From The Trader's Desk

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A year of municipal bond interest rate volatility ebbed in the last quarter of the year and we start the new year with relative interest rate stability and strong individual investor demand. However, we also continue to face a limited supply of new issue tax free bonds. A problem which has plagued our market for some time now.

Over the past year there have often been wide short term swings in Treasury bond yields. However, because of the tax free bond supply situation, we have experienced "relative calm" in our market. After a run-up in the third and fourth quarter of the year, yields have stabilized. We are seeing 6%+ yields on long maturity bonds, however these buying opportunities are short lived and clients have had to move quickly if they wished to take advantage of the situation.

While we will continue to scour the secondary and primary markets In our ongoing efforts to find "values," the limited supply and narrow trading range difficulties give us reason to remind our clients of two important considerations.

First, focus your attention on the continued development of your portfolio on a laddered basis in the 5 to 15 year range of the yield curve. The laddered concept is the sensible investment strategy to help negate future volatility in today's interest rate environment.

Secondly, supply is unlikely to explode any time soon and as long as inflation remains dormant, rates are not likely to rise significantly. However, we will continue to commit for long bonds when special situations arise. When these situations are called to your attention by your Bernardi Investment Specialist, be prepared to make a prompt commitment for the long end of your portfolio ladder. Quality high-yielding bonds remain in inventory for relatively short periods of time.