

Trading Desk Commentary

The hot streak in this week's US economic releases (and the subsequent build-up in "risk on" momentum) really stole the spotlight. In particular, the US labor market received a strong dose of optimism, starting with Wednesday's better-than-expected ADP Employment change and capped off today by a healthier Nonfarm Payrolls number and a 0.2% decrease in the Unemployment Rate (down to 7.7%). The 10-Year US Treasury bond is now trading at its highest yield since April of last year and the Dow is holding on to its record highs. The sell-off in US Treasuries proved too large for the Municipal bond sector to ignore, which conceded roughly 20bps in the AAA 10-year-range by week's end, according to Municipal Market Data. The two largest high-grade deals of the week, \$680mln (Aaa/AAA) State of Maryland general obligations and \$350mln (Aa2/AA) State of New York general obligations, came at higher absolute yields, taking their cues from the weaker US Treasury backdrop. However, given the sloppy taxable backdrop, the week's largest deals could have fared much worse, coming amidst a powerful bias toward riskier asset classes. Both deals gained wide distribution at yield spreads that were consistent with historical averages. As with last week, the yieldier deals received the most attention from active buyers. For example, the Maryland Health and Higher Education Facilities Authority brought \$356mln (A2/A) hospital revenue debt for the University of Maryland Medical System, a large hospital system in the state that also has traditionally offered 80-100 basis points (0.80-1.00%) of incremental yield over AAA benchmark levels. Several deals like this one (rarer issuers offering a yield boost) saw their prices increase by the end of their respective order periods as buyers aggressively stepped in to play. Even though a AAA bond may offer roughly 20 basis points (0.20%) more income today than a week ago, it appears that is still not enough to detract from participants' appetite for the higher-yielding revenue sectors.

So where do we go from here? A few indicators suggest that although the primary market found success this week, Muniland's outlook is not as vibrant as it was a few weeks ago. Lipper reported that long Muni bond funds saw almost \$100mln in outflows after enjoying consistent inflows for months. Meanwhile the Bond Buyer 30-day visible supply calendar has now crept above \$11bln (\$8bln of which should come next week). Should the recent "risk on" momentum continue, the market could have trouble digesting such a high supply volume. But there are some bright spots. \$2.1bln of next week's scheduled supply is concentrated in a huge (A1/A) State of California deal, a state that has seen a great deal of praise heaped upon it lately for responsibly addressing some of its most pressing budgetary issues. Beyond that, the supply is chopped up in to dozens of smaller deals which should prevent any one deal weighing too heavy on next week's tone. We view the recent back-up as a buying opportunity and remain active in both the primary and secondary market. This week's steepening of the curve makes us more cautious in aggressively buying bonds in the 12-15 year range, at least until the exuberance for riskier investment opportunities shows signs of subsiding.

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.31	0.00	0.31	124%
5 Year	0.80	0.04	0.76	89%
10 Year	1.99	0.21	1.78	97%
30 Year	3.08	0.18	2.90	95%
UST Rates				
2 Year	0.25	0.01	0.24	
5 Year	0.90	0.15	0.75	
10 Year	2.05	0.20	1.85	
30 Year	3.25	0.19	3.06	

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$6.67	\$3.62
Competitive	\$1.56	\$2.35
TOTAL	\$8.23	\$5.97

