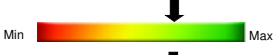



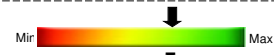

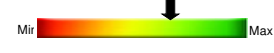

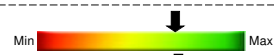




Trading Desk Commentary

Despite this past weekend's controversial vote that paved the way for Russia's annexation of Crimea, US markets paid little mind to the developments. US Treasuries started the week in a benign fashion while US equity indices rallied over the first two trading days. Investors seemed content with some form of resolution – especially one that did not involve military action or a scenario that required military intervention from the West. The US has responded with sanctions against some of Putin's inner circle and will likely take expanded measures in the weeks to come in concert with the EU. Russia's brazen actions resulted in an S&P downgrade to the country's credit rating, citing potentially increased borrowing costs and uncertain penalties that could come from the world's major governments. Surprisingly, it was not these events that stole the show this week. Instead, a scheduled hour-long press conference with Fed Chair Janet Yellen following her first Fed meeting fueled the worst US Treasury day so far this year. We distributed our thoughts yesterday on Ms. Yellen's surprising forward guidance comment and the violent reaction to it. It can be found on our website and in our Twitter feed. Our short take: not much has changed in the Fed's stance or in their plans through year end. The specificity of Yellen's off-the-cuff rate hike timeline caught many off-guard and was probably a mistake that she will not make again. Even if the Fed were to raise the target rates six months following the conclusion of tapering, this would only move the hike forward a few months sooner than current consensus. This week's events did not push us away from our neutral duration profile. Softer economic activity is, in our minds, still offsetting recent upward yield pressures in bonds. 10-year US Treasury yields remain within the same 20 basis point range in which they have resided for two months.

In tax-exempts, we have reverted back to the 2014 status quo – low weekly and visible supply. Activity felt sluggish early in the week until the US Treasury sell-off sunk its claws into Munis and took them along for the ride. While US Treasuries showed some bounce today, Munis never rediscovered their footing. This was especially true in the first 10 years of the Muni curve which extended their losses for a third straight day. Muni-to-Treasury ratios have sat near unsustainable levels for weeks. Some degree of correction was inevitable. We do not believe that we have entered a new phase in the rate cycle following Ms. Yellen's press conference. If you still believe that we are range-bound over the short-term, as we do, this week's weakness can be viewed as an attractive buying opportunity. Muni yields are much closer to the higher end of their established channel and some of the largest absolute yields in 2014. If bonds find stability early next week, we would expect new issuance to fare very well. Only \$4.7bln is on next week's new supply calendar and The Bond Buyer 30-day visible has just barely nudged above \$6bln. No deals next week are over \$800mln and appear geographically diverse. The largest deal, a \$793mln (A2/A-/A-) California Public Works revenue deal, can expect a warm reception given the disappointing supply totals in The Golden State. Our M.O. remains unchanged. We will be sifting through the secondary and will continue to actively bid dealer lists. This week's weakness may create pockets of value next week in the primary, so we will be eager to see how dealers initially price their slate of new issues.

Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni		0 YRS  5 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable		0 YRS  5 YRS	Prefer Corporates and Taxable Munis
Intermediate Muni		0 YRS  17 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Intermediate Taxable		0 YRS  12 YRS	Prefer Corporates and Taxable Munis
Tactical Muni ETF			Slight Overweight to CA
Core Plus ETF			Slight Overweight to Corporates
Tactical Opportunity ETF			Overweight Taxables to Munis

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.39	0.12	0.27	95%
5 Year	1.27	0.20	1.07	75%
10 Year	2.52	0.10	2.42	92%
30 Year	3.73	0.06	3.67	104%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.41	0.08	0.33
5 Year	1.70	0.17	1.53
10 Year	2.74	0.10	2.64
30 Year	3.60	0.02	3.58

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$3.74	\$2.52
Competitive	\$0.80	\$0.76
TOTAL	\$4.54	\$3.28

