

	Current Wk	Prior Wk
<b>Weekly Municipal (\$ Bln)</b>		
Negotiated	\$4.21	\$5.40
Competitive	\$1.59	\$0.49
<b>TOTAL</b>	<b>\$5.80</b>	<b>\$5.89</b>

<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$9.19</b>	<b>\$10.31</b>
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<b>Bloomberg Municipal PICK Offerings Par (\$ Bln)</b>	<b>\$10.97</b>	<b>\$8.89</b>
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<b>Municipal Placement Ratio (New Issues)</b>	<b>93.40%</b>	<b>90.20%</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>4.12%</b>	<b>4.07%</b>
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Treasury Supply		Current Auction	Prior Auction
Day	Maturity	Amount (\$ Bln)	Amount (\$Bln)
No UST Supply for the Week of 12/5			
<b>TOTAL</b>		<b>0</b>	<b>0</b>

#### Select Economic Releases

Date	Event	Period	Survey	Prior
12/5	ISM Non-Manf. Composite	NOV	53.5	52.9
12/5	Factory Orders	OCT	-0.30%	0.30%
12/7	MBA Mortgage Applications	2-Dec	--	-11.70%
12/7	Consumer Credit	OCT	\$7.00B	\$7.38B
12/8	Initial Jobless Claims	3-Dec	398K	402K
12/8	Continuing Claims	26-Nov	--	--
12/8	Wholesale Inventories	OCT	0.30%	-0.10%
12/9	U. of Michigan Confidence	DEC P	65.5	64.1

#### Trading Desk Commentary

Equity markets soared this past week (DJIA +800pts) in response to a string of more positive economic releases and headlines, helping to quell recent double-dip recession fears. Home sales, consumer confidence, ISM manufacturing, ADP payroll and the unemployment rate (dropped from 9% to 8.6%) all posted better-than-expected November data. News of record-setting Black Friday sales (\$53bln) suggested that the tight times might not restrict consumers' holiday shopping sprees. Furthermore, the Fed, in coordination with five other central banks, lowered the cost of borrowing U.S. dollars, effectively boosting liquidity for the Eurozone countries struggling to keep their own debt crisis at bay. The plan's announcement provided comfort to investors that global financial leaders were capable of cooperation to hopefully prevent a regression towards a 2008-like crisis.

U.S. treasuries weakened as investors gained confidence in riskier assets; however, Municipals held firm in the belly of the curve. Underwriters brought only \$6bln in new issuance, a manageable volume following several weeks of \$10-15bln in supply. 110-120% Muni-to-TSY ratios appear to be keeping money engaged in the tax-exempt market at present, despite the strong "risk-on" bias last week. Though these ratios are much lower than their Q3 highs, on a historical basis, Munis still offer extra yield in comparison to UST's current yield levels.

Looking through year-end, it appears that December could be a fairly active month for issuers. The 30-day visible supply currently sits in the \$9-10bln range (almost \$6bln expected again this week alone), making \$20-25bln of issuance in December well within reach. However, December is also an active reinvestment month for Muni participants and could provide the demand needed to outstrip the scheduled supply and hold Muni prices steady. On the other hand, the sell-off in UST's will likely need to lose steam so that attractive Muni-to-TSY ratios are preserved and buyers remain enticed. Otherwise, Munis could be dragged to higher yields by UST's now that some of the ratio cushion has been eroded. Bottom line: we are looking for the tug-of-war between supply/demand metrics and global headlines to continue.

This week, we continued our selective purchases of higher-yielding healthcare, housing and power credits, restricting those purchases to systems and authorities with strong liquidity and debt service metrics (i.e. strong underlying credit quality). For illustration, we participated in the \$148mln (Aa2/AA) Valdosta & Lowndes County, Georgia Hospital Authority deal last week, issued to finance an expansion and improvements to the South Georgia Medical Center. In the 10-year range, the new issue offered bonds with roughly 1.00% higher yield than a generic AAA G.O. bond. This particular medical center provides care in a large service area and has maintained strong liquidity and operating results over the past several years. Furthermore, the new debt is guaranteed (7 mil limit) by Lowndes County, GA in the event that the hospital could not meet its debt service obligations (the bonds derive their credit rating from Lowndes Co, GA's Aa2/AA rating). The dual pledge of both the hospital's revenues as well as a portion of the county's property tax collections create what is known as a "double-barrel" Muni bond. We recognized value in this deal given the attractive yield levels as well as the extra security provided by a strong Georgia county.

Rates	Current	Yld	Prior	Muni to Treasury Ratio
	Wk	Change	Wk	
<b>Muni's</b>				
2 Year	0.39	-0.03	0.42	156%
5 Year	1.07	-0.06	1.13	116%
10 Year	2.18	-0.03	2.21	107%
30 Year	3.83	0.08	3.75	127%
<b>UST</b>				
2 Year	0.25	-0.03	0.28	
5 Year	0.92	-0.01	0.93	
10 Year	2.03	0.07	1.96	
30 Year	3.02	0.10	2.92	

#### Explanation of Key Measures :

**Weekly Municipal Supply** - The total dollar volume of municipal securities expected to be offered during the upcoming week, broken down by deal type. This helps gauge near term supply and momentum along with the 30 day visible figure.

**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.

**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.

**Placement Ratio** - The amount of bonds sold by underwriting syndicates each week as a percentage of the amount issued that week by issuers selling \$1,000,000 par value or more of securities. The ratio published by The Bond Buyer, helps gauge the demand for municipal bonds in the marketplace.

**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:** Weekly municipal supply figures, and municipal rates are produced by Thompson Reuter (Municipal Market Data). 30 day visible figures, and the placement ratio are obtained through The Muni Center, 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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