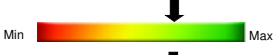



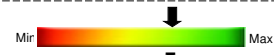

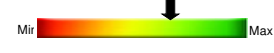

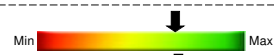




Trading Desk Commentary

Faced with the largest weekly Muni supply of the year (by far), this week's \$11bln in new debt was enough to give many Muni participants (including us) pause. The supply volume over the last five days inflated The Bond Buyer's 30-day visible total north of \$13bln, an amount no one has seen since December of last year. New issuance was concentrated in the historic \$3.5bln (Ba2/BB+/BB) Commonwealth of Puerto Rico general obligation loan and the \$1.8bln (A1/A) State of California general obligation deal, but a large number of \$500mln+ deals helped fill out the rest of the calendar. Muni support was about to get its first serious test in 2014. In weeks prior, demand handled new issuance with ease, but it was difficult to gauge the depth of Muni interest. Sure, participants could navigate \$3bln in a week, but could they manage \$7bln? \$10bln? More? This week provided the answer: absolutely. Granted, grouping in the Puerto Rico deal with the more traditional issuance is a bit troublesome. Those buying the Puerto Rico deal are not your regular retail investors given its recent credit history and downgrade to junk status. Dealers distributing the loan spent the better part of a month drumming up hedge fund interest for the deal. By the end of the order period, the Puerto Rico issue had received roughly \$16bln in orders – five times the deal size, which was the largest non-investment grade Muni deal in history. The deal had one maturity in 2035 and offered approximately 15% taxable-equivalent yield. While the deal should help Puerto Rico satisfy its cash needs into mid-2015, it also shows the damage that Puerto Rico has done to its borrowing costs and access to capital markets. It is a band-aid solution to their budgetary crisis – one that will certainly resurface in the coming year.

Having the week's 'spotlight' deal successfully distributed helped establish a positive tone. Order flows elsewhere in the primary market were strong. Prices were increased, and the vast majority of new issuance found a home. A supply-starved buyer base was certainly helpful, but the broader 'risk-off' trade provided a boost as well. Russia's military drills and repeated threats of invasion have re-inflamed tensions in Ukraine. Warnings of serious consequences from the West seem to be falling on deaf ears in Russia. The lack of progress pushed trades into US Treasuries, providing a firm backdrop for tax-exempts. The threat of military action in the region looms large and will require close monitoring over the weekend. As for next week, Muni supply returns to its normal 2014 state. The Bond Buyer 30-day visible number is back down to \$5bln with only \$3bln expected over the next five trading sessions. Munis could continue to firm with the supply spike out of the way, especially if the geopolitical landscape remains a concern. New deals are chopped up into dozens of smaller deals spread out around the country. Their distribution should be a walk in the park. Lipper reported a fifth straight week of Muni bond fund inflows, another positive sign for the Muni space. In summary, our short-term outlook in Muniland is optimistic. The largest identifiable threat to Muni stability is now in the rear-view mirror. We used some of the new deals this past week as an opportunity to get cash to work. Next week, our focus likely returns to the secondary as new debt dries up. It was nice to locate bonds a bit easier and have a wide variety of issuers to choose from – but that brief party appears to be over. Back to the 2014 supply grind.

Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni			Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable			Prefer Corporates and Taxable Munis
Intermediate Muni			Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Intermediate Taxable			Prefer Corporates and Taxable Munis
Tactical Muni ETF			Slight Overweight to CA
Core Plus ETF			Slight Overweight to Corporates
Tactical Opportunity ETF			Overweight Taxables to Munis

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.27	0.02	0.25	82%
5 Year	1.07	-0.01	1.08	70%
10 Year	2.42	-0.10	2.52	92%
30 Year	3.67	-0.17	3.84	103%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.33	-0.03	0.36
5 Year	1.53	-0.10	1.63
10 Year	2.64	-0.15	2.79
30 Year	3.58	-0.14	3.72

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$2.52	\$8.87
Competitive	\$0.76	\$0.93
TOTAL	\$3.28	\$9.80

