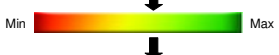


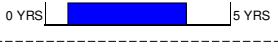



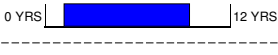





## Trading Desk Commentary

The Fed's rate announcement on Wednesday constituted this week's major event. However, anyone looking for a surprise came away disappointed. The Fed largely repeated its language from previous meetings, citing the need for further evidence of economic recovery before again entertaining the idea of tapering. The "no change" language came as little shock to traders, but the Fed's emphasis on new "evidence" of improvement will likely fuel continued hyper-sensitivity to economic releases. We saw some of this on Thursday and Friday, as US Treasury yields jumped upward based on manufacturing numbers that showed some expansion in activity. Over the two day period, the 10-year US Treasury spot moved roughly 7 basis points higher on the news. Trading tested the higher end of the 2.45% to 2.60% range observed since early September. Economic data has always been a crucial component of the central bank's monetary decision set, but participants are particularly mindful of today's self-proclaimed "data dependent" Fed. Participants feel compelled to follow suit, combing through each new data point, searching for signals that growth, housing, and jobs are gaining traction, if they hope to avoid being caught off-guard by the next tapering announcement. We suspect the increased significance being placed upon economic releases will remain through year-end, at which point the scene-stealers in DC are scheduled to re-ignite their next round of budget debates. Our short term outlook remains intact. Yields should remain relatively stable until one of two things happens: 1) jobs and housing data string together undeniably stronger numbers, bringing higher rates into play; or 2) a downturn in persistently firm risk/equity markets brings the floor into play.

Though the tone in Muniland took a bit of guidance from its taxable counterpart, its moves were more muted. A limited supply calendar and somewhat sluggish trading activity kept volatility in check in the Muni space. Reports from the primary market suggested that levels were fairly firm all week on new loans, while prints from the secondary painted a similar picture of Muni stability. According to Lipper, Muni fund flows continue to pressure the sector; though we have seen the outflows come down from the highs we experienced in the summer months. This week, our activity was more concentrated in the secondary where we scooped up healthcare, power, and various revenue debt at attractive levels in smaller pieces. In several cases, issuers that we typically traffic in brought new debt. However, we deemed pricing levels overly aggressive and elected to not participate. Next week is setting up much the same with manageable supply levels that will likely support aggressive pricing of new loans. Muni tone should be dictated once again by US Treasury movements, which will lean heavily on next week's busy economic calendar for direction. Updates to the jobs numbers and GDP will serve as the main attractions.

## Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni		0 YRS      5 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable		0 YRS      5 YRS	Prefer Corporates and Taxable Munis
Intermediate Muni		0 YRS      17 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Intermediate Taxable		0 YRS      12 YRS	Prefer Corporates and Taxable Munis
Tactical Muni ETF			Slight Overweight to CA and NY
Core Plus ETF			Slight Overweight to Corporates
Tactical Opportunity ETF			Equal Weight Munis to Taxables

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.34	-0.01	0.35	113%
5 Year	1.06	-0.07	1.13	77%
10 Year	2.46	-0.03	2.49	94%
30 Year	4.06	-0.01	4.07	110%
<b>UST Rates</b>				
2 Year	0.30	-0.01	0.31	
5 Year	1.37	0.09	1.28	
10 Year	2.61	0.11	2.50	
30 Year	3.69	0.10	3.59	

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$4.38	\$3.33
Competitive	\$1.24	\$0.87
<b>TOTAL</b>	<b>\$5.62</b>	<b>\$4.20</b>

<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$8.04</b>	<b>\$7.59</b>
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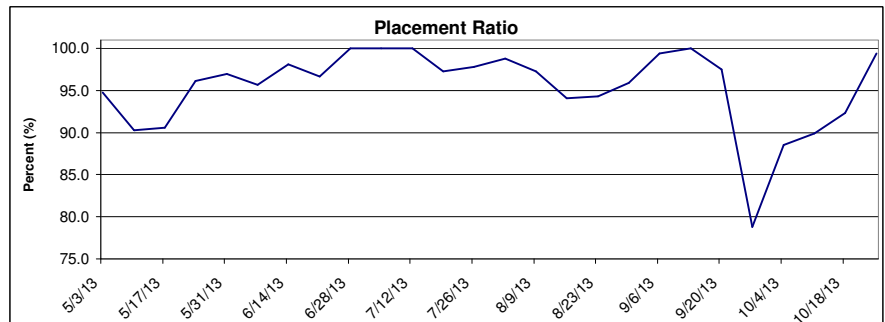
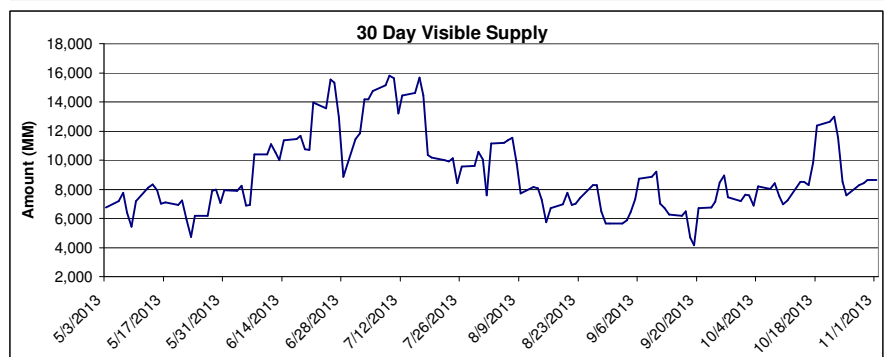
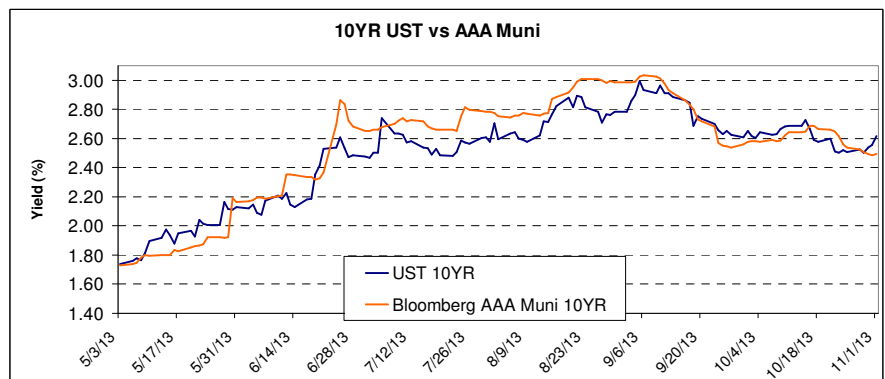
<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$11.81</b>	<b>\$12.20</b>
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<b>Muni Placement Ratio (New Issues)</b>	<b>n/a</b>	<b>99.4%</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>4.48%</b>	<b>4.56%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
11/4	Factory Orders	Sep	1.8%	--
11/6	MBA Mortgage Applications	1-Nov	--	6.4%
11/6	Leading Index	Sep	0.6%	0.7%
11/7	Initial Jobless Claims	2-Nov	335K	340K
11/7	GDP Annualized QoQ	3Q A	1.90%	2.50%
11/8	Change in Nonfarm Payrolls	Oct	125K	148K
11/8	Unemployment Rate	Oct	7.30%	7.20%
11/8	Personal Income	Sep	0.30%	0.40%
11/8	Personal Spending	Sep	0.0	0.0
11/8	Univ. of Michigan Confidence	Nov P	74.5	73.2



**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.

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