

Trading Desk Commentary

The upside surprise in ADP employment on Wednesday (298k vs. 187k expected) was the final nail in the March Fed hike discussion. It would have taken a monumental miss in Friday's Nonfarm number to change anyone's mind, and that failed to materialize as 235k jobs were created in February vs. an expected 200k. Job gained across the board even when factoring in weather-related increases, and although monthly average hourly earnings missed by a tenth (0.2% vs. 0.3%), the year-over-year print of 2.8% is still impressive considering growth was disappointing in January at 2.6%. The Fed gets a free pass on Wednesday to hike as the market has already baked in an increase and Fed Fund Futures assign the probability of a hike to be 100%, where it has been since March 8. The question now turns to whether the Fed can get to their projected three hikes this calendar year. Although the Fed has become surprisingly hawkish over the past two weeks, we do not expect any significant changes to come from the statement post meeting, and we think the Fed will signal two more additional hikes in their updated dots. We also do not think the Fed will signal any change in the path to reduce the balance sheet, which they have indicated would begin mid-2018. However, this meeting could produce new details as to "how" the Fed will reduce the balance sheet. So far details have been vague, but any specifics on how the Fed will reduce and how large they expect the "new" balance sheet to be may very well spark some near-term interest rate volatility.

Munis outperformed Treasuries across the curve last week even in the face of heavy supply. Last week was one of the busiest of the year with over \$10 billion coming to market, although approximately \$3.4 billion came in the form of state-level general obligation bonds from California and Maryland. Another week of outflows hit the market as \$100 million left the space, down from \$350 million the previous week. Outflows were largely from longer-dated funds as the front-end of the muni curve remains the top performer in the space. Ratios in the front end also remain rich on an historical basis as investors are dodging duration until they feel rates have somewhat stabilized. This week the calendar is much lighter due to the Fed meeting Wednesday, and we believe the \$6 billion coming to market should be well received barring a surprise out of the Fed.

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	Maintain Conservative Maturity Positioning
Intermediate Taxable		0 YRS  12 YRS	Overweight to High Grade Corporates
Tactical Muni ETF			Slightly Shorter, Focus on Extension Risk
Core Plus ETF			Slightly Shorter, Slight Credit Overweight
Tactical Opportunity ETF			Slightly Shorter, Neutral Muni to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	1.05	0.03	1.02	78%
5 Year	1.65	0.07	1.58	79%
10 Year	2.47	0.05	2.42	96%
30 Year	3.24	0.06	3.18	102%

UST Rates

2 Year	1.35	0.05	1.31
5 Year	2.10	0.09	2.01
10 Year	2.57	0.10	2.48
30 Year	3.19	0.12	3.07

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$3.04	\$7.48
Competitive	\$1.66	\$2.44
TOTAL	\$4.70	\$9.92

