

# Weekly Trading Desk Update

WEEK OF MAY 15TH - 19TH

## Trading Desk Commentary

### MACRO:

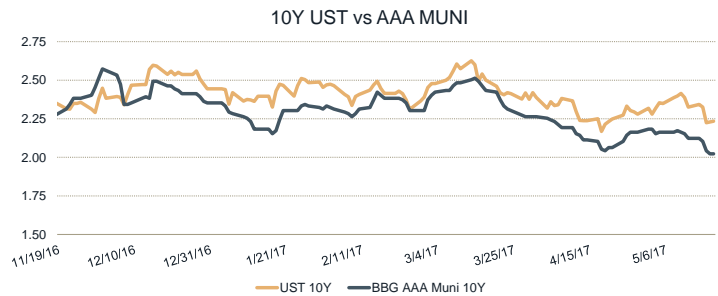
- Last Wednesday's flight to quality move produced the largest single day decline in the Dow Jones (approx. -1.7%) since early September '16, as accusations intensified surrounding the ongoing Russian investigation and conversations between President Trump and former FBI Director Comey. US Treasury rates moved sharply lower on the news with the 10YT UST closing Friday at 2.23%, approximately 10bps lower from the week prior.
- The Trump administration's first full budget plan is set to come out on Tuesday. It promises meaningful reductions to non-defense discretionary spending while relying on economic growth to more than offset the corporate and individual tax cuts still being finalized.
- Aside from politics, this week brings a busy FedSpeak calendar and Wednesday's release of the May FOMC meeting minutes. Despite a June increase being heavily priced in, market participants will be eager to glean any further details surrounding a possible reduction of balance sheet assets that was missing from the previous statement.

### MUNI MARKET:

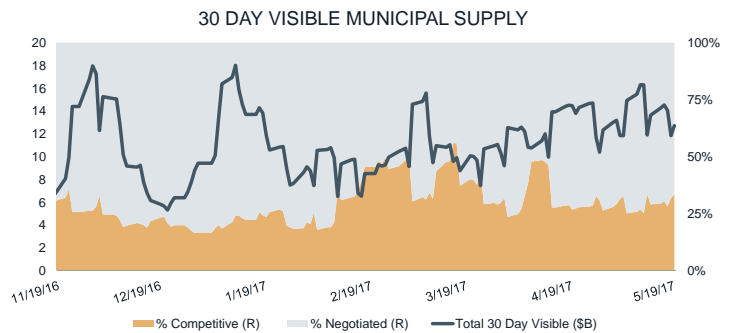
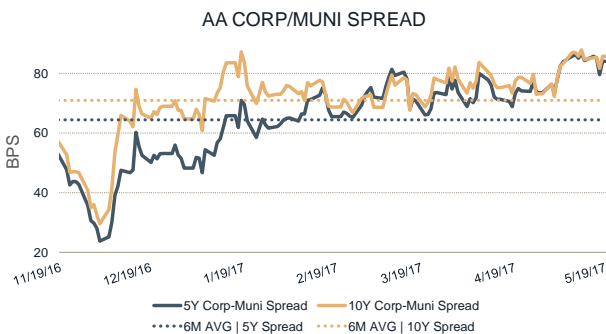
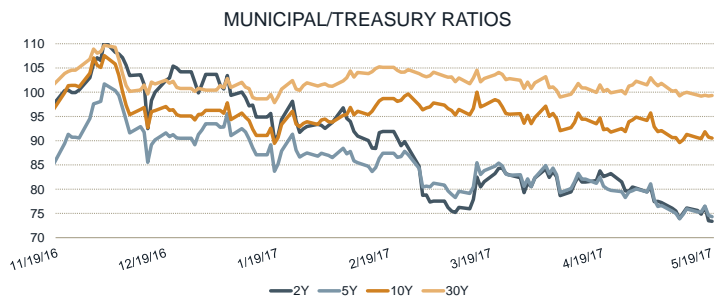
- Munis continue to benefit from dysfunction in D.C. as the White House devotes time to damage control instead of passing policy initiatives. It appears more and more that tax reform will be pushed further into the calendar year (potentially 2018), easing near-term concerns over a meaningful reduction in personal and corporate income tax rates.
- Fund flows validate the easing investor concern. Another \$400 million came into the space last week marking six straight weeks of positive fund flows.
- In the primary space, negotiated transactions continue to be well oversubscribed with some of the larger well-known issuers realizing double digit bumps to initial offering scales. Transactions pricing in the competitive space continue to be bid aggressively with very tight spreads to the benchmark AAA MMD scale.
- This week's calendar (\$8 billion) is a little lighter than last and is headlined by a \$2 billion loan for the Hudson Yards Infrastructure Corporation in New York. The story over the past several weeks has been steady demand outstripping supply, and we expect this theme to continue at least for another week.

## MARKET OVERVIEW

|      |     | 5/12/17 | 5/19/17 | Δ bps | 1M Trend |
|------|-----|---------|---------|-------|----------|
| Muni | 2Y  | 0.98    | 0.93    | -5    |          |
|      | 5Y  | 1.40    | 1.32    | -8    |          |
|      | 10Y | 2.12    | 2.02    | -10   |          |
|      | 30Y | 2.99    | 2.88    | -11   |          |
| UST  | 2Y  | 1.29    | 1.27    | -2    |          |
|      | 5Y  | 1.85    | 1.78    | -7    |          |
|      | 10Y | 2.33    | 2.23    | -9    |          |
|      | 30Y | 2.99    | 2.90    | -9    |          |



|                 |     | 4/20/17 | 5/19/17 | 1M Trend |
|-----------------|-----|---------|---------|----------|
| MUNI/UST Ratios | 2Y  | 83%     | 73%     |          |
|                 | 5Y  | 80%     | 74%     |          |
|                 | 10Y | 92%     | 91%     |          |
|                 | 30Y | 101%    | 99%     |          |



## 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.