

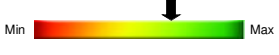




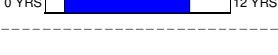

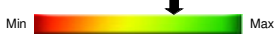
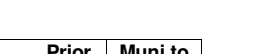


Trading Desk Commentary

Last week's disappointing Nonfarm Payrolls number tarnished some of the shine on the economy's outlook, and this week did little to suggest that the number was simply an anomaly. While none of this week's releases sent the same tremors through capital markets, most of the data looked fairly ho-hum. Particularly today's housing and University of Michigan Confidence numbers. The positivity that was so prevalent heading into year-end has dissipated a bit in the early part of 2014. Whether the recent numbers will push the Fed to reevaluate further stimulus reductions remains to be seen. Thus far, comments from Fed officials generally acknowledge the weaker data as of late but do not seem on high alert. Still, the 20 basis point decline (0.20%) in 10-year US Treasury yields hints at the more downbeat tone since year-end. While equities have not seen a contemporaneous correction, the steep rally in the second half of December has stalled – though still bouncing along near all-time highs. Other than some housing data, next week's economic calendar looks much less cluttered than what we saw over the past five trading days. That is due in part to the observance of Martin Luther King, Jr. Day when US capital markets and banks will be shuttered. Beyond next week, we should see the pace of headlines pick up a bit. The Fed will make its final rate decision with Bernanke at the helm followed by Yellen's tenure commencing just two days later. Furthermore, the economic calendar will rifle through some major data points, including GDP, New Homes Sales, Personal Income, Personal Spending and Durable Goods Orders all in the same week. Markets remain intensely focused on the numbers. The final week of January will provide plenty to scrutinize.

Tax-exempts are in the midst one of their calmest periods in months. The Bond Buyer's 30-day visible supply has crept slightly higher in recent days but still looks very manageable at just below \$9bln. The rejuvenated demand for Muni debt should have no problem digesting supply in this range as long as the rate environment can maintain some of today's stability. In fact, Lipper's weekly release showed that reporting Muni bond fund flows turned positive (+\$103mln) for the first time since last May. We believe the January reinvestment dynamic in the Muni market, manageable supply, future tax concerns and a less enthusiastic economic outlook are all contributing to the increased demand. Despite the current firmness, there are still concerns worth noting. Puerto Rico's situation is a cause for serious concern for those investors holding the Commonwealth's debt. Bloomberg reported that roughly 70% of Municipal mutual funds hold at least some Puerto Rico debt, an indication of the impact Puerto Rico's challenges can have on the \$4 trillion Muni market. Creditors met this week in New York to discuss the implications of a potential halt in the territory's debt servicing. We offer a more robust take in our commentary "What's Next For Puerto Rico's Bondholders," available on our website. The market's anxiety about Puerto Rico is increasingly tenuous – and the fallout from a missed payment could be broadly felt. We continue to follow the situation closely so we can be a resource for advisors and clients with Puerto Rico holdings in funds or in accounts away from Caprin.

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
Core Plus ETF			Slight Overweight to Corporates
Tactical Opportunity ETF			Overweight Taxables to Munis

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.34	0.00	0.34	92%
5 Year	1.13	-0.04	1.17	70%
10 Year	2.59	-0.05	2.64	92%
30 Year	3.90	-0.11	4.01	104%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.37	0.00	0.37
5 Year	1.62	0.00	1.62
10 Year	2.81	-0.05	2.86
30 Year	3.74	-0.05	3.79

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$2.29	\$1.22
Competitive	\$1.61	\$3.19
TOTAL	\$3.90	\$4.41

Municipal 30 Day Visible Supply (\$ Bln)	\$8.88	\$7.71
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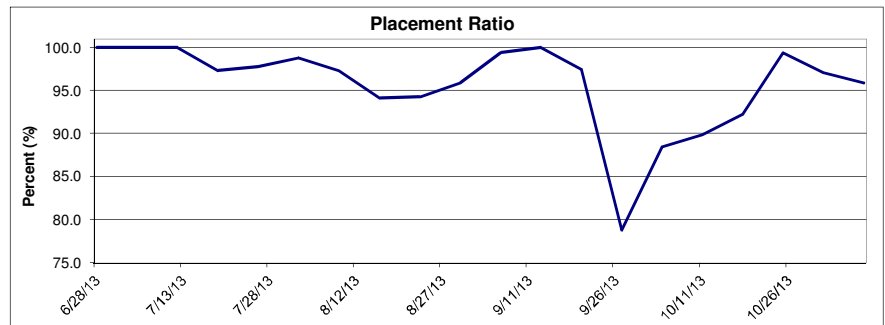
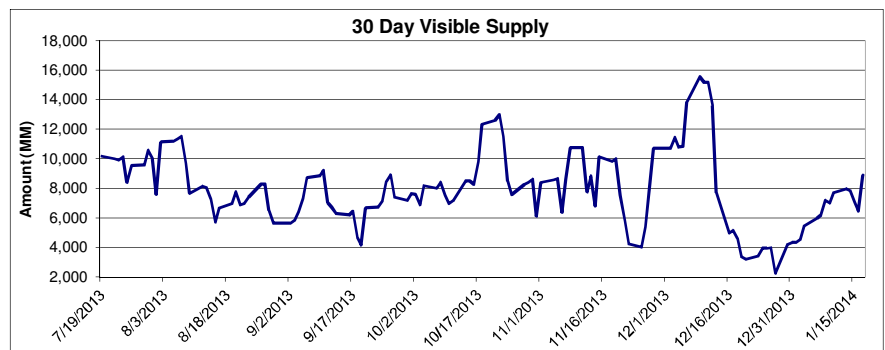
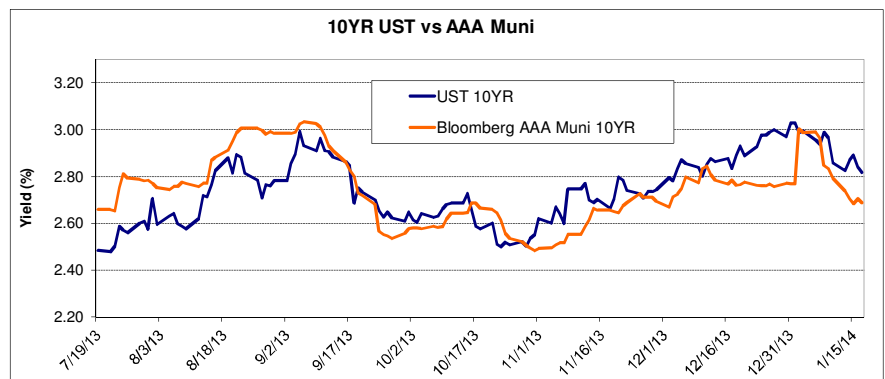
Bloomberg Muni PICK Offerings (\$ Bln)	\$13.22	\$13.08
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Muni Placement Ratio (New Issues)	n/a	95.9%
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Bond Buyer 20 Municipal G.O. Index	4.55%	4.68%
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Select Economic Releases

Date	Event	Period	Survey	Prior
1/22	MBA Mortgage Applications	17-Jan	--	11.90%
1/23	Initial Jobless Claims	18-Jan	330K	326K
1/23	Continuing Claims	11-Jan	2900K	3030K
1/23	Chicago Fed Nat Activity Index	Dec	--	0.60
1/23	House Price Index MoM	Nov	0.30%	0.50%
1/23	Existing Home Sales	Dec	4.94M	4.90M
1/23	Leading Index	Dec	0.20%	0.80%



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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