

Trading Desk Commentary

U.S. stocks rose and finished the week near year-to-date highs following the price of oil, which rallied approximately 8% and reached prices not seen since November of 2015. The rally can be attributed largely to signs of decreasing global production and strong consumption in the U.S., which should remain elevated as we head into the typically high-demand summer months. Scheduled maintenance at some oil facilities over the same period will limit the supply side, creating an environment conducive to further price gains. However, sentiment can change quickly should news from overseas oil producing nations suggest production increases may materialize as Middle East nations jockey for market share. Treasury prices fell over the course of the week as the risk-on trade gained momentum. Yields on the benchmark 10-yr rose 13 basis points while the 30-yr rose 14 basis points. We do not think the run-up in rates is attributed to market posturing in front of next week's Fed meeting. Fed fund futures are still pricing in a 0% chance of a rate hike at next week's meeting, and, with forecasts pointing to an anemic Q1 GDP number, we believe the possibility of a sustained sell-off to be limited. In other news this week, the ECB held its key interest rates unchanged and announced that it had initiated its expanded bond buying program. In his post-announcement press conference, Mario Draghi warned that Eurozone inflation remained abysmal and could potentially turn negative in the coming months, however, he stressed that easing measures would eventually pay off and expects inflation to increase going into the 3rd and 4th quarters of 2016. Next week the focus will undoubtedly be on the Fed meeting, but we will also have a heavy calendar of economic releases. Prior to Wednesday's meeting we will get Durable Goods, New and Existing Home Sales, and Consumer Confidence while on the back end of the Fed meeting we get Jobless Claims, Personal Consumption and the first look at Q1 GDP (0.6% survey) - a busy week indeed with plenty of data, opinions and fodder to sift through. We look forward to updating you on our thoughts next week.

Over in the municipal space, muni's outperformed their treasury counterparts. Ratios now sit at below-average levels, which make municipals expensive to treasuries. Demand continues to gain momentum as muni funds have benefitted from a 29 consecutive weeks of inflows, the longest streak since March 2010. We expect inflows to continue after tax season as high net worth individuals, fresh off paying tax bills, are typically attracted by the allure of tax-exempt income. The transactions we participated in during the week were heavily oversubscribed, and allocations were difficult to come by. Secondary market offerings, piggy backing off of the primary demand, did not adjust levels even in the face of yields on AAA MMD index increasing. Dealers remained reluctant to cut their offerings, but with a healthy visible supply, we remain patient and do not think we are in a market that requires reaching for bonds at relatively unattractive levels. The 30-day visible supply remains elevated (\$12 billion), and there are several large national and smaller state-specific transactions that will get our full attention during what should be an interesting 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	0.64	0.00	0.64	78%
5 Year	1.00	0.02	0.98	74%
10 Year	1.65	0.05	1.60	87%
30 Year	2.60	0.06	2.54	96%

UST Rates			
2 Year	0.82	0.08	0.73
5 Year	1.36	0.14	1.21
10 Year	1.89	0.14	1.75
30 Year	2.71	0.15	2.56

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$6.29	\$2.80
Competitive	\$1.70	\$4.00
TOTAL	\$7.99	\$6.80

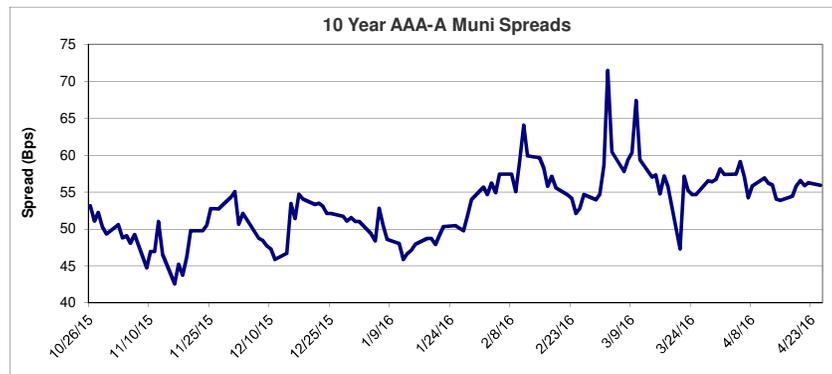
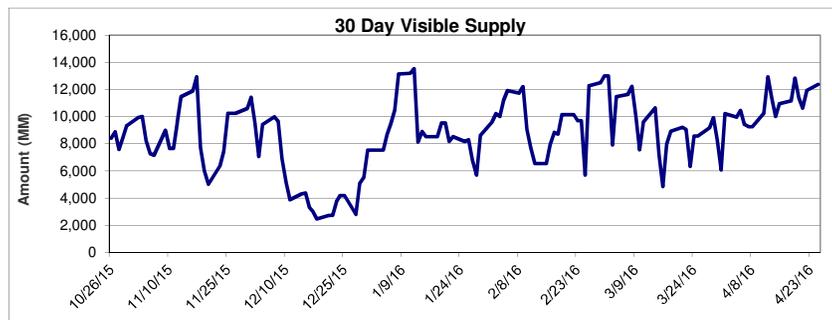
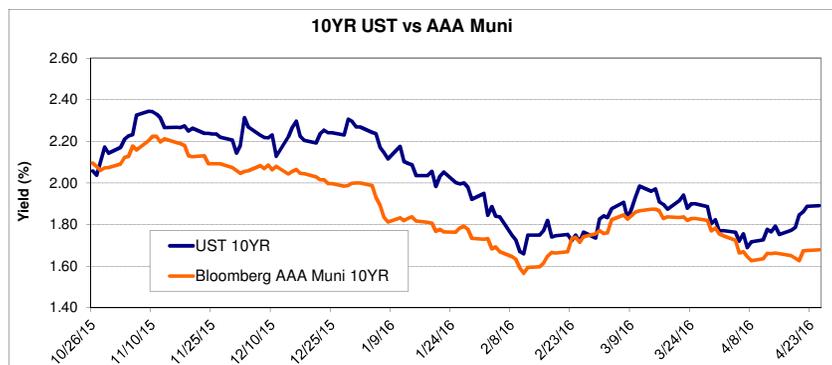
Municipal 30 Day Visible Supply (\$ Bln)	\$11.92	\$10.95
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Bloomberg Muni PICK Offerings (\$ Bln)	\$15.81	\$15.99
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Bond Buyer 20 Municipal G.O. Index	3.28%	3.30%
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Select Economic Releases

Date	Event	Period	Survey	Prior
4/25	New Home Sales	Mar	520k	512k
4/26	Consumer Confidence Index	Apr	95.9	96.2
4/26	Durable Goods Orders	Mar P	1.90%	-3.00%
4/27	FOMC Rate Decision (Upper Bound)	27-Apr	0.50%	0.50%
4/27	MBA Mortgage Applications	22-Apr	--	1.30%
4/28	Initial Jobless Claims	23-Apr	259k	247k
4/28	GDP Annualized QoQ	1Q A	0.60%	1.40%
4/29	U. of Mich. Sentiment	Apr F	90	89.7
4/29	Personal Spending	Mar	0.20%	0.10%
4/29	Personal Income	Mar	0.30%	0.20%
4/29	Chicago Purchasing Manager	Apr	52.6	53.6



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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