

| | Current Wk | Prior Wk |
|---|---------------|---------------|
| Weekly Municipal Supply (\$ Bln) | | |
| Negotiated | \$4.26 | \$3.02 |
| Competitive | \$0.66 | \$0.85 |
| TOTAL | \$4.92 | \$3.87 |

| | | |
|---|---------------|---------------|
| Municipal 30 Day Visible Supply (\$ Bln) | \$8.08 | \$6.57 |
|---|---------------|---------------|

| | | |
|--|----------------|---------------|
| Bloomberg Municipal PICK Offerings Par (\$ Bln) | \$11.08 | \$8.99 |
|--|----------------|---------------|

| | | |
|---|---------------|---------------|
| Municipal Placement Ratio (New Issues) | 95.80% | 98.20% |
|---|---------------|---------------|

| | | |
|---|--------------|--------------|
| Bond Buyer 20 Municipal G.O. Index | 3.70% | 3.60% |
|---|--------------|--------------|

| Treasury Supply | | Current Auction | Prior Auction |
|------------------------------------|----------|-----------------|----------------|
| Day | Maturity | Amount (\$ Bln) | Amount (\$Bln) |
| No UST Supply for the Week of 2/13 | | | |
| TOTAL | | 0 | 0 |

| Select Economic Releases | | | | |
|--------------------------|----------------------------|--------|--------|--------|
| Date | Event | Period | Survey | Prior |
| 2/14 | Import Price Index (MoM) | JAN | 0.30% | -0.10% |
| 2/14 | Advance Retail Sales | JAN | 0.80% | 0.10% |
| 2/15 | MBA Mortgage Applications | 10-Feb | -- | 7.50% |
| 2/15 | Empire Manufacturing | FEB | 14.8 | 13.5 |
| 2/15 | Industrial Production | JAN | 0.60% | 0.40% |
| 2/15 | Minutes of FOMC Meeting | | | |
| 2/16 | Producer Price Index (MoM) | JAN | 0.40% | -0.10% |
| 2/16 | PPI Ex Food & Energy (MoM) | JAN | 0.20% | 0.30% |
| 2/16 | Initial Jobless Claims | 11-Feb | 365K | -- |
| 2/16 | Continuing Claims | 4-Feb | 3490K | -- |
| 2/16 | Housing Starts | JAN | 671K | 657K |
| 2/16 | Building Permits | JAN | 680K | 679K |
| 2/17 | Consumer Price Index (MoM) | JAN | 0.30% | 0.00% |
| 2/17 | CPI Ex Food & Energy (MoM) | JAN | 0.20% | 0.10% |

Trading Desk Commentary

It seemed as though a collective groan was audible throughout global financial markets last week as news emerged that the European finance ministers would withhold bailout funds until Greece accepts the austerity measures required by the EU and IMF to combat the country's debt crisis. News was circulated earlier in the week that Greece had reached an agreement among its own political leaders to further deepen the country's spending cuts. The markets' muted initial reaction to the news was a clear indication that investors were skeptical that a meaningful accord had been officially reached. By Friday, it was clear that the country was still not close to appeasing the EU, resulting in several Greek officials' resignations and rioting in the streets of Athens. This recent development heightened concerns that Greece could begin a disorderly default as early as next month – an almost-certainty without the \$130bln bailout money pledged by the EU. A strong flight-to-safety bid returned while equities fell – just the most recent display of the stranglehold Europe's evolving situation still poses on market risk and performance.

Munis were shaky for the majority of last week leading up to the risk-off trade on Friday. Though supply remained virtually non-existent, new deals were failing to garner much enthusiasm as the week got under way. In addition, USTs had helped soften tax-exempt inquiries since the January payroll number surprised to the upside on February 3rd, boosting demand for riskier asset classes. Now that the optimism surrounding the Greek bailout has soured, all eyes will be on Europe and looking to the region for its cues in the coming week. Any failure to show progress in the coming days toward reaching an EU-Greece agreement would likely have UST and Muni prices testing their 2012 highs in short order.

This week, new supply should be in the \$5bln range, up from last week's \$4bln while the 30-day visible supply has quietly crept above \$8bln, a marked improvement from previous weeks. Also, Lipper reported \$370mln inflows in to Municipal bond funds for the week ending February 8th. Inflows have been strong over the past two-and-a-half months but last week's number continues a trend of weaker inflows. Were it not for Europe's ongoing drama, it would be reasonable to expect Munis to modestly weaken in the coming week with a slightly rosier supply picture, waning interest in tax-exempts (according to fund flows), less attractive Muni-to-UST ratios versus earlier in the year, and very low absolute yields. However, as we have seen time and time again, Europe can render these forces irrelevant in the blink of an eye.

| Rates | Current | Yld | Prior | Muni to Treasury Ratio |
|---------------|---------|--------|-------|------------------------|
| | Wk | Change | Wk | |
| Muni's | | | | |
| 2 Year | 0.29 | -0.01 | 0.30 | 107% |
| 5 Year | 0.66 | -0.02 | 0.68 | 80% |
| 10 Year | 1.83 | 0.06 | 1.77 | 92% |
| 30 Year | 3.26 | 0.04 | 3.22 | 104% |
| UST | | | | |
| 2 Year | 0.27 | 0.04 | 0.23 | |
| 5 Year | 0.82 | 0.05 | 0.77 | |
| 10 Year | 1.98 | 0.02 | 1.96 | |
| 30 Year | 3.14 | 0.01 | 3.13 | |

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.

Placement Ratio - The amount of bonds sold by underwriting syndicates each week as a percentage of the amount issued that week by issuers selling \$1,000,000 par value or more of securities. The ratio published by The Bond Buyer, helps gauge the demand for municipal bonds in the marketplace.

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, and the placement ratio are obtained through The Muni Center, 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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