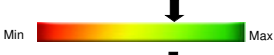



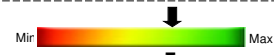

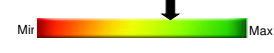

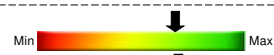




Trading Desk Commentary

US markets used this week to catch their breath following a period of heightened volatility. The Crimea crisis in February and March and the well-documented Yellen press conference last week sent shockwaves through the system. Threat of war in Ukraine sparked an initial flight to safety, which traders mostly unwound on news of a more peaceful resolution. The longevity of this solution still remains to be seen, but for now the Russian front is much quieter. Fed Chair Janet Yellen offered a potential timeline of Fed rate hikes that caught participants off-guard. In the end, the timeline did not stray too far from market consensus; however, shorter interest rates spiked as rate-hike expectations were accelerated forward by a Fed meeting or two. This week felt downright placid relative to those prior. US economic data generally came in close to expectations and did little to move US Treasuries one way or the other. As of the writing, the Dow is up just 40 points on the week while the VIX is resting at its lowest point in over three weeks. Next week holds an important week of data, particularly on Friday when the Nonfarm Payrolls and the Unemployment Rate will be updated. The Fed removed the 6.5% threshold as a milestone for increasing its target borrowing rates, acknowledging what everyone had already figured out: the jobless rate was going to reach 6.5% long before the underlying economic activity warranted tighter monetary policy. The reasons for the steady fall in unemployment are debatable. It appears due at least in part to eligible workers abandoning their jobs searches and therefore not showing up in the Unemployment Rate metric anymore. Last month's print actually showed the data increased 0.1%. Many believed it was attributable to an improved job search environment (and better weather) that allowed jobless Americans to resume their search. Though the 6.5% target is gone, next Friday's jobs releases will provide the most scrutinized data points of the week.

Municipal bond supply stayed very manageable with less than \$5bln coming to market. The \$128mln (Aaa/AAA) Commonwealth of Virginia general obligation loan provided a solid test of high grade demand. The deal came at prices higher than the MMD AAA benchmark scale, which was adjusted accordingly. The appetite for traditional Muni debt remains strong. Total year-to-date issuance is roughly 32% below where we were this time last year. California has issued 55% less debt, while New York has issued 28% less debt versus this time last year. As the two largest states for Municipal issuance, that accounts for a meaningful portion of the decline. Unsurprisingly, the deals that issuers from those states have brought to market have fared extremely well. Assuming the supply drought continues, this should be a significant factor in 2014 that helps prop up Muni performance relative to US Treasuries. It should also serve as a significant burden to investors seeking Municipal bonds in which to invest. And next week looks like more of the same. We expect less than \$4bln in new debt next week while The Bond Buyer 30-day visible is holding in the \$6-7bln range. Current Muni appetite will have no problem digesting that calendar. Lipper did report Muni bond fund outflows for the first time in several weeks. And while Yellen's comments likely made some bond investors a bit nervous, the divestitures are likely more related to tax season sales than fear of the fixed income space. Furthermore, the primary market told a very different tale as participants scrambled for the debt that was available. We suspect the outflows will subside after Tax Day, barring a dramatic improvement in data between now and then.

Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni	Min  Max	0 YRS  5 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable	Min  Max	0 YRS  5 YRS	Prefer Corporates and Taxable Munis
Intermediate Muni	Min  Max	0 YRS  17 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Intermediate Taxable	Min  Max	0 YRS  12 YRS	Prefer Corporates and Taxable Munis
Tactical Muni ETF	Min  Max		Slight Overweight to CA
Core Plus ETF	Min  Max		Slight Overweight to Corporates
Tactical Opportunity ETF	Min  Max		Overweight Taxables to Munis

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.39	0.00	0.39	87%
5 Year	1.31	0.04	1.27	75%
10 Year	2.47	-0.05	2.52	91%
30 Year	3.63	-0.10	3.73	103%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.45	0.04	0.41
5 Year	1.74	0.04	1.70
10 Year	2.71	-0.03	2.74
30 Year	3.54	-0.06	3.60

