



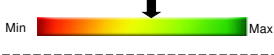

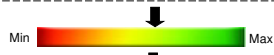

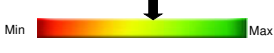

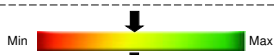

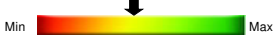
## Trading Desk Commentary

Prior to the highly anticipated Friday NFP print, the treasury sell off persisted early in the week with the ten year reaching as high as a 2.31%. The weakness was attributed more to the current European rates quandary than any significant changes in the underlying US macroeconomic health. This was confirmed by a jobs number Friday that came in a hair weaker but pretty well in line with estimates at 223K, survey 228K. Rambunctious treasury volatility was expected as trading volumes were low and there was chatter about some squaring up on books to be done before the announcement Friday. The trading ranges on the 10yr and 30yr were 2.08%-2.31% and 2.80%-3.03%, respectively. Although we feel it is unlikely at this point, some still believe that a June rate hike is on the table. With the voting members having a dovish tilt, we expect they will not hesitate to push back any tightening to late 2015 or even early 2016 if the soft economic data continues to hit the wires. A portion of market participants believe the fed does not want to surprise the markets with an unexpected hike to avoid another potential taper tantrum. Make no mistake, though, we believe that each move/statement put out by the fed is strategic, testing the waters and the complex mechanics behind how they will actually execute.

The muni market absorbed another heavy week of issuance (~\$9bln) following one of the smallest weeks of issuance so far in 2015. Some deals came at concessions in the first part of the week, but towards the end of the week, several higher-rated deals came with bumps to their scales. For the week, muni funds realized outflows of approximately \$211 million while rates also under performed the roller coaster Treasury moves as noted above. We heard of a couple deals being postponed due to market conditions, which is a relatively rare occurrence. The treasury sell off was not a source of inspiration as new issue scales were not particularly attractive and therefore was not a source of focus for us. We were, however, able to pick up some value from dealers who were cutting bonds to scale back inventories as the week progressed.

The major muni news of the week came out late Friday from Chicago. The Illinois Supreme Court has ruled that the State overstepped its boundaries by enacting law that reduced retirement benefits to state and local government employees and retirees. The state must now again try to tackle its \$111 billion deficit and figure out how to cover its employee retirement obligations. This will continue to put pressure on the state's fiscal situation and ratings. We will continue to follow this development and monitor how this ruling may impact other states' decisions to legally tackle their budget and pension shortfalls.

## 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	0.58	0.01	0.57	102%
5 Year	1.37	0.03	1.34	93%
10 Year	2.18	0.02	2.16	102%
30 Year	3.13	0.05	3.08	108%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.57	-0.02	0.59
5 Year	1.48	-0.02	1.50
10 Year	2.14	0.03	2.11
30 Year	2.90	0.08	2.82

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$6.42	\$5.70
Competitive	\$1.35	\$3.08
<b>TOTAL</b>	<b>\$7.77</b>	<b>\$8.78</b>

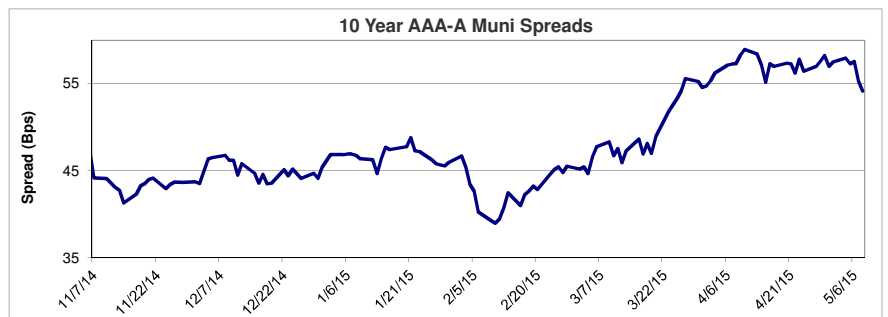
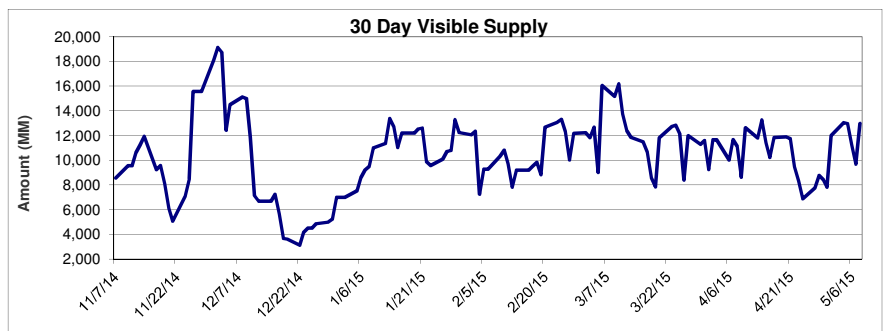
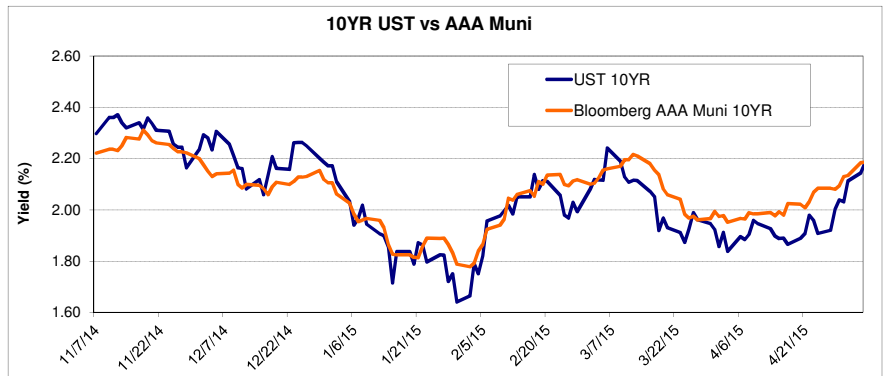
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$13.98</b>	<b>\$12.00</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$13.17</b>	<b>\$14.33</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.74%</b>	<b>3.62%</b>
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## Select Economic Releases

Date	Event	Period	Survey	Prior
5/12	Monthly Budget Statement	Apr	\$144.0B	\$106.9B
5/13	MBA Mortgage Applications	8-May	--	-4.60%
5/13	Retail Sales Advance MoM	Apr	0.20%	0.90%
5/13	Import Price Index MoM	Apr	0.30%	-0.30%
5/14	Initial Jobless Claims	9-May	270K	265K
5/14	PPI Final Demand MoM	Apr	0.10%	0.20%
5/15	Empire Manufacturing	May	5.00	-1.19
5/15	Industrial Production MoM	Apr	0.00%	-0.60%
5/15	U. of Mich. Sentiment	May P	96.00	95.90



**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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