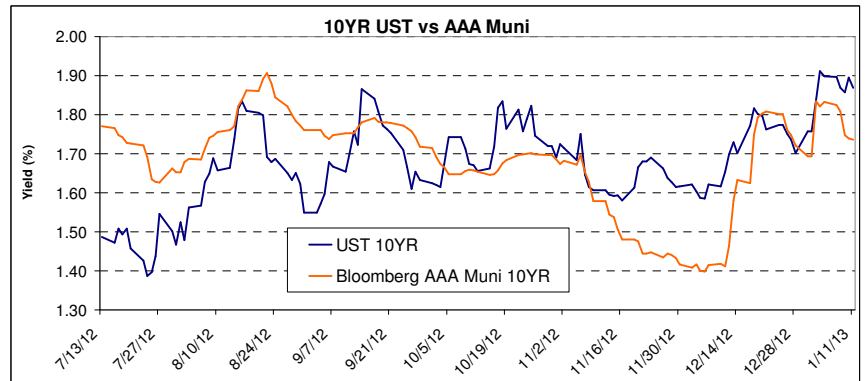


Trading Desk Commentary

The first full trading week since the week of December 17th offered Muni participants very little new issuance to sink their teeth into despite trading desks' return to full capacity. The majority of the activity took place in the secondary and, for the most part, exhibited that tax-exempts were back on solid ground after last month's rough patch. Issuers brought only \$3bln in new Muni supply, not an atypical volume for this part of the year but nowhere near enough to meet the demand in the sector, especially following year-end maturities freeing up a new round of cash seeking reinvestment. But with supply looking so thin, dealers were able to stand fast on their offerings and let the market come to them. Munis also benefited from a fairly firm US Treasury backdrop for most of the week, but the lack of investing opportunities coupled with the strong demand was the primary driver to lower yields (10bps on the week in the MMD AAA 10-year spot). One of the few new deals that Municipal Market Data had to assist them in high-grade Muni price discovery was Wednesday's \$300mln+ (Aaa/AAA) Fairfax Co, Virginia general obligation bonds. The deal was purchased at levels well-through where MMD had AAA yields pegged at the time, sparking a feeding frenzy in Munis and resulting in a strong adjustment to higher Muni prices by the end of the session. By today's close, tax-exempts have regained roughly one-third of the losses they incurred in mid-December.

Another big development in the week's news was the strong Lipper report that showed Municipal bond fund flows righted themselves after a poor finish to 2012. Roughly \$1.6bln in new assets flowed into the funds. Investors looking for quick access to the Muni sector looked to mutual funds and ETFs in response to the scarce supply. As of the writing, MUB (iShares S&P National AMT-Free Municipal Bond Fund) is up 1.38% since the start of the year, a quick change of course following the weakness it experienced a couple of weeks ago. We believe MUB provides a decent gauge of real-time market sentiment in the Municipal space given its large trading volume and market cap, so we tend to watch its activity very closely. Its strength this week probably bodes well for next week's tone. Issuers are only slated to bring approximately \$5bln new debt next week, a very manageable number. The scheduled deals will offer buyers a diverse geographic and sector selection, spread out between a large number of smaller-sized deals. It is likely our efforts will be more concentrated in the secondary again next week while the calendar adds more supply and deals that better align with our investment objectives. The secondary is still offering some value in spots, especially inside of 7 years and beyond 10, but these opportunities are admittedly rare right now. More supply and stable demand should help loosen up dealers' grips on their inventory, but until these dynamics emerge, it will probably pay participants to be patient.

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.34	-0.02	0.36	139%
5 Year	0.76	-0.08	0.84	99%
10 Year	1.70	-0.10	1.80	91%
30 Year	2.77	-0.12	2.89	91%
UST Rates				
2 Year	0.25	-0.03	0.27	
5 Year	0.77	-0.04	0.81	
10 Year	1.86	-0.05	1.91	
30 Year	3.04	-0.06	3.10	



	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$4.77	\$1.72
Competitive	\$0.83	\$1.01
TOTAL	\$5.60	\$2.73

Municipal 30 Day Visible Supply (\$ Bln)	\$8.07	\$5.85
---	---------------	---------------

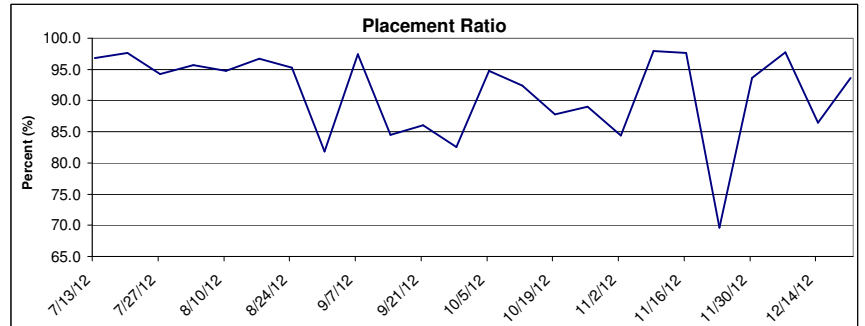
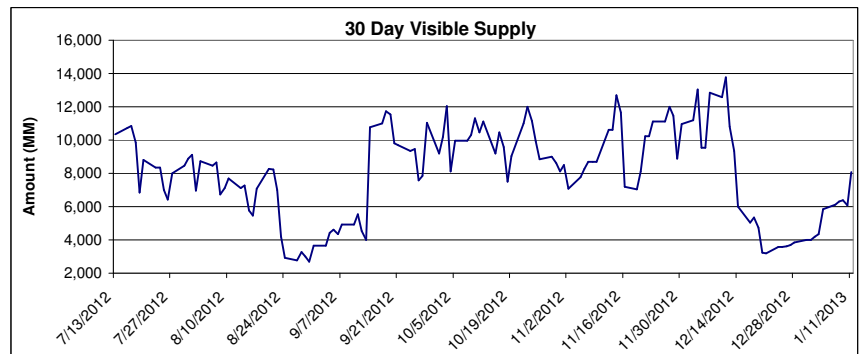
Bloomberg Muni PICK Offerings (\$ Bln)	\$10.73	\$10.75
---	----------------	----------------

Muni Placement Ratio (New Issues)	n/a	n/a
--	------------	------------

Bond Buyer 20 Municipal G.O. Index	3.60%	3.68%
---	--------------	--------------

Select Economic Releases

Date	Event	Period	Survey	Prior
1/15	Advance Retail Sales	Dec	0.2%	0.3%
1/15	Producer Price Index (MoM)	Dec	-0.1%	-0.8%
1/16	Consumer Price Index (MoM)	Dec	0.0%	-0.3%
1/16	Industrial Production	Dec	0.2%	1.1%
1/16	U.S. Federal Reserve Beige Book			
1/17	Housing Starts	Dec	890K	861K
1/17	Building Permits	Dec	904K	899K
1/17	Initial Jobless Claims	12-Jan	370K	371K
1/17	Continuing Claims	5-Jan	3220K	3109K
1/18	U. of Michigan Confidence	Jan	75.0	72.9



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 MuniCenter, 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.