

Trading Desk Commentary

The Municipal market was again able to absorb a healthy dose of supply this week, as roughly \$7Bln in new loans were priced and sold. Distribution in the primary market remained firm and oversubscriptions were still seen on a number of deals, especially those offering investors opportunities to capture incremental yield above and beyond that of higher rated GO's. As we moved through the week, the pace at which new deals were added to the forward calendar eased, with the 30 day visible supply number now at approximately \$7.5Bln. This contrasts to the more than \$11Bln level that we saw just weeks ago, and seemed to allow market participants to take a breath from the rather hectic level of recent underwritings. As a result, Muni yields were allowed to remain unchanged for much of the week until a softer GDP print (2.5% actual vs 3.0% survey) early Friday morning reengaged US Treasury buyers and saw yields pushed lower. Given a quieter trading session in the tax-exempt space, municipals took their cue from the Treasury rally and saw yields tighten, but only by 1-2 basis points around 10years (10 Year AAA Municipal Market Data scale now at 1.69%).

Contributing to this dampened Muni reaction is the selling pressure that still remains in the mutual fund space, as Lipper reported a sixth straight week of long-term fund outflows in the amount of \$102MM. However, as we examine the numbers it does appear that the velocity of the outflows is steadily declining as we continue to move further from tax day. This coupled with a very manageable amount of new supply, and a stronger upcoming reinvestment month seems to be setting the stage for a constructive start to May.

As we look ahead to next week the market is set to sell approximately \$5.6Bln in new deals. The calendar is dominated by one large \$1.2Bln Iowa Finance Auth loan that will be issued on behalf of the (NR/BB-) Iowa Fertilizer Company. This sub-investment grade issuer will certainly test the appetite of yield oriented investors, and should provide some valuable insight into the true depth of this currently coveted sector of the market. Away from the Iowa loan the calendar is comprised of a number of \$100MM to \$250MM deals that will offer investors both geographic and sector options and should help prevent any log jams from occurring as dealers look to place the various loans.

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.29	0.00	0.29	132%
5 Year	0.74	0.00	0.74	109%
10 Year	1.69	-0.01	1.70	101%
30 Year	2.87	-0.03	2.90	100%
UST Rates				
2 Year	0.22	-0.01	0.23	
5 Year	0.68	-0.02	0.70	
10 Year	1.67	-0.03	1.70	
30 Year	2.86	-0.02	2.88	

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$4.66	\$4.71
Competitive	\$1.10	\$2.20
TOTAL	\$5.76	\$6.91

Municipal 30 Day Visible Supply (\$ Bln)	\$7.65	\$8.86
---	---------------	---------------

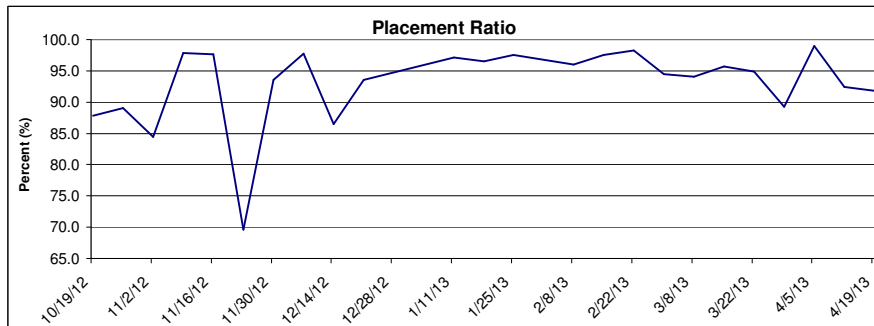
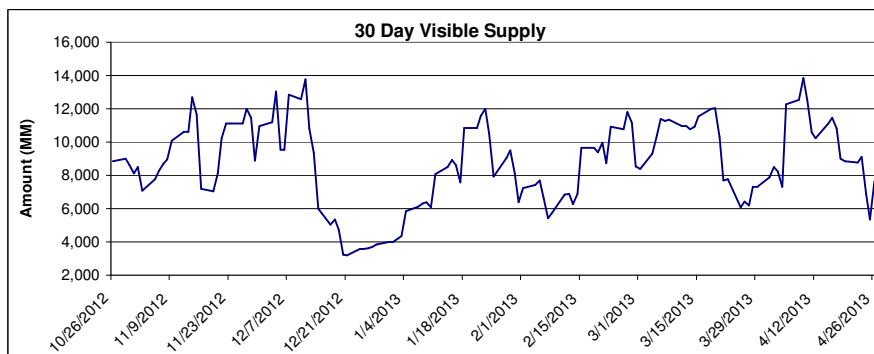
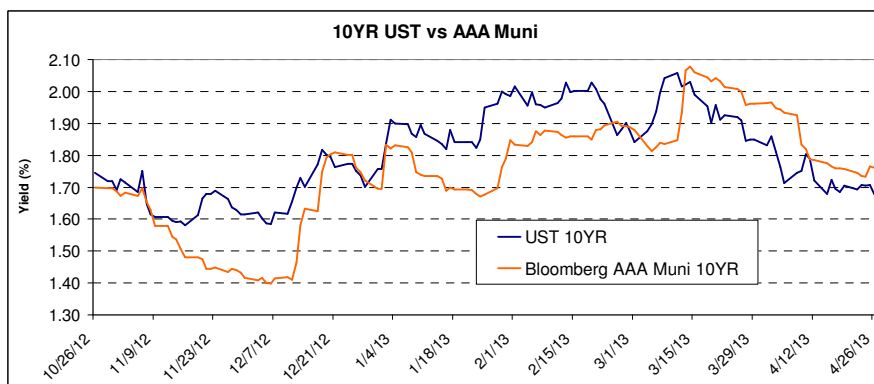
Bloomberg Muni PICK Offerings (\$ Bln)	\$15.73	\$14.96
---	----------------	----------------

Muni Placement Ratio (New Issues)	n/a	91.8%
--	------------	--------------

Bond Buyer 20 Municipal G.O. Index	3.90%	3.89%
---	--------------	--------------

Select Economic Releases

Date	Event	Period	Survey	Prior
4/29	Pending Home Sales MoM	Mar	1.0%	-0.4%
4/30	Consumer Confidence	Apr	60.3	59.7
5/1	MBA Mortgage Applications	26-Apr	--	0.2%
5/1	ADP Employment Change	Apr	153K	158K
5/1	ISM Manufacturing	Apr	51.0	51.3
5/1	FOMC Rate Decision	1-May	0.25%	0.25%
5/2	Initial Jobless Claims	27-Apr	345K	339K
5/2	Continuing Claims	20-Apr	--	3000K
5/3	Change in Nonfarm Payrolls	Apr	145K	88K
5/3	Unemployment Rate	Apr	7.6%	7.6%
5/3	Factory Orders	Mar	-2.4%	3.0%



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 Taxables to Munis, 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.