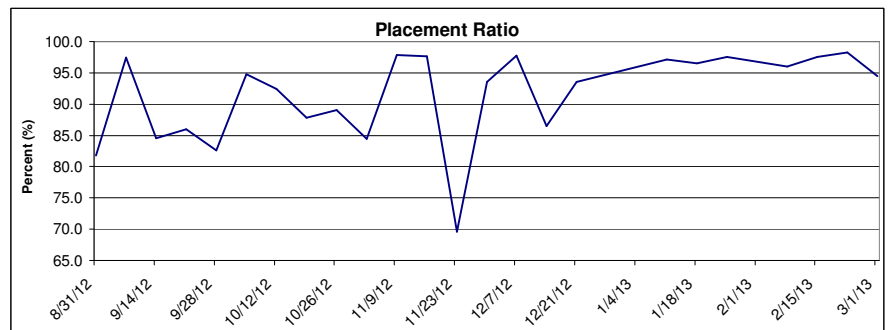
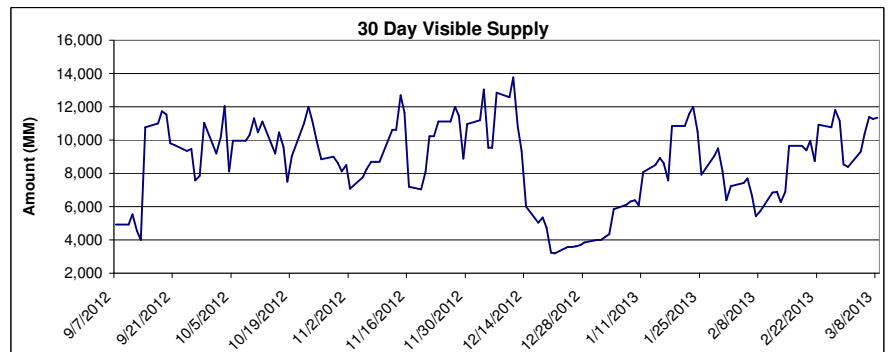
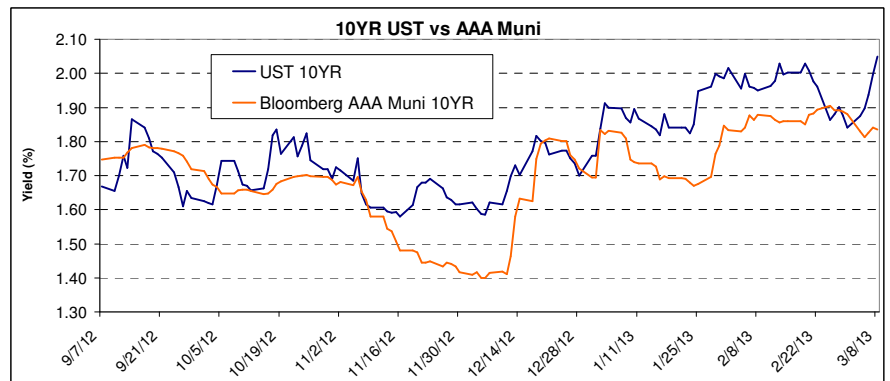
Municipal 30 Day Visible Supply (\$ Bln)	\$11.36	\$8.38
---	----------------	---------------

Bloomberg Muni PICK Offerings (\$ Bln)	\$12.39	\$13.12
---	----------------	----------------

Muni Placement Ratio (New Issues)	n/a	94.5%
--	------------	--------------

Bond Buyer 20 Municipal G.O. Index	3.86%	3.74%
---	--------------	--------------

Date	Event	Period	Survey	Prior
3/13	MBA Mortgage Applications	8-Mar	--	14.8%
3/13	Import Price Index (MoM)	Feb	0.5%	0.6%
3/13	Advance Retail Sales	Feb	0.5%	0.1%
3/14	Producer Price Index (MoM)	Feb	0.7%	0.2%
3/14	Initial Jobless Claims	9-Mar	350K	340K
3/15	Empire Manufacturing	Mar	10.00	10.04
3/15	Consumer Price Index (MoM)	Feb	0.5%	0.0%
3/15	Industrial Production	Feb	0.4%	-0.1%
3/15	U. of Michigan Confidence	Mar P	78.0	77.6



Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni	.85 YRS to 1.85 YRS	0 YRS to 5 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable	1.30 YRS to 2.30 YRS	0 YRS to 5 YRS	Prefer Corporates and Taxable Munis
Intermediate Muni	4.00 YRS to 5.00 YRS	0 YRS to 17 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Intermediate Taxable	3.50 YRS to 4.50 YRS	0 YRS to 12 YRS	Prefer Corporates and Taxable Munis
Tactical Muni ETF	2.50 YRS to 7.50 YRS		Slight Overweight to Cal. and HY Sector
Core Plus ETF	2.35 YRS to 7.10 YRS		Slight Overweight to Corporate Sectors
Tactical Opportunity ETF	2.45 YRS to 7.30 YRS		Neutral Munis to Taxables, Slight HY Bias

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.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this piece, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion of information contained in this piece serves as the receipt of, or as a substitute for, personalized advice from Caprin Asset Management. To the extent that a reader has any questions regarding the applicability to their situation of any specific issue discussed above, they are encouraged to consult with the professional advisor of their choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request.