

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$5.56	\$2.80
Competitive	\$1.61	\$0.56
TOTAL	\$7.17	\$3.36

Municipal 30 Day Visible Supply (\$ Bln)	\$9.84	\$6.90
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Bloomberg Municipal PICK Offerings Par (\$ Bln)	\$11.32	\$12.59
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Municipal Placement Ratio (New Issues)	92.40%	94.20%
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Bond Buyer 20 Municipal G.O. Index	4.02%	4.01%
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Treasury Supply		Current Auction	Prior Auction
Day	Maturity	Amount (\$ Bln)	Amount (\$Bln)
No UST Supply for the Week of 4/2			
TOTAL		0	0

Select Economic Releases				
Date	Event	Period	Survey	Prior
4/2	ISM Manufacturing	MAR	53.0	52.4
4/3	Factory Orders	FEB	1.50%	-1.00%
4/3	Minutes of FOMC Meeting			
4/4	MBA Mortgage Applications	30-Mar	--	-2.70%
4/4	ADP Employment Change	MAR	203K	216K
4/4	ISM Non-Manf. Composite	MAR	56.8	57.3
4/5	Initial Jobless Claims	31-Mar	356K	359K
4/5	Continuing Claims	24-Mar	3328K	3340K
4/6	Change in Nonfarm Payrolls	MAR	205K	227K
4/6	Unemployment Rate	MAR	8.30%	8.30%

Trading Desk Commentary

The stability that Munis found the week before last continued into this past week as well, especially in the belly of the curve where they strengthened 3-6 basis points (MMD). Starting about a week-and-a-half ago, participants began to see the plentiful supply that they had grown accustomed to begin to dissipate. Suddenly, forward issuance looked awfully thin to dealers and investors – especially in comparison to late February. Last week, we saw noticeably lower deal volume than had been seen over the past month-and-a-half, and ended as the lowest weekly total of tax-exempt issuance since the first of the year. The drop in supply helped a few balances left over from previous deals gain distribution early, and the scarce new deals that did come to market fared very well. Also, dealers seemed to be using the break in supply as an opportunity to lighten their inventory going into quarter-end. Most buyers were happy to oblige given the more attractive absolute levels following the early March back-up in yields and the return of healthier ratios following last week's Treasury outperformance.

This week, we will have more issuance to choose from with roughly \$7bn headed down the pipe. However, the larger deals for the week will be concentrated in the A/BBB rating range (namely the A+/A+ \$1.6bn CA St CDA Kaiser Permanent puts and the Ba1/BBB+/BBB+ \$1.1bn NJ EDA cigarette tax revenue refunding deal). The volume of AAA/AA-type deals looks to be fairly low and could extend the firm tone well into the coming week. Last week's \$430mln inflows into Muni funds (Lipper) would seem to indicate that plenty of investors remain constructive towards Munis and that the traction Munis are gaining at current levels may have legs yet.

So, what are the things we are looking for as we begin Q2 2012? First, we would expect Munis to take a large portion of their direction from Treasuries over the very near-term now that Muni-to-UST ratios have grown and high-grade supply appears very manageable, but remaining sensitive to global/macro developments will continue to be important. Second, we will be keeping a close eye on supply dynamics also. So far in 2012, when visible Muni supply has grown or decreased meaningfully, Munis have reacted well in advance of the deals actually coming to market. Last, we will be monitoring credit spreads, especially if supply remains healthy and yields continue to slowly climb. Investors could become more satisfied with absolute yields in higher rated paper, reducing the demand we have seen for higher yielding sectors. How these three factors play out will be highly influenced by the U.S. recovery, and its ability to continue to gather strength.

Rates	Current Wk	Yld Change	Prior Wk	Muni to Treasury Ratio
Muni's				
2 Year	0.36	0.00	0.36	106%
5 Year	0.98	-0.04	1.02	93%
10 Year	2.11	-0.06	2.17	95%
30 Year	3.39	-0.01	3.40	101%
UST				
2 Year	0.34	-0.01	0.35	
5 Year	1.05	-0.04	1.09	
10 Year	2.22	-0.01	2.23	
30 Year	3.35	0.04	3.31	

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 MuniCenter, 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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