

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$5.01	\$6.92
Competitive	\$1.24	\$2.23
TOTAL	\$6.25	\$9.15

Municipal 30 Day Visible Supply (\$ Bln)	\$9.91	\$11.75
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Bloomberg Municipal PICK Offerings Par (\$ Bln)	\$10.48	\$4.61
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Municipal Placement Ratio (New Issues)	97.60%	97.30%
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Bond Buyer 20 Municipal G.O. Index	3.84%	3.72%
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Treasury Supply		Current Auction	Prior Auction
Day	Maturity	Amount (\$ Bln)	Amount (\$Bln)
Mon.	3 Year	32	32
Tues.	10 Year	21	24
Wed.	30 Year	13	16
TOTAL		66	72

Select Economic Releases

Date	Event	Period	Survey	Prior
3/13	Advance Retail Sales	FEB	1.00%	0.40%
3/13	FOMC Rate Decision	13-Mar	0.25%	0.25%
3/14	MBA Mortgage Applications	9-Mar	-	-1.20%
3/14	Import Price Index (MoM)	FEB	0.60%	0.30%
3/15	Empire Manufacturing	MAR	17.5	19.5
3/15	Producer Price Index (MoM)	FEB	0.50%	0.10%
3/15	PPI Ex Food & Energy (MoM)	FEB	0.20%	0.40%
3/15	Initial Jobless Claims	10-Mar	355K	362K
3/15	Continuing Claims	3-Mar	3408K	3416K
3/16	Consumer Price Index (MoM)	FEB	0.40%	0.20%
3/16	CPI Ex Food & Energy (MoM)	FEB	0.20%	0.20%
3/16	Industrial Production	FEB	0.40%	0.00%
3/16	U. of Michigan Confidence	MAR P	75.6	75.3

Trading Desk Commentary

Heading in to last week, it was apparent that the large Aaa/AAA \$925mln St of Maryland GO deal would say a lot about both the remaining demand in the Muni space and participants' comfort with current yields and ratios. The deal had a few headwinds to contend with: the deal's timing (during a week offering up the most new issuance in 2012), low absolute yields (buyers needed to look to at least 2022 to find 2.00% yields on a AAA GO bond, according to MMD), its sheer size, and a choppy UST market (surrounding the Greek debt swap deadline and better-than-expected U.S. jobs data). All things considered, the deal held up fairly well, though concessions of 3-5bps to the MMD AAA scale were needed for acceptable distribution. Cheapening the deal was in part due to a weaker day in Treasuries, but the higher yields and spotty balances left over at the end of Maryland's order period did not go unnoticed and helped usher in cuts for tax-exempts mid-week.

Last week was a meaningful test for Munis, and though the scale would end up roughly 10 basis points wider by the end of last Friday, the moderate cuts could be viewed as somewhat of a win for the sector. The last time supply came at this pace was last October when Muni yields jumped up over 60bps in the 10-year range over a 3-week period. In October, investors saw forward Muni supply gaining steam and support for tax-exempts virtually disappeared. Last week's reaction appeared much more tempered despite actually starting from richer prices than before the October correction. A question worthy of investigation is why did Munis navigate the \$9bln+ supply last week so much more successfully than 5 months ago? For one, money continues to flow in to Muni bond funds – Lipper reported last Friday that \$1.2bln in new money had entered the market, the fourteenth straight week of inflows and the largest inflow in over 2 years. These funds continue to create demand for the underlying blocks of Muni bonds to meet new investment needs. Second, expected supply looks more manageable over the next couple of weeks after the barrage of new deals in the past month. This should help keep current demand and supply more in balance over the short-term. Lastly, Greece's typical debt headlines continue to create turmoil in global markets, but the past few weeks have seen an increasing number of downbeat reports from China and Europe showing signs of each region's economy recovering at a glacial pace. The U.S. economy appears to be slowly gaining traction, led by better employment numbers, corporate earnings, and slightly better home sales – but global uncertainty continues to support demand for U.S. debt and lower yields in the markets.

Rates	Current	Yld	Prior	Muni to Treasury Ratio
	Wk	Change	Wk	
Muni's				
2 Year	0.27	0.01	0.26	87%
5 Year	0.79	0.09	0.70	89%
10 Year	2.05	0.14	1.91	101%
30 Year	3.31	0.04	3.27	104%
UST				
2 Year	0.31	0.04	0.27	
5 Year	0.89	0.05	0.84	
10 Year	2.03	0.05	1.98	
30 Year	3.18	0.07	3.11	

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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