












Trading Desk Commentary

Compared to last week's data blitz, this week's economic release schedule felt very sluggish. The market was able to catch its breath after a much more volatile ride in the week prior. Comments from the Fed supported the notion that it was as fully committed to low rates as ever and reaffirmed that tapering should ride off into the sunset this October as planned. In some ways, the Fed seems likely to be able to have its cake and eat it too: as their participation in US markets declines, disappointing economic activity in the US is helping to suppress rates organically. Plus, the geopolitical landscape remains worrisome with Ukraine and Russia continuing to test each other's patience. Significant progress in Russia and Ukraine toward an accord would release the pressure valve, and is probably worth 10-15 basis points in the 10-Year US Treasury at this point. However, it is tough envisioning a scenario where Putin gets bored with his pursuits on his western border. Together, these factors are prolonging the demand for haven assets. Accordingly, we remain neutral to our benchmarks and are anticipating more of the same sideways momentum. There is very little on the horizon that would point to a meaningful change in market sentiment. It is worth noting, however, that we are sitting close to the bottom (top, from a price perspective) of the US Treasury trading channel that we have been in for four months. This shorter term range (for the UST 10) runs from roughly 2.60% to 2.80% -- currently trading at 2.62%. Zoom out to a 12-month picture and this range looks like more of a range-within-a-range established last June that spans between 2.50% to 3.00%. To break through 2.60% and test that 2.50% spot would probably require something like a serious escalation in Ukraine or a dismal revision to last week's first look at Q1 GDP. It is easier to picture a scenario where yields migrate upwards toward the middle of the shorter-term trading range, but we don't believe traders will muster the confidence to break out above the 2.80% mark in the very near-term.

So how does this apply to Munis? The expected stable rate environment plays right into the hands of a constructive tax-exempt outlook. The Bond Buyer's 30-day visible supply is just a hair above \$8bln (read: not intimidating). Supply for next week alone is around \$5bln, which will be spread out among numerous sub-\$500mln deals. Goldman will bring the only particularly large deal – a \$1bln (A3/A+/A) New Jersey Turnpike Authority revenue loan that will be concentrated in longer maturities. After that, average deal size falls off of a cliff. A wide array of sectors and geographic locations are represented in the deal slate, which should give us plenty to sift through to invest our new accounts. Barring a shock to the US Treasury market, we expect next week's deals will incite a great deal of interest, as they have for most of 2014. Ratios have widened a touch and are more palatable than they were a few weeks ago. This also should give tax-exempts a better cushion from US Treasury movements – though US Treasuries should continue to drive Munis far more than fundamentals specific to the sector.

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	0.32	-0.04	0.36	84%
5 Year	1.22	-0.04	1.26	75%
10 Year	2.26	-0.03	2.29	86%
30 Year	3.35	-0.09	3.44	97%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.38	-0.04	0.42
5 Year	1.62	-0.04	1.66
10 Year	2.62	0.04	2.58
30 Year	3.46	0.10	3.36

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$3.86	\$2.66
Competitive	\$1.05	\$0.80
TOTAL	\$4.91	\$3.46

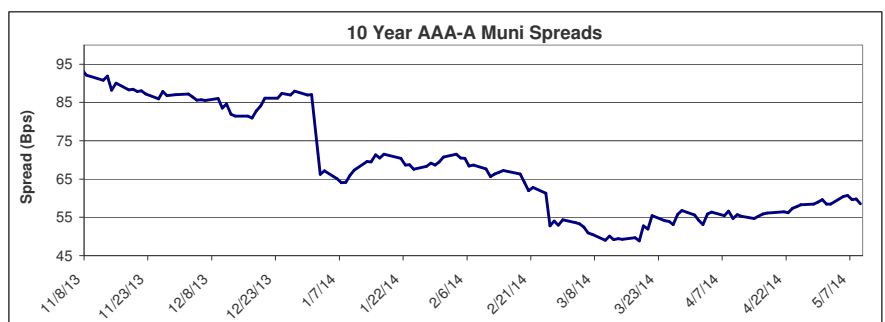
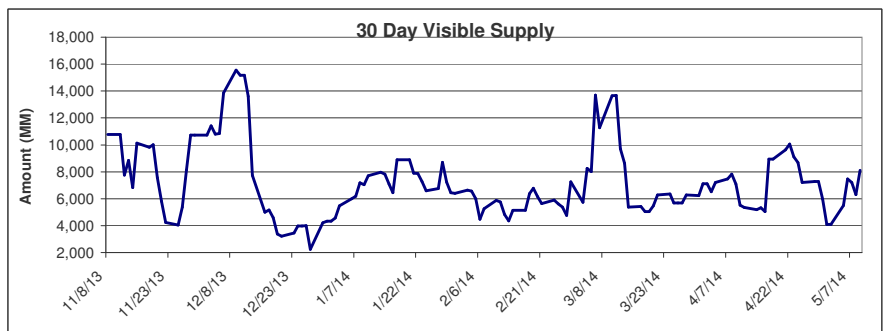
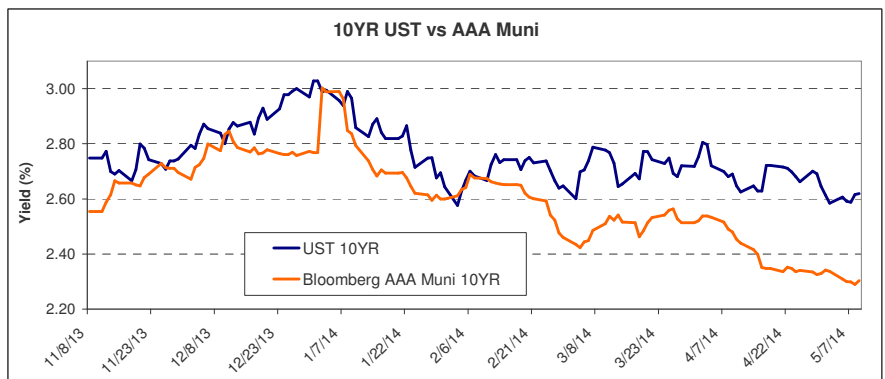
Municipal 30 Day Visible Supply (\$ Bln)	\$8.12	\$4.09
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Bloomberg Muni PICK Offerings (\$ Bln)	\$12.43	\$11.19
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Bond Buyer 20 Municipal G.O. Index	4.31%	4.33%
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Select Economic Releases

Date	Event	Period	Survey	Prior
5/13	Retail Sales Advance MoM	Apr	0.40%	1.10%
5/13	Import Price Index MoM	Apr	0.30%	0.60%
5/14	MBA Mortgage Applications	9-May	--	5.30%
5/14	PPI Final Demand MoM	Apr	0.20%	0.50%
5/15	Initial Jobless Claims	10-May	320K	319K
5/15	CPI MoM	Apr	0.30%	0.20%
5/15	Empire Manufacturing	May	6.00	1.29
5/15	Industrial Production MoM	Apr	0.00%	0.70%
5/15	Philadelphia Fed	May	14.10	16.60
5/16	Housing Starts	Apr	981K	946K
5/16	Univ. of Michigan Confidence	May P	84.50	84.10



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.

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Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this piece, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion of information contained in this piece serves as the receipt of, or as a substitute for, personalized advice from Caprin Asset Management. To the extent that a reader has any questions regarding the applicability to their situation of any specific issue discussed above, they are encouraged to consult with the professional advisor of their choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request.