












## Trading Desk Commentary

- US Treasuries moved sharply higher on the week as a rally in crude oil and a stronger than anticipated jobs report led market participants to push forward their anticipated timing of a Fed rate lift-off.
- 2, 5, and 10 Year US Treasuries saw yields move higher by .19%, .33%, and .31% (basis points) respectively. With the 2 Year Treasury experiencing its largest weekly increase in yield since early 2011, and the 10 Year since June of 2013.
- Crude oil finished the week at \$51 per barrel, up almost 8% over the 5 day period and capping off a two week rally that has not been matched since the late '90's. The rally has been sparked by announcements from major oil producers that they will defer new investments in production. Oil field services company, Baker Hughes, also echoed this sentiment as it released data showing that rig count has now declined to a 3 year low.
- Friday's Nonfarm payroll report for January came in at +257K (+228K estimate) and again showed above trend growth in the jobs market. It was the November and December revisions though that really knocked the cover off the ball. November was revised to +423K, a level not seen since 1997 (excluding census hire years).
- This exceptionally strong run of jobs data will certainly have Fed governors discussing a possible June rate hike. However, we continue to believe that this will likely result in a flattening of the yield curve as opposed to a parallel shift higher in rates. Low inflation, international growth malaise, and depressed sovereign yields remain supportive to intermediate and longer term yields for the time being.

## MUNIS

- Municipal market participants could not escape the move higher in yields led by US Treasuries, but certainly fared better. The front end of the curve remained flat in 2 years, while 5 and 10 year maturities were .06%, and .23% (basis points) higher on the week.
- Many new issue deals saw their prices cut (yields increased) during the week to keep up with the general movement in rates but the buyer base seemed to remain committed. Municipal bond funds reported another strong week with approximately \$850MM being added by investors.
- Supply remains manageable next week with approx \$6.7Bln in new loans set to price. YTD issuance continues to run significantly higher than in years past, but given that ratios past 10 years remain attractive (+100% of US Treasuries) we believe investors will continue to demand the tax efficient income. Especially, as a rude reminder in April rolls around the corner.

## 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		Overweight to CA
Core Plus ETF	Min  Max		Slight Overweight to Corporates
Tactical Opportunity ETF	Min  Max		Overweight Munis to Taxables

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.41	0.00	0.41	64%
5 Year	1.00	0.06	0.94	68%
10 Year	1.95	0.23	1.72	100%
30 Year	2.75	0.25	2.50	109%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.64	0.19	0.45
5 Year	1.48	0.33	1.15
10 Year	1.95	0.31	1.64
30 Year	2.52	0.30	2.22

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$5.06	\$6.24
Competitive	\$1.71	\$2.74
<b>TOTAL</b>	<b>\$6.77</b>	<b>\$8.98</b>

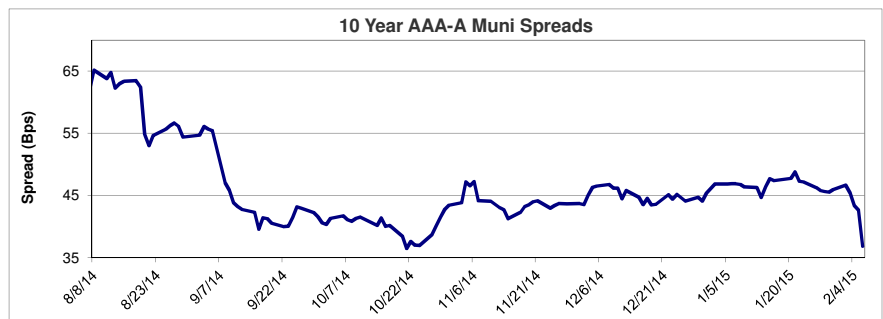
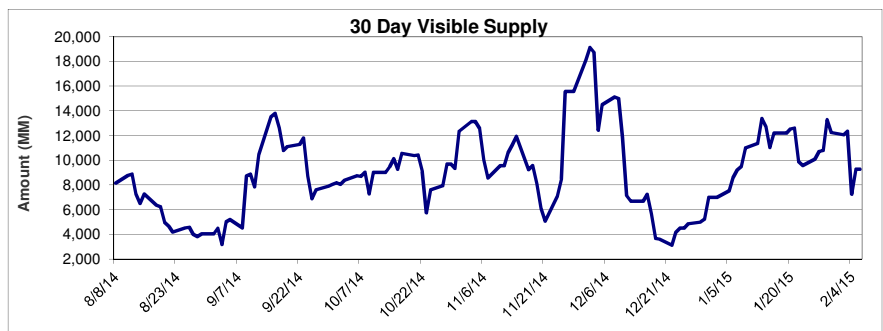
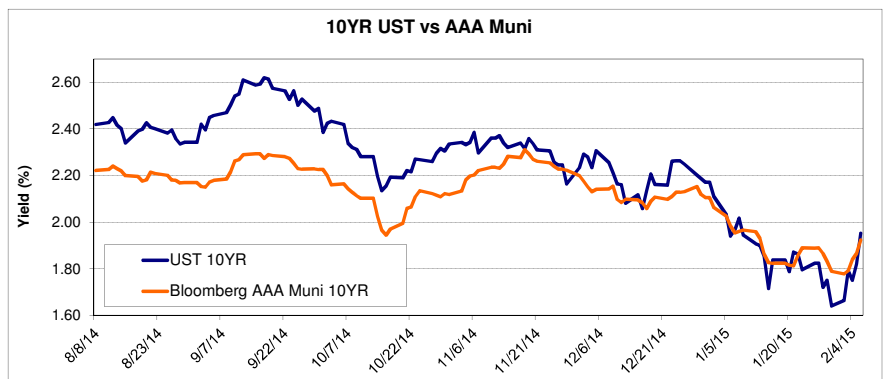
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$9.28</b>	<b>\$12.24</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$14.03</b>	<b>\$13.68</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.49%</b>	<b>3.36%</b>
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## Select Economic Releases

Date	Event	Period	Survey	Prior
2/10	Wholesale Inventories MoM	Dec	0.20%	0.80%
2/11	MBA Mortgage Applications	6-Feb	--	1.30%
2/11	Monthly Budget Statement	Jan	-\$18.0B	--
2/12	Initial Jobless Claims	7-Feb	288K	278K
2/12	Retail Sales Advance MoM	Jan	-0.50%	-0.90%
2/13	Import Price Index MoM	Jan	-3.30%	-2.50%
2/13	U. of Mich. Sentiment	Feb P	98.20	98.10



**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.

**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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