

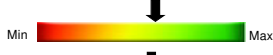

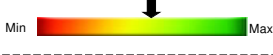

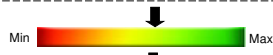

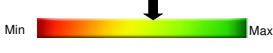

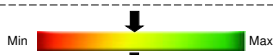

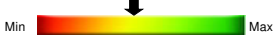
## Trading Desk Commentary

- US Treasury yields moved sharply higher on the week as many market participants raised expectations for a possible June Fed "lift-off". The recent curve flattening trend fell to selling pressure as longer duration assets bore the brunt of the move with the 10 and 30 Year Treasury rising by approximately 25Bps (.25%).
- Selling pressure was greatest after Friday's stronger than anticipated Nonfarm Payrolls release showing 295K (230K survey) jobs were added during February. Additionally, unemployment fell to 5.5%, a level not seen since 2008. The now multi-month trend of strong jobs growth is certainly supportive for possible Fed action in the coming months, but there are still many factors that the Central Bank will need to consider before beginning rate normalization.
- Of particular importance is the ever strengthening U.S Dollar and the precipitous plunge of the Euro (now at 10 year lows). This trend will likely be in play for the foreseeable future as the ECB should start its \$1.1 Trillion bond buying program this Monday. This already sizable currency mismatch and continued low inflation environment will again have Fed governors debating over the true cost/benefit of taking rates off of their 0% floor.
- We continue to believe that a possible Federal Funds increase later this year will not send long term yields substantially higher. However, we do recognize that becoming more defensive from a duration standpoint given the recent sentiment change is prudent given our mandate of capital preservation. Starting measured steps now should prove beneficial in the event of an upside surprise in yields, but not to the point where meaningful income is sacrificed.

## MUNIS

- Municipals continue to be plagued with elevated supply as issuers rush to get deals priced before a potential Fed move. For the coming week approximately \$13.5Bln in new supply is set to be sold, a level rarely seen for the asset class. Despite all of this, Munis significantly outperformed their taxable counterparts this week, moving higher in the 10 Year portion of the curve by 15Bps (vs 25Bps in UST's). Additionally, Muni mutual funds again posted inflows of approximately \$570mm on the week.
- California will lead the way on the week with approximately \$2Bln in (Aa2/AA) Regents of the University of California Revenue loan, followed by a \$750mm (Aa2/AA) New York City GO deal. Given the recent glut of new deals, we are beginning to see unsold balances build. As such, buying opportunities are likely to emerge in the near term as offers should cheapen to make room for the next round of deals.

## Caprin Strategy Summary

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

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.53	0.09	0.44	69%
5 Year	1.40	0.21	1.19	81%
10 Year	2.17	0.15	2.02	94%
30 Year	3.02	0.15	2.87	106%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.77	0.10	0.67
5 Year	1.73	0.21	1.52
10 Year	2.30	0.25	2.05
30 Year	2.85	0.24	2.61

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$10.40	\$5.98
Competitive	\$2.70	\$1.96
<b>TOTAL</b>	<b>\$13.10</b>	<b>\$7.94</b>

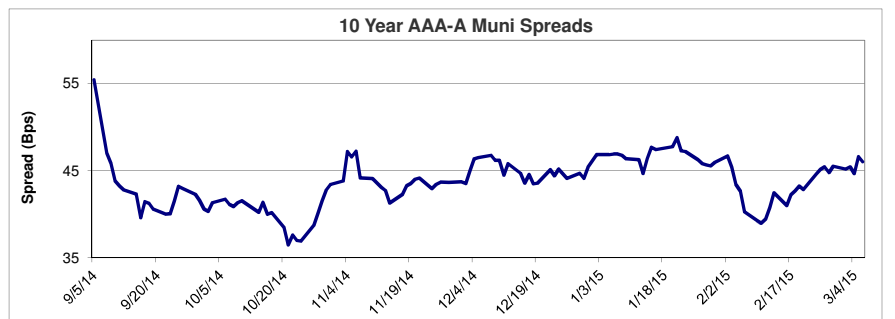
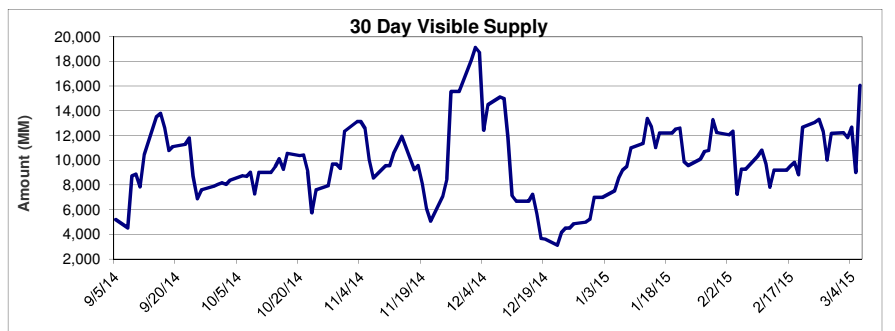
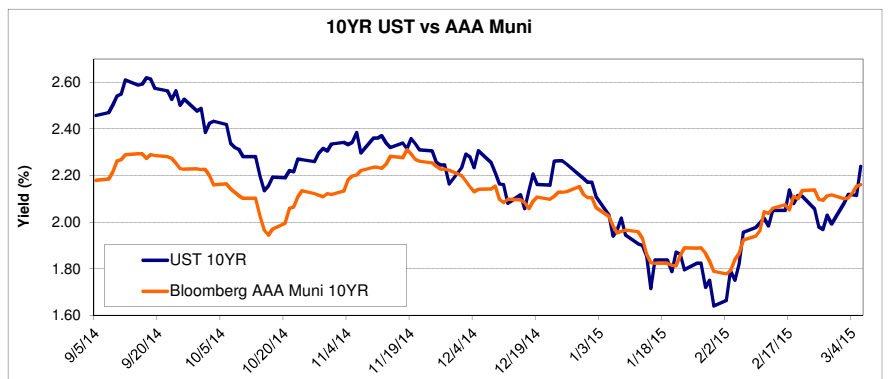
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$16.04</b>	<b>\$12.16</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$14.10</b>	<b>\$14.08</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.68%</b>	<b>3.62%</b>
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## Select Economic Releases

Date	Event	Period	Survey	Prior
3/10	Wholesale Inventories MoM	Jan	-0.10%	0.10%
3/11	MBA Mortgage Applications	6-Mar	--	0.10%
3/11	Monthly Budget Statement	Feb	-\$187.0B	--
3/12	Initial Jobless Claims	7-Mar	305K	320K
3/12	Retail Sales Advance MoM	Feb	0.40%	-0.80%
3/12	Import Price Index MoM	Feb	0.20%	-2.80%
3/13	PPI Final Demand MoM	Feb	0.30%	-0.80%
3/13	U. of Mich. Sentiment	Mar P	95.50	95.40



**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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