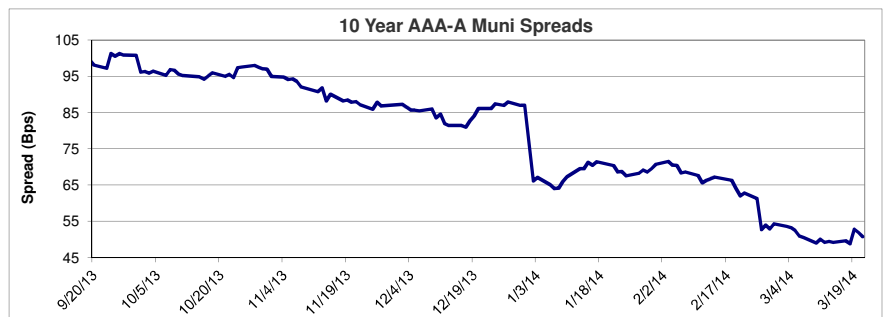
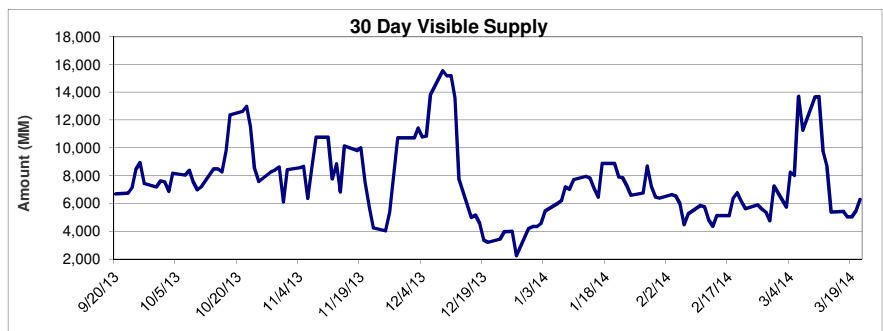
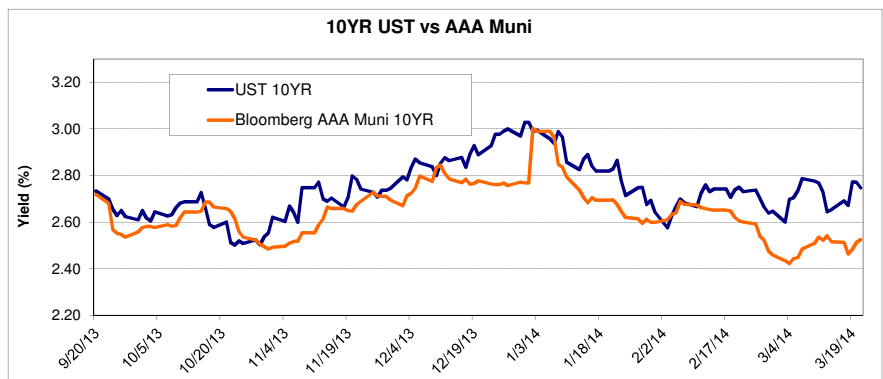
Municipal 30 Day Visible Supply (\$ Bln)	\$6.29	\$5.37
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Bloomberg Muni PICK Offerings (\$ Bln)	\$13.19	\$13.17
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Bond Buyer 20 Municipal G.O. Index	4.51%	4.47%
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Select Economic Releases

Date	Event	Period	Survey	Prior
3/25	Consumer Confidence Index	Mar	78.50	78.10
3/25	New Home Sales	Feb	445K	468K
3/26	MBA Mortgage Applications	21-Mar	--	-1.20%
3/26	Durable Goods Orders	Feb	0.80%	-1.00%
3/27	Initial Jobless Claims	22-Mar	325K	320K
3/27	GDP Annualized QoQ	4Q T	2.70%	2.40%
3/28	Personal Income	Feb	0.30%	0.30%
3/28	Univ. of Michigan Confidence	Mar F	80.50	79.90



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.

AAA-A Muni Spreads - The difference in yield, as expressed in basis points (.01%), between the Bloomberg BVAL AAA 10 Year Benchmark Muni Index and the BVAL A Revenue 10 Year Muni Index.

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 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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