












## Trading Desk Commentary

It would have been reasonable to expect that a Jobs number close to 290K would have immediately sent Treasury market participants scrambling to lighten positions and push yields higher. This was not the case on Friday however, as yields on the 10YR Treasury remained relatively unchanged, signaling that the market was skeptical of the release. The biggest damper came earlier in the week in the form of the softer than anticipated 1Q '14 GDP release. At 0.1% growth, GDP printed at its lowest level since Q4 '12, and only saw a positive contribution from the personal consumption component of the equation. Many were quick to point out that revisions on the advance prints of GDP are often significant and that we could see the growth number move higher or lower over the next several months. This uncertainty could not stop the market from bidding up US Treasury prices in light of the data actually in hand, and, consequently, yields moved lower throughout the second half of the week. The Fed's statement release on Wednesday proved to be a non-event for the market. The central bank leaders continued with the expected pace of tapering, now buying \$45Bln of US Treasury and Mortgage Backed securities per month, and they did little to change the rhetoric from their prior statement. We continue to favor a neutral duration positioning for our client portfolios given the mixed signals seen in economic indicators and the continuing geopolitical uncertainty surrounding Ukraine.

Municipal market participants were once again faced with only mediocre supply on the week, as approximately \$5Bln was priced and only \$4Bln expected for the upcoming week. This - coupled with the continued inflows seen from municipal mutual funds - has helped perpetuate the firm tone seen across the tax-exempt space. This has been especially true in higher rated loans that continue to be a favorite of retail investors. And in Puerto Rico news, Governor Padilla released a new budget plan for the Commonwealth, one that would not use future debt sales to fund deficits and that seeks to transform the economy and demographics by 2018. While this seems like a tall order for the embattled island, the news did send Puerto Rico debt trading to higher prices. We continue to see the volatility and risks associated with the name beyond that of what is prudent for our clients but can easily understand why certain investors continue to seek and trade the debt.

## 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		Slight Overweight Munis to Taxables

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.36	0.01	0.35	86%
5 Year	1.26	0.07	1.19	76%
10 Year	2.29	0.02	2.27	89%
30 Year	3.44	-0.02	3.46	102%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.42	-0.01	0.43
5 Year	1.66	-0.07	1.73
10 Year	2.58	-0.09	2.67
30 Year	3.36	-0.08	3.44

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$2.66	\$2.01
Competitive	\$0.80	\$2.85
<b>TOTAL</b>	<b>\$3.46</b>	<b>\$4.86</b>

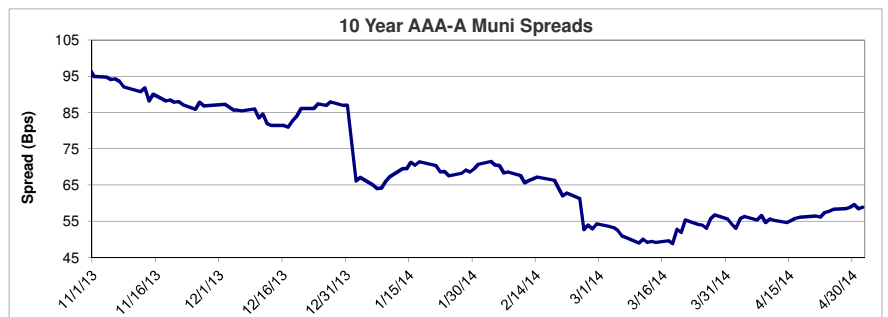
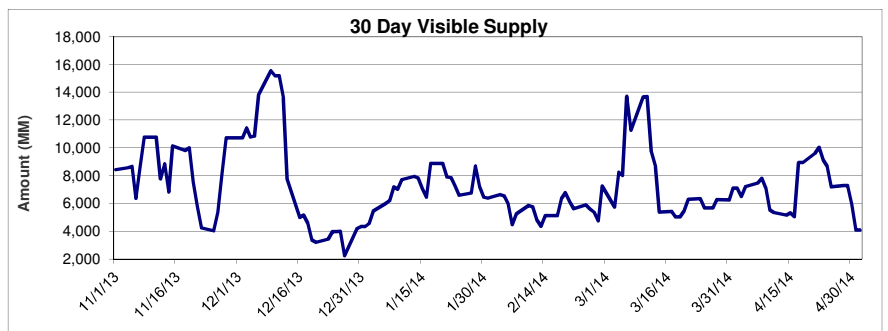
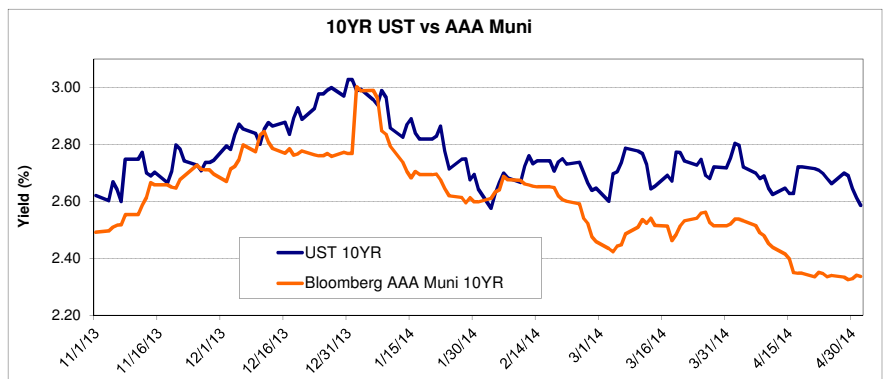
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$4.09</b>	<b>\$7.19</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$11.19</b>	<b>\$12.33</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>4.33%</b>	<b>4.33%</b>
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## Select Economic Releases

Date	Event	Period	Survey	Prior
5/5	Markit US Services PMI	Apr F	54.50	54.20
5/5	ISM Non-Manf. Composite	Apr	54.00	53.10
5/6	Trade Balance	Mar	-\$40.2B	-\$42.3B
5/7	MBA Mortgage Applications	2-May	--	-5.90%
5/8	Initial Jobless Claims	3-May	325K	344K
5/8	Continuing Claims	26-Apr	2755K	2771K
5/9	Wholesale Inventories MoM	Mar	0.50%	0.50%



**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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