












Trading Desk Commentary

Global benchmark rates were firmer on the week with US Treasuries leading the charge. Spurring the rally was a slightly more dovish FOMC statement and a jobs report containing a softer than expected average hourly earnings print. In the near-term we would anticipate participants' focus will likely move back to data and the uncertainty surrounding the FOMC's rate hikes, and less on the administration's reform measures that inevitably become entangled in the checks and balances of the American government. No concrete plan of action has been laid out yet on tax reform and or infrastructure spending, and investors are unlikely to see anything tangible until later this year as initial efforts seem to be focused on health, and immigration reform.

In municipal land it was a light new issuance week, below the \$8B average so far in 2017. Muni to treasury ratios along much of the curve remain below near-term averages, with the 5Y mark near 85%. Lipper reported approximately \$14M of inflows for Municipal funds, and ETF flows were flat to slightly positive. Munis have outperformed their taxable counterparts YTD with much of the performance coming from that 4-8 year portion of the curve as investors have aggressively sought to put year-end maturities and coupon payments back to work. Next week's muni calendar is shaping up to be promising in our footprint with a few issuers and names we don't see often. One in particular is the Piedmont Municipal Power Agency, which is bringing a small ~\$16M loan amortized over three maturities. This will be the issuer's first time to market since their upgrade by Moody's last year. Stay alert to messages coming out of the West Wing, but back to the data is the theme as we make our way through Q1.

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	1.06	-0.03	1.09	89%
5 Year	1.57	-0.09	1.66	82%
10 Year	2.30	-0.03	2.33	93%
30 Year	3.08	0.00	3.08	100%

UST Rates			
2 Year	1.20	-0.02	1.22
5 Year	1.91	-0.04	1.95
10 Year	2.46	-0.02	2.48
30 Year	3.09	0.03	3.06

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$5.68	\$3.30
Competitive	\$1.35	\$0.70
TOTAL	\$7.03	\$4.00

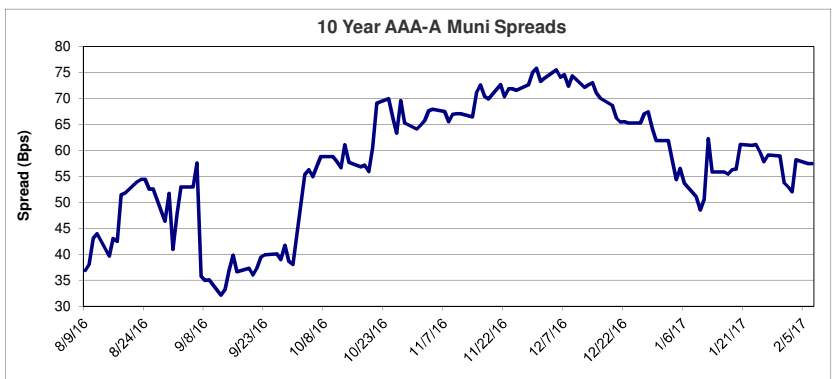
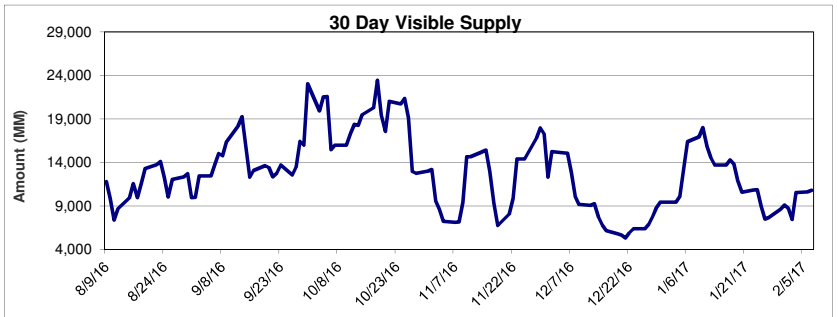
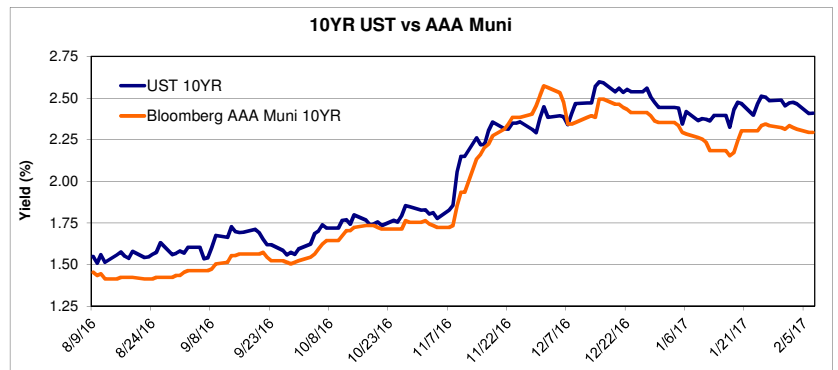
Municipal 30 Day Visible Supply (\$ Bln)	\$10.54	\$7.64
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Bloomberg Muni PICK Offerings (\$ Bln)	\$19.14	\$19.51
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Bond Buyer 20 Municipal G.O. Index	3.87%	3.87%
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Select Economic Releases

Date	Event	Period	Survey	Prior
2/7	Trade Balance	Dec	-\$45.0b	-\$45.2b
2/7	Consumer Credit	Dec	\$20.000b	\$24.532b
2/8	MBA Mortgage Applications	3-Feb	--	-3.20%
2/9	Initial Jobless Claims	4-Feb	249k	246k
2/9	Wholesale Inventories MoM	Dec F	1.00%	1.00%
2/9	Continuing Claims	28-Jan	2058k	2064k
2/9	Bloomberg Consumer Comfort	5-Feb	--	46.6
2/10	U. of Mich. Sentiment	Feb P	97.8	98.5
2/10	Import Price Index MoM	Jan	0.20%	0.40%
2/10	Monthly Budget Statement	Jan	\$43.0b	-\$27.5b
2/10	Import Price Index YoY	Jan	3.30%	1.80%



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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