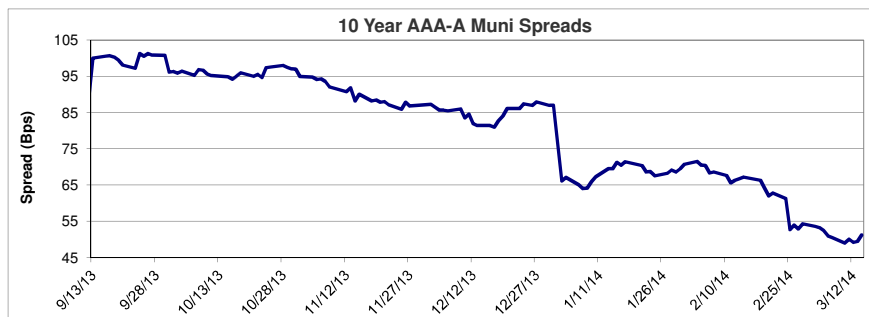
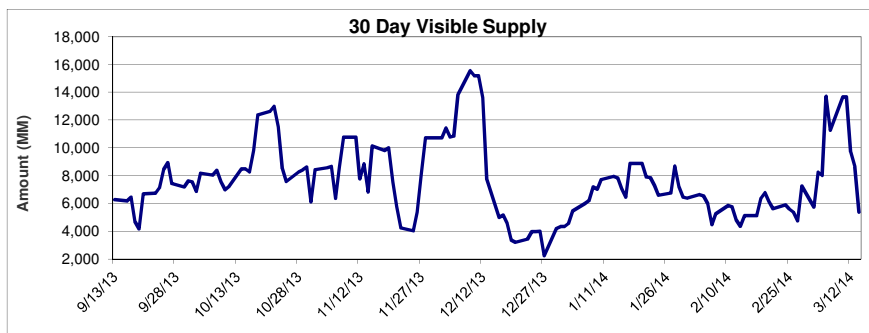
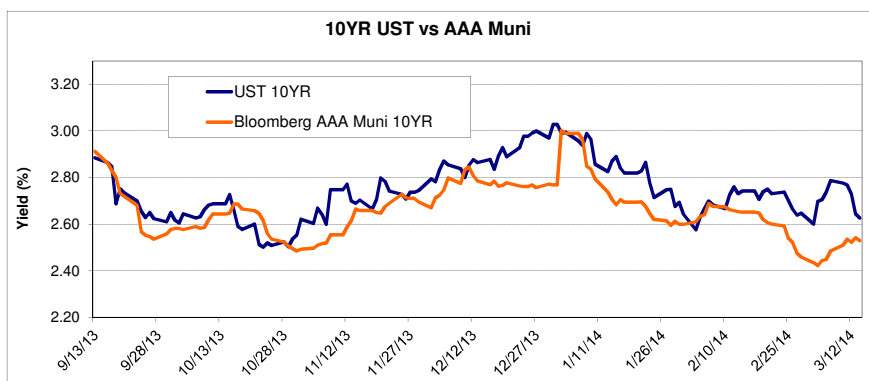
Municipal 30 Day Visible Supply (\$ Bln)	\$5.37	\$13.70
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Bloomberg Muni PICK Offerings (\$ Bln)	\$13.17	\$14.63
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Bond Buyer 20 Municipal G.O. Index	4.47%	4.41%
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Select Economic Releases

Date	Event	Period	Survey	Prior
3/17	Empire Manufacturing	Mar	6.25	4.48
3/17	Industrial Production MoM	Feb	0.20%	-0.30%
3/18	CPI MoM	Feb	0.10%	0.10%
3/18	Housing Starts	Feb	910K	880K
3/19	MBA Mortgage Applications	14-Mar	--	-2.10%
3/19	FOMC Rate Decision	19-Mar	0.25%	0.25%
3/20	Initial Jobless Claims	15-Mar	325K	315K
3/20	Existing Home Sales	Feb	4.62M	4.62M
3/20	Leading Index	Feb	0.20%	0.30%



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.

AAA-A Muni Spreads - The difference in yield, as expressed in basis points (.01%), between the Bloomberg BVAL AAA 10 Year Benchmark Muni Index and the BVAL A Revenue 10 Year Muni Index.

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 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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