

# Weekly Trading Desk Update

WEEK OF OCTOBER 2ND - 6TH

## Trading Desk Commentary

### Macro:

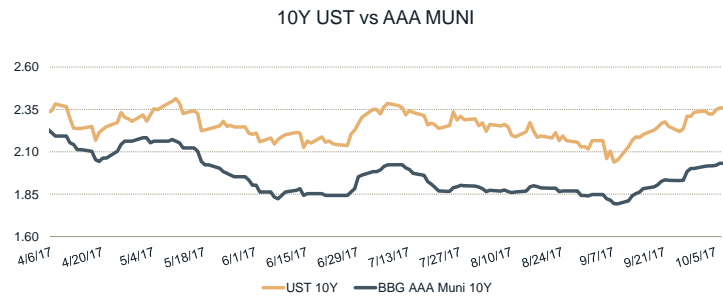
- US Treasury yields that have spent the last 30 days on the rise paused last week to consolidate just below key technical levels. The US 10YR Treasury touched 2.40% on Friday, following a stronger than anticipated Avg Hourly Earnings release, but could not break through. Preventing yields from pushing higher was news of possible North Korean missile testing and a market realization that tax reform will certainly be an uphill battle.
- The start of 3Q earnings will be of particular interest this week as robust double digit growth in the first two quarters of the year will become challenged by tougher comps and weather related expenses. While the current estimates of approximately 5% y/y growth are certainly weaker, we would not expect a major disruption to the market unless earnings were to come in noticeably below forecasts.
- This week's economic calendar will be dominated by key inflation releases in the form of PPI (2.0% core survey) and CPI (1.8% core survey) on Wednesday and Thursday respectively. Given last week's stronger than anticipated wage growth and multi-year high on ISM prices paid, the market will be laser focused to see if recent data might help validate the Fed's assumption that current price weakness should ease in the near to medium term.

### Muni:

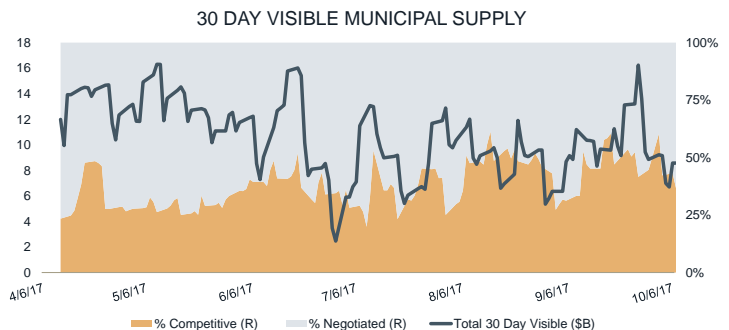
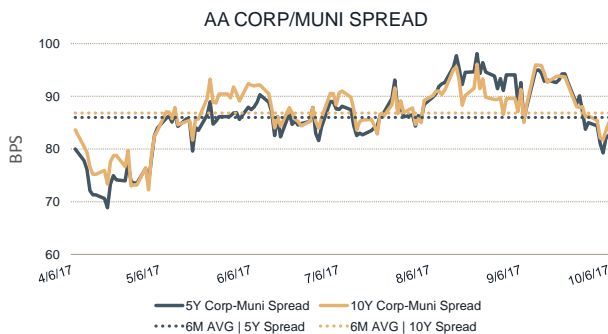
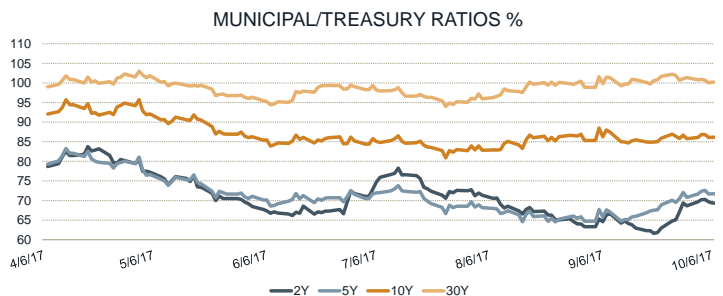
- It was a relatively quiet week (aside from Puerto Rico, which we discuss below) in the municipal space last week. Munis slightly outperformed Treasuries on the week while facing the first week of outflows since July of this year. So far October has brought limited supply: last week the calendar was light and well received, and this week we expect another slate of limited supply due to the bond market being closed on Monday.
- Puerto Rican bond prices tumbled following President Trump's comment on Puerto Rico's debt. The President said in an interview last week that Puerto Rico owed "a lot of money to your friends on Wall Street and we're going to have to wipe that out." The most actively traded bonds due in 2035 plunged to a new low, trading as little as 32 cents on the dollar before recovering to the high 30's later in the week. Bondholders face diminishing recovery prospects due to Hurricane Maria's destruction of the island as rebuilding efforts most likely will be given priority over bondholders.

## MARKET OVERVIEW

		10/3/17	10/6/17	Δ bps	1M Trend
Muni	2Y	1.03	1.04	1	
	5Y	1.39	1.40	2	
	10Y	2.02	2.03	2	
	30Y	2.89	2.90	1	
UST	2Y	1.47	1.50	3	
	5Y	1.92	1.96	4	
	10Y	2.32	2.36	3	
	30Y	2.86	2.89	3	



		9/11/17	10/6/17	1M Trend
MUNI/UST Ratios	2Y	64%	69%	
	5Y	65%	72%	
	10Y	85%	86%	
	30Y	99%	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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