



Debt & Derivative Advisors

Leaders in Higher Education Finance

Market Update: Higher Education

www.soundcapital.com

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General High Grade and Higher Education Yield Curves

	AAA GO	FSA Insured Higher Ed	BBB Higher Ed	SWAPs	
				SIFMA	67% of LIBOR
2 Yr	2.20	2.26	2.72	2.21	1.87
5 Yr	2.68	2.72	3.35	2.69	2.34
10 Yr	3.35	3.42	4.16	3.21	2.83
20 Yr	4.18	4.45	4.89	3.63	3.15
30 Yr	4.29	4.57	5.17	3.73	3.20

Higher Education Market News

The Fed cut interest rates another **50 basis points on Wednesday** down to 3.0%, completing a 1.25% cut in the Fed Funds rate over nine days, the most aggressive cuts in over 20 years. In economic data, the unemployment rate dropped from 5% to 4.9% but **GDP annualized growth slowed to 0.6% in the fourth quarter of 2007**, down from 4.9% growth in the third quarter of last year.

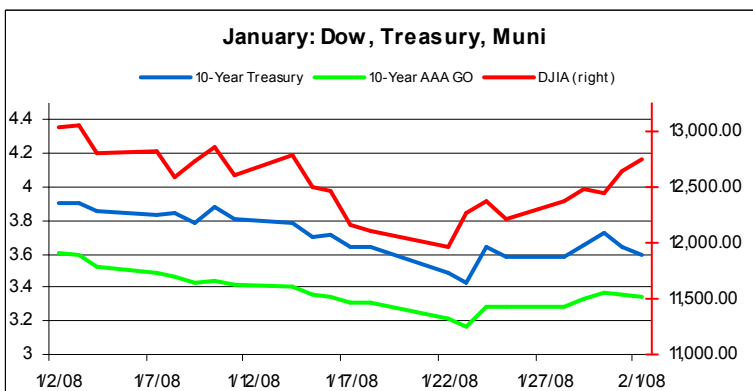
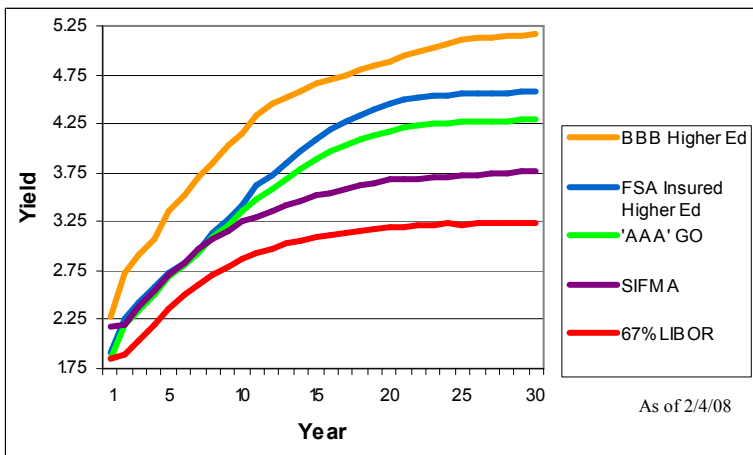
Stocks showed strong gains for the week as the Dow was up 4.3% to close at 12743.2, and the S&P 500 was up 4.9% to close at 1395.4.

Municipal bond insurer **FGIC was downgraded to AA** by S&P last Thursday, and MBIA and XLCA were placed on Negative Credit Watch. All of the bond insurers except for FSA and Assured Guaranty are either on negative outlook, negative watch, or have already been downgraded by at least one ratings agency.

Muni yields were mostly up for the week. The AAA GO 5-year was unchanged, the 10-year up 7 basis points, and the 30-year was up 1 basis point.

On the new issuance calendar for higher education, there is a moderate \$250MM this week. Highlights include 1) \$88.4MM University of Akron, OH, 2) \$85.6MM Indiana University Board of Trustees, and 3) \$54.5MM Edinboro University, PA.

The general municipal calendar picks up this week after a **nearly 50% drop in new issuance in January from January 2007**. There is a moderate-to-heavy \$6.1Bn on the calendar. Highlights include 1) \$3.2Bn California Economic Recovery, 2) \$475MM New York City, and 3) \$261MM Maryland Health & Higher Ed.



Advertisement

MuniMarket Pulse podcast - Dick Larkin of J.B. Hanauer Points His Finger At The Ratings Agencies, Bond Insurer "Arrogance." Go to <http://podcast.derivactiv.com>



New Issue Summary

Recent Higher Education Transactions

Issues over \$10MM

Week of						Rating			Comp
Sale	\$MM	Issuing Authority	Borrower	ST	Type	(M/SP/F)	Due (20XX)	Manager	/Neg
31-Jan	25.1	Hastings College of Law		CA	Rev	Aaa/---/---	10-37	Wells Fargo	C
28-Jan	39.3	University of Cincinnati		OH	Rev	Aaa/AAA/---	10-27,31	RBC Capital	N
21-Jan	182.8	Trustees of Indiana University		IN	Rev	Aa1/AA/---	09-26,28,38	Lehman Bros	N
21-Jan	46.6	New Hampshire Health & Educ	Univ. of New Hampshire	NH	Rev	A1/A+/---	18	Lehman Bros	N
21-Jan	35.2	Grayson County Junior College		TX	GO LT	Aaa/---/AAA	09-29	RBC Capital	N
14-Jan	43.1	Arizona Board of Regents		AZ	Rev	Aa3/AA/---	08-27,30,40	JP Morgan	N

Highlighted AAA Higher Education Issue Details & Spread Analysis

Grayson County Junior College District, TX	Maturity	Yield	+/- "AAA"
Aaa/---/AAA	2009	2.60	0.35
(A1/---/A+)	2010	2.60	0.30
Enhanced: FSA	2011	2.68	0.30
Pricing Date: 1/21/08	2012	2.78	0.21
\$35.2; Negotiated	2013	2.88	0.19
	2014	3.00	0.21
	2015	3.13	0.23
	2016	3.26	0.25
	2017	3.37	0.26
	2018	3.50	0.28
	2019	3.64	0.32
	2020	3.79	0.36
	2021	3.93	0.40
	2022	4.03	0.42
	2023	4.10	0.41
	2024	4.17	0.41
	2025	4.24	0.42
	2026	4.15	0.27
	2027	4.20	0.27
	2028	4.24	0.27
	2029	4.27	0.27

Issuers and borrowers may request SCM to perform a spread analysis on any issue. Call 952-996-0180.

Upcoming Higher Education Transactions

Issues over \$10MM

Week of						Rating			Comp
Sale	\$MM	Issuing Authority	Borrower	ST	Type	(M/SP/F)	Due (20XX)	Manager	/Neg
4-Feb	88.4	University of Akron		OH	Rev	---/---/---		Morgan Stanley	N
4-Feb	54.5	Pennsylvania Higher Education Auth	Edinboro University	PA	Rev	Baa3/BBB-/---	18,28,38,42	RBC Capital	N
4-Feb	85.6	Indiana University Board of Trustees		IN	Rev	AA1/AA/---	08-27, 32	JP Morgan	N
7-Feb	25.0	Iowa State Board of Regents	School of Science and Tech	IA	Rev	Aa3/A+/---	16-35		C
7-Feb	20.2	Texas Public Finance Authority	Stephen F. Austin State Univ.	TX	Rev	---/---/ A+	08-27		C

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