

# Weekly Trading Desk Update

WEEK OF AUGUST 21ST - 25TH

## Trading Desk Commentary

### Macro:

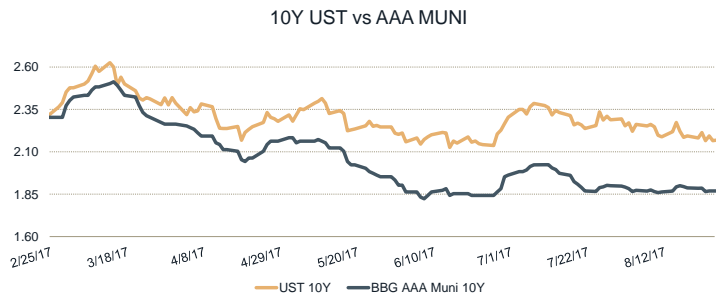
- Summer trading in US debt markets remained light last week despite anticipation of central bank heads meeting in Jackson Hole. With a modest economic calendar to guide markets, sentiment gyrated around more aggressive talk of a debt ceiling driven shutdown from President Trump and renewed conversations of tax reform from key GOP leaders and others in the administration. Intermediate yields finished the week nearly unchanged as little light was shed on further rate increases or balance sheet reduction from Chair Yellen's Friday speech.
- Traders correctly assumed going into Jackson Hole that there was little chance that FOMC or ECB leaders would tip their hand on future policy moves, as some may have hoped. Instead, the heads kept to the script and reinforced the dangers that could lie ahead (asset bubbles) if further deregulation were to occur in financial markets. Interestingly enough this was the same topic of concern addressed by Fed staff members noted in the July minutes.
- This week's the calendar will be busy. To begin the week UST's will see auctions across the front-end of the curve. By mid-week the second look at Q2 GDP (2.7% survey), and then capped off by August's jobs report where economists are expecting slightly softer numbers versus the solid gains seen in July's readings of NFP and Avg. Hourly Earnings (Aug. Survey – NFP 180K, Avg Hourly Earnings 0.2%).

### Muni:

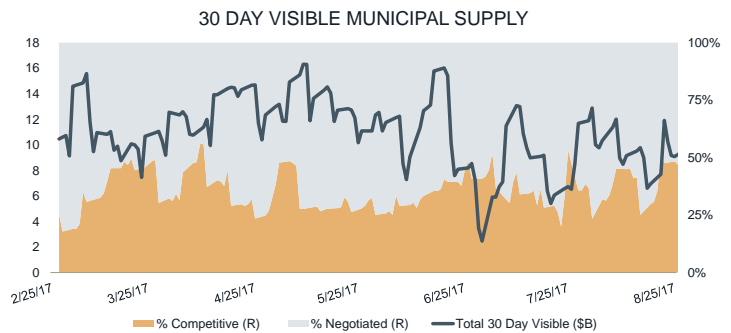
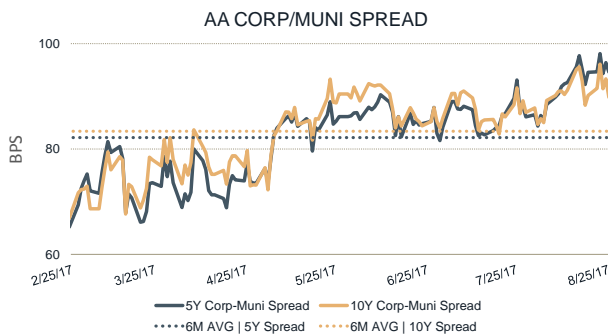
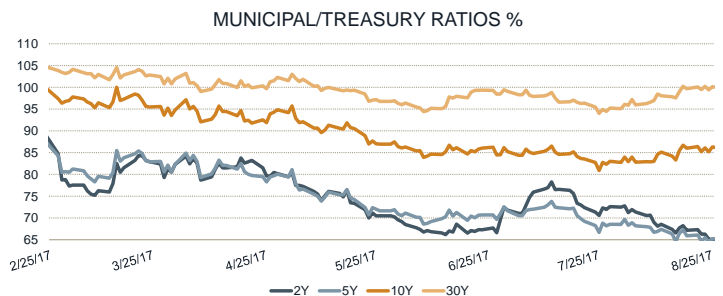
- Treasury yields fluctuated over the course of the week on differing economic news. Jackson Hole was largely billed as a non-event for market participants looking for information to trade on. For the week, municipals outperformed Treasuries in the 2yr, 10yr and 30yr spots as the curve flattened.
- It was a quiet week in the municipal primary space last week but we should see a larger slate of issuance for the week ahead. However, the supply is largely front-loaded between two large transactions, a \$2.5 billion State of California GO and a \$950 million (all AMT) loan for the Greater Orlando Aviation Authority.
- This week we will be monitoring the initial impact Hurricane Harvey will have on the greater Houston area. Although it will take weeks to fully realize the totality of the event, we will work to update our readers on any near-term credit implications as soon as possible.

## MARKET OVERVIEW

|      |     | 8/21/17 | 8/25/17 | Δ bps | 1M Trend |
|------|-----|---------|---------|-------|----------|
| Muni | 2Y  | 0.88    | 0.87    | -1    |          |
|      | 5Y  | 1.16    | 1.15    | -1    |          |
|      | 10Y | 1.89    | 1.87    | -2    |          |
|      | 30Y | 2.77    | 2.75    | -1    |          |
| UST  | 2Y  | 1.30    | 1.33    | 3     |          |
|      | 5Y  | 1.75    | 1.76    | 1     |          |
|      | 10Y | 2.18    | 2.17    | -1    |          |
|      | 30Y | 2.76    | 2.76    | 0     |          |



|                 |     | 7/25/17 | 8/25/17 | 1M Trend |
|-----------------|-----|---------|---------|----------|
| MUNI/UST Ratios | 2Y  | 73%     | 65%     |          |
|                 | 5Y  | 69%     | 65%     |          |
|                 | 10Y | 83%     | 86%     |          |
|                 | 30Y | 95%     | 100%    |          |



## 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.

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