



# Bonding<sup>®</sup>

January 2010

HENNION & WALSH

It comes down to trust.<sup>®</sup>

# Contents

Municipal Bond Spotlight	1
Municipal Bonds	2
Government Agency Bonds, U.S. Treasuries	3,4
DANs, Federal Reserve	5
Money In Your Pocket® Tip of the Month, Economic Indicators Calendar	6,7
Brokered CDs, Business 101	8,9

## The Smart Investor

### An Investment for Today's Tax-Conscious Investor

Tax-exempt municipal bonds are among the most popular types of investments available today, and with good reason. They offer a wide range of benefits, including:

- Attractive current income free from federal and, in some cases, state and local taxes;
- High degree of safety with regard to payment of interest and repayment of principal;
- Predictable stream of income;
- Wide range of choices to fit in with your investment objectives with regard to investment quality, maturity, choice of issuer, type of bond and geographical location; and
- Marketability in the event you must sell before maturity.



# Municipal Bond Highlight:

Puerto Rico Public Building Authority

5.25 Due 7/1/2033@100 for a 5.25YTM

## Summary

This Baa rated revenue bond is for public improvements throughout Puerto Rico.

- This municipal bond offering is exempt from local, state, and federal taxes for all US residents.
- This bond is callable 7/1/2014 @ 100 for a 5.25 yield to call.

*Bonds are subject to interest rate risk. Investors should be aware that bonds will fluctuate in value and may be worth more or less than original value if sold prior to maturity.*

Coupon Rate	5.25	Yield to Maturity:	5.25
Maturity:	7/1/2033	Yield to Call:	5.25
Call Date & Call Price:	7/1/2014 @ 100	Current yield:	5.25
Offering Price:	100.00	S&P Rating	BBB-
Quantity:	N/A	Moody Rating	Baa3

## Income Strategies

Hennion & Walsh, Inc. is pleased to provide an extensive list of top income investment strategies. In addition to selected new investment offerings, investors can choose from a wide selection of bonds currently trading in the secondary market.

- Tax-Free Municipal Bonds
- Government Agency Bonds
- Preferred Stocks
- Closed-End Funds
- Mortgage-Backed Securities
- Treasury Securities
- Unit Investment Trusts

# Municipal Bonds

*Municipal bonds are subject to interest rate risk. Bond values may decline, if interest rates rise.*

At Hennion & Walsh, we are one of the nation's leading financial services firms specializing in Municipal Bonds. It's our heritage; it's who we are. Count on us to provide you with the most appropriate, high quality municipal bond for your portfolio. Along with expert advice, you will receive exceptional personal service. That's the hallmark of Hennion & Walsh.

Call Hennion & Walsh to speak to one of our Financial Advisors today:  
(800) 836-8240

## National Municipal Bonds

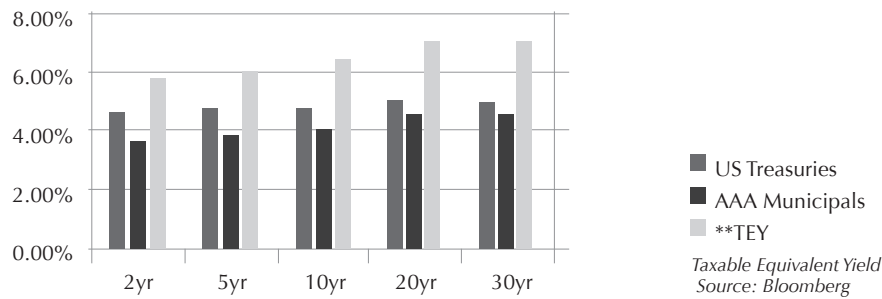
*All offerings are subject to market conditions and availability. Not all municipal bonds are State and Federally tax-free. These bonds are representative of our current offerings as of 1/7/10.*

