

S&P Fixed Income Update

National Municipal Bond Index

California Municipal Bond Index

New York Municipal Bond Index

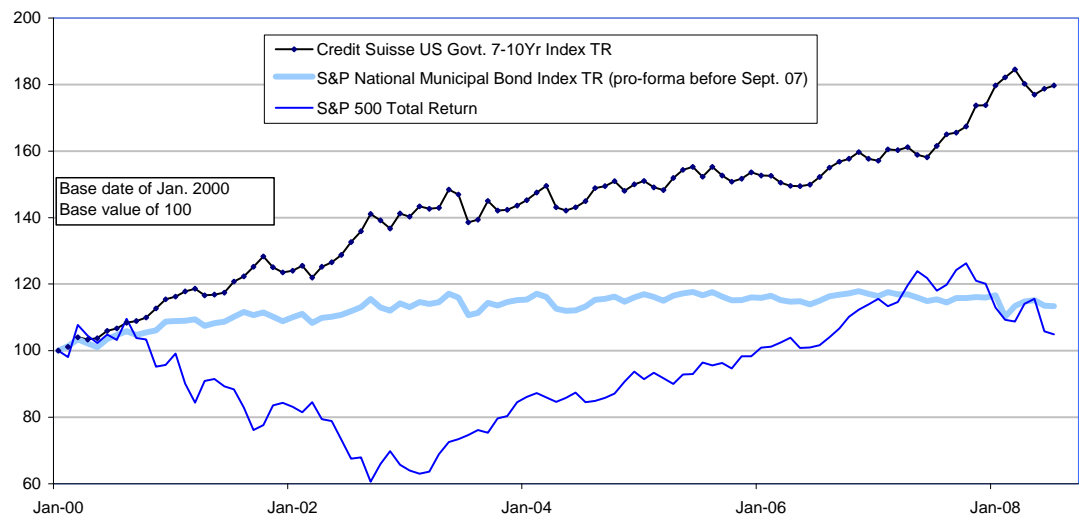
July 2008

Index Performance and Market Overview

Clipping Coupons

The S&P National Municipal Bond Index increased 0.23% in July for a year-to-date (YTD) total return of -0.02%. The index essentially mirrored treasuries by month-end, as the Weighted Average Yield to Maturity dropped about 3bps to 4.37% and the benchmark 10yr treasury yield dropped about 2bps to 3.95%. For the month, the S&P National Municipal Bond Index price only return was -0.12% and YTD stood at -2.24%, so the 2008 total index return has been all about clipping coupons. The S&P/Investortools Municipal bond index (from which the S&P National Muni Index is derived) increased +0.12% in July, for a YTD total return of -0.19%. Mirroring the steepening treasury curve, intermediate to shorter-term securities within the S&P National Muni Bond Index performed well in July, with yields declining about 8bps on average in the 5yr-to-10yr sector, while yields increased about 11bps on average on securities with maturities of 20-years or more. The benchmark treasury 5yr/30yr yield curve spread steepened 13bps to 133bps on the month. Concerns about further insurer downgrades and increasing budget deficit fears (notably in California and New York) continued to weigh on munis in July, while attractive yields to treasuries and improved rating criteria compared to corporate debt helped provide some support. Supply issuance remained on a record pace in July with the signing of the housing reform bill by President Bush. The bill increases the amount of housing bonds that states can sell, exempts new bonds from the alternative minimum tax, and allows the Federal Home Loan Bank to provide guarantees. According to the Bond Buyer, as of July 2008, US \$262 billion munis were sold in 2008 compared to the previous record of US \$430 billion for the entire 2007 year.

The chart below depicts the returns on the S&P National Municipal Bond Index, the S&P 500, and the Credit Suisse US Government 7-10 year Index since the beginning of the decade (each with a base of 100).



Published monthly, the S&P Fixed Income Update highlights developments in the municipal bond market as measured by the S&P Municipal Bond Indices.

Index Analysis and Management

Mike McGlone - 212 438 4127
 Mariah Alsati-Morad - 212 438 2308
 Craig Feldman - 212 438 3296
 Trisha Malinky - 212 438 2313

For additional information on the S&P Municipal Bond Indices visit:
www.indices.standardandpoors.com

Index Services

212.438.2046
index_services@standardandpoors.com

Winners and Losers

In terms of the impact on the index, California bonds were both the single best performers and underperformers in July. A California Economic Recovery Series A GO bond rallied about a point on the month and at 0.22% of the index, was the single bond with the most positive index impact in July. On the negative side, a FSA insured California refunding GO bond dropped about 5 points and at 0.18% of the index, was the single biggest index underperformer.

