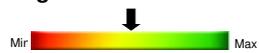


## Trading Desk Commentary

A weeklong rally in treasuries reversed course Friday as investor sentiment was uplifted by a rally in the price of oil. The rally in oil was followed by comments from Yellen late Thursday night in which she attempted to dispel fear about the economy here at home. After endless dovish Fed speak over the past couple of weeks, including the minutes release on Wednesday, the positive tone was welcomed by investors who eagerly piled back into the risk-on trade Friday morning. Treasuries were softer over Friday's session, but we don't put too much emphasis on the sell-off, due to lower volume. We do find it amazing how much the markets trade on the words of monetary policy leaders. U.S. fundamentals are seemingly becoming more of an afterthought, taking a backseat to anything muttered from the mouths of Fed governors. This week we saw prints from Factory Orders and Durable goods, and although they came in on top of expectations, they were overall weak prints. We did see an uptick in ISM non-manufacturing, which rose to its highest level in 3 months suggesting there could be a Q2 rebound in GDP. On the GDP front, the Atlanta Fed GDPnow forecast for Q1 was revised down once again this week. It now stands at 0.1% (from 0.7%) as a result of downward revisions to consumer spending and inventories. Meanwhile, across the pond the ECB continues to battle inflationary woes, Draghi and others this week once again said that they would do whatever it takes to help the spark inflation in the muddling Eurozone economy. If these comments from Draghi sound similar, it's because they are. He's made the same proclamations in the past, and the Bank has increased its QE program as recently as March 10.

In the municipal space, the weeklong rally in treasuries trickled over into the muni market. The AAA MMD Index rallied as much as 14 basis points across the curve. The relatively light primary market was well received. Several high-grade names in our specialty states priced with bumps as much as 10 basis points during their re-pricing periods. Several loans on the competitive front were also aggressively bid. We are seeing more and more sub 4% and 5% coupons across all maturities especially on the competitive loans as underwriters attempt to win the business with low coupon structures. This may be attractive for the retail investor not looking to pay a high premium, but we are not seeing a yield pick-up with the lower coupon structures, which we think needs to happen to offset lower coupon income. On the credit front, Puerto Rico has passed a one-year debt moratorium, meaning most debt service payments on the islands obligations have been frozen in an attempt to buy more time for a complete debt restructuring. Prices on Puerto Rico General Obligations 8's of '35 traded around 65 cents on the dollar after the announcement, down from approximately 75 cents.

## 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	0.65	-0.04	0.69	94%
5 Year	0.97	-0.10	1.07	84%
10 Year	1.59	-0.11	1.70	93%
30 Year	2.54	-0.14	2.68	100%

UST Rates			
2 Year	0.70	-0.03	0.72
5 Year	1.15	-0.06	1.21
10 Year	1.72	-0.05	1.77
30 Year	2.55	-0.05	2.60

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$3.97	\$6.18
Competitive	\$1.76	\$1.05
<b>TOTAL</b>	<b>\$5.73</b>	<b>\$7.23</b>

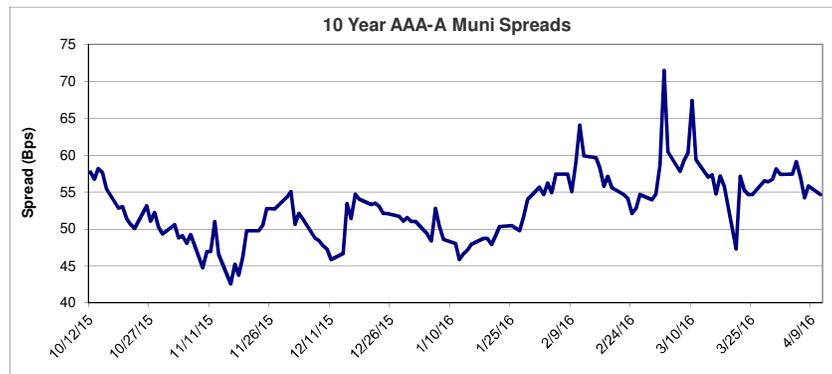
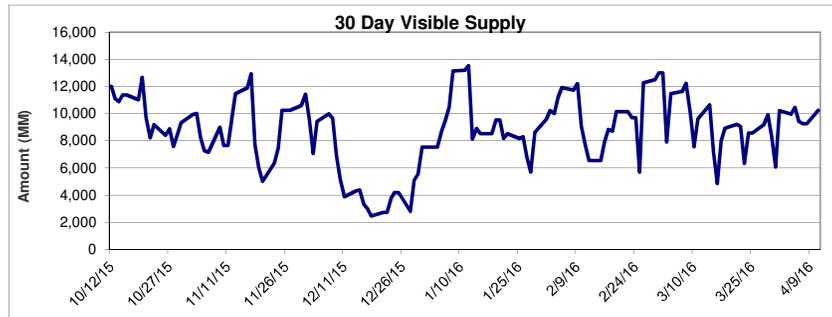
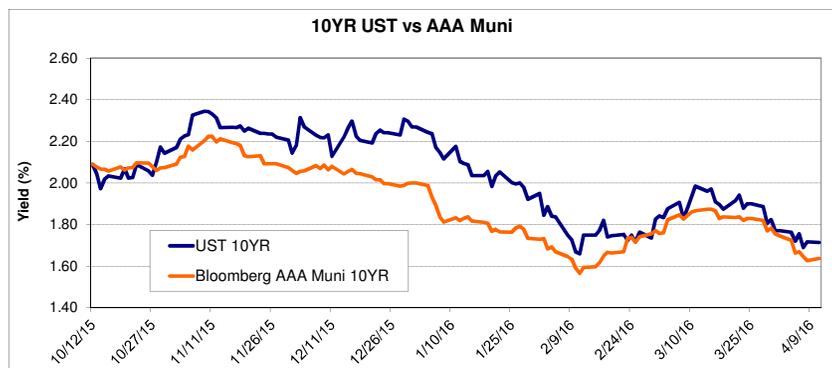
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$9.27</b>	<b>\$10.23</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$15.32</b>	<b>\$16.73</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.28%</b>	<b>3.38%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
4/12	Import Price Index MoM	Mar	1.00%	-0.30%
4/12	Monthly Budget Statement	Mar	-\$104.0b	-\$52.9b
4/13	MBA Mortgage Applications	8-Apr	--	2.70%
4/13	Retail Sales Advance MoM	Mar	0.10%	-0.10%
4/13	PPI Final Demand MoM	Mar	0.30%	-0.20%
4/14	Initial Jobless Claims	9-Apr	270k	267k
4/14	CPI MoM	Mar	0.20%	-0.20%
4/14	CPI Ex Food and Energy MoM	Mar	0.20%	0.30%
4/15	U. of Mich. Sentiment	Apr P	92	91
4/15	Industrial Production MoM	Mar	-0.10%	-0.50%
4/15	Empire Manufacturing	Apr	2	0.62



**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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