

## Trading Desk Commentary

Last week treasury yields drifted higher while the Dow broke 20k on Wednesday. Equities continue to ride the momentum from the Trump trade even in the face of the President's wave of executive orders. Trump is not shying away from the many promises he made on the campaign trail and is on pace to either have the most dynamic or most contentious (or both) first 100 days of any President in recent memory. Actual data will take a back seat as focus will remain on anything and everything coming out of the White House. On the data front, 4th quarter GDP came in at a feeble 1.9% vs. an expected 2.2. Personal consumption came in at 2.5% and was additive to overall growth, but the big detractor was the trade deficit, which shaved 1.7% off quarterly growth. For the year GDP rose just 1.6%, the weakest annual growth in five years. This week markets will have plenty to trade on outside of Trump. On Tuesday the Bank of Japan will meet, and there is talk, albeit not a lot of it, that the Bank could raise the target on their 10-year government bonds, which currently sits at 0%. On Wednesday the Fed meets, and, although there is little intrigue surrounding the meeting, we could see the dots adjusted higher since the Fed's outlook seems to be increasingly positive. To cap off the week, we will get January's Nonfarm payrolls number. Consensus estimates show that jobs grew by 175k in the first month of the year, any deviation could sway the markets as traders put added influence on the first big piece of data released each month.

Municipals had a quiet week overall. Fund flows reported another week of net inflows, although the pace has slowed considerably. Munis outperformed treasuries by a couple of basis points for the week, mostly due to firmness on Friday. Although ratios to treasuries are on the richer side, there still seems to be ample demand especially in the primary space as reinvestment cash needs to be put to work. Most transactions we followed were oversubscribed and well received by the market, which is impressive considering January issuance is well above average. Year-to-date over \$32 billion has come to market, while January typically averages about \$21 billion. This week a little over \$4 billion will be priced, which is on the lighter side. Two transactions will highlight the week: \$500 million for Oklahoma Turnpike Authority and \$330 million for New York City Municipal Water Authority. We expect the light primary calendar to be absorbed with ease and expect the market as a whole to remain firm as fund flows have stabilized and demand remains strong.

## 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	Maintain Conservative Maturity Positioning
Intermediate Taxable		0 YRS  12 YRS	Overweight to High Grade Corporates
Tactical Muni ETF			Slightly Shorter, Focus on Extension Risk
Core Plus ETF			Slightly Shorter, Slight Credit Overweight
Tactical Opportunity ETF			Slightly Shorter, Neutral Muni to Taxables

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	1.09	0.00	1.09	89%
5 Year	1.66	0.00	1.66	85%
10 Year	2.33	0.01	2.32	94%
30 Year	3.08	0.03	3.05	101%

UST Rates			
2 Year	1.22	0.03	1.19
5 Year	1.95	0.01	1.94
10 Year	2.48	0.02	2.47
30 Year	3.06	0.01	3.05

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$3.30	\$4.07
Competitive	\$0.70	\$2.14
<b>TOTAL</b>	<b>\$4.00</b>	<b>\$6.21</b>

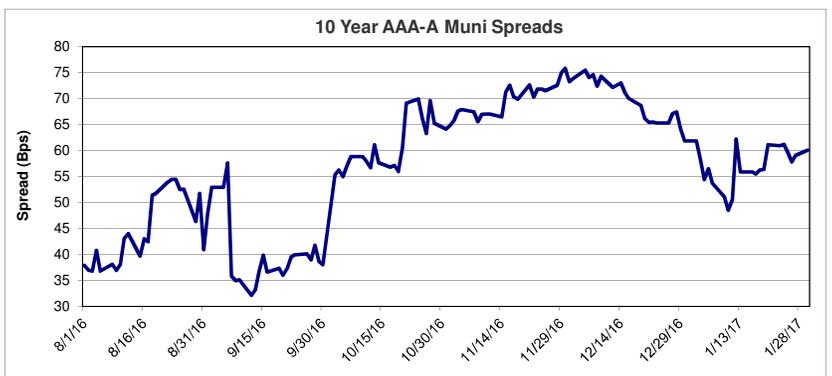
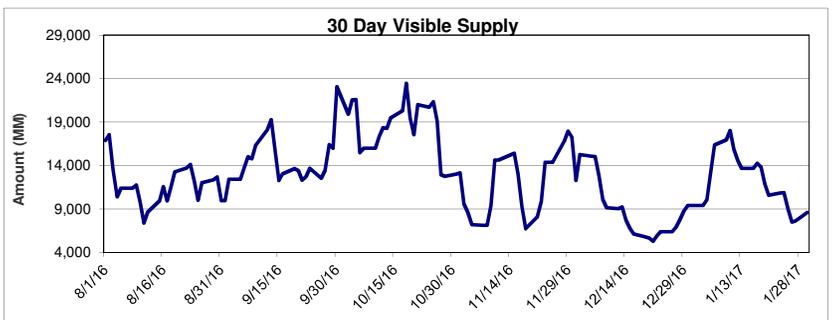
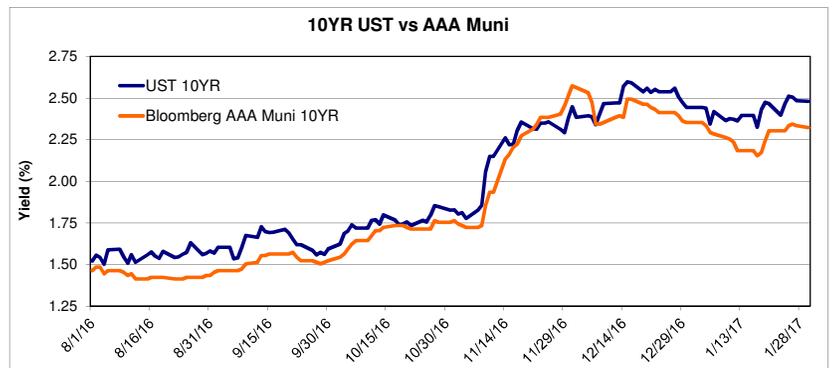
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$7.64</b>	<b>\$10.57</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$19.51</b>	<b>\$15.42</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.87%</b>	<b>3.83%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
1/30	Personal Income	Dec	0.40%	0.00%
1/31	Conf. Board Consumer Confidence	Jan	112.8	113.7
2/1	FOMC Rate Decision (Upper Bound)	1-Feb	0.75%	0.75%
2/1	ISM Manufacturing	Jan	55	54.7
2/1	MBA Mortgage Applications	27-Jan	--	4.00%
2/1	Markit US Manufacturing PMI	Jan F	55.1	55.1
2/2	Initial Jobless Claims	28-Jan	250k	259k
2/3	Change in Nonfarm Payrolls	Jan	175k	156k
2/3	Durable Goods Orders	Dec F	--	-0.40%
2/3	Unemployment Rate	Jan	4.70%	4.70%
2/3	Factory Orders	Dec	0.70%	-2.40%



**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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