FIXED INCOME COMMENTARY

Another day of equity sell offs amid a retrenchment in investor risk aversion led to stronger Treasuries, though some of that rally appears to be going by the wayside in early Tuesday action. Monday's performance included a 10 basis point decline in yield for the ten year to 3.68% and a 7.5 basis point yield drop for the two year Treasury to 1.13%, its lowest level in roughly three weeks. Volume was relatively light in the rates, credit, and municipal markets.

Once again, there was no economic data scheduled for release on Monday. The balance of the week should prove significantly busier on the economic front, starting with existing home sales (Janney 4.79mm, consensus 4.82 mm) data later this morning.

In the wake of our upgrade of the Gaming, Lodging, and Leisure sector's credit quality to marketweight from underweight, both Las Vegas and Atlantic City reported another round of monthly revenue declines. Vegas revenues slumped 14%, the sixteenth consecutive drop, according to the state gaming commission, while Atlantic City revenues dropped 15% as more gamers elected to place slots bets in newly-opened Pennsylvania casinos. Despite this news, we continue to hold expectations that the Las Vegas gaming markets will begin to turnover in the coming several months. Part of this expectation is based on the composition of the May Vegas gaming revenue declines: only 8% was the result of reduced casino-goer expenditures, while the balance stemmed from greater payouts initiated by the casinos on variable odds machines. In general, we prefer the higher quality names in the sector and especially those with high cash balances. As the gaming cycle continues to turn over, these are the issuers that will have the best ability to weather the storm and prepare for the upswing.

Although the municipal market is expecting above average primary market issuance this week, the AAA MMD scale improved by 4 basis points from 2012-2017, 3 basis points in 2018-2019 and 1 -2 basis points on the longer end. Short maturities meanwhile traded flat. There was yet another round of bad insurer news reported on Friday, as Ambac Financial Group announced that it is postponing plans to create the Everspan Financial Guarantee Corp., a new municipal bond insurance business initiative. This postponement leaves only a limited amount of municipal insurance options for municipal issuers. Ambac needed to raise approximately $1 billion to fund its Everspan venture and, because of ratings agency requirements, was expecting to fund $800 million themselves and raise at least $200 million in third party capital to prove outside interest in the business model. There was no third party interest, forcing Ambac to postpone the venture indefinitely. Douglas Renfield- Miller, CEO of Everspan and Ambac employee announced that he will retire effective January 1, 2010.

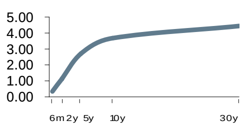
In the primary markets, The Pennsylvania Turnpike Commission sold $275 million of taxable Build America Bonds (Aa3/A+) yesterday at a 6.105%, or a 166 basis point spread to the 4.44% 30 year Treasury. PA Turnpike is expecting to use the BAB subsidy payments for operating expenses, not as security for payment of debt service. Other large issues pricing this week within the Janney footprint include: an $800 million DASNY Personal Income Tax bond deal (NR/AAA/A-) and a $290 million Massachusetts Educational Financing Authority bond issue (NR/AA/A), both scheduled to price today.

Guy LeBas & Tom Kozlik

6/22/2009

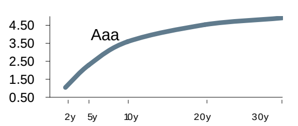
"On-the-Run" Treasury Yields

	Close	Previous	Chg.
6mo	0.34	0.32	+0.022
2yr	1.13	1.21	(0.073)
5yr	2.70	2.80	(0.103)
10yr	3.68	3.78	(0.100)
30yr	4.44	4.51	(0.066)



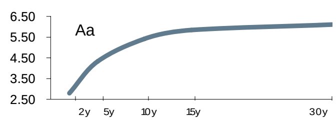
Benchmark Muni Yields

	Aaa	% Treas	Insd.	Baa
2yr	1.05	93%	1.29	2.78
5yr	2.29	85%	2.51	3.98
10yr	3.59	97%	3.82	5.26
20yr	4.54	100%	5.02	7.43
30yr	4.91	102%	5.22	7.47



Benchmark Corporate Yields

	Aa	A	Baa
2yr	2.79	3.56	4.99
5yr	4.32	5.33	6.73
10yr	5.41	6.35	7.80
15yr	5.84	6.81	8.29
30yr	6.10	7.06	8.39

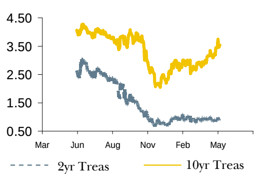


Other Key Market Rates

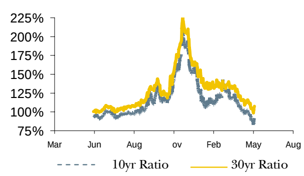
Non-Callable CDs

Mat.	APY		
3m	0.40	Fed Funds Target	0.25
6m	0.60	Prime Rate	3.25
1yr	1.00	3 Month LIBOR	0.61
2yr	2.25	5/1 Agcy Callable	3.55
5yr	3.75	GN 30yr 4.5% MBS	4.67
		FN 30yr 4.5% MBS	4.64

Historical Treasury Yields



Historical Muni % of Treas.



Recent Economic Indicators

Date	*Release*	*Actual*	*Trend*
17-Jun	CPI (MoM)	0.1%	-
17-Jun	CPI Core (MoM)	0.1%	
18-Jun	Leading Indicators	1.2%	+

Upcoming Economic Indicators

Date	*Release*	*Proj.*	*Trend*
23-Jun	Exist Home Sales	4.79mm	+
24-Jun	Durable Goods	-1.0%	-
24-Jun	Durables Ex-Trans.	-1.1%	-
24-Jun	New Home Sales	346k	

Fixed Income Strategy
215.665.6034
glebas@jmsonline.com

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Trusted Advisors for Generations

Janney Montgomery Scott LLC
1801 Market St • Philadelphia, PA 19103 • 800-JANNEYS • www.jmsonline.com
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