












Trading Desk Commentary

Market participants gear up for the March installment of the FOMC saga next week with US interest rate products generally softer as front end bonds underperformed with the long bond staying anchored. Fixed income secondary trading flow appeared light leading into Mario Draghi's announcement that the ECB would cut its benchmark rate to zero and add non-financial corporate bonds to its' increased asset buying program. This led to a noteworthy rally in European credit which the US market subsequently followed tighter. For reference after hitting a multiyear wide mark in mid-February of 125bps, US IG credit spreads, measured by CDX, tightened dramatically printing 83bps to close Friday. Although we don't expect a further rate hike by the Fed next week it is still a potentially market moving meeting given the first updated forecasts on growth projections and future rate paths after the initial December move. On the economic data front, markets get another look at retail sales and CPI next week which will continue to help decipher the ever uncertain path of interest rates.

In the tax exempt arena, investors are still digesting an elevated new issue calendar with a \$3B CA GO loan and a \$1.65B NY Urban Development Corporation (UDC) loan leading the charge last week. Given technical supply pressures, munis were on par to continue underperforming but the volatile late week back up in treasuries and a naturally muted tax exempt reaction allowed munis to perform slightly better. A noticeable disconnect is still alive in primary issuance and secondary trading. Even with new issue loans hitting the street cheaper in order to be put away, traders are not aggressively hitting down bids and hardly feel pressure to do so. Municipal funds saw their 23rd consecutive week of inflows, according to Lipper, posting over \$518M last week. The factors above denote the continued demand for munis and how some view this weakness as an opportunity for additional allocations to the asset class. Looking ahead, our eyes will be on the FOMC data and governor projections that will hit the wires at 2pm Wednesday. Until next week.

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	Slightly Shorter Positioning Given Volatility
Intermediate Muni		0 YRS  17 YRS	Neutral Positioning Given Global Weakness
Intermediate Taxable		0 YRS  12 YRS	Neutral Positioning Given Global Weakness
Tactical Muni ETF			Neutral Duration, Overweight to CA
Core Plus ETF			Neutral Duration, Overweight to Treasuries
Tactical Opportunity ETF			Neutral Duration, Neutral Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.66	0.05	0.61	69%
5 Year	1.13	0.05	1.08	76%
10 Year	1.89	-0.01	1.90	95%
30 Year	2.85	-0.05	2.90	104%

UST Rates			
2 Year	0.96	0.10	0.86
5 Year	1.49	0.12	1.37
10 Year	1.98	0.11	1.87
30 Year	2.75	0.06	2.69

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$5.10	\$7.14
Competitive	\$1.50	\$1.30
TOTAL	\$6.60	\$8.44

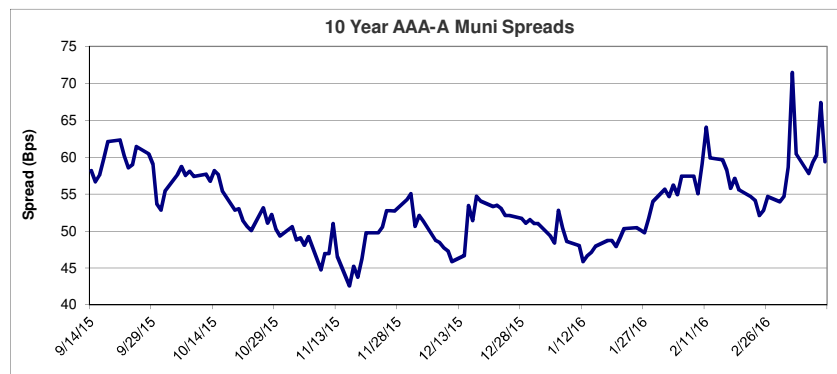
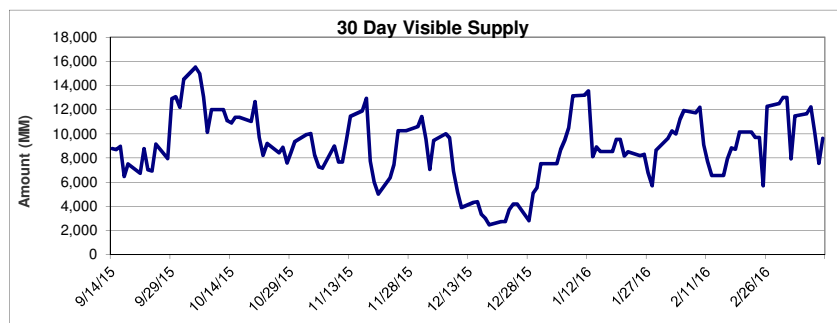
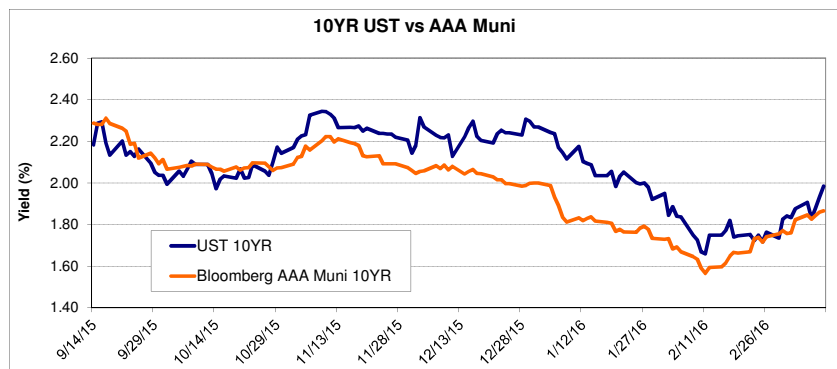
Municipal 30 Day Visible Supply (\$ Bln)	\$9.61	\$11.47
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Bloomberg Muni PICK Offerings (\$ Bln)	\$13.51	\$13.74
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Bond Buyer 20 Municipal G.O. Index	3.42%	3.34%
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Select Economic Releases

Date	Event	Period	Survey	Prior
3/15	Retail Sales Advance MoM	Feb	-0.20%	0.20%
3/15	PPI Final Demand MoM	Feb	-0.20%	0.10%
3/15	Empire Manufacturing	Mar	-10.5	-16.64
3/16	FOMC Rate Decision (Upper Bound)	16-Mar	0.50%	0.50%
3/16	CPI MoM	Feb	-0.20%	0.00%
3/16	MBA Mortgage Applications	11-Mar	--	0.20%
3/16	Housing Starts	Feb	1150k	1099k
3/16	Industrial Production MoM	Feb	-0.30%	0.90%
3/17	Initial Jobless Claims	12-Mar	268k	259k
3/17	Leading Index	Feb	0.20%	-0.20%
3/17	Philadelphia Fed Business Outlook	Mar	-1.5	-2.8



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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