












Trading Desk Commentary

The Treasury market traded lower to close out the week, reversing the risk off tone which took hold after news circulated Thursday night that President Trump authorized strategic airstrikes against an airbase in Syria. The yield on the 10-yr Treasury note dropped to a 2.26%, its lowest level in over 4 months in the moments after Nonfarm payroll report missed expectations on Friday but quickly reversed after the entire report was digested. The report showed that Average hourly earnings increased 0.2% and the unemployment rate fell to 4.5% from 4.7%. On Wednesday the Fed released the minutes from their March meeting. The Minutes revealed several scenarios for ending balance sheet reinvestment which is likely to start towards the end of 2017 or early 2018. This much was anticipated and had been broadly accepted by the market, what was new and perhaps more important is that the reduction of the reinvestment will be tapered in order to prevent excessive volatility. The Fed has a significant portion of its balance sheet with maturities in 2018, to make the process as orderly as possible for markets, they will continue to reinvest a piece of the portfolio. The Minutes also suggest that the Fed favors letting bonds roll off instead of selling outright, which should help the market digest the massive amount of supply that will be rolling off. Also of note, once the Fed begins to reduce the balance sheet, most members do not want to stop the planned reduction, even if the economy were to enter a recession. Communication is important to the Fed, and they are doing their best to telegraph future moves in order to limit shocks to the market. However, their balance sheet is so massive that, even if markets are anticipating a specific timeline, the sheer size will make it difficult to predict the ultimate impact to financial markets.

Municipals outperformed Treasuries across the curve last week by 5 to 10 basis points. Munis continue to see strong demand even in the face of modest outflows last week and uncertainty around future tax reform. Primary supply continues to be thin; next week will mark the fifth consecutive week of sub \$10 billion in issuance. The lack of primary supply continues to benefit sellers over buyers. Spreads have been grinding tighter, and new issues quickly trade up once awarded in the primary. With the conclusion of tax season rapidly approaching, there is a chance a greater pace of inflows may occur. If so, and if supply remains thin, munis could continue to perform well over the near term.

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	1.00	-0.03	1.03	78%
5 Year	1.49	-0.07	1.56	78%
10 Year	2.17	-0.06	2.23	91%
30 Year	2.97	-0.06	3.03	99%

UST Rates			
2 Year	1.29	0.03	1.25
5 Year	1.92	0.00	1.92
10 Year	2.38	-0.01	2.39
30 Year	3.01	0.00	3.01

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$2.76	\$7.50
Competitive	\$2.22	\$0.58
TOTAL	\$4.98	\$8.08

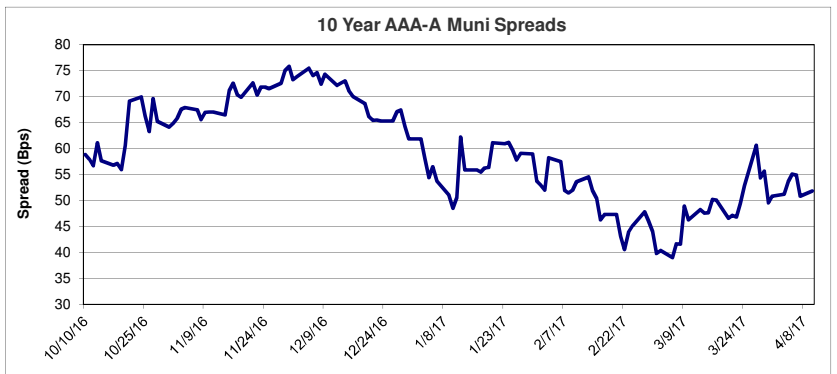
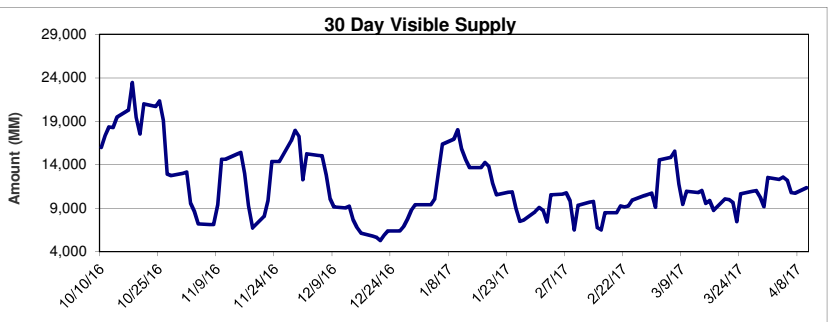
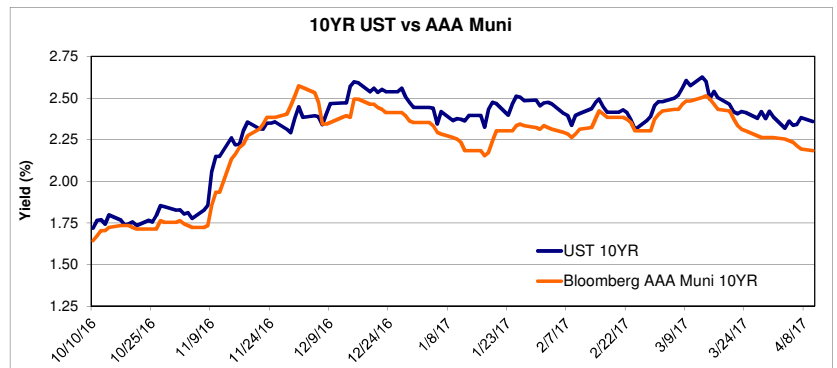
Municipal 30 Day Visible Supply (\$ Bln)	\$10.75	\$12.54
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Bloomberg Muni PICK Offerings (\$ Bln)	\$15.44	\$18.86
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Bond Buyer 20 Municipal G.O. Index	3.83%	3.86%
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Select Economic Releases

Date	Event	Period	Survey	Prior
4/12	MBA Mortgage Applications	7-Apr	--	-1.60%
4/12	Import Price Index MoM	Mar	-0.20%	0.20%
4/12	Monthly Budget Statement	Mar	-\$167.0b	-\$108.0b
4/13	Initial Jobless Claims	8-Apr	245k	234k
4/13	U. of Mich. Sentiment	Apr P	96.5	96.9
4/13	PPI Final Demand MoM	Mar	0.00%	0.30%
4/13	PPI Final Demand YoY	Mar	2.40%	2.20%
4/13	PPI Ex Food and Energy MoM	Mar	0.20%	0.30%
4/14	CPI MoM	Mar	0.00%	0.10%
4/14	Retail Sales Advance MoM	Mar	-0.20%	0.10%
4/14	CPI Ex Food and Energy MoM	Mar	0.20%	0.20%



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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