



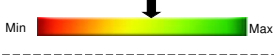

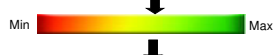






## Trading Desk Commentary

After continued choppy trading and US rate volatility, the treasury curve finished this week's session mildly flatter. Solidified by Wednesday's FOMC minutes, the Fed is now completely reliant on economic data to move forward in the tightening process. Given the dependency, market volatility like we saw the last few weeks will continue to show its teeth. The ECB announced overnight Tuesday that they will increase the pace at which asset buying will commence, sending an immediate bid to UST futures that disappeared by the NY open with 10Y cash notes pushing a much softer 2.30%. Although headline CPI was in line with estimates keeping its' YOY in negative territory, core CPI was a slight surprise to the upside coming in at 0.3%. This was the biggest monthly increase in two years, and bonds sold off about 4bps immediately, closing at 2.21%. With no new reassuring news coming out of Greece, we continue to monitor that situation closely as we see this as a catalyst for increased instability in an already delicate trading environment. Rate volatility is expected to continue in the coming months given the seasonality of thinly traded summer months along with geopolitical concerns and a looming fed rate hike. We will be waiting patiently and watching.

Muni's realized a third consecutive week of fund outflows this past week amid the continued glut of new issuance and the march towards higher rates. Muni issuance is up over 65% year-to-date vs. the same time period last year. Refundings have led the charge as issuers are attempting to refund all their higher-coupon debt prior to an inevitable FOMC rate hike, which will undoubtedly push muni yields higher. The past week digested a modest (relatively speaking) weeks worth of issuance, a little over \$9 billion with the larger, higher profile deals getting put away with relative ease. We did, however, hear of a few smaller deals being cut in order to be placed.

The week appeared to wrap up early in front of the holiday weekend. By noon on Friday, the already thinly staffed sell-side desks were loading the coolers and packing cars to beat the traffic out of town. Caprin, however, was still working diligently and getting ahead for the week to come! This next week will be slow because of the holiday shortened week but there will be several larger deals that will absorb most of the market's attention. Specifically, the city of Chicago, which pulled their transactions last week, has combined four separate issues into one deal and will bring it this week. We noticed that the city has dropped their Moody's rating on pricing wires, but that will not be enough to mask a week's worth of downgrade headlines. We expect that the Chicago deal will come at very wide spreads, and it will be interesting to see what type of book the underwriters will be able to fill. We hope everyone had a safe and enjoyable Memorial Day weekend. We extend a special thank you to all service members and their families, both past and present, that have served and continue to serve this great country.

## 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	0.62	0.02	0.60	102%
5 Year	1.45	0.05	1.40	93%
10 Year	2.30	0.05	2.25	104%
30 Year	3.28	0.05	3.23	110%

UST Rates			
2 Year	0.61	0.08	0.53
5 Year	1.56	0.10	1.46
10 Year	2.21	0.07	2.14
30 Year	2.98	0.05	2.93

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$3.38	\$6.46
Competitive	\$2.11	\$2.39
<b>TOTAL</b>	<b>\$5.49</b>	<b>\$8.85</b>

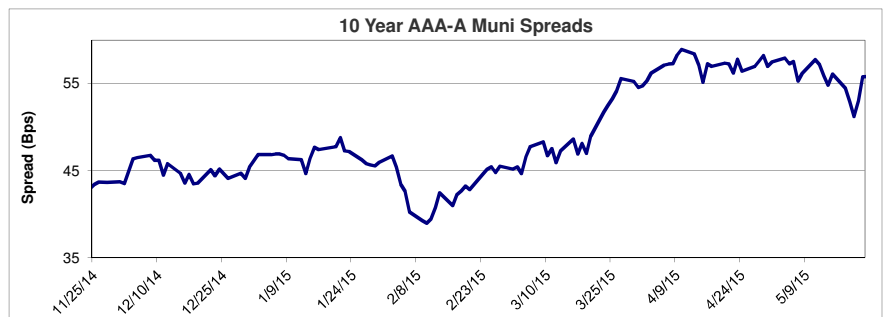
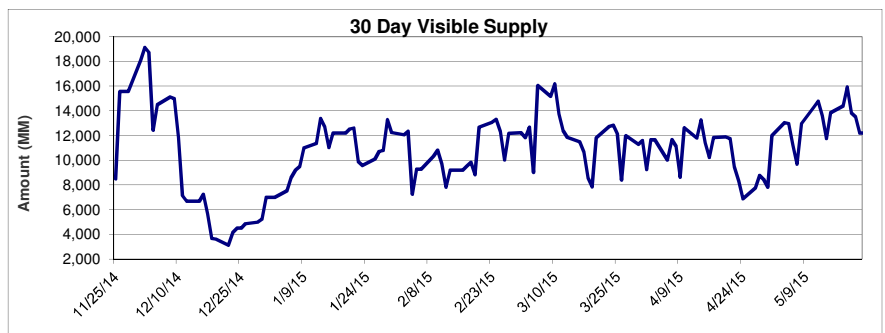
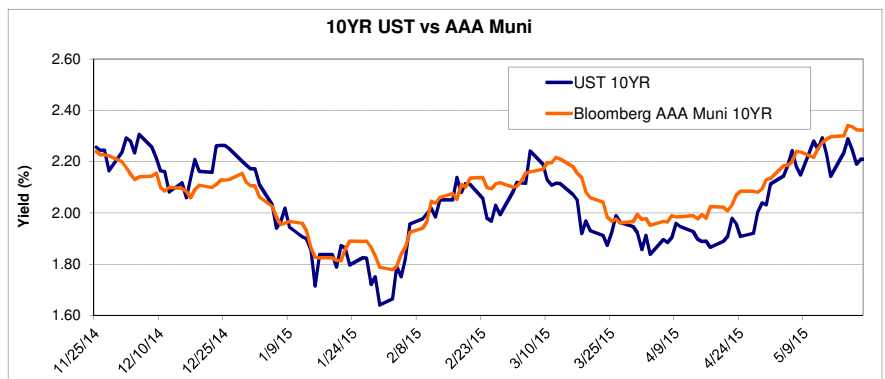
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$12.20</b>	<b>\$13.85</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$11.91</b>	<b>\$14.13</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.81%</b>	<b>3.74%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
5/26	Durable Goods Orders	Apr	-0.50%	4.00%
5/26	Consumer Confidence Index	May	95.00	95.20
5/26	New Home Sales	Apr	508K	481K
5/27	MBA Mortgage Applications	5/22	--	-1.50%
5/28	Initial Jobless Claims	23-May	271K	274K
5/28	Pending Home Sales MoM	Apr	0.80%	1.10%
5/29	GDP Annualized QoQ	1Q S	-0.90%	0.20%
5/29	Chicago Purchasing Manager	May	53.00	52.30
5/29	U. of Mich. Sentiment	May F	90.00	88.60



**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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