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Economic Comment

Predictions for 2009 will be as relevant and accurate as economists and market forecasters were a year ago. 2008 was a year that had event after event occur that individually would have been the story of the year, if not a decade. AIG is now on life support while the leading, formerly AAA rated municipal bond insurance company's guarantees are virtually worthless. The end of the investment bank era occurred with the demise of Bear Stearns and Lehman, the absorption of Merrill Lynch by Bank of America and the new status of Morgan Stanley and Goldman Sachs as commercial banks.

Equity holders of Fannie Mae and Freddie Mac discovered about moral hazard while bond holders across different fixed income classes learned that the difference between subordinated and senior debt is crucial. Investors saw the credit markets all but shut down after Lehman's failure and the country was reminded that the financial markets are truly forecasters of economic activity and are a necessary part of a functioning economy. The concept of a \$700 billion bailout a year ago was inconceivable never mind the "TARP" program. The automakers problems have been handed off to the next administration. The next breathtaking economic event will be the size and allocation of the stimulus package. The country faces a deficit of over \$1 trillion next year. However, in yet another unprecedented aspect of the current scenario, the yield curve provides the Treasury the opportunity to borrow at virtually 0% in the money markets, .86% for 2 years, 2.38% for 10 years and a startling 2.79% for 30 years.

The price of oil peaked at \$147 in July just after everyone became convinced that India and China would be increasingly voracious consumers of all commodities because their growth was now independent of the U.S. (Whoops.) The stock market, as measured by the S&P 500, declined 38% for its worst year since the Depression year of 1937. The final blow to investor confidence was the Madoff Ponzi scheme which could be the financial crime of the century. The events of the prior year show the absolute folly of economic prognostications. That being said and done here goes.

Investors will be facing an unrelenting barrage of bad news for 3 to 6 months which will still put a damper on consumer and investing confidence. There will be a tidal wave of liquidity built up from the monetary printing presses and the fiscal stimulus which will eventually explode and create a major financial market rally. The initial interpretation will be that a small amount of inflation is positive for the markets and the economy. The Fed will never be preemptive in reigning in the money creation and by the end of the year inflation will be a problem. The dollar will also be a concern as will be the voracious borrowing needs of the Treasury. This is a scenario for much higher Treasury rates at year end than the current almost artificial environment.

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Economic Comment (continued)

The immediate future brings the December employment release on January 9th. The forecast is for job losses of 500,000 and an increase in unemployment the rate to 7.00%. The December Purchasing Manager's statistics, released on January 2nd, declined to a 28 year low and was much worse than expected. The short term news will continue to be grim on the economic activity front but the inflation news will be positive. One quiet trend that has occurred in the markets during the last month is there has been the beginning of the trade that involves the selling of Treasuries combined with the purchasing of riskier asset classes such as equities and corporate bonds.

MATURITY	MUNICIPAL YIELD	US TREASURY YIELD	PERCENTAGE OF MUNIS VS TREAS
2 YEAR	1.88	.86	218%
5 YEAR	2.47	1.69	146%
10 YEAR	3.52	2.38	148%
30 YEAR	5.04	2.79	181%

U.S. Treasury Market – Yields

YIELDS - %	12/31/07	12/19/08
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3 Month Treasury Bills	3.23	.08
6 Month Treasury Bills	3.38	.32
2 Year Treasury Note	3.04	.86
5 Year Treasury Note	3.44	1.69
10 Year Treasury Note	4.02	2.38
30 Year Treasury Bond	4.45	2.79

Treasury Yields	
3 Months	.08
6 Months	.27
1 Year	.36
2 Years	.86
5 Years	1.68

Commercial Paper	
1 Week	.17
2 Weeks	.20
1 Month	.31
2 Months	.56
3 Months	.82
9 Months	1.10

U.S. Treasury Auction Dates		
Security	Order Deadline	Auction Date
3 Month Bill	1/09/09	1/12/09
6 Month Bill	1/09/09	1/12/09
1 Year Bill	1/12/09	1/13/09

Upcoming Municipal Bond Issues			
Sale Date	City/Town	Amount	Duration
1/06/09	Milton, Ma.	\$12.4M	1-20yr
1/07/09	Norwood, Ma.	\$2.3M	1-15yr

Tax Exempt Offerings					
Amount	Security	Rating	Coupon	Maturity	Yield
\$3,400,000	Worcester, Ma. Bans	Mig-1	3.25%	11/06/09	1.00%
\$150,000	Mass HEFA-Emerson College	A-	5.0%	1/01/11	2.25%
\$125,000	Manchester, N.H.	Aa2	4.25%	12/01/11	2.00%
\$900,000	Lewiston, Me.	Aa3	4.0%	12/15/11	2.00%
\$315,000	Stratford, Ct.	Aa2	5.0%	12/15/12	2.20%
\$110,000	Merrimac, Ma.	A2	5.0%	11/15/12	2.50%
\$140,000	Everett, Ma.	A2	5.0%	12/15/12	2.50%
\$65,000	Auburn, Ma.	Aa3	3.25%	9/01/14	2.65%
\$100,000	Sutton, Ma.	A2	5.375%	4/01/15	3.00%
\$100,000	Bridgewater, Ma.	Baa1	5.0%	7/01/15	3.50%
\$250,000	Worcester, Ma.	AAA	5.0%	7/01/15	3.25%
\$500,000	Lewiston, Me.	Aa3	4.0%	12/15/15	2.80%
\$175,000	Warwick, R.I.	Aa3	4.0%	8/01/16	3.00%
\$175,000	Stratford, Ct.	Aa2	4.0%	12/15/16	3.00%
\$100,000	Lewiston, Me.	Aa3	4.0%	12/15/16	3.00%
\$75,000	Easton, Ma.	AAA	5.0%	8/01/17	3.25%
\$100,000	Stoneham, Ma.	A-1	5.0%	6/15/18	3.50%
\$100,000	RSD #5, Ct.	Aa2	4.0%	7/15/19	3.75%

Below is tax, availability and other purchase related information for U.S. Treasury securities, Commercial Paper and Municipal Bonds to help you determine an appropriate investment vehicle for your needs.

U.S. Treasury Information	
Tax Treatment	Exempt from state income tax, but subject to federal income tax.
Treasury Bills	<p>Sold at a discount. Mature at face value. Interest is earned at maturity.</p> <p>Duration: 3 months, 6 months.</p> <p>Availability: The 3 month and 6 month Treasury Bill auction is held every Monday.</p> <p>Minimum purchase: \$10,000, with additional increments of \$1,000.</p> <p>Marketability: Secondary market is available.</p>
Treasury Notes	<p>Interest bearing with semi-annual interest payments.</p> <p>Availability: 2 year note auction held monthly. 5 year note auction held quarterly.</p> <p>Minimum purchase: \$5,000, with additional increments of \$1,000.</p> <p>Marketability: Secondary market is available.</p>

Commercial Paper Information	
Tax Treatment	Subject to both state and federal income tax.
	<p>Various Issuers</p> <p>Available in either face value or discounted form.</p> <p>Maximum Duration: 270 days.</p> <p>Availability: Issued each business day. Availability is determined by the issuer's financing needs. Rates are subject to rapid change.</p> <p>Minimum purchase: \$100,000.</p>

Municipal Bond Information	
Tax Treatment	Exempt from Massachusetts state income tax if issued by Massachusetts municipality. Exempt from federal income tax.
	<p>Semiannual interest payments.</p> <p>Availability: New issuance subject to the needs of state and local governments.</p> <p>Minimum purchase: \$5,000.</p> <p>Marketability: Secondary market is available.</p>