

## Trading Desk Commentary

Treasuries rallied over the first couple of days last week only to give up gains Thursday and Friday. There was little in the way of economic releases, so trading was largely based off of comments from the President. On Thursday Trump made the announcement that a “phenomenal” tax reform plan would be unveiled within the next three weeks. The remark pushed stocks higher and bonds lower as markets once again anticipated that lower taxes would benefit consumers and corporations here in the U.S. and push inflation higher. We expect markets to remain somewhat impulsive as traders attempt to position themselves around substantial policy uncertainty. Greece has been creeping back into the news recently after Greek leaders held emergency talks with EU creditors, and there are reports that the bailout program granted to Greece back in 2015 is nearing a full blown crisis. Greece must unlock its next round of bailout funds prior to a large payment due this summer. In order to do so the country must be on track to produce a budget that provides for convincing surplus figures in the medium term which the Greeks argue are unreasonably high and unachievable. Couple the re-emergence of Greece in the news with elections in France, Germany, Italy, and the Netherlands, and the potential volatility in Europe this summer is substantial. Any populist upset victory in one or more of these countries could put increased pressure on the sustainability of the European Union.

Munis outperformed Treasuries in the front end of the curve but lost ground in the 10-yr and 30-yr spots, respectively. Additional funds flowed into the muni space last week, with Lipper reporting \$304 million of inflows compared to \$10 million of inflows in the prior week. The four-week moving average remained positive at \$200 million. Last week Trump revealed that the likely timeline for a repeal and replacement of the ACA would more than likely come in the first quarter of 2018. This gives near-term relief to those rural, single-system hospitals that would be most impacted under a repeal and replace scenario and grants them more time to explore ways to mitigate financial pressure under such a scenario. The calendar this week is on the lighter side as only \$6 billion will be priced, below the YTD average of \$7.7 billion. Demand in the primary remains strong; many competitive deals are seeing aggressive bidding, and the majority of negotiated loans are realizing huge oversubscriptions and subsequent bumps to scales. For example, the \$1 billion Salt Lake City Airport transaction saw certain maturities oversubscribed by 12x to 14x and bumped as much as 16 basis points and was priced well through where higher-rated airport credits have priced recently. Should rates remain range bound and fund flows remain positive, that type of demand should persist this week under light supply conditions.

## 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	1.02	-0.04	1.06	86%
5 Year	1.53	-0.04	1.57	81%
10 Year	2.30	0.00	2.30	96%
30 Year	3.07	-0.01	3.08	102%

UST Rates			
2 Year	1.19	-0.01	1.20
5 Year	1.89	-0.02	1.91
10 Year	2.41	-0.06	2.46
30 Year	3.01	-0.08	3.09

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$3.95	\$5.68
Competitive	\$1.44	\$1.35
<b>TOTAL</b>	<b>\$5.39</b>	<b>\$7.03</b>

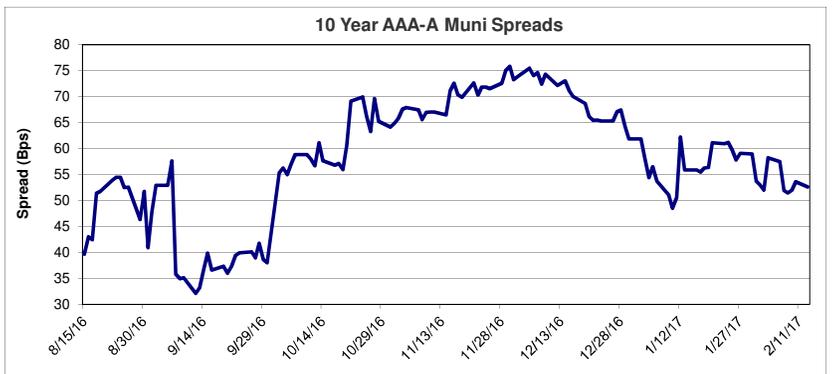
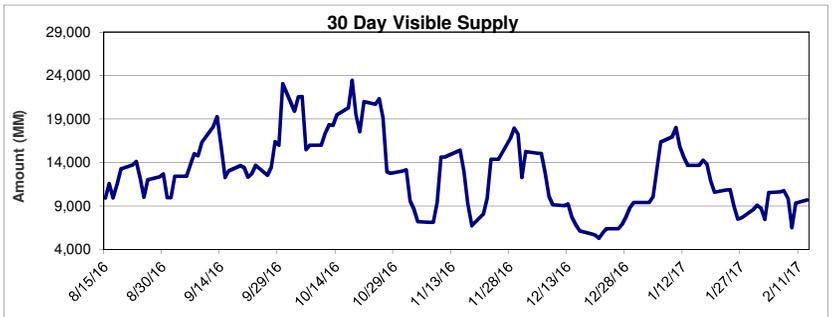
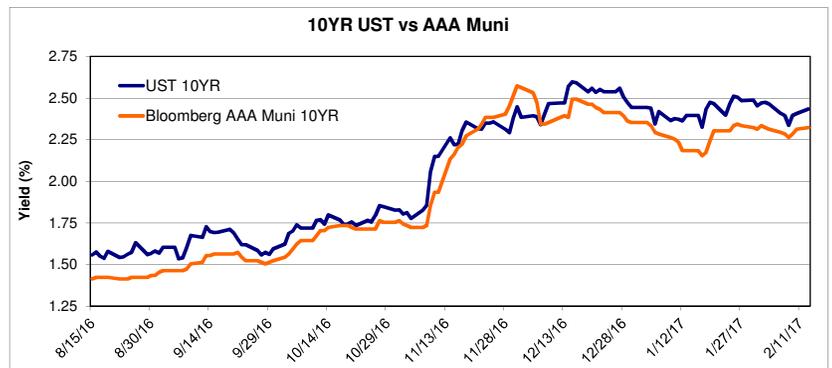
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$9.35</b>	<b>\$10.54</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$19.85</b>	<b>\$19.14</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.88%</b>	<b>3.87%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
2/14	PPI Final Demand MoM	Jan	0.30%	0.30%
2/15	CPI MoM	Jan	0.30%	0.30%
2/15	Retail Sales Advance MoM	Jan	0.10%	0.60%
2/15	MBA Mortgage Applications	10-Feb	--	2.30%
2/15	Industrial Production MoM	Jan	0.00%	0.80%
2/15	Empire Manufacturing	Feb	6.8	6.5
2/15	CPI Ex Food and Energy MoM	Jan	0.20%	0.20%
2/16	Initial Jobless Claims	11-Feb	245k	234k
2/16	Housing Starts	Jan	1226k	1226k
2/16	Philadelphia Fed Business Outlook	Feb	18	23.6
2/17	Leading Index	Jan	0.50%	0.50%



**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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