

Trading Desk Commentary

- Market participants were generally prepared for Wednesday's Federal Reserve announcement removing the now infamous "patient" language from their statement. However, what caught most off guard was the subsequent downgrade of the committee's assessment of near term inflation and end of year Federal Funds Rates.
- The now heavily scrutinized Fed Dot Plot showed that the median forecast for 2015 inflation declined by nearly half to 0.8%, a level well below the 2.00% run rate that the central bank has been shooting for since announcing the target in 2012. In addition, members cut their expected funds rate projections down to 0.63% by the end of the year and down to 1.88% by the end of 2016. Although now with the flexibility to increase rates as data dictates, the Fed once again showed a more dovish hand to the market.
- Post announcement, almost all asset classes seemed content to enjoy a little more time in this all-too-familiar rate environment. The 10 Year Treasury saw impressive price appreciation on the week as its yield moved lower by 19 Bps (.19%) and crossed through the important 2.00% psychological threshold to end at 1.92%. The June liftoff to the Fed's rate normalization path that had become an increasingly popular bet following the last round of exceptionally strong jobs data was quickly adjusted to show September as a more likely outcome.
- We continue to be deliberate in our duration positioning and try to avoid being caught in the ever-changing sentiment swings seen of late. We remain slightly long of benchmark and content that longer term US interest rates still face numerous headwinds in the form of low inflation, international economic malaise, and currency/yield disparities to name a few. One thing is for certain: rate volatility is unlikely to go away anytime soon!

MUNIS

- For the first time in a number of weeks, municipals were poised to compete with their taxable counterparts as the onslaught of new issue supply declined to a more digestible level. On the week the generic 10 Year AAA Municipal saw its yield move lower by 20 Bps (.20%) besting the US Treasury by a touch.
- The coming week again sees supply elevated over recent averages, but it remains at a level (~8.9Bln) that should be able to be distributed without causing meaningful disruption given recent underlying strength in fixed income. The unanswered question will be whether issuers ramp up refunding issuance once again to take advantage of last weeks rally.

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			Neutral Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.49	-0.04	0.53	84%
5 Year	1.21	-0.15	1.36	86%
10 Year	1.94	-0.20	2.14	101%
30 Year	2.76	-0.18	2.94	110%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.58	-0.08	0.66
5 Year	1.41	-0.17	1.58
10 Year	1.92	-0.19	2.11
30 Year	2.50	-0.20	2.70

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$6.33	\$6.34
Competitive	\$2.48	\$1.29
TOTAL	\$8.81	\$7.63

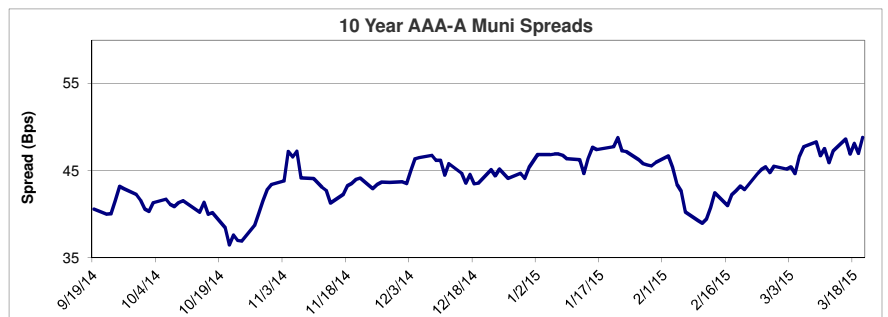
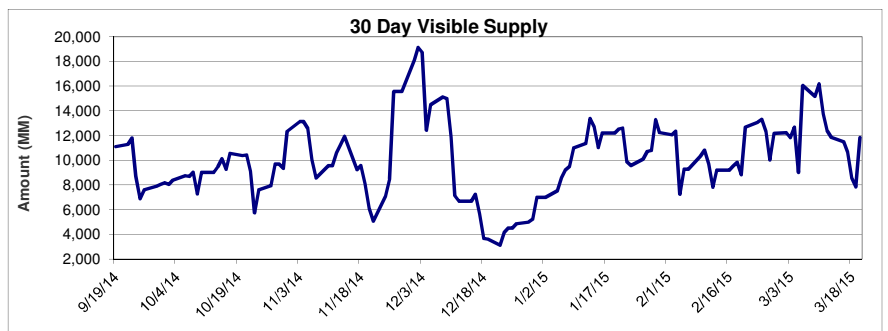
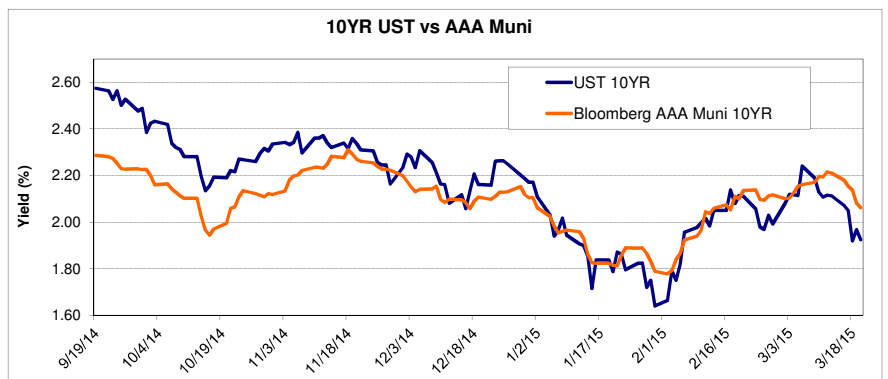
Municipal 30 Day Visible Supply (\$ Bln)	\$11.83	\$11.84
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Bloomberg Muni PICK Offerings (\$ Bln)	\$13.65	\$13.09
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Bond Buyer 20 Municipal G.O. Index	3.52%	3.62%
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Select Economic Releases

Date	Event	Period	Survey	Prior
3/23	Existing Home Sales	Feb	4.92M	4.82M
3/24	CPI MoM	Feb	0.20%	-0.70%
3/24	Markit US Manufacturing PMI	Mar P	54.60	55.10
3/24	New Home Sales	Feb	470K	481K
3/25	MBA Mortgage Applications	20-Mar	--	-3.90%
3/25	Durable Goods Orders	Feb	0.20%	2.80%
3/26	Initial Jobless Claims	21-Mar	290K	291K
3/27	GDP Annualized QoQ	4Q T	2.40%	2.20%
3/27	U. of Mich. Sentiment	Mar F	92.00	91.20



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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