August Rebalancing

The Index Expands

Changes in the index methodology, effective at the August rebalancing, notably lowering the minimum par amount to be eligible for inclusion from US \$50 million to US \$25 million, resulted in the addition of 4,339 index constituents. The market value of the additional constituents was US \$157.0 billion, for an August 1st total of 7,582 constituents with an index market value of US \$471.2 billion, up from the July 31st total of 3,243 constituents and an index market value of US \$322.2 billion. The fundamental characteristics of the index portfolio remained basically the same. The most significant statistical changes included a 1-year decline in the Weighted Average Years to Maturity to 14.62 (from 15.64) and a decline in the Weighted Average Yield to Maturity to 4.31% on August 1st from 4.37% at the end of July. Reflecting the trend away from municipalities issuing insured bonds, 56.4% of the S&P National Muni Bond Index constituents were insured as of the August rebalancing (08/01/08) compared with 62.4% at the end of 2007.

The table below depicts the 7/31/2008 and 8/01/08 closing data for August rebalancing comparison.

S&P National Municipal Bond Index				
	7/31/2008	8/1/2008	Difference	%
Number of Bonds	3,243	7,582	4,339	133.8%
Market Value (US\$ billions)	322.2	471.2	149.0	46.2%
Weighted Avg. Coupon	4.99%	4.98%	-0.01	-0.2%
Weighted Avg. Years to Maturity	15.64	14.62	-1.02	-6.5%
Weighted Avg. Yield to Worst	4.24%	4.18%	-0.06	-1.4%
Weighted Avg. Yield to Maturity	4.37%	4.31%	-0.06	-1.4%
Weighted Avg. Yield to Maturity as % of 10yr Treasury	110.6%	109.1%	-0.02	-1.4%
Weighted Avg. Modified Duration	7.11	7.19	0.08	1.1%
Average Rating	AA	AA		
Rating % of Index (Market Value):				
- AAA	33.3%	34.4%	1.15	3.5%
- AA	46.5%	47.6%	1.11	2.4%
- A	14.9%	13.4%	-1.43	-9.6%
- BBB	5.4%	4.5%	-0.83	-15.6%
S&P California Municipal Bond Index				
	7/31/2008	8/1/2008	Difference	%
Number of Bonds	640	1,313	673	105.2%
Market Value (US\$ billions)	70.4	93.2	22.8	32.4%
Weighted Avg. Coupon	4.86%	4.85%	-0.01	-0.1%
Weighted Avg. Years to Maturity	15.03	14.85	-0.18	-1.2%
Weighted Avg. Yield to Worst	4.20%	4.23%	0.03	0.7%
Weighted Avg. Yield to Maturity	4.30%	4.33%	0.03	0.6%
Weighted Avg. Yield to Maturity as % of 10yr Treasury	108.9%	109.6%	0.70	0.6%
Weighted Avg. Modified Duration	7.31	7.42	0.11	1.5%
Average Rating	AA	AA		
Rating % of Index (Market Value):				
AAA	20.7%	21.4%	0.74	3.6%
AA	40.6%	39.4%	-1.24	-3.1%
A	36.9%	37.4%	0.54	1.5%
BBB	1.9%	1.8%	-0.05	-2.7%
S&P New York Municipal Bond Index				
	7/31/2008	8/1/2008	Difference	%
Number of Bonds	520	1,263	743	142.9%
Market Value (US\$ billions)	60.0	86.4	26.4	44.1%
Weighted Avg. Coupon	5.06%	5.03%	-0.03	-0.6%
Weighted Avg. Years to Maturity	17.51	15.89	-1.62	-9.3%
Weighted Avg. Yield to Worst	4.23%	4.14%	-0.09	-2.1%
Weighted Avg. Yield to Maturity	4.38%	4.31%	-0.07	-1.6%
Weighted Avg. Yield to Maturity as % of 10yr Treasury	111.0%	109.2%	-1.80	-1.6%
Weighted Avg. Modified Duration	6.40	6.48	0.08	1.3%
Average Rating	AA+	AA+		
Rating % of Index (Market Value):				
AAA	44.4%	42.0%	-2.40	-5.4%
AA	43.3%	49.0%	5.70	13.2%
A	11.1%	8.1%	-3.00	-27.0%
BBB	1.1%	0.9%	-0.20	-18.2%

S&P National Municipal Bond Index

July TR: +0.23%
YTD TR: -0.02%

S&P California Municipal Bond Index

July TR: +0.26%
YTD TR: +0.05%

S&P New York Municipal Bond Index

July TR: +0.22%
YTD TR: +0.43%

Index Weighted Average Yield to Maturity as a Percent of the 10yr Treasury (month-end):