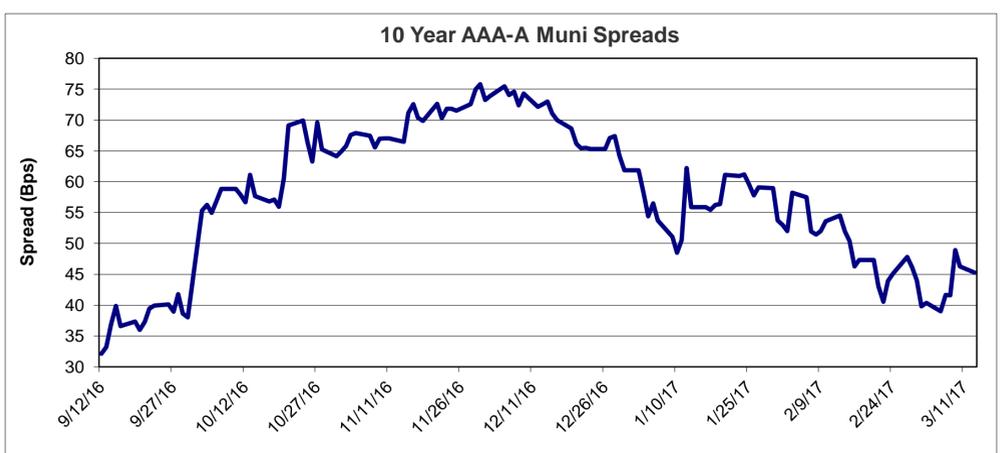
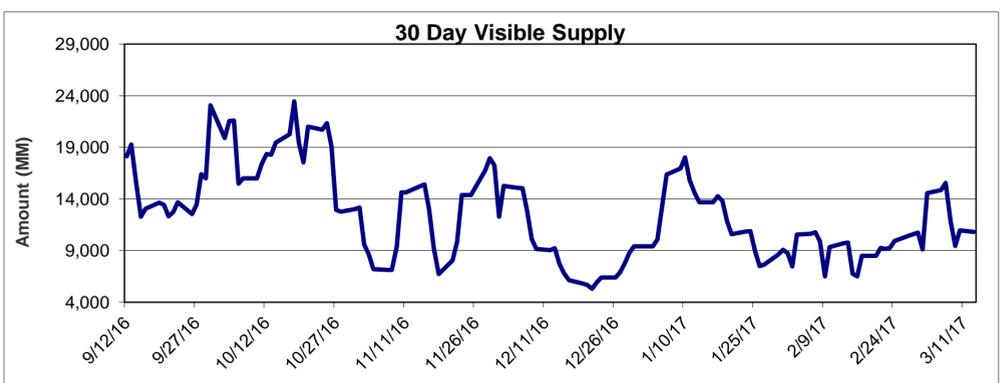
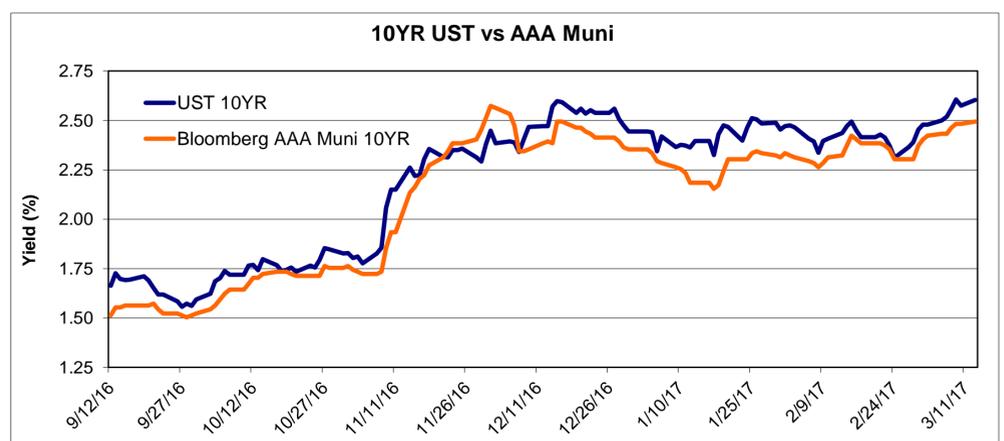
Municipal 30 Day Visible Supply (\$ Bln)	\$10.96	\$14.58
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Bloomberg Muni PICK Offerings (\$ Bln)	\$19.73	\$17.93
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Bond Buyer 20 Municipal G.O. Index	4.02%	3.95%
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Select Economic Releases

Date	Event	Period	Survey	Prior
3/14	PPI Final Demand MoM	Feb	0.10%	0.60%
3/15	FOMC Rate Decision(Upper Bound)	15-Mar	1.00%	0.75%
3/15	CPI MoM	Feb	0.00%	0.60%
3/15	Retail Sales Advance MoM	Feb	0.10%	0.40%
3/15	MBA Mortgage Applications	10-Mar	--	3.30%
3/15	Empire Manufacturing	Mar	15	18.7
3/16	Initial Jobless Claims	11-Mar	240k	243k
3/16	Housing Starts	Feb	1264k	1246k
3/17	U. of Mich. Sentiment	Mar P	97	96.3
3/17	Industrial Production MoM	Feb	0.20%	-0.30%
3/17	Leading Index	Feb	0.50%	0.60%



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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