












Trading Desk Commentary

US benchmark rates aggressively rallied into Friday's close with the 10Y touching levels the market hasn't seen since November 2016. Geopolitical tensions are certainly elevated with continued US military action in Syria and more unsettling news out of North Korea. Volatility spiked across financial markets as participants (equity investors/traders) look for downside protection. This bid for vol increases the cost of protection and is the first sign of life in that space since the 2016 election. The risk off trade will likely continue until the conclusion of the French election and a little steam is let out of the pressure cooker that is current global foreign relations. The shortened holiday week caused CPI to print on Friday when markets were closed, and given the weaker nature of the number, we would expect it to support a further UST rally come Monday. Next week we are looking at US economic data and the release of the Fed beige book for more evidence in support of the markets move to lower rates.

Muni to treasury ratios continue to remain very rich in the 2Y and 5Y tenors as the asset class outperforms. Lighter new issuance calendar along with increased secondary activity from buyers looking to put cash to work causes yields to fall. Municipal mutual funds also took in \$1.63B for the week, which is the largest influx of cash since October of 2009. Munis continue to benefit from the delay of Trump's tax plan as the worries of passage (threatening munis tax advantage 'edge') fade. Muni new issuance will be around the yearly average of \$7.09B led by issuers Mass Trans, Houston and New York Dorm Authority. Intermediate municipal ETFs have performed well along with cash bonds over the last month as they too continue to see inflows as well. We expect continued strong performance across the curve in munis and current participation by foreign/crossover buyers certainly supports that theory.

Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni			Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable			Slightly Shorter Positioning Given Volatility
Intermediate Muni			Maintain Conservative Maturity Positioning
Intermediate Taxable			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	0.96	-0.04	1.00	80%
5 Year	1.41	-0.08	1.49	80%
10 Year	2.07	-0.10	2.17	93%
30 Year	2.91	-0.06	2.97	101%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	1.21	-0.08	1.29
5 Year	1.77	-0.15	1.92
10 Year	2.24	-0.14	2.38
30 Year	2.89	-0.12	3.01

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$3.99	\$2.76
Competitive	\$1.27	\$2.22
TOTAL	\$5.26	\$4.98

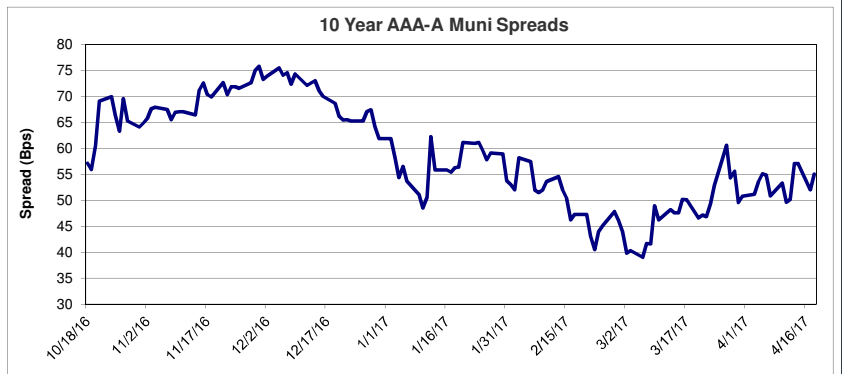
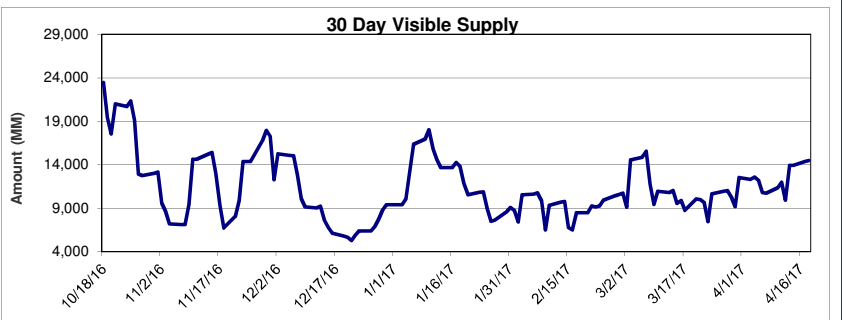
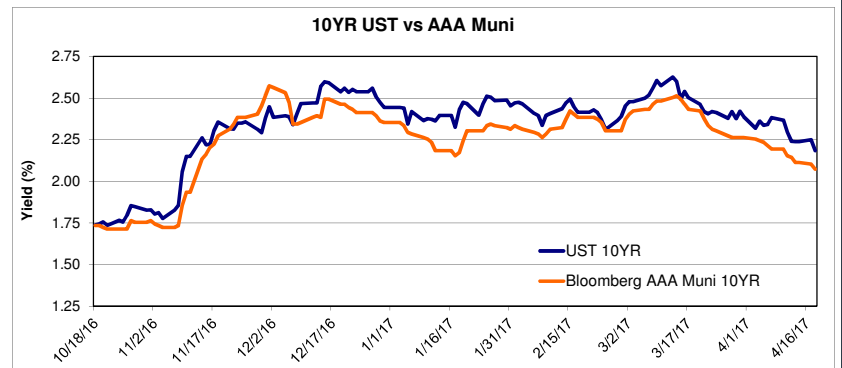
Municipal 30 Day Visible Supply (\$ Bln)	\$13.92	\$10.75
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Bloomberg Muni PICK Offerings (\$ Bln)	\$19.65	\$15.44
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Bond Buyer 20 Municipal G.O. Index	3.77%	3.83%
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Select Economic Releases

Date	Event	Period	Survey	Prior
4/17	Empire Manufacturing	Apr	15	16.4
4/17	Net Long-term TIC Flows	Feb	--	\$6.3b
4/18	Housing Starts	Mar	1250k	1288k
4/18	Industrial Production MoM	Mar	0.50%	0.00%
4/19	MBA Mortgage Applications	14-Apr	--	1.50%
4/20	Initial Jobless Claims	15-Apr	240k	234k
4/20	Leading Index	Mar	0.20%	0.60%
4/20	Philadelphia Fed Business Outlook	Apr	25.8	32.8
4/21	Markit US Manufacturing PMI	Apr P	53.5	53.3
4/21	Existing Home Sales	Mar	5.60m	5.48m
4/21	Markit US Services PMI	Apr P	53.4	52.8



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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