Issuer	Coupon	Maturity	Price	*YTM/YTC	RATING S&P/Moody's
West Islip NY School District	5.00	10/1/2015	113.814	2.40/	/Aa3
Rockland County NY General Obligation	4.50	6/15/2016	111.801	2.50/	AAA/Aa3
NY City General Obligation *TAXABLE* (Build America Bonds)	5.399	12/1/2024	99.00	5.49/	AA/Aa3
New York ST Environmental Facility Callable 6/15/2012 @ 100	4.50	6/15/2027	101.00	4.41/4.06	AAA/Aaa
Port Authority of NY & NJ Callable 1/15/2014 @ 101	5.00	1/15/2039	106.25	4.60/3.57	AA-/Aa3
New Jersey ST Transportation Corp Callable 9/15/2015 @ 100	4.00	9/15/2019	102.00	3.75/3.60	A/A2
NJ Environmental Infrastructure Auth. Callable 9/1/2014 @ 100	4.375	9/1/2024	104.00	4.01/3.43	AAA/Aaa
New Jersey St Educational Facility Callable 7/1/2018 @ 100	5.00	7/1/2035	103.50	4.76/4.59	AAA /Aaa
Puerto Rico Sales Tax Financing Authority	0.00	8/1/2054	6.05	6.39/	AA-/Aa3
Northampton Boro PA Municipal Utility Auth. Callable 5/15/2019 @ 100	4.375	5/15/2033	96.00	4.65/	/A3
Hernando County FL School Board COP	5.00	7/1/2035	100.00	5.00/	A/Baa1
Detroit MI Water Supply Rev	5.00	7/1/2034	100.00	5.00/	AA-/A2
California ST General Obligation AGC Insured	5.00	8/1/2033	99.00	5.83/	AAA/Aa3



# Tax-Free Yield Calculator

Fed Rate	State Rate	Total Rate	Tax Free Return					
			2.0%	3.0%	3.5%	4.0%	4.5%	5.0%
25.0%	0.0%	25.0%	2.66%	4.00%	4.66%	5.33%	6.00%	6.66%
28.0%	0.0%	28.0%	2.77%	4.16%	4.86%	5.55%	6.25%	6.94%
33.0%	0.0%	33.0%	2.98%	4.47%	5.22%	5.97%	6.71%	7.46%
35.0%	0.0%	35.0%	3.07%	4.61%	5.38%	6.15%	6.92%	7.69%
Tax Brackets			Taxable Equivalent Yields					



## Government Sponsored Offerings

Government Sponsored Enterprises, known as GSEs, are privately owned corporations created by Congress to provide funding and to help reduce the cost of capital for certain borrowing sectors of the economy such as homeowners, students, and farmers. GSE securities are generally perceived to carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government.

### Government Agency Bonds

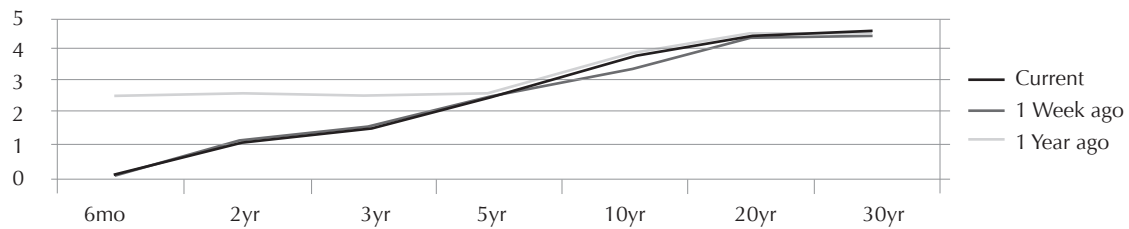
*FNMA Notes*

Issuer	Coupon	Maturity	Price	YTM/YTC	RATING S&P/Moody's
Federal Home Loan Bank* <i>callable 6/11/2010</i>	4.10	6/11/2019	100.00	4.10/4.10	Aaa/AAA
Federal Home Loan Bank* <i>callable 7/15/2011</i>	4.875	7/15/2024	100.00	4.875/4.875	Aaa/AAA
Federal Na Mtg. Association <i>callable 12/28/2010</i>	5.00	12/28/2029	100.00	5.00/5.00	Aaa/AAA
Federal Na Mtg. Association <i>callable 4/2/2016</i>	6.00	4/18/2036	104.25	5.68/5.19	Aaa/AAA

All bonds are subject to interest rate risk. Investors should be aware that bond values will fluctuate and the value may be more or less if sold prior to maturity. All offerings as of 1/7/10 and are subject to market conditions and availability.

