

Weekly Trading Desk Update

WEEK OF APRIL 24TH - 28TH

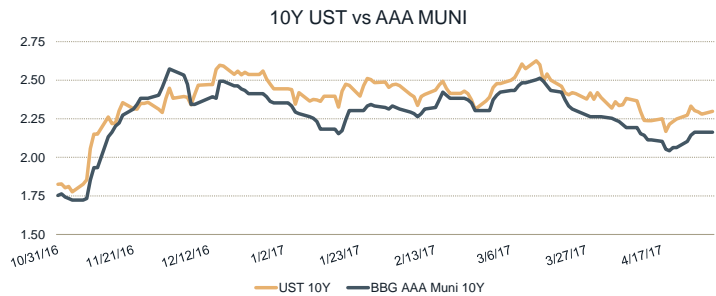
Trading Desk Commentary

Benchmark US Rates pushed higher through last week's trading session with the front end of the yield curve leading the charge. GDP posted a weaker than expected headline number (0.7% vs 1.0%), but the stronger employment cost index and GDP price index propped up the release enough to support a further sell off. Of note in the most recent GDP cycle release was the dispersion amongst the Atlanta Fed's GDPnow and the New York Fed's Nowcast. There was a 2.5%+ difference in what the two models suggested 'current' GDP is with the most recent print leaning heavily towards the Atlanta model. We will be watching this for reversion of the models and/or possible surprises to the next consensus GDP prints. Also, President Trump released an ambitious tax overhaul plan that holds true to campaign promises but is viewed as a non-starter by many elected officials on both sides of the aisle. Congress did, however, have a small victory in passing a stop gap funding bill that will allow the US government to operate until September of 2017, averting another shutdown. Again even with the heavy news flow (some even considered 'destabilizing'), rates pushed higher establishing a potential near term support level for US fixed income markets after the previous month's risk-off tone.

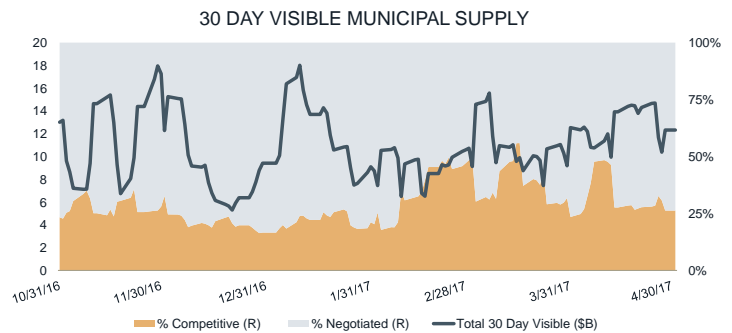
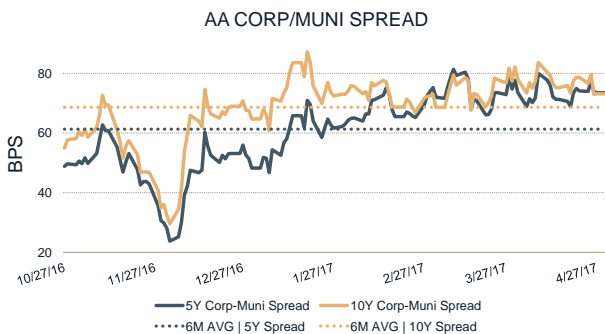
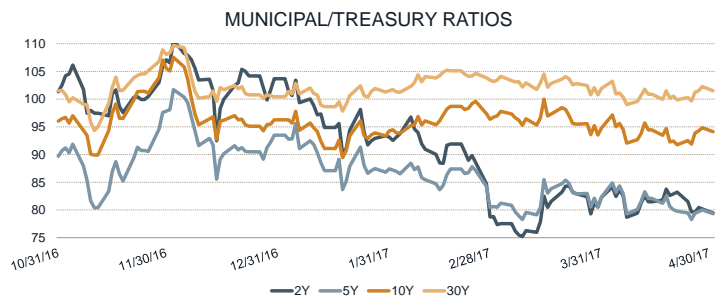
Munis were able to continue their steady outperformance in the front end of the curve but lagged out long by 6-8bps compared to their taxable counterparts. After an elevated new issuance week, we are back down to just above the YTD average on the calendar with about a \$12B 30D visible supply. New issuance volume continues to decline, which will put trader's eyes on the secondary as they bid their way around muniland. The municipal market has shrugged off a lot of the hype around speculation of a tax provision adjustment under new tax law and rightfully so after the announced plan only sought to eliminate the AMT provision, which would directly affect outstanding muni AMT loans. Front end munis remain attractive, and we expect them to remain strong as larger participants and fund managers in the space are weary of duration extension and the addition of too much negative convexity to their portfolios. We continue to look for revenue backed project debt with solid income streams as our yield pickup opportunity in both the primary and secondary.

MARKET OVERVIEW

		4/24/17	4/28/17	Δ bps	1M Trend
Muni	2Y	1.00	1.01	1	
	5Y	1.43	1.45	2	
	10Y	2.10	2.16	6	
	30Y	2.94	3.02	8	
UST	2Y	1.23	1.26	3	
	5Y	1.80	1.81	1	
	10Y	2.27	2.28	1	
	30Y	2.93	2.95	2	



		3/31/17	4/28/17	1M Trend
MUNI/UST Ratios	2Y	82%	80%	
	5Y	82%	80%	
	10Y	95%	95%	
	30Y	102%	102%	



EXPLANATION

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. Competitive and Negotiated are broken out as a percentage of total supply.

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.

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: 30 day visible figures are obtained through Bloomberg, 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.