












## Trading Desk Commentary

Financial markets wrapped up the week in risk-off mode as equity indices across the globe finished lower, continuing to keep interest rates suppressed. With a light economic calendar, higher than expected retail sales being the only exception, the US treasury curve took its cues from oil and equities finishing mildly flatter. The current yield-starved nature of the global investment landscape is continuing to drive foreign money into US treasury securities, also significantly weighing on rates. Mixed signals continue to hit the markets as a result of FOMC member commentary, and in some narratives the only reason the Fed won't hike is because the market will not cooperate. As mentioned in pieces past, China and oil continue to drive market sentiment more so than the Fed, as predicted after the first 'sacrificial' hike, and general conjecture suggests the Fed should still tread lightly so as not to cause major disruption.

Another week of incredible strength in the muni market as it digested an \$8B primary calendar with ease and saw another week of positive fund flows. The most recent Lipper data shows an inflow of \$1.2B, the highest level year to date, begging the question how much room lower is there for yields to go. The 30Y MMD touched its lowest level in history last week with a closing Friday print of 2.42%. This ongoing strength is despite mixed treasury trading as municipals have more recently outperformed their taxable counterparts. Muni to treasury ratios remain at depressed levels with the 5Y, 10Y, and 30Y at 76%, 90%, and 95% respectively. As has been the case for most of the year, we see greater value in the primary space vs the secondary as the bid side remains strong due to demand, and subsequent dealer offerings post at very aggressive levels. The Puerto Rico saga continues to dominate muni credit headlines as no official solution has been proposed by the US but remains largely disconnected from high grade trading given its now segregated nature of creditors. Next week brings a heavy and above average new issuance calendar with \$11B pricing. Given the concentration of the calendar to several large deals we don't expect much to change with regards to elevated demand and continued strong performance. The Bond Buyer 30 day visible has ticked up to \$17B suggesting a final push of issuance/refunding before the doldrums of summer set into the markets.

## 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	0.63	-0.01	0.64	84%
5 Year	0.93	-0.02	0.95	77%
10 Year	1.54	-0.03	1.57	91%
30 Year	2.42	-0.07	2.49	95%

UST Rates			
2 Year	0.75	0.01	0.73
5 Year	1.21	-0.02	1.23
10 Year	1.70	-0.08	1.78
30 Year	2.55	-0.08	2.63

Current Wk		Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$8.83	\$6.20
Competitive	\$1.87	\$1.90
<b>TOTAL</b>	<b>\$10.70</b>	<b>\$8.10</b>

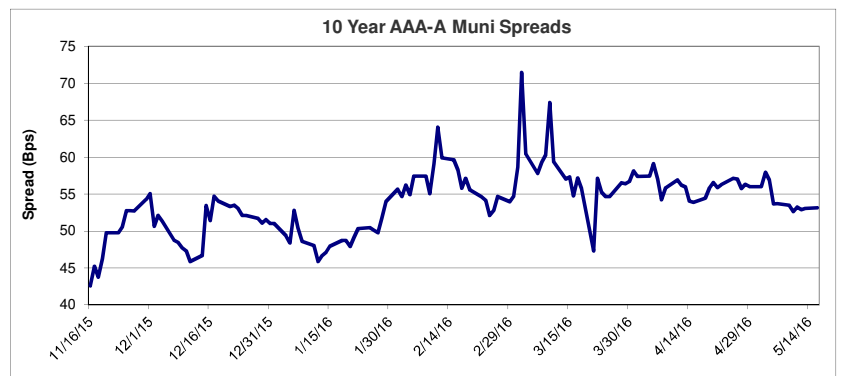
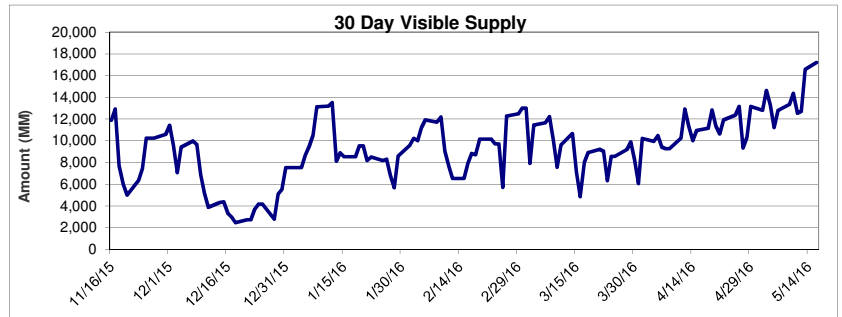
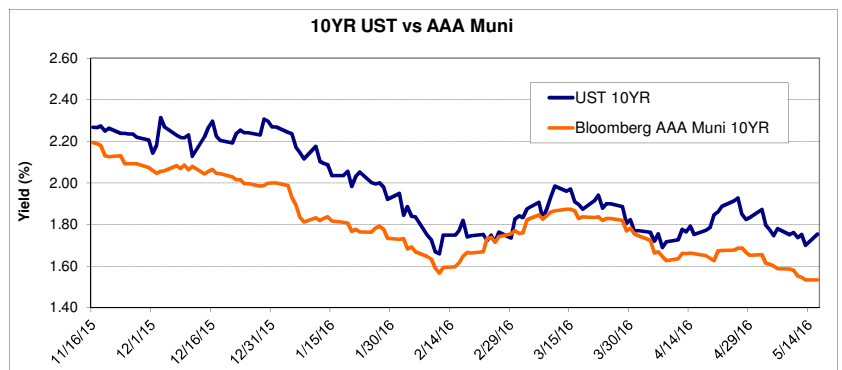
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$16.56</b>	<b>\$12.79</b>
---	----------------	----------------

<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$14.21</b>	<b>\$16.39</b>
---	----------------	----------------

<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.32%</b>	<b>3.32%</b>
---	--------------	--------------

### Select Economic Releases

Date	Event	Period	Survey	Prior
5/16	Empire Manufacturing	May	6.50	9.56
5/16	Net Long-term TIC Flows	Mar	--	\$72.0b
5/17	CPI MoM	Apr	0.30%	0.10%
5/17	Housing Starts	Apr	1125k	1089k
5/17	Industrial Production MoM	Apr	0.30%	-0.60%
5/17	CPI Ex Food and Energy MoM	Apr	0.20%	0.10%
5/18	MBA Mortgage Applications	13-May	--	0.40%
5/19	Initial Jobless Claims	14-May	275k	294k
5/19	Leading Index	Apr	0.40%	0.20%
5/19	Philadelphia Fed Business Outlook	May	3.0	-1.6
5/20	Existing Home Sales	Apr	5.40m	5.33m



**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.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this piece, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion of information contained in this piece serves as the receipt of, or as a substitute for, personalized advice from Caprin Asset Management. To the extent that a reader has any questions regarding the applicability to their situation of any specific issue discussed above, they are encouraged to consult with the professional advisor of their choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request.