\*State: Local Tax Exempt

## US Treasury Securities



Period	6 mo	2 yr	3 yr	5 yr	10 yr	20 yr	30 yr
Current	0.15	1.04	1.59	2.61	3.82	4.59	4.67
1 Week Ago	0.14	1.08	1.61	2.61	3.18	4.52	4.61
1 year Ago	2.50	2.65	2.55	2.68	3.89	4.65	4.65

*For illustration purposes only. Past performance is no indication of future results. Source U.S. Department of the Treasury 1/7/10.*

## US Treasuries

Issuer	Coupon	Maturity	Price	YTM/YTC
U.S. Treasury—N/C	1.00	12/31/2011	99.9375	1.04
U.S. Treasury—N/C	2.625	12/31/2014	100.0625	2.61
U.S. Treasury—N/C	3.375	11/30/2019	96.375	3.82
U.S. Treasury—N/C	4.375	11/30/2039	95.25	4.67

## US Treasury Zero Coupon

U.S. Treasury Strip—N/C	2/15/2010	99.99	0.06
U.S. Treasury Strip—N/C	8/15/2014	89.54	2.41
U.S. Treasury Strip—N/C	5/15/2019	68.497	4.08
U.S. Treasury Strip—N/C	11/15/2024	48.75	4.89

*All offerings as of 1/7/10 and are subject to market conditions and availability. U.S. Treasuries are subject to interest rate risk. Investors should be aware that bonds will fluctuate in value and may be worth more or less than original value if sold prior to maturity.*



# DANs-Direct Access Notes

DANs are new issue Corporate bonds - subject to both interest rate and credit risk. If sold prior to maturity, they may be worth more or less than their original cost. All DANs are offered by Prospectus or Offering Circular only. For a Prospectus please call your Investment Professional.

**FreddieNotes®** *FreddieNotes® are unsecured senior debt offered on a best efforts basis once a week. All of Freddie Mac's rated senior unsecured debt has been given the highest possible credit ratings by Standard & Poor's and Moody's Investor Service of A1+/P1 for short-term obligations and AAA/Aaa for longer-term debt. Source: InterNotes As of 1/7/10.*

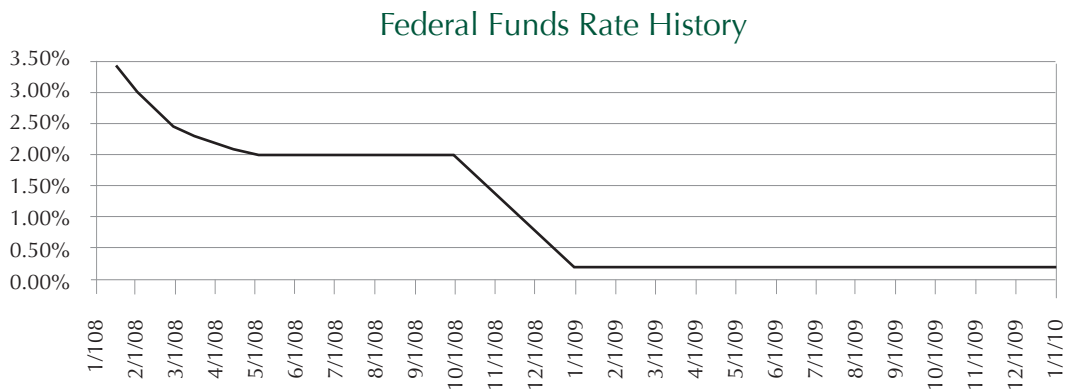
Issuer	Coupon	Maturity	Price	YTM/YTC	RATING S&P/Moody's
FHLMC FreddieNotes	3.00	7/15/2015	100.00	3/00/3.00	AAA/Aaa
FHLMC FreddieNotes	4.00	7/15/2018	100.00	4.00/4.00	AAA/Aaa
FHLMC Freddienotes	4.00	12/15/2020	100.00	4.00/4.00	AAA/AAA
FHLMC Freddienotes	4.50	1/15/2025	100.00	4.50/4.50	AAA/AA

# Federal Reserve

## When will the Fed start to raise rates again?

### Federal Funds Rate

Definition: The federal funds rate is the interest rate at which a depository institution lends immediately available funds (balances at the Federal Reserve) to another depository institution overnight. The rate may vary from depository institution to depository institution and from day to day.