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$2.90	\$3.74
Competitive	\$0.77	\$0.80
TOTAL	\$3.67	\$4.54

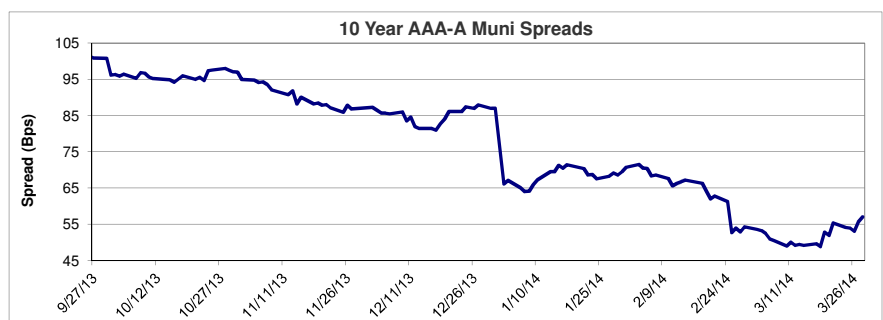
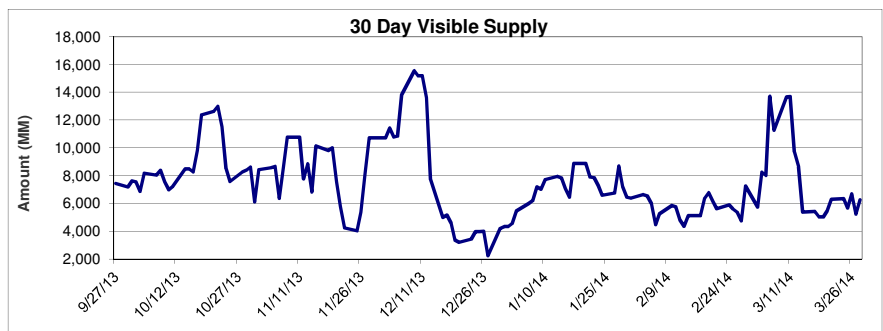
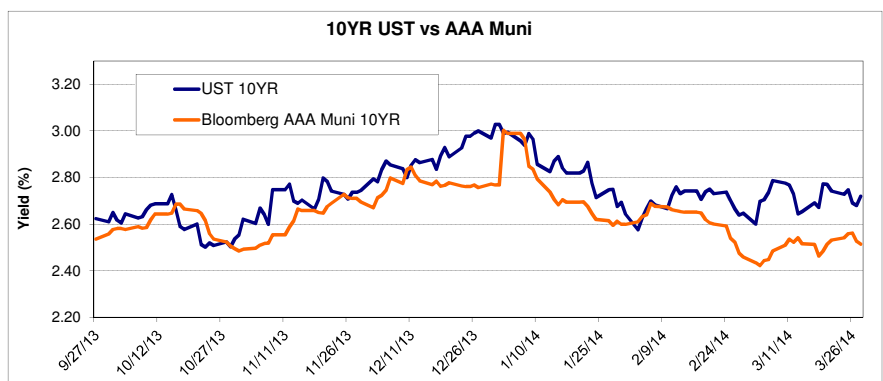
Municipal 30 Day Visible Supply (\$ Bln)	\$6.28	\$6.29
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Bloomberg Muni PICK Offerings (\$ Bln)	\$15.25	\$13.19
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Bond Buyer 20 Municipal G.O. Index	4.43%	4.51%
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Select Economic Releases

Date	Event	Period	Survey	Prior
3/31	Chicago Purchasing Manager	Mar	59.00	59.80
4/1	Markit US Manufacturing PMI	Mar F	56.00	55.50
4/1	ISM Manufacturing	Mar	54.00	53.20
4/2	MBA Mortgage Applications	28-Mar	--	-3.50%
4/2	ADP Employment Change	Mar	190K	139K
4/2	Factory Orders	Feb	1.20%	-0.70%
4/3	Initial Jobless Claims	29-Mar	319K	311K
4/4	Change in Nonfarm Payrolls	Mar	197K	175K
4/4	Unemployment Rate	Mar	6.60%	6.70%



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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