

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$4.13	\$4.26
Competitive	\$1.08	\$0.66
TOTAL	\$5.21	\$4.92

Municipal 30 Day Visible Supply (\$ Bln)	\$9.09	\$8.08
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Bloomberg Municipal PICK Offerings Par (\$ Bln)	\$9.91	\$11.08
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Municipal Placement Ratio (New Issues)	83.30%	95.80%
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Bond Buyer 20 Municipal G.O. Index	3.65%	3.70%
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Treasury Supply		Current Auction	Prior Auction
Day	Maturity	Amount (\$ Bln)	Amount (\$Bln)
Tues	2 Year	35	35
Wed	5 Year	35	35
Thurs	7 Year	29	29
TOTAL		99	99

Select Economic Releases				
Date	Event	Period	Survey	Prior
2/22	MBA Mortgage Applications	17-Feb	--	-1.00%
2/22	Existing Home Sales	JAN	4.65M	4.61M
2/23	Initial Jobless Claims	18-Feb	355K	--
2/23	Continuing Claims	11-Feb	3475K	--
2/23	House Price Index MoM	DEC	0.00%	1.00%
2/23	Kansas City Fed Manf. Activity	FEB	9.00	7.00
2/24	U. of Michigan Confidence	FEB F	73.00	72.50
2/24	New Home Sales	JAN	315K	307K

Trading Desk Commentary

Though the demand for Municipals marches on, dealers and investors kept a watchful eye on the building 30-day visible supply calendar this week, which remains a crucial determinant of the market's tenor. Upon review of last week, the success of the larger, highly-rated deals such as (Aaa/AAA/AAA) \$170mln AZ Waters, the (Aaa/AAA/AAA) \$97mln Commonwealth of Virginia GO, (AA-/AA-) \$835mln Dorm Authority of the St of NY, and the (Aaa/AA+/AAA) \$450mln St of Tennessee GO deals proves the sector can still find plenty of support in this low yield environment. The strong interest generated by the week's new supply held Muni yields firm despite modest weakening in the U.S. Treasury market (fueled by optimism surrounding the Greek bailout package). Current Muni demand continues to overwhelm available supply, but a growing supply picture is worth noting. Late last week, a few large refunding deals were added to this week's calendar, raising the level of expected issuance above the \$5bln mark for the second consecutive week – a low-but-improved volume. Refunding activity has helped add enough new supply over the next month to push this number above the \$9bln mark for the first time in over a month. While the \$9bln level itself is probably not enough to seriously weigh on bids, the slow and steady growth of this number over the past week is turning heads. The recent drop in Munis' placement ratio to the mid-80% range could be a signal that the growing calendar is making dealers increasingly wary of adding to their positions.

The coming week will be interesting. We will be dealing with a second straight week of improved issuance coupled with the likelihood that some more solid details will emerge on the Greek bailout package (hopefully positive) – all compressed in to a holiday-shortened week. The \$5bln in issuance should feel like a slightly larger amount given the truncated trading week. If participants view the Euro situation in a positive light, a resulting risk-on trade could weaken the debt markets, which could be further exacerbated in Munis by more abundant availability. However, trying to time trades in anticipation of news from Europe is a very risky proposition and is not a strategy we would employ. Our emphasis on higher-rated, liquid credits affords us the opportunity to be nimble in times like these, where a decent buying opportunity could quickly emerge should yields rise. The exact timing of a move to higher yields is unknown, but current ratios and absolute levels suggest that Munis are primed to trend in to a higher yield range. What the catalyst will be, between supply growth, a fight to riskier assets on the US and European recovery, or something else entirely remains to be seen – but we will be monitoring these developments closely in the coming weeks.

Rates	Current	Yld	Prior	Muni to Treasury Ratio
	Wk	Change	Wk	
Muni's				
2 Year	0.26	-0.03	0.29	91%
5 Year	0.65	-0.01	0.66	75%
10 Year	1.83	0.00	1.83	91%
30 Year	3.23	-0.03	3.26	102%
UST				
2 Year	0.29	0.02	0.27	
5 Year	0.87	0.05	0.82	
10 Year	2.01	0.03	1.98	
30 Year	3.16	0.02	3.14	

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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