Source Federal Reserve Bank of New York 1/7/10.

# Federal Open Market Committee

The Federal Open Market Committee consists of twelve members: the seven members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and, for the remaining four memberships, which carry a one-year term, a rotating selection of the presidents of the eleven other Reserve Banks. The FOMC holds eight regular scheduled meetings per year to direct the conduct of open market operations by the Federal Reserve Bank of New York in a manner designed to foster the long-run objectives of price stability and sustainable economic growth. The FOMC also establishes policy relating to System operations in the foreign exchange markets. Meetings are usually scheduled for Tuesdays. At the first and fourth meetings of the year, which are scheduled for two-day periods, the FOMC considers its long-run objectives for the money and debt aggregates as well as the current conduct of open market operations. The minutes of each meeting are made available three weeks after the meeting.

## Money In Your Pocket<sup>©</sup> Tip of the Month

### Understanding Market Risk

While the interest payment, also known as the coupon rate, cannot be changed during the life of a bond (unless, of course, it is a variable-rate security), the market price of a security changes as market conditions change. If you sell your municipal bonds prior to maturity, you will receive the current market price, which may be more or less than their original price. Consequently it is important to understand how the direction of interest rates might affect the value of your holdings. As with other fixed-income securities, municipal bond prices fluctuate in response to changing interest rates: Prices increase when interest rates decline, and prices decline when interest rates rise.

It's easy to understand the reasons:

- When interest rates fall, new issues come to market with lower yields than older securities, making the older securities worth more; hence the increase in price.
- When interest rates rise, new issues come to market with higher yields than older securities, making the older ones worth less; hence the decline in price.





## Economic Indicators

Major Economic Indicators	When	Description
Non-Farm Payrolls	Monthly–1st Friday	Shows how many jobs were created in the last month
Unemployment Rate	Monthly–1st Friday	This indicator is considered a wage inflation barometer
ECI–Employment Cost Index	Quarterly	This indicator measures wage increases
CPI–Consumer Price Index	Monthly–15th to 21st	Considered the most important measure of U.S. Inflation
PPI–Producer Price Index	Monthly–9th to 16th	Measures wholesale inflation. Tracks 3,500 commodities
ISM Index	Monthly–1st Bus. Day	Survey of 250 purchasing managers for economic trends
GDP–Gross Domestic Product	Quarterly/Monthly Update	Most important broad indicator of economic growth
Retail Sales	Monthly–11th to 14th	Measures consumer spending which is two-thirds of GDP
Consumer Confidence	Monthly–Last Tuesday	Survey of 5,000 households to gauge consumer spending
LEI–Leading Economic Indicators	Monthly	Composite of 12 economic indicators to forecast economy

## Certificates of Deposit

*All CDs are FDIC Insured*

Issuer	Coupon	Maturity	Price	YTM/YTC
Doral Bank	0.75	10/12/10	100.00	0.75
Doral Bank	0.95	1/11/11	100.00	0.95
First Bank of Puerto Rico	2.25	7/11/12	100.00	2.25
Doral Bank	2.40	1/11/2013	100.00	2.40
Midfirst Bank	2.50	1/13/2014	100.00	2.50
Midfirst Bank	2.90	1/13/2015	100.00	2.90
Paragon Community	3.00	1/15/2015	100.00	3.00
GE Capital Financial	3.45	1/09/2017	100.00	3.45
GE Capital Financial	3.75	1/08/2020	100.00	3.75

*Based on current tax law.  
All offerings as of 1/7/10 and are subject to market conditions and availability.  
YTM= Yield to Maturity, YTC= Yield to Call*

