

Weekly Trading Desk Update

WEEK OF MAY 1ST - 5TH, 2017

Trading Desk Commentary

MACRO:

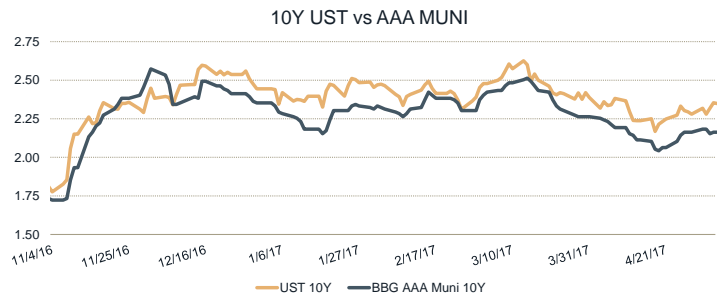
- The Federal Reserve left interest rates unchanged last week, and the minutes revealed that the Fed considers “transitory” the slow growth and low inflation seen in the first quarter. They left forward guidance on interest rates essentially unchanged from the March statement.
- Nonfarm payrolls rose 211K vs. an expected increase of 180k in April. Although it beat expectations, 2017 has averaged just 184k jobs created monthly.
- However, the unemployment rate ticked down another tenth to 4.4%, its lowest level since 2007 and helped push the probability of a hike at the Fed’s next meeting to 100%.
- The House voted 217 to 213 to narrowly pass the GOP health care law designed to replace Obamacare; the bill now heads to the Senate where it is expected to undergo substantial change should it have any chance of passing.

MUNI MARKET:

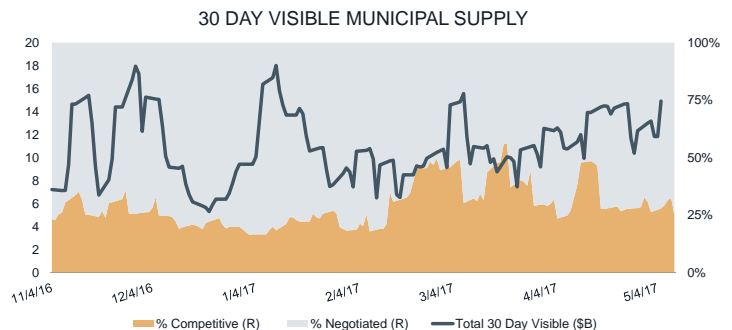
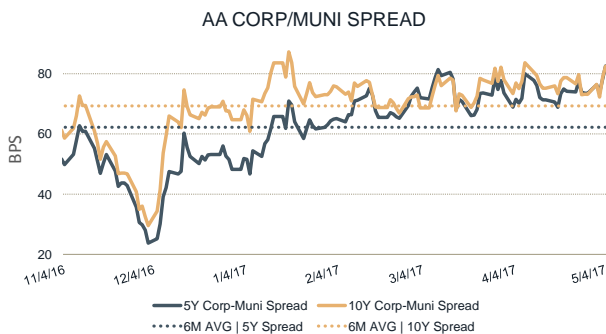
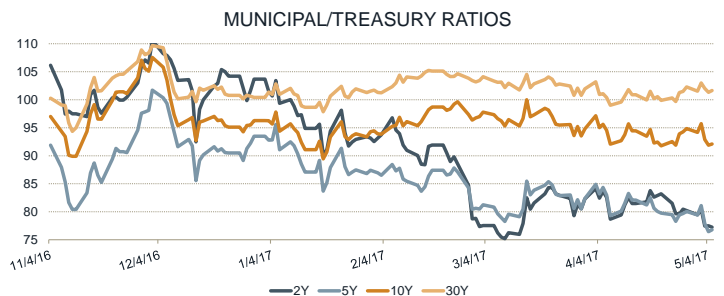
- Demand remains steady in the Muni market as another \$200 million came into the space. The four-week moving average remains positive at approximately \$550 million.
- Demand is meeting limited primary supply as most new issues are well oversubscribed. Secondary offerings remain on the lighter side, and many are customer offerings trying to take advantage of the low supply.
- The Puerto Rico governor and Oversight Board filed for Title III bankruptcy protection triggering the largest ever bankruptcy in the municipal market. The \$70+ billion of outstanding Puerto Rico debt dwarfs Detroit’s \$18 billion when it filed in 2013.

MARKET OVERVIEW

		4/28/17	5/5/17	Δ bps	1M Trend
Muni	2Y	1.01	1.01	0	
	5Y	1.45	1.44	-1	
	10Y	2.16	2.16	0	
	30Y	3.02	3.04	2	
UST	2Y	1.26	1.31	5	
	5Y	1.81	1.88	6	
	10Y	2.28	2.35	7	
	30Y	2.95	2.99	4	



		4/6/17	5/5/17	1M Trend
MUNI/UST Ratios	2Y	83%	77%	
	5Y	83%	77%	
	10Y	95%	92%	
	30Y	100%	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.