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Leading up to Wednesday's release of the Fed minutes, better than expected economic releases forced Treasury prices lower and signaled a rebound for Q2 GDP. The data was highlighted by April's CPI release that showed consumer prices rose 0.4% during the month, the largest monthly increase in over 3 years. Housing starts and building permits also improved month over month, suggesting the housing recovery is continuing its slow trend of improvement. The price of oil rallied over the course of the week and traded as high as \$49/barrel on news that wildfires in Canada and outbreaks of violence in Nigeria were disrupting production. The Treasury sell-off intensified after the release of the Fed minutes Wednesday afternoon. We believe the market was largely surprised by the hawkish tone of the minutes. The release mentioned the word June six times and contained statements such as "it likely would be appropriate for the Committee to increase the target range for the federal funds rate in June". Market-implied probability of a June hike went from roughly 4% Monday to greater than 30% after the release. We think the market had become somewhat complacent, essentially writing off a June hike as indicated by the 4% probability prior to the release. However, we don't think the market should be surprised that the Fed would like to raise rates. They've been trying and talking about it since last year, and we've seen one 25 basis point increase. And, there is a difference in Fed speak and Fed actions as we have grown accustomed to. The Fed has told us they are data dependent, and the data, at this point, just doesn't seem like it's strong enough to support a June hike. Yes, we have seen some positive releases here and there, and the Fed can point to labor market improvement, but those jobs don't seem to be ones that are stimulating robust consumer spending which in turn would help push inflation higher. If the Fed has abandoned their data dependency mantra and are instead going to raise rates regardless, then they could be painting themselves into a very precarious corner. Hike in June before abundant strong data warrants, and they could be scrambling to cut later this year. We haven't even mentioned a potential Brexit (a week after the Fed decision in June), China's ongoing issues, negative interest rates globally, and slowing US corporate earnings, but you get the point. Don't hike in June after hawkish Fed speak, and credibility headlines will resurface. We ultimately think the Fed will hold steady in June, and we will gear up for the debate over hiking in July; perhaps this recent round of hawkish comments is the first step in telegraphing their next move, as they did last year.

The municipal market absorbed with relative ease one of the heaviest weeks of issuance. Many of the larger negotiated transactions were over-subscribed and received bumps to their respective scales. The \$1.2 billion transaction for La Guardia Airport was so heavily oversubscribed that it received bumps up to 17 basis points on some of the longer maturities. The competitive market remained hot, and many of the loans were bid aggressively. Inflows into muni funds continued to pour in, helping to digest the elevated weekly issuance. The demand for munis continues to push ratios down to multi-year lows and is driving credit spreads lower. Recent stories suggest that negative and low sovereign yields globally are making US municipals (especially taxable) attractive to foreign money, adding another group of investors chasing municipal paper. The next two weeks of issuance should be on the lighter side due to vacations around Memorial Day weekend, but several larger deals will get plenty of attention. For example, the State of Connecticut will bring a \$500 million general obligation transaction this coming week after being downgraded the prior week by S&P and Fitch. It will be interesting to see how much of the expected spread widening will be offset by the market's seemingly insatiable demand for bonds.

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	Slightly Shorter Positioning Given Volatility
Intermediate Muni		0 YRS  17 YRS	Neutral Positioning Given Global Weakness
Intermediate Taxable		0 YRS  12 YRS	Neutral Positioning Given Global Weakness
Tactical Muni ETF			Neutral Duration, Overweight to CA
Core Plus ETF			Neutral Duration, Overweight to Treasuries
Tactical Opportunity ETF			Neutral Duration, Neutral Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.67	0.04	0.63	76%
5 Year	1.02	0.09	0.93	75%
10 Year	1.63	0.09	1.54	89%
30 Year	2.43	0.01	2.42	92%

UST Rates			
2 Year	0.88	0.13	0.75
5 Year	1.36	0.16	1.21
10 Year	1.84	0.14	1.70
30 Year	2.63	0.08	2.55

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$5.31	\$8.83
Competitive	\$2.18	\$1.87
TOTAL	\$7.49	\$10.70

