

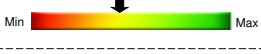







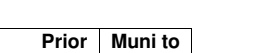


## Trading Desk Commentary

US Benchmark rates continue to trade range bound as markets are whipped around by FOMC jawboning and any significant economic data prints. Last week Chair Yellen gave her testimony to Congress, and as her words had a hawkish tilt, rates jumped immediately and trended softer for the duration of the two day event. With the positive CPI, PPI and retail sales prints that affirmed some fed speak, markets put a March hike back on the table with the current probability at about 35%. General sentiment among the street's analyst and strategy heads is that a March hike would still be a surprise and participants would be largely caught off guard. Macro event risk continues to be the focus for most as the market is faced in the near term with a wide spectrum of affairs from a French election that has the potential to destabilize the EU and the first 100 days of an unconventional US commander in chief. We continue to watch global sovereign bond spreads and encourage our readers to stay focused on data over noise and conjecture.

Municipals traded soft most of the week amidst choppy taxable trading, and we are starting to see mean reversion of the muni to treasury ratios in most key rates. The lighter supply backdrop to start the year that has reinforced continued weaker trading is likely due to the late year spike of issuance in Q4 of 16. Participants continue to wait for policy guidance from the White House as they strategize their next moves. We are seeing selling in the 13-17Y space, and ratios are cheapening up so far that the market may see some crossover buyers come in and firm up that portion of the curve. Ironically, we have a busy week on the new issue front in VA with almost \$200mm+ coming to market including a \$75mm+ VA Public School Authority loan and a \$30mm+ Albermarle County GO deal. Watch for a strong muni front end and a stabilization of longer dated secondary muni trading in the coming weeks.

## 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	1.03	0.01	1.02	87%
5 Year	1.57	0.04	1.53	83%
10 Year	2.37	0.07	2.30	98%
30 Year	3.11	0.04	3.07	103%

UST Rates			
2 Year	1.19	0.00	1.19
5 Year	1.90	0.01	1.89
10 Year	2.41	0.00	2.41
30 Year	3.02	0.01	3.01

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$2.20	\$3.95
Competitive	\$1.80	\$1.44
<b>TOTAL</b>	<b>\$4.00</b>	<b>\$5.39</b>

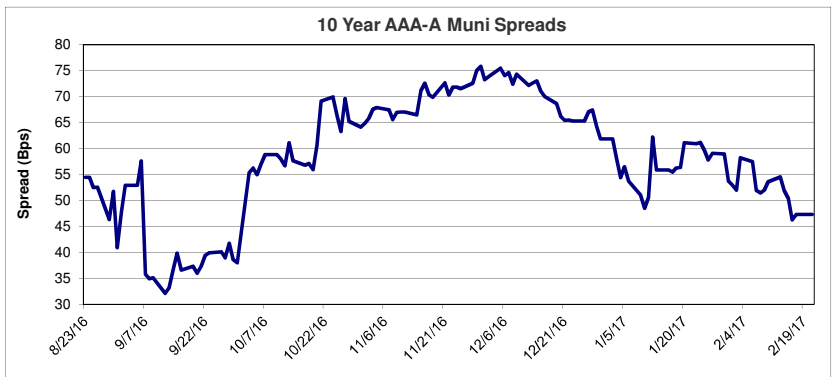
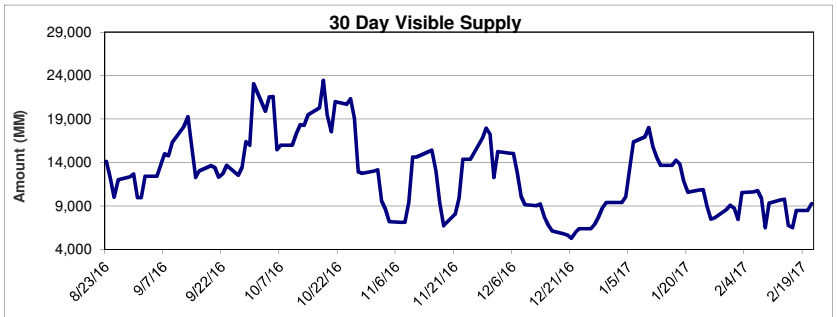
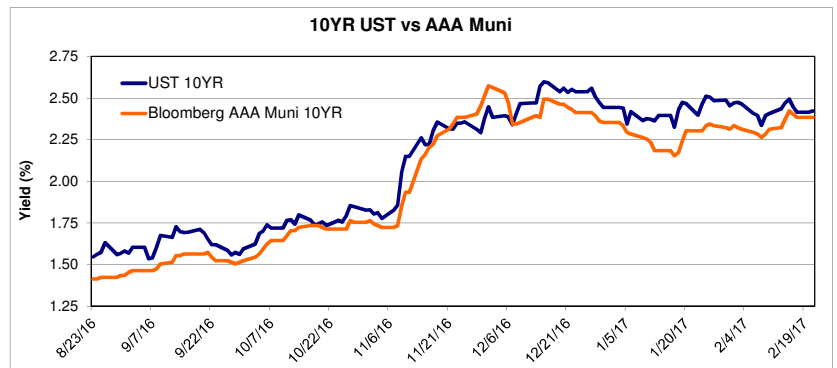
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$8.50</b>	<b>\$9.35</b>
---	---------------	---------------

<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$21.03</b>	<b>\$19.85</b>
---	----------------	----------------

<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.94%</b>	<b>3.88%</b>
---	--------------	--------------

### Select Economic Releases

Date	Event	Period	Survey	Prior
2/21	Markit US Manufacturing PMI	Feb P	55.4	55
2/21	Markit US Services PMI	Feb P	55.8	55.6
2/21	Markit US Composite PMI	Feb P	--	55.8
2/22	MBA Mortgage Applications	17-Feb	--	-3.70%
2/22	Existing Home Sales	Jan	5.55m	5.49m
2/23	Initial Jobless Claims	18-Feb	240k	239k
2/23	FHFA House Price Index MoM	Dec	0.50%	0.50%
2/23	Continuing Claims	11-Feb	2065k	2076k
2/23	Bloomberg Consumer Comfort	19-Feb	--	48.1
2/24	U. of Mich. Sentiment	Feb F	96	95.7
2/24	New Home Sales	Jan	573k	536k



**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.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this piece, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion of information contained in this piece serves as the receipt of, or as a substitute for, personalized advice from Caprin Asset Management. To the extent that a reader has any questions regarding the applicability to their situation of any specific issue discussed above, they are encouraged to consult with the professional advisor of their choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request.