# Bond Ratings

Standard & Poor's Corp	
AAA	Highest Quality; principal & interest well protected.
AA	High Quality; marginally higher long-term risk than AAA.
A	Good Quality; somewhat more susceptible to adverse conditions over the long term.
BBB	Adequate; adverse conditions could threaten principal or interest payments.
BB	Questionable; faces major uncertainties. Adverse conditions could jeopardize prin/int payments.
B	Speculative; adverse conditions would likely impair ability to pay interest or repay principal.
CCC	Risky; has been identified as being vulnerable to default.
D	In default
Moody's Investor's Service, Inc.	
Aaa	Highest quality; principal is well protected and interest payments are virtually assured.
Aa	High Quality; marginally higher long-term risk than AAA
A	Good Quality; many favorable investment aspects. Suggestion credit risk could increase over time.
Baa	Medium Grade; neither highly protected nor poorly secured: may be regarded as somewhat speculative.
Ba	Lack characteristics of desirable investment; protection of prin/int payments over long term is small.
B	Speculative; with only moderate protection of principal and interest payments.
Caa	Poor Quality; may be in default and protection of principal is questionable.
Ca	Highly speculative; issues may be in default or have other large shortcomings.
C	Lowest rated; extremely poor chances of ever attaining investment standing.

*All offerings are available as of 1/7/10 and are subject to market conditions and availability. This information is obtained from sources that are believed to be reliable, however, no guarantee of its accuracy can be made. For certain investors, the income from bonds designated Alternative Minimum Tax (AMT) may be subject to the alternative tax. Discount bonds may be subject to capital gains tax. Minimum purchase amounts may apply. Not all municipal bonds are free from both state and federal taxes. If bonds are insured, no representation is made as to the insurer's ability to meet its commitments. Insurance does not remove market risk. CDs carry interest rate and principal risk, and may be subject to transaction costs not associated with bank CDs. Due to fluctuating market conditions, yield/principal value may be higher or lower if CD is sold prior to maturity. All bond ratings are from S&P or Moody's. Hennion & Walsh Bonding© is a condensed profile of various investment opportunities. Due to the brevity of the information, further research may be prudent before making an investment decision.*



# Business 101

## It's Time to Get a Second Opinion! Free Portfolio Checkup

There is no denying that it is hard to predict what will happen in the markets. For most investors the current environment is unprecedented and unnerving. Even though it is easier said than done, we cannot let our emotions and fear dictate our actions especially when it comes to investing. Most of our clients take solace in the foundation they have built with municipal bonds. Although there have been price fluctuations in their portfolios over these past few weeks, our clients generally believe that municipal bonds will provide the income and stability their portfolio needs. Though many of you do not use Hennion & Walsh for equity and growth investing, we urge you to keep a similar long term view with all of your investments. Although no one can predict what the markets will do next, we urge you to use this opportunity to examine your investment strategy and portfolio asset allocation to make sure you are still on track to meeting your long term goals and objectives.

Why not use these uncertain times to call Hennion & Walsh and ***get a second opinion on all of your bond and equity holdings held at other brokerage firms?*** Allow us to help you examine your entire portfolio and help guide you towards the creation of an investment strategy that will help you reach your long term goals and objectives.

### ***Included in your Free Portfolio Checkup:***

- Review of Your Current Situation, Financial Objectives, Tolerance for Risk and Investment Timeframe
- Free Portfolio Diagnostic Report
- Customized Portfolio Management Solution Recommendation

In closing, we would like to remind you that history has proven bear markets are part of the investing process. The market is not good or bad, it's only the market. The market has shown to be a process of permanent advances punctuated by relatively temporary declines. Bear markets can provide tremendous opportunities for long term investors. So use this bear market as an opportunity to work with us to ensure that you have the investment strategy and portfolio asset allocation in place to help you reach your long term goals and objectives.

Hennion & Walsh is an independent firm. We do not answer to stockholders, investment bankers, or parent companies. We answer to you, the individual investor. We are, and always will be, an advocate to the individual investor. It is our pleasure to serve you.

Call (800) 836-8240 to get a second opinion on the assets you have at other firms. Schedule your Free Portfolio Checkup today!

2001 Route 46, Waterview Plaza, Parsippany, NJ 07054  
(973) 299-8989 • (800) 836-8240 • Fax (973) 299-0692  
[www.hennionandwalsh.com](http://www.hennionandwalsh.com)

*Securities offered through Hennion & Walsh Inc. Member of FINRA,SIPC.*