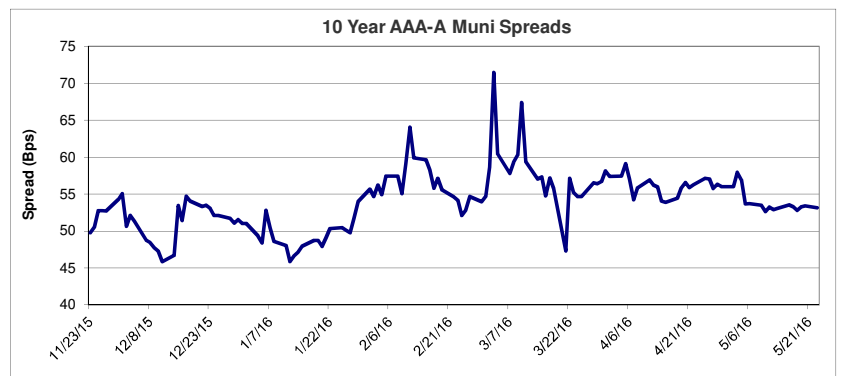
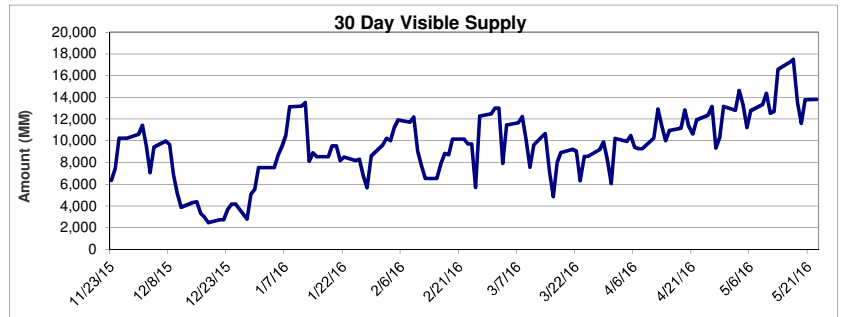
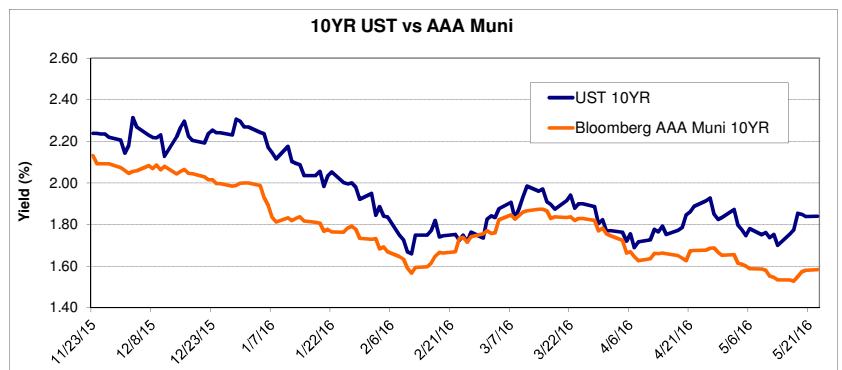
Municipal 30 Day Visible Supply (\$ Bln)	\$13.78	\$16.56
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Bloomberg Muni PICK Offerings (\$ Bln)	\$15.78	\$14.21
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Bond Buyer 20 Municipal G.O. Index	3.26%	3.32%
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Select Economic Releases

Date	Event	Period	Survey	Prior
5/23	Markit US Manufacturing PMI	May P	51	50.8
5/24	New Home Sales	Apr	522k	511k
5/24	Richmond Fed Manufact. Index	May	8	14
5/25	MBA Mortgage Applications	20-May	--	-1.60%
5/26	Initial Jobless Claims	21-May	275k	278k
5/26	Durable Goods Orders	Apr P	0.50%	0.80%
5/26	Pending Home Sales MoM	Apr	0.70%	1.40%
5/26	Durables Ex Transportation	Apr P	0.30%	-0.20%
5/27	GDP Annualized QoQ	1Q S	0.90%	0.50%
5/27	U. of Mich. Sentiment	May F	95.4	95.8
5/27	GDP Price Index	1Q S	0.70%	0.70%



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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