



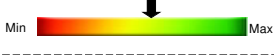

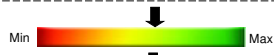

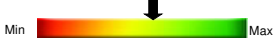

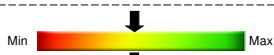

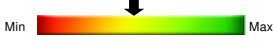
## Trading Desk Commentary

- US Treasury yields moved lower on the week with the 10 Year settling in around 2.11%. A relatively light domestic calendar kept attention focused overseas as the ECB began on Monday it's much anticipated \$1.1 Trillion bond buying program.
- Sovereign bonds rallied pushing yields on the German 10 Year Bund to .20% by mid-week (currently .25%). The spread between US and German 10's widened to an all time high of approximately 190Bps (1.90%), showing yet again the disparity between a Fed potentially on the brink of tightening monetary policy and the ECB desperately trying to inflate asset prices and spur growth. We still contend that the ultra low, if not negative, yield environment found in Europe and Japan will remain a limiting force on upward rate pressure in the US for some time to come.
- Of the data released this week Thursday's retail sales number was certainly the most anticipated. Expectations were for a monthly increase of 0.3%, but instead showed a second strait decline in the sales figure (-0.6%). With many parts of the country facing inclement weather in February, some of the softness can be explained away, but the hope that lower gas prices would lead to a marked increase in consumer buying patterns is still in question.
- The Federal Reserve meeting on Wednesday will be the top billing for the week. After the exceptionally strong jobs reports seen of late, many market participants expect the central bank to remove the "patient" language from their statement to open the door for a rate hike come June. Strong crosscurrents both domestically and abroad will still have to be addressed by the central bank as they debate their rate positioning. On the one hand the labor market has shown significant improvement of late, but inflation and domestic growth continue to lag. Additionally, with the Euro moving ever closer to parity with the dollar, can the economy sustain an even greater export drag brought on by a further rally in the Greenback?

## MUNIS

- Municipals again battled significant supply this week with almost \$13Bln coming to market. This marked the 5th largest weekly volume in the last 4 years, and it puts 2015 YTD issuance more than 60% higher than it was over the same time period in '14. Consequently, tax-exempts underperformed on the week with the 10 Year portion of the curve rallying only 3Bps (.03%) vs. 13Bps (.13%) in the corresponding Treasury.
- Many of the week's larger deals were forced to cut prices (increase yields) to garner the demand needed to attract buyers. Even still, dealers have had a difficult time distributing all of the supply in the pipeline, and syndicate balances have started to build. Fortunately, next week does bring some relief as a more digestible \$8Bln in loans is set to price and will hopefully allow the market to work through some of the recent excess.
- Of the larger deals next week, we will be paying particular attention to the \$290MM (A1/A+) North Carolina Med Care – Vidant Health issue. Despite the recent increase in national supply, North Carolina has not seen the same trend, making it more challenging to find attractive opportunities for our client accounts within the state. Given our familiarity with the credit, attractive Muni to Treasury ratios, and more reasonable spread levels of late, this may prove to be a reasonable option to fill inquiries.

## 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			Neutral Munis to Taxables

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.53	0.00	0.53	80%
5 Year	1.36	-0.04	1.40	86%
10 Year	2.14	-0.03	2.17	101%
30 Year	2.94	-0.08	3.02	109%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.66	-0.11	0.77
5 Year	1.58	-0.15	1.73
10 Year	2.11	-0.19	2.30
30 Year	2.70	-0.15	2.85

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$6.34	\$10.40
Competitive	\$1.29	\$2.70
<b>TOTAL</b>	<b>\$7.63</b>	<b>\$13.10</b>

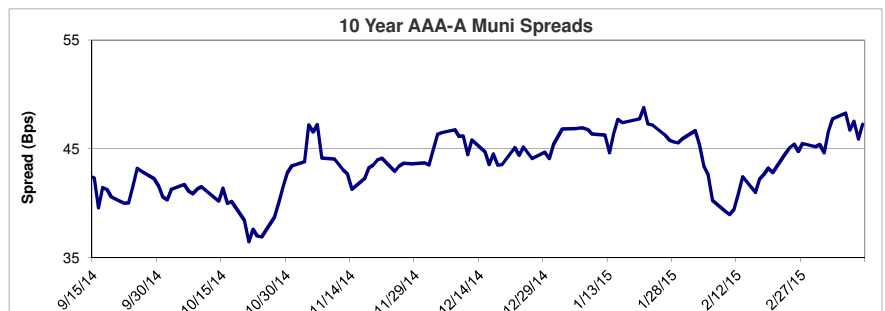
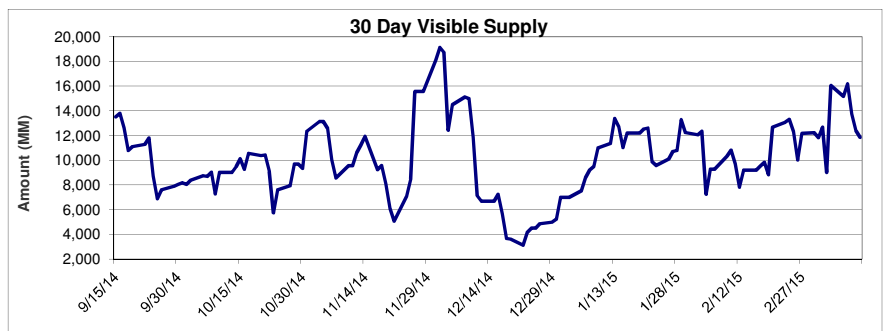
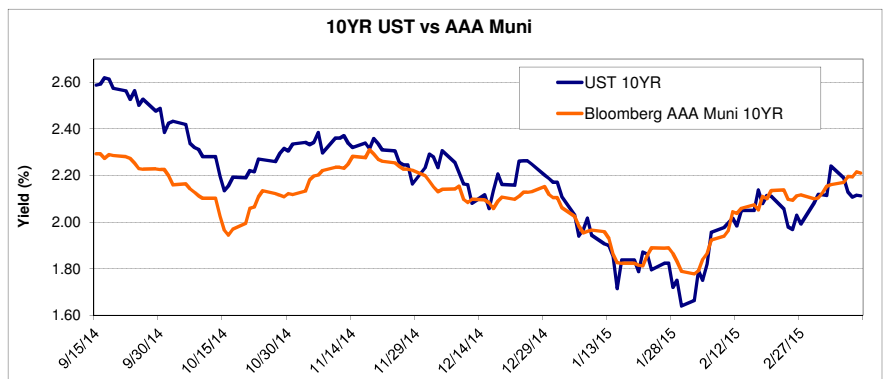
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$11.84</b>	<b>\$16.04</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$13.09</b>	<b>\$14.10</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.62%</b>	<b>3.68%</b>
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## Select Economic Releases

Date	Event	Period	Survey	Prior
3/16	Empire Manufacturing	Mar	8.00	7.78
3/16	Industrial Production MoM	Feb	0.20%	0.20%
3/17	Housing Starts	Feb	1040K	1065K
3/18	MBA Mortgage Applications	13-Mar	--	-1.30%
3/18	FOMC Rate Decision (Upper Bound)	18-Mar	0.25%	0.25%
3/19	Initial Jobless Claims	14-Mar	294K	289K
3/19	Leading Index	Feb	0.20%	0.20%
3/19	Philadelphia Fed Business Outlook	Mar	7.00	5.20



**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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