

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$5.34	\$4.13
Competitive	\$1.87	\$1.08
<b>TOTAL</b>	<b>\$7.21</b>	<b>\$5.21</b>

<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$11.09</b>	<b>\$9.09</b>
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<b>Bloomberg Municipal PICK Offerings Par (\$ Bln)</b>	<b>\$9.82</b>	<b>\$9.91</b>
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<b>Municipal Placement Ratio (New Issues)</b>	<b>86.50%</b>	<b>83.30%</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.69%</b>	<b>3.65%</b>
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Treasury Supply		Current Auction	Prior Auction
Day	Maturity	Amount (\$ Bln)	Amount (\$Bln)
No UST Supply for the Week of Feb 27th			
<b>TOTAL</b>		<b>0</b>	<b>0</b>

Select Economic Releases				
Date	Event	Period	Survey	Prior
2/27	Pending Home Sales MoM	JAN	1.00%	-3.50%
2/28	Durable Goods Orders	JAN	-1.00%	3.00%
2/28	S&P/CaseShiller Home Price Ind	DEC	138.5	138.5
2/28	Consumer Confidence	FEB	63.0	61.1
2/29	MBA Mortgage Applications	24-Feb	--	-4.50%
2/29	GDP QoQ (Annualized)	4Q S	2.80%	2.80%
2/29	Core PCE QoQ	4Q S	1.10%	1.10%
2/29	Fed's Beige Book			
3/1	PCE Deflator (YoY)	JAN	2.30%	2.40%
3/1	Initial Jobless Claims	25-Feb	355K	351K
3/1	Continuing Claims	18-Feb	3423K	3392K
3/1	ISM Manufacturing	FEB	54.5	54.1

## Trading Desk Commentary

The tax-exempt market successfully digested roughly \$5bln in new issuance last week with mixed results as some of the larger deals required modest price cuts to achieve distribution. The (Aa2/AA) \$950mln NYC GO deal was cheapened roughly 5bps on average (depending on the maturity), a decision that was widely circulated due to the high profile of the issuer and the size of the deal. On the other hand, the (Aa2/AA) \$183mln San Francisco CA GO deal came at spreads in context with the name's historical levels and went very smoothly. The San Francisco deal's success is partially a function of the decline in California-specific issuance seen over the past 12 months but does serve as reinforcement that given an attractive name, quality and structure, Muni appetite is still abundant. The (Aa1/AA+) Virginia Public School Authority and the (Aaa/AAA) University of Texas System both brought sizable deals this week and actually saw their scales bumped due to strong interest during their respective order periods. Overall, the mixed bag of results in the primary (Placement Ratio: 86.5%) left Munis with a steady-to-slightly-weaker bias heading in to a new week where over \$7bln of new issuance is expected. On top of that, the 30-day visible calendar has now grown to over \$11bln. Last week was the first week in some time where interest in new supply felt a little spotty. We believe that visible supply reaching its highest level in 3 months at the same time is hardly a coincidence.

Lipper reported yet another week of significant inflows (\$882.9 for week ended February 15th) into Municipal bond funds, their 12th consecutive week of doing so. We have noted before that retail investors have entered Muni funds in droves in an effort to participate in Muniland's stellar recent performance given the low supply environment. One of the ETF's benefitting from this phenomenon has been MUB, the iShares S&P National AMT-Free Bond ETF, experiencing extraordinary performance since the beginning of the year through this past Wednesday's close. New money had flooded the fund and created a 3.77% premium, a very high level based on MUB's historical averages. A premium is created in an ETF when the price of the ETF exceeds the net asset value of the underlying basket (i.e. actual Muni bonds, in this case). Over the course of last Thursday and Friday, MUB sold off -2.98%, its largest loss in over three years despite a placid Muni market. Over the last several weeks, we viewed MUB's premium as unsustainable and view its recent correction as a natural reversion to a more normal level. MUB has recently served as a real-time barometer to the larger Muni market's sentiment, but the steady performance of similar Muni ETF and the cash market suggest MUB's decline was a isolated, tactically-driven event.

Rates	Current	Yld	Prior	Muni to Treasury Ratio
	Wk	Change	Wk	
<b>Muni's</b>				
2 Year	0.26	0.00	0.26	87%
5 Year	0.68	0.03	0.65	76%
10 Year	1.87	0.04	1.83	94%
30 Year	3.25	0.02	3.23	105%
<b>UST</b>				
2 Year	0.30	0.01	0.29	
5 Year	0.89	0.03	0.86	
10 Year	1.98	-0.03	2.01	
30 Year	3.10	-0.06	3.16	

## 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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