












## Trading Desk Commentary

The Treasury market grinded to a halt toward the end of the week ahead of the vote on the Republican's controversial plan to repeal the ACA. As of this writing, the Republicans decided to pull the bill late Friday after President Trump gave Congress an ultimatum on Friday: either pass the reform as is or Obamacare stays. We'll have to see how the markets react - especially equities - when trading opens on Monday, but this could be viewed as a shot to President Trump's perceived ability to get his agenda passed in the Republican controlled House and Senate. In turn, it also has the potential to rattle markets, especially equities, which have enjoyed quite the rally since President Trump's election. Much of the equity rally was triggered by several pro-growth initiatives and comprehensive tax reform, all being enacted quickly. This hope purportedly ignited investors' animal spirits, which drove stocks higher and Treasury prices lower. The failure to pass healthcare reform as the first major agenda item is a significant blow the President. The Trump administration will attempt to get momentum back on its side quickly and shift focus to tax reform as the next major policy initiative. The timeline for President Trump's comprehensive overhaul for reform suggests it will be completed by August, which seems ambitious for such a complicated measure, especially considering specific details regarding the overhaul have been scarce. Should the Republican controlled House and Senate fail to pass President Trump's tax reform in a timely fashion, it would be another substantial setback to the President's chances of making good on many of the promises on which he campaigned and won the White House.

For the week munis outperformed Treasuries in the intermediate and long portions of the curve but slightly underperformed on the front end. Demand remains constructive, but supply continues to be thin. The market has seen weekly totals of less than \$7 billion in the primary space for most of the month of March. This week the market will absorb another small calendar, as approximately \$6 billion will price. Approximately 30% of the volume will come from three large transactions that will garner most of the markets attention. The largest transaction will be for the State of Connecticut, which will price \$750 million general obligation bonds on Tuesday. The state has well-publicized pension and budgetary issues: its unfunded pension liability and outstanding debt are, relative to state-level revenues, among the highest of any state in the country. The rising fixed costs have put increasing pressure on finances and have greatly reduced budgetary flexibility. It will be interesting to see if the market penalizes Connecticut through higher credit spreads or if the lack of primary supply will force the investors into making concessions just to own the bonds.

## Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni			Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable			Slightly Shorter Positioning Given Volatility
Intermediate Muni			Maintain Conservative Maturity Positioning
Intermediate Taxable			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	1.05	-0.03	1.08	84%
5 Year	1.58	-0.08	1.66	81%
10 Year	2.28	-0.10	2.38	95%
30 Year	3.07	-0.09	3.16	102%

UST Rates			
2 Year	1.26	-0.05	1.31
5 Year	1.95	-0.07	2.02
10 Year	2.41	-0.09	2.50
30 Year	3.01	-0.10	3.11

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$4.46	\$2.81
Competitive	\$1.40	\$1.54
<b>TOTAL</b>	<b>\$5.86</b>	<b>\$4.35</b>

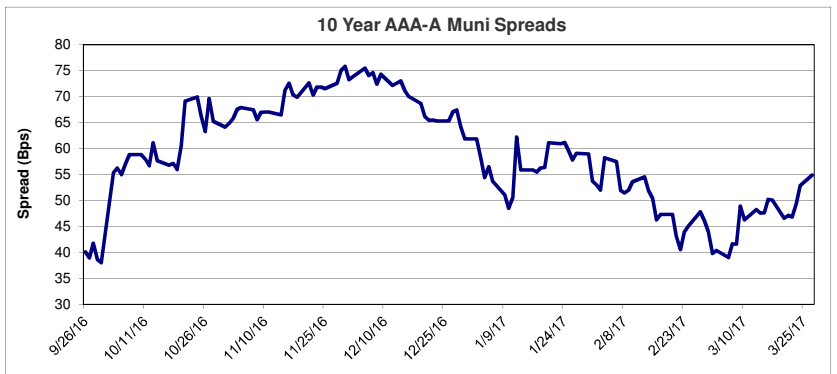
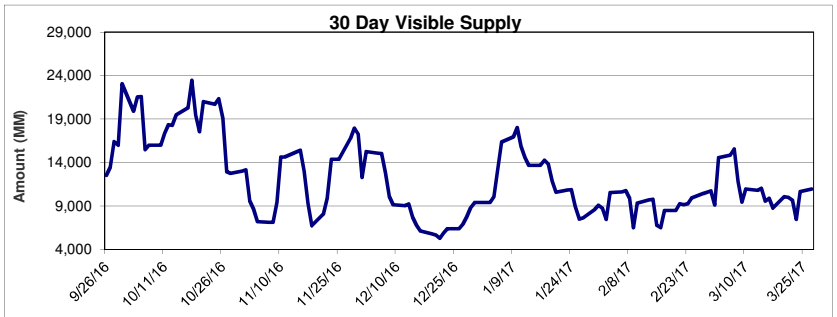
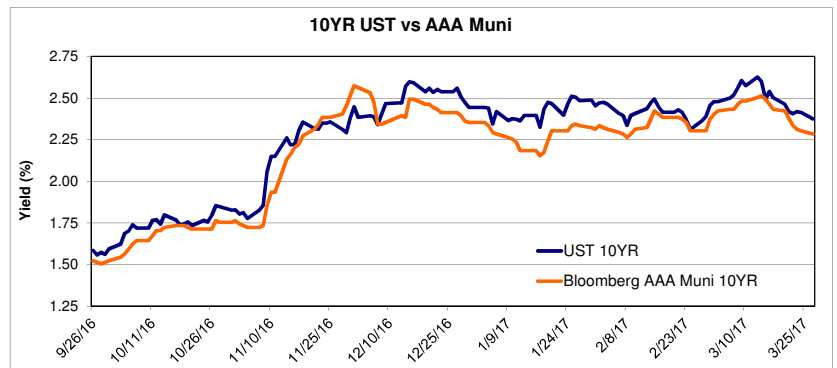
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$10.67</b>	<b>\$8.75</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$18.43</b>	<b>\$19.30</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.91%</b>	<b>4.02%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
3/28	Conf. Board Consumer Confidence	Mar	114	114.8
3/28	Wholesale Inventories MoM	Feb P	0.20%	-0.20%
3/29	MBA Mortgage Applications	24-Mar	--	-2.70%
3/29	Pending Home Sales MoM	Feb	2.50%	-2.80%
3/30	Initial Jobless Claims	25-Mar	245k	261k
3/30	GDP Annualized QoQ	4Q T	2.00%	1.90%
3/30	GDP Price Index	4Q T	2.00%	2.00%
3/31	U. of Mich. Sentiment	Mar F	97.6	97.6
3/31	Personal Spending	Feb	0.20%	0.20%
3/31	Personal Income	Feb	0.40%	0.40%
3/31	Chicago Purchasing Manager	Mar	56.9	57.4



**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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