

## Trading Desk Commentary

- Treasury market participants endured yet another week of pronounced volatility as the Greek bailout negotiations and Federal Reserve minutes took center stage.
- The 10 Year US Treasury ended the week approximately .06% (basis points) higher as a last minute provisional ECB loan package for the Greek government was agreed upon.
- The loan will only provide about 4 months of funding to the debt stricken country and will still require Greece to submit a list of budgetary reforms to the ECB for approval early in the week. Given that many of the austerity measures from the previous loan will stay in place, the ruling Syriza party may again call into question the resolve of its leadership.
- Despite the appearance of a loan package for Greece that does little more than kick the can down the road, equity markets took the news and ran. The Dow and S&P, both of which had traded in narrow ranges on the week, pushed to new, all-time highs as participants gained comfort that a Euro meltdown was not imminent.
- Earlier in the week the Federal Reserve minutes muddied the waters a bit as they showed the committee's continued concern regarding the economic impact of raising the target rate too soon, with additional attention being paid to international instability.
- We continue to believe that, even if the Fed does raise the target rate in '15, a combination of persistently low inflation, lackluster domestic growth, and European malaise will weigh on longer-term interest rates resulting in a more pronounced flattening of the yield curve.

## MUNIS

- Munis outperformed their taxable counterparts on the week moving higher by only 1 to 3 basis points (.01-.03%) from 2 to 10 years.
- Despite recent volatility, buyer demand was still present in the week's largest pricing of approximately \$500mm (Aa2/AA+) New York Muni Waters with many maturities being bumped (yields lowered) throughout the order period.
- Supply is expected to tick up for the coming week with approximately \$9bln in new deals set to price. This - on the heels of a less than impressive \$59mm inflow from mutual funds on the week - may add additional spread pressure to the asset class.
- We continue to see value in the intermediate portion of the Muni curve as it may be less susceptible to both Fed driven volatility in the front end and the undo duration risk associated with longer securities. With absolute yields on AAA Munis back above 2.00%, and spreads starting to look a little more enticing, this may prove to be a reasonable buying opportunity for investors.

## Caprin Strategy Summary

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

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.44	0.01	0.43	70%
5 Year	1.16	0.03	1.13	73%
10 Year	2.08	0.03	2.05	99%
30 Year	2.88	0.01	2.87	106%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.63	-0.01	0.64
5 Year	1.59	0.05	1.54
10 Year	2.11	0.06	2.05
30 Year	2.71	0.07	2.64

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$6.63	\$3.35
Competitive	\$1.75	\$1.13
<b>TOTAL</b>	<b>\$8.38</b>	<b>\$4.48</b>

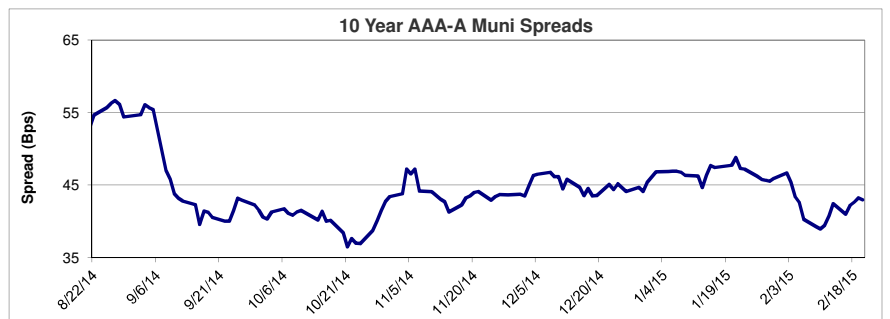
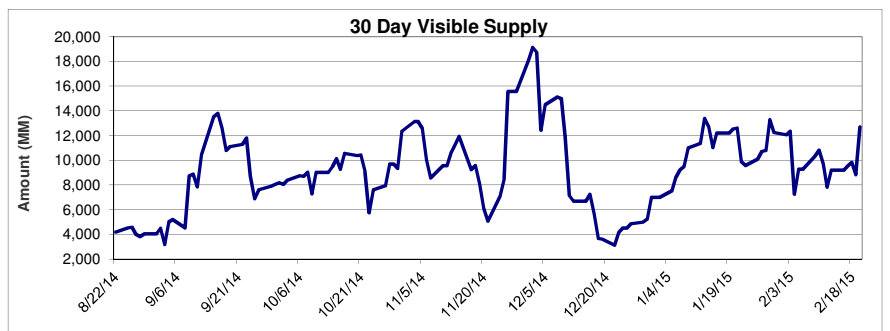
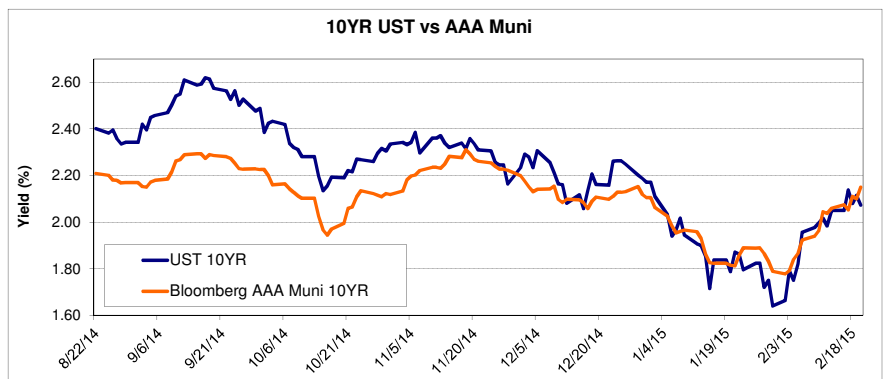
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$12.69</b>	<b>\$9.19</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$13.75</b>	<b>\$13.44</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.62%</b>	<b>3.60%</b>
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## Select Economic Releases

Date	Event	Period	Survey	Prior
2/23	Existing Home Sales	Jan	4.95M	5.04M
2/24	Consumer Confidence Index	Feb	99.50	102.90
2/25	MBA Mortgage Applications	20-Feb	--	-13.20%
2/25	New Home Sales	Jan	470K	481K
2/26	Initial Jobless Claims	21-Feb	290K	283K
2/26	CPI MoM	Jan	-0.60%	-0.40%
2/26	Durable Goods Orders	Jan	1.70%	-3.40%
2/27	GDP Annualized QoQ	4Q S	2.10%	2.60%
2/27	GDP Price Index	4Q S	0.00%	0.00%
2/27	Chicago Purchasing Manager	Feb	58.00	59.40
2/27	U. of Mich. Sentiment	Feb F	94.00	93.60



**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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