

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$2.80	\$6.51
Competitive	\$0.56	\$1.44
TOTAL	\$3.36	\$7.95

Municipal 30 Day Visible Supply (\$ Bln)	\$6.90	\$11.35
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Bloomberg Municipal PICK Offerings Par (\$ Bln)	\$12.59	\$11.35
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Municipal Placement Ratio (New Issues)	n/a	88.70%
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Bond Buyer 20 Municipal G.O. Index	4.01%	3.95%
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Treasury Supply		Current Auction	Prior Auction
Day	Maturity	Amount (\$ Bln)	Amount (\$Bln)
Tues	2 Year	35	35
Wed	5 Year	35	35
Thurs	7 Year	29	29
TOTAL		99	99

Select Economic Releases				
Date	Event	Period	Survey	Prior
3/26	Pending Home Sales MoM	FEB	1.00%	2.00%
3/26	Pending Home Sales YoY	FEB	--	10.30%
3/27	Consumer Confidence	MAR	70.00	70.80
3/28	MBA Mortgage Applications	23-Mar	--	-7.40%
3/28	Durable Goods Orders	FEB	3.00%	-4.00%
3/29	GDP QoQ (Annualized)	4Q T	3.00%	3.00%
3/29	GDP Price Index	4Q T	0.90%	0.90%
3/29	Core PCE QoQ	4Q T	1.30%	1.30%
3/29	Initial Jobless Claims	24-Mar	350K	348K
3/29	Continuing Claims	17-Mar	3350K	3352K
3/30	Personal Income	FEB	0.40%	0.30%
3/30	Personal Spending	FEB	0.60%	0.20%
3/30	PCE Deflator (MoM)	FEB	0.30%	0.20%
3/30	U. of Michigan Confidence	MAR F	74.6	74.3

Trading Desk Commentary

Munis were finally able to find their footing again this past Wednesday, Thursday and Friday bringing what was essentially a month-long climb to higher yields to an abrupt end. The emergence of a "risk-on" trade bias around Valentine's Day, sparked by better news overseas and a string of positive U.S. economic data. Munis were forced to follow suit to higher yields, unable to ignore such a significant weakening in U.S. Treasuries' prices. On top of the flight to riskier assets, Munis were also trying to distribute a great deal of new supply – the largest weekly and 30-day visible supply totals since the Fall of 2011 – keeping many bidders on the sidelines who were not willing to step in front of the onslaught of deals. Last week, these dynamics began to shift. This week's expected new Muni supply is only \$3bln, about one-third of the volume we were negotiating just a handful of weeks ago. The number of new deals scheduled for the next month is currently hovering in the mid-\$6bln range, more than 50% below this year's visible supply highs. Furthermore (and probably most importantly), some skepticism emerged that the U.S. recovery was much more durable now than in past years, and that, in fact, perhaps the U.S. outlook has been unjustifiably rosy for the past several weeks. Europe and China's recoveries appear to be fizzling out and an underwhelming jobs (and terrible housing data release) helped validate some of these concerns. Where the U.S. recovery looked to be setting the pace for the rest of the world only a couple of weeks ago, it now appears investors may be acknowledging that plenty of obstacles continue to obstruct a full American recovery.

This week, a limited number of deals are available for participants to peruse. The reasons for the decline in new deals appears to be a mix of issuers being scared off by the recent volatility (and higher yields making some deals lose their appeal from an issuers perspective) as well as this being an inevitable break in issuance following a month of abundant new supply. If this past Friday afternoon's light activity was any indication, participants may be ready to pack it in and put Q1 2012 in the books, catch their breath, and then test if the recent firmness in Munis is sustainable in Q2. The Caprin Newsletter will be published and distributed early this week where we have a more in-depth discussion about the recent "risk-on" trade (and its reversal) and its potential implications.

Rates	Current Wk	Yld Change	Prior Wk	Muni to Treasury Ratio
Muni's				
2 Year	0.36	0.00	0.36	103%
5 Year	1.02	0.07	0.95	94%
10 Year	2.17	-0.09	2.26	97%
30 Year	3.40	-0.04	3.44	103%
UST				
2 Year	0.35	-0.01	0.36	
5 Year	1.09	-0.03	1.12	
10 Year	2.23	-0.07	2.30	
30 Year	3.31	-0.09	3.40	

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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