

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$6.51	\$5.01
Competitive	\$1.44	\$1.24
TOTAL	\$7.95	\$6.25

Municipal 30 Day Visible Supply (\$ Bln)	\$11.35	\$9.91
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Bloomberg Municipal PICK Offerings Par (\$ Bln)	\$11.35	\$10.48
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Municipal Placement Ratio (New Issues)	88.70%	97.60%
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Bond Buyer 20 Municipal G.O. Index	3.95%	3.84%
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Treasury Supply		Current Auction	Prior Auction
Day	Maturity	Amount (\$ Bln)	Amount (\$Bln)
No UST Supply for the Week of March 19th			
TOTAL		0	0

Select Economic Releases				
Date	Event	Period	Survey	Prior
3/20	Housing Starts	FEB	700K	699K
3/20	Building Permits	FEB	686K	676K
3/21	MBA Mortgage Applications	16-Mar	--	-2.40%
3/21	Existing Home Sales	FEB	4.60M	4.57M
3/22	Initial Jobless Claims	17-Mar	351K	351K
3/22	Continuing Claims	10-Mar	3385K	3343K
3/22	House Price Index MoM	JAN	0.30%	0.70%
3/22	Leading Indicators	FEB	0.60%	0.40%
3/23	New Home Sales	FEB	325K	321K

Trading Desk Commentary

After several weeks with \$7-9bln of Muni supply (which was overall digested with ease), last week's \$6bln felt fairly manageable at the outset. January's and February's successes in the primary market seemed to indicate that interest was still strong for Munis, especially given that supply was averaging its highest weekly totals since October of last year. However, the dynamics of the UST market quickly rendered a positive Muni tone irrelevant as taxables began a three day sell-off last Wednesday – the 10-year area of the Treasury curve weakened by almost 30bps over the span. Even before last week, Muni-to-UST ratios had already shrunk substantially, giving Munis very little cushion to protect themselves from a weaker taxable market. The AAA Muni 10-year spot cheapened 21bps (according to MMD) over the course of the week, the largest weekly move to higher yields in 5 months. The UST sell-off was sparked by the Fed's release of their bank stress test results, which showed that 15 of 18 banks were in a healthy enough position to withstand a major downturn in the US economy. Though some big names were among those that failed the stress testing (Citi, SunTrust), the release provided concrete answers to many investors' "what ifs" about big American banks; and based on the market's strong reaction, the majority of financial market participants liked what they saw. In fact some banks, like Wells Fargo, BB&T, Goldman Sachs and Morgan Stanley received very favorable marks and were given permission to increase dividends and initiate share repurchasing programs. Given the troubles that have been highly publicized in Europe, the Fed's release suggests the U.S. recovery has gained substantially more traction here versus that abroad.

This week's calendar has roughly \$8bln in new Muni issuance lined up – a significant number given that Munis are still in the process of establishing a new trading range in the wake of last week's events. Last week's new Muni deals required a fair amount of concessions to garner interest, but again, a lot of the price-slashing was an attempt to keep pace with the UST movements. If USTs can re-stabilize, there still appears to be plenty of demand in tax-exempts to distribute a good deal of new issues. But, participants will likely start the week out in a holding pattern and observe the tone that the UST market tries to establish. After sell-offs like last week, Muni buyers tend to hang on the sidelines until the sector exhibits firmer footing. On the other hand, higher yields provide an opportunity for buyers to get cash to work at some of the most attractive absolute yields since December. Once again, we have entered a phase where Munis are somewhat at the mercy of UST volatility; however, these periods can create opportunities to capture attractive yields for ready investors.

Rates	Current	Yld	Prior	Muni to Treasury Ratio
	Wk	Change	Wk	
Muni's				
2 Year	0.36	0.09	0.27	100%
5 Year	0.95	0.16	0.79	85%
10 Year	2.26	0.21	2.05	98%
30 Year	3.44	0.13	3.31	101%
UST				
2 Year	0.36	0.05	0.31	
5 Year	1.12	0.23	0.89	
10 Year	2.30	0.27	2.03	
30 Year	3.40	0.22	3.18	

Explanation of Key Measures :

Weekly Municipal Supply - The total dollar volume of municipal securities expected to be offered during the upcoming week, broken down by deal type. This helps gauge near term supply and momentum along with the 30 day visible figure.

30 Day Visible Supply - The total dollar volume of municipal securities expected to be offered over the next 30 days. The visible supply, which is compiled and published by The Bond Buyer, indicates the near-term activity in the municipal market.

Bloomberg PICK Offerings - The total dollar amount of offerings listed on Bloomberg's dealer offerings system. The figure helps gauge secondary supply in the market.

Placement Ratio - The amount of bonds sold by underwriting syndicates each week as a percentage of the amount issued that week by issuers selling \$1,000,000 par value or more of securities. The ratio published by The Bond Buyer, helps gauge the demand for municipal bonds in the marketplace.

Bond Buyer 20 G.O. Index - Index published weekly representing the average yield of 20 G.O. bonds with 20 year maturities, rated AA2 by Moody's

Sources: Weekly municipal supply figures, and municipal rates are produced by Thompson Reuter (Municipal Market Data). 30 day visible figures, and the placement ratio are obtained through The Muni Center, and produced by The Bond Buyer. The 20 G.O. index yield is obtained through Bloomberg, and produced by The Bond Buyer. Pick offerings par value, UST supply, economic releases, and UST rates are obtained through Bloomberg Professional Service. Information obtained from these sources is believed to be reliable but is not guaranteed.

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