa1 / AA / AA+	Stable / Stable / Stable
New Jersey	Aa3 / AA- / AA-	Stable / Negative / Stable
New Mexico	Aaa / AA+ / nr	Stable / Stable / na
New York	Aa2 / AA / AA	Positive / Positive / Positive
North Carolina	Aaa / AAA / AAA	Stable / Stable / Stable
North Dakota	Aa1 / AA+ / nr	Stable / Positive / na
Ohio	Aa1 / AA+ / AA+	Stable / Stable / Stable
Oklahoma	Aa2 / AA+ / AA+	Stable / Stable / Stable
Oregon	Aa1 / AA+ / AA+	Stable / Stable / Stable
Pennsylvania	Aa2 / AA / AA	Stable / Negative / Negative
Puerto Rico	Baa3 / BBB- / BBB-	Negative / Negative / Negative
Rhode Island	Aa2 / AA / AA	Negative / Stable / Stable
South Carolina	Aaa / AA+ / AAA	Stable / Stable / Stable
South Dakota (2)	Aa2 / AA+ / AA+	Stable / Stable / Stable
Tennessee	Aaa / AA+ / AAA	Stable / Positive / Stable
Texas	Aaa / AAA / AAA	Stable / Stable / Stable
Utah	Aaa / AAA / AAA	Stable / Stable / Stable
Vermont	Aaa / AA+ / AAA	Stable / Positive / Stable
Virginia	Aaa / AAA / AAA	Stable / Stable / Stable
Washington	Aa1 / AA+ / AA+	Stable / Stable / Stable
West Virginia	Aa1 / AA / AA+	Stable / Stable / Stable
Wisconsin	Aa2 / AA / AA	Stable / Stable / Stable
Wyoming (2)	nr / AAA / nr	na / Stable / na

(1) Long-term debt ratings from Moody's / S&P / Fitch.

(2) No GO debt outstanding. Listed ratings and outlooks reflect the highest issuer rating or state supported appropriation debt rating.

Sources: Moody's; S&P; Fitch

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