S&P National Municipal Bond Index

July: 111%
June: 111%
Dec: 106%

S&P California Municipal Bond Index

July: 109%
June: 109%
Dec: 106%

S&P New York Municipal Bond Index

July: 111%
June: 112%
Dec: 101%

INTEREST RATES

	<u>July 31</u>	<u>June 30</u>
3-Mo T-bill	1.67%	1.74%
6-Mo T-bill	1.87%	2.16%
3-Mo LIBOR	2.79%	2.78%
2-Yr T-Note	2.52%	2.62%
5-Yr T-Note	3.24%	3.33%
10-Yr T-Note	3.95%	3.97%
30-Yr T-Bond	4.57%	4.53%

Credit – CDS

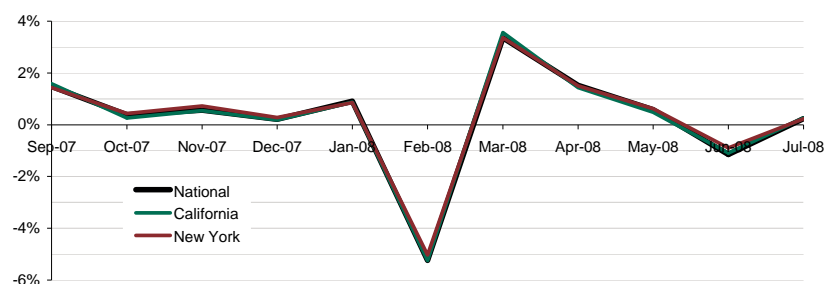
While the activity for Fannie Mae and Freddie Mac took center stage in the markets last month, two other industries that have experienced consistently higher CDS spreads this year performed quite well. CDS in the monoline insurance and airline industries were among some of the best performing in July. Potential workout deals among the monoline insurers and investment banks on derivative trades and the precipitous drop in oil prices, respectively, helped contribute to lowering the cost of protecting against default in those industries. However, continued negative news on the U.S. economic front and the ever present worry about further balance sheet issues among financial firms and heightened concerns about the state of global financial systems and the ability of banks ability to raise capital all factored into selected CDS spread widening.

July 31, 2008

Tickers		Performance Returns			
BLOOMBERG SM		S&P National	S&P California	S&P New York	
S&P National Municipal Bond Index		Municipal Bond Index	Municipal Bond Index	Municipal Bond Index	
Price Return	SPMUNUS	1 Month	0.23%	0.26%	0.22%
Total Return	SPMUNUST	3 Month	-0.34%	-0.35%	-0.06%
S&P California		YTD	-0.02%	0.05%	0.43%
Municipal Bond Index		1 Year*	2.16%	2.11%	2.83%
Price Return	SPMUNCA	3 Years* (Annualized)	3.10%	3.20%	3.25%
Total Return	SPMUNCAT	5 Years* (Annualized)	4.54%	4.83%	4.57%
S&P New York		2007*	3.18%	3.18%	3.31%
Municipal Bond Index		2006*	5.04%	5.00%	4.92%
Price Return	SPMUNNY	2005*	3.88%	4.34%	3.83%
Total Return	SPMUNNYT	2004*	4.75%	5.63%	4.36%
		2003*	4.97%	3.96%	5.71%

*Index inception September 2007, historical returns based upon proforma data.

Monthly Returns



Index Characteristics

	S&P National	S&P California	S&P New York
	Municipal Bond Index	Municipal Bond Index	Municipal Bond Index
Number of Bonds	3,243	640	520
Market Value (US\$ billion)	322.19	70.41	59.97
Weighted Average Coupon	4.99%	4.86%	5.06%
Weighted Average Years to Maturity	15.64	15.03	17.51
Weighted Average Yield To Worst	4.24%	4.20%	4.23%
Weighted Average Yield To Maturity	4.37%	4.30%	4.38%
Weighted Average Modified Duration	7.11	7.31	6.40

Standard & Poor's assumes no responsibility for the accuracy or completeness of the above data and disclaims all express or implied warranties in connection therewith. Standard & Poor's does not sponsor, endorse, sell or promote any S&P index-based investment product.

Contact Us:

J. R. Rieger

Vice President, Fixed Income Indices

212.438.5266

james_rieger@standardandpoors.com

Index Services

index_services@standardandpoors.com

New York +1.212.438.2046

Toronto +1.416.507.3200

London +44.20.7176.8888

Tokyo +813.4550.8463

Beijing +86.10.6569.2919

Sydney +61.2.9255.9870

For more information, including current

data and index performance, visit our

Web site:

www.indices.standardandpoors.com

Standard & Poor's does not sponsor, endorse, sell, or promote any S&P index-based investment product. Analytic services and products provided by Standard & Poor's are the result of separate activities designed to preserve the independence and objectivity of each analytic process. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during each analytic process. This material is based upon information that we consider to be reliable, but neither Standard & Poor's nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Copyright © 2008. Standard & Poor's, division of The McGraw-Hill Companies, Inc. All rights reserved. STANDARD & POOR'S and S&P are registered trademarks of The McGraw-Hill Companies, Inc.