

## Trading Desk Commentary

USTs let some steam out of a three week rally allowing participants a little breathing room to assess positioning as Q1 17 came to a close. As has become traditional with higher bank capital requirements at quarter end, trading was light with investors still uncertain and attempting to evaluate the evolving economic landscape. Two things that are sure to be at the forefront of strategy discussion this upcoming quarter are 1) the role that the Fed's balance sheet will play in the reduction of accommodation and 2) any further clarification out of the White House on fiscal policy (tax overhaul). Investors are looking for more consistent clues of sustainable 2%+ GDP as evidence of a healthy US economy. In the near term, we are cautious of potential volatility around France's election and the possibility of more event driven global rate movements.

Munis outperformed their taxable counterparts by 1-3bp across the curve as front-end ratios remain rich, with the 2-5Y portion of the curve now in the low 80%'s. Lipper reported a net inflow of \$265M back into Muni mutual funds, and Muni ETFs registered about \$141M. VanEck's High Yield Muni ETF (HYD) has seen some noticeable inflows and positive YTD total return in excess of 2%. Next week's issuance calendar is very light in our Mid-Atlantic footprint but robust elsewhere, with approximately \$8.5B pricing. The deals of note are a \$920M Meridian Health A+ rated loan and a \$778M Commonwealth of Massachusetts Aa1/AA+ deal that we will be watching closely. We continue to relay that front-end rates are very rich and may mean revert in the near-term. We expect municipals in general to continue to perform well as a moderate forward looking supply calendar remains supportive.

## 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	-0.02	1.05	82%
5 Year	1.56	-0.02	1.58	81%
10 Year	2.23	-0.05	2.28	93%
30 Year	3.03	-0.04	3.07	101%

UST Rates			
2 Year	1.25	0.00	1.26
5 Year	1.92	-0.02	1.95
10 Year	2.39	-0.02	2.41
30 Year	3.01	0.00	3.01

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$7.50	\$4.46
Competitive	\$0.58	\$1.40
<b>TOTAL</b>	<b>\$8.08</b>	<b>\$5.86</b>

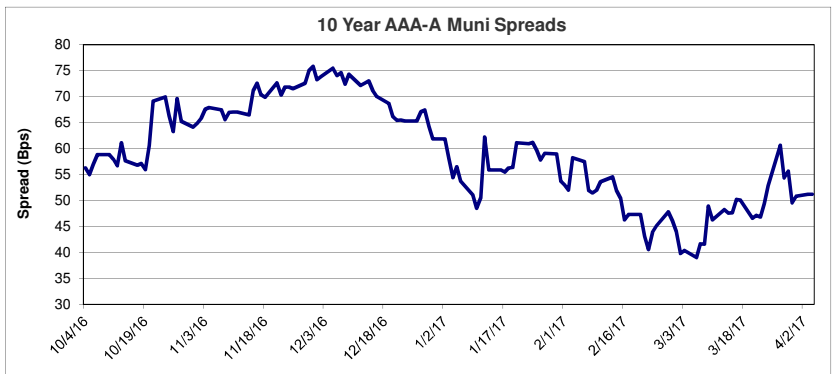
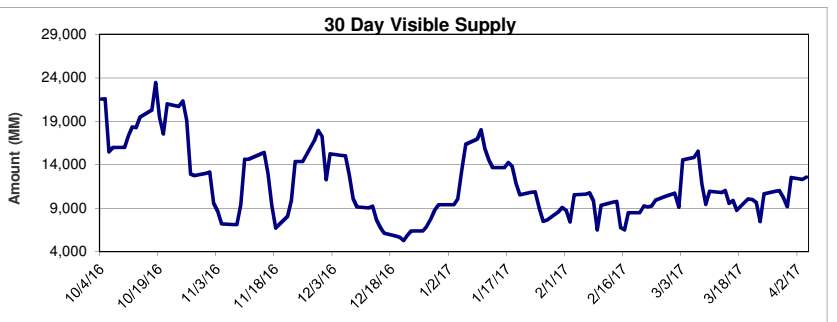
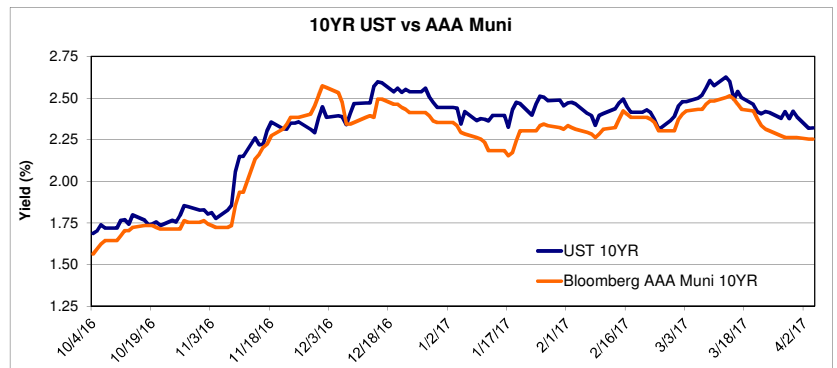
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$12.54</b>	<b>\$10.67</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$18.86</b>	<b>\$18.43</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.86%</b>	<b>3.91%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
4/3	ISM Manufacturing	Mar	57.2	57.7
4/3	Markit US Manufacturing PMI	Mar F	53.5	53.4
4/4	Durable Goods Orders	Feb F	1.70%	1.70%
4/4	Factory Orders	Feb	1.00%	1.20%
4/4	Trade Balance	Feb	-\$44.6b	-\$48.5b
4/5	MBA Mortgage Applications	31-Mar	--	-0.80%
4/5	ADP Employment Change	Mar	190k	298k
4/6	Initial Jobless Claims	1-Apr	250k	258k
4/7	Change in Nonfarm Payrolls	Mar	175k	235k
4/7	Unemployment Rate	Mar	4.70%	4.70%
4/7	Wholesale Inventories MoM	Feb F	0.40%	0.40%



**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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