

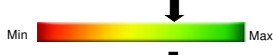



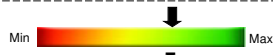

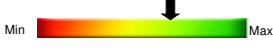

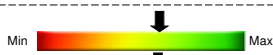
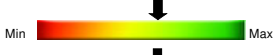
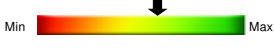
## Trading Desk Commentary

- US Treasuries rallied on the week with yields past 5 years lower by 10-12Bps (.10-.12%). The 10 Year Treasury closed below the psychologically important 2.00% level as Fed speak early in the week continued to show the central bank's hesitancy to raise rates in the near term. This was further reinforced by late week data that did little to instill a sense of robust domestic growth.
- Fed Chair Yellen's semi-annual Humphrey-Hawkins testimony on Tuesday and Wednesday shared the same "dovish" tilt of the recently released January Fed minutes. Her remarks reiterated that the central bank would remain "patient" in its path to rate normalization as data still showed below target inflation and further slack in the labor markets.
- January Headline CPI printed at -0.1% on a year-over-year basis last week. This was the first time the inflation indicator had moved into negative territory since 2009 and prior to that the 1950's. Despite the move being largely attributable to the decline in oil prices the core reading at 1.60% is still running well below the Fed's 2.00% target.
- The second look at Q4 GDP showed a downward revision to 2.2% from the original release of 2.6% with a more pronounced traded gap weighing on growth. Consumer spending remained a bright spot in the otherwise lackluster growth measure, increasing at an annualized rate of 4.2%.

## MUNIS

- Munis were unable to keep pace with the US Treasury rally on the week, with generic AAA's actually moving higher in yield by 3Bps (.03%) in the 5 year range, and lower by only 6Bps (.06%) in 10 years.
- Supply continued to be the main driver of underperformance as YTD issuance has almost doubled that of the same time period in 2014. Despite fund flows rebounding on the week to post respectable additions of \$429Bln buyers are still somewhat gun-shy given the recent volatility in the US Treasury market.
- Next week brings another round of above average issuance as the State of California leads the way with approximately \$2Bln in (Aa3/A+) G.O.'s. Despite the elevated supply, if US Treasuries can maintain a footing in the 2.00% range on 10's we may start to see some follow through from buyers as both spreads and ratio's appear enticing.

## 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			Overweight to CA
Core Plus ETF			Slight Overweight to Corporates
Tactical Opportunity ETF			Overweight Munis to Taxables

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.44	0.00	0.44	71%
5 Year	1.19	0.03	1.16	80%
10 Year	2.02	-0.06	2.08	102%
30 Year	2.87	-0.01	2.88	111%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.62	-0.01	0.63
5 Year	1.49	-0.10	1.59
10 Year	1.99	-0.12	2.11
30 Year	2.59	-0.12	2.71

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$5.98	\$6.63
Competitive	\$1.96	\$1.75
<b>TOTAL</b>	<b>\$7.94</b>	<b>\$8.38</b>

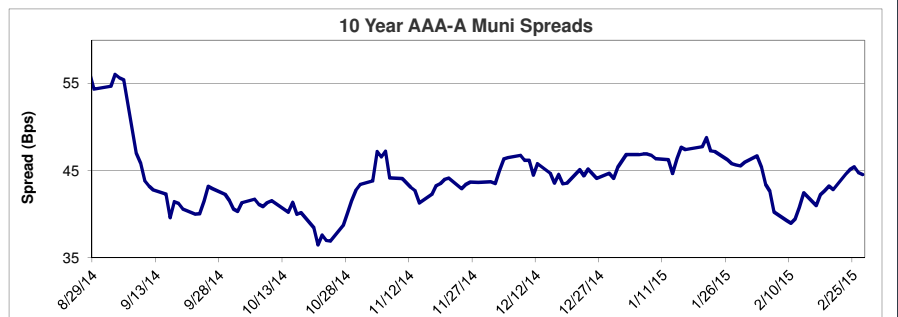
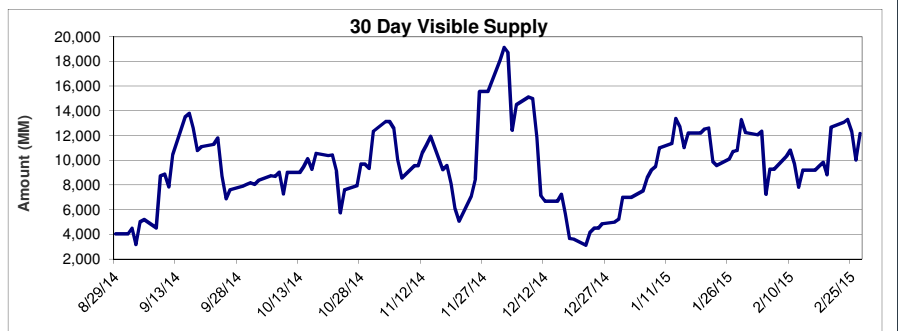
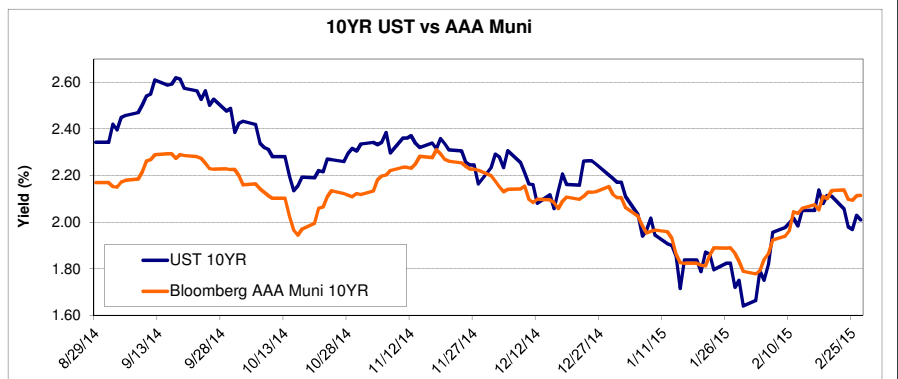
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$12.16</b>	<b>\$12.69</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$14.08</b>	<b>\$13.75</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.62%</b>	<b>3.60%</b>
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## Select Economic Releases

Date	Event	Period	Survey	Prior
3/2	Personal Income	Jan	0.40%	0.30%
3/2	Personal Spending	Jan	-0.10%	-0.30%
3/2	Markit US Manufacturing PMI	Feb F	54.30	54.30
3/2	ISM Manufacturing	Feb	53.10	53.50
3/4	MBA Mortgage Applications	27-Feb	--	-3.50%
3/4	ADP Employment Change	Feb	218K	213K
3/5	Initial Jobless Claims	28-Feb	297K	313K
3/5	Factory Orders	Jan	0.20%	-3.40%
3/6	Change in Nonfarm Payrolls	Feb	235K	257K
3/6	Unemployment Rate	Feb	5.60%	5.70%
3/6	Trade Balance	Jan	-\$41.5B	-\$46.6B



**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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