

## Trading Desk Commentary

- The positive sentiment shift following a healthy jobs report earlier in the month continued to generate selling pressure in US Treasuries on the week. Market participants have at least temporality discounted the continued event risk out of the Euro zone and focused more directly on expectations of a Fed hike in the coming meetings.
- The domestic economic release calendar was fairly light heading into the holiday week but did display some mixed messages in regards to what has recently been a strengthening consumer segment. Retail sales (ex-auto & gas) came in at 0.2% (expected 0.4%) showing that savings from lower gas prices are not necessarily translating into the spending that many had hoped to see from the US consumer. Additionally, consumer confidence slipped from its recent pre-crisis highs as volatility in oil prices weighed on survey participants.
- Despite the abbreviated trading schedule for the upcoming week there will be plenty to pay attention to both at home and abroad. Housing and inflation data (PPI) will lead the lineup, but it may be the Fed's release of its January meeting minutes that will be of particular interest.
- Given the swift change in sentiment seen in February, investors will no doubt be looking to the minutes for some form of affirmation of an improving economic landscape in Fed's assessment. A more dovish tone out of the minutes at this point could remind the market of some of the influences behind January's rally. Overseas all eyes will be watching to see if the recent ceasefire can hold in Ukraine, and whether concessions can be made to keep Greece's debt problem from escalating.

## MUNIS

- Municipals underperformed on the week as market participants digested almost \$7Bln in new loans while US Treasuries applied further rate volatility. Secondary market trading showed spreads widening as dealers and buyers were reluctant to commit capital despite mutual funds reporting another week of positive inflows.
- The holiday week brings with it a much lighter slate of deals with only \$4.5Bln planned to price. The \$475mm (Aa2/AA+) New York City Wtr loan will lead the way with the majority of remaining issues being below \$150MM. This respite of supply should help the market find a firmer footing if general rate volatility can stay in check as buyers can once again find 2.00% or better in 10 years, and intermediate and longer rations remain attractive.

## Caprin Strategy Summary

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

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.43	0.02	0.41	67%
5 Year	1.13	0.13	1.00	73%
10 Year	2.05	0.10	1.95	100%
30 Year	2.87	0.12	2.75	109%

UST Rates	Current Wk	Prior Wk
2 Year	0.64	0.64
5 Year	1.54	1.48
10 Year	2.05	1.95
30 Year	2.64	2.52

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$3.35	\$5.06
Competitive	\$1.13	\$1.71
<b>TOTAL</b>	<b>\$4.48</b>	<b>\$6.77</b>

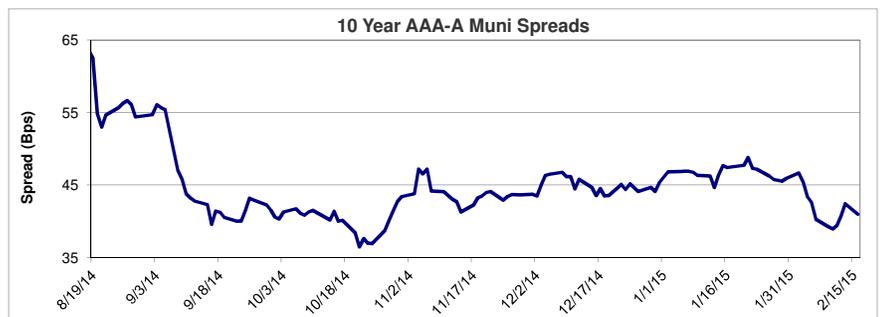
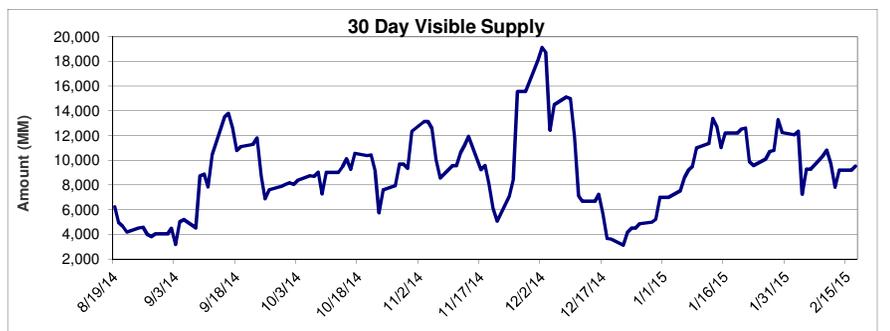
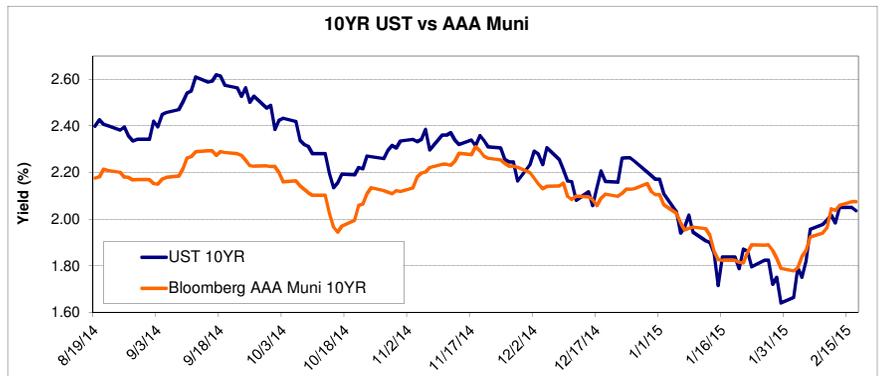
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$9.19</b>	<b>\$9.28</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$13.44</b>	<b>\$14.03</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.60%</b>	<b>3.49%</b>
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## Select Economic Releases

Date	Event	Period	Survey	Prior
2/17	Empire Manufacturing	Feb	8.50	9.95
2/18	MBA Mortgage Applications	13-Feb	--	-9.00%
2/18	Housing Starts	Jan	1070K	1089K
2/18	PPI Final Demand MoM	Jan	-0.40%	-0.30%
2/18	Industrial Production MoM	Jan	0.30%	-0.10%
2/18	Fed Minutes Release	14-Feb		
2/19	Initial Jobless Claims	14-Feb	290K	304K
2/19	Leading Index	Jan	0.30%	0.50%
2/20	Markit US Manufacturing PMI	Feb P	53.60	53.90



**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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