

| | Current Wk | Prior Wk |
|---|---------------|---------------|
| Weekly Municipal Supply (\$ Bln) | | |
| Negotiated | \$6.22 | \$5.56 |
| Competitive | \$1.52 | \$1.61 |
| TOTAL | \$7.74 | \$7.17 |

| | | |
|---|----------------|---------------|
| Municipal 30 Day Visible Supply (\$ Bln) | \$11.03 | \$9.84 |
|---|----------------|---------------|

| | | |
|--|---------------|----------------|
| Bloomberg Municipal PICK Offerings Par (\$ Bln) | \$4.03 | \$11.32 |
|--|---------------|----------------|

| | | |
|---|---------------|---------------|
| Municipal Placement Ratio (New Issues) | 99.30% | 92.40% |
|---|---------------|---------------|

| | | |
|---|--------------|--------------|
| Bond Buyer 20 Municipal G.O. Index | 4.08% | 4.02% |
|---|--------------|--------------|

| Treasury Supply | | Current Auction | Prior Auction |
|-----------------|----------|-----------------|----------------|
| Day | Maturity | Amount (\$ Bln) | Amount (\$Bln) |
| Tues | 3 Year | 32 | 32 |
| Wed | 10 Year | 21 | 21 |
| Thurs | 30 Year | 13 | 13 |
| TOTAL | | 66 | 66 |

| Select Economic Releases | | | | |
|--------------------------|----------------------------|--------|--------|-------|
| Date | Event | Period | Survey | Prior |
| 4/11 | MBA Mortgage Applications | 6-Apr | -- | 4.80% |
| 4/11 | Import Price Index (MoM) | MAR | 0.90% | 0.40% |
| 4/11 | Fed's Beige Book | | | |
| 4/12 | Producer Price Index (MoM) | MAR | 0.30% | 0.40% |
| 4/12 | PPI Ex Food & Energy (MoM) | MAR | 0.20% | 0.20% |
| 4/12 | Initial Jobless Claims | 7-Apr | 355K | 357K |
| 4/12 | Continuing Claims | 31-Mar | 3328K | 3338K |
| 4/13 | Consumer Price Index (MoM) | MAR | 0.30% | 0.40% |
| 4/13 | CPI Ex Food & Energy (MoM) | MAR | 0.20% | 0.10% |
| 4/13 | U. of Michigan Confidence | APR P | 76.5 | 76.2 |

Trading Desk Commentary

Though the bond market did not partake in the Good Friday holiday, last week certainly felt like a holiday-shortened week as trading desks began to thin out by mid-day Thursday. Activity significantly lightened as last week progressed but there were still some notable developments to discuss. On Tuesday, the release of the FOMC minutes from their recent meeting revealed there is no intention for a third round of quantitative easing in the near future. Having become accustomed to the Fed's aggressive (some would say excessive) support of the U.S. debt markets, participants reacted negatively to the news, culminating in the equity market's worst performing week in 2012. After an initial sell-off on the prospect of a less active Fed, U.S. Treasuries ultimately benefitted from a re-emergence of Eurozone concerns and then a very disappointing Nonfarm Payrolls release on Friday. A slowdown in U.S. economic activity (after weeks of better news/data) and renewed challenges in Europe have dampened the good vibrations seen over the past few months and quieted some of the bond bears. Dow futures were only open for 45 minutes on Friday but closed down 131 points.

Tax-exempts rode the UST market's coattails to another firm week. Muni-to-TSY ratios are still historically attractive at +100% across much of the curve creating an opportunity for crossover purchasing, especially in the risk-off scenario that played out last week. Out of the gate, buyers seemed timid given the still-elevated visible supply numbers; however, by Wednesday reports of dealers bumping new issue scales and better demand were widely circulated. This week, we expect another \$7bln in new deals, with A1/A- \$1.3bln State of California GO notes and Aa1/AAA/AAA \$800mln NYC Transitional Finance Auth bonds paving the way. A wide array of names appear on the slate, from large state GOs, healthcare, transportation, and essential purpose revenues, covering a broad spectrum of credit ratings. The week should provide a good opportunity for more definitive price discovery in the Municipal space. The recent volatility in the debt markets will make the tone that Munis find this week all the more interesting. It is possible that we may see a delayed reaction to the poor economic data posted this past Friday, in which case a continuation of the risk aversion/flight-to-quality could support this week's healthy supply calendar.

| Rates | Current | Yld | Prior | Muni to Treasury Ratio |
|---------------|---------|--------|-------|------------------------|
| | Wk | Change | Wk | |
| Muni's | | | | |
| 2 Year | 0.36 | 0.00 | 0.36 | 116% |
| 5 Year | 0.95 | -0.03 | 0.98 | 106% |
| 10 Year | 2.12 | 0.01 | 2.11 | 103% |
| 30 Year | 3.42 | 0.03 | 3.39 | 106% |
| UST | | | | |
| 2 Year | 0.31 | -0.03 | 0.34 | |
| 5 Year | 0.90 | -0.15 | 1.05 | |
| 10 Year | 2.05 | -0.17 | 2.22 | |
| 30 Year | 3.22 | -0.13 | 3.35 | |

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 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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