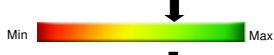



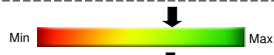

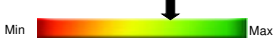

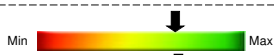




## Trading Desk Commentary

As the action-packed week that was draws to a close, we want to take stock of what this week's events mean for investors. While participants probably awaited the now-infamous 'Septaper / No Taper' meeting with greater anticipation, you would be hard-pressed to find any other Fed meeting that was met with the fervor we saw this week. All of this anxiety accumulated even though most of the Fed's actions were virtually certain. Everyone knew that the Fed would leave its target rate at zero. Everyone expected the Fed would end its asset purchases at the next Fed meeting, and, barring an unforeseen incident, Fed Chair Yellen confirmed the Fed's intent to do so. But as the Fed completes the tapering process, focus is beginning to shift toward the inevitable next step – raising interest rates. The Fed has maintained that it would keep the Fed funds rate near zero for a 'considerable time' after its completed its asset purchases. Many believed that this guidance would be edited, instead opting for language that relied more heavily on economic data. The Fed made the mistake once on using data thresholds as a cue for altering policy. However, that strategy failed as unemployment plummeted quickly toward the Fed's target – but for all the wrong reasons – namely under-participation and underemployment. The central bank would not make this mistake again, but it could have stated that any future decisions would be data dependent and removed the 'considerable time' phrase. While the Fed did add some data-dependent wording, the Fed left 'considerable time' in the FOMC statement. Yellen elaborated in her press conference that Fed officials remain comfortable with the language since their outlook remained unchanged from their previous meeting. When pressed for how long is a 'considerable time,' Yellen skillfully avoided a direct answer. By stating that there is no set timetable or method for tightening monetary policy, Yellen preserved wiggle room for future meetings. By leaving the 'considerable time' phrasing in, we believe it sends a clear message that the doves still hold a firm grasp on Fed policy inside the FOMC circle. There were some dissenters (2 out of 10 voters), but the dissenters are not deterring Yellen's dovish stance yet. Higher rates are still a long way off. We have stated before that we believe that a rate hike is not likely until the second half of 2015. We think that this date is more likely to be delayed than accelerated given current economic activity. Inflation is a non-threat, employment still looks sluggish and GDP needs to build on Q2 momentum to makes us believers. The Fed itself revised its growth outlook for 2104 and 2015 downward yet again. In looking at the economic landscape as a whole, the doves still hold the higher ground.

It's almost surreal to write about a healthy Muni supply calendar, but that is exactly what we have on our hands. A \$6bln weekly new issuance total and a \$10bln+ Bond Buyer 30 Day Visible Supply total are closer to historical norms than we have been in months. Demand remained firm in the week's primary market, though the secondary felt neglected with traders focusing on the new stuff. Lipper reported yet another week of inflows for Muni bond funds, in spite of some recent weakness in debt. Even as US Treasuries weakened earlier this week, Muni deals were oversubscribed and seeing price bumps. The supply dearth has pent up healthy demand for months. We believe it will take a prolonged period of elevated supply to make Muni buyers flinch. For now, Muni stability seems secure. Next week's scheduled supply is concentrated in California debt, a state in serious need of issuance. We anticipate the deal setting a positive tone for the market next week.

## Caprin Strategy Summary

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

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.34	0.02	0.32	61%
5 Year	1.18	0.01	1.17	65%
10 Year	2.26	0.00	2.26	88%
30 Year	3.18	-0.02	3.20	97%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.56	0.00	0.56
5 Year	1.81	0.00	1.81
10 Year	2.57	-0.03	2.60
30 Year	3.28	-0.06	3.34

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$6.19	\$4.08
Competitive	\$0.61	\$1.56
<b>TOTAL</b>	<b>\$6.80</b>	<b>\$5.64</b>

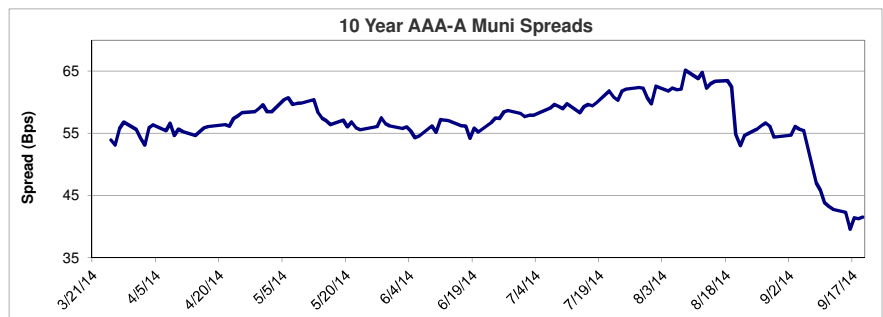
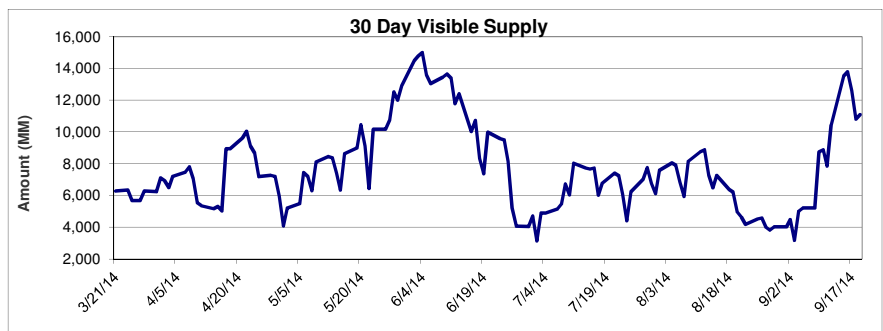
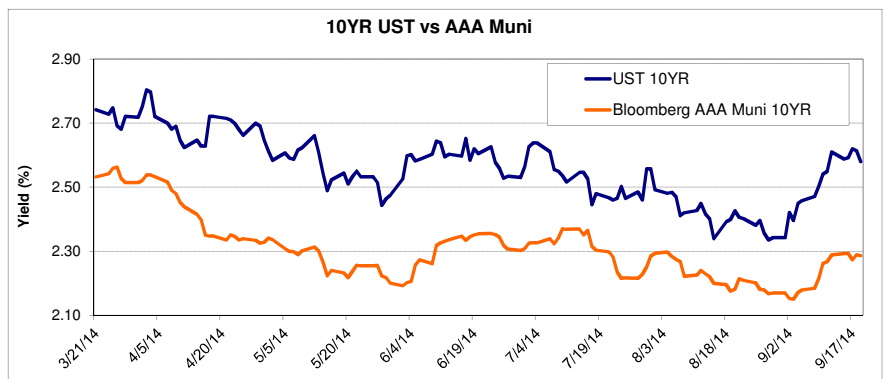
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$11.09</b>	<b>\$10.44</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$13.81</b>	<b>\$12.69</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>4.17%</b>	<b>4.14%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
9/22	Existing Home Sales	Aug	5.20M	5.15M
9/23	Markit US Manufacturing PMI	Sep P	58.00	57.90
9/23	Richmond Fed Manufact. Index	Sep	10.00	12.00
9/24	MBA Mortgage Applications	19-Sep	--	7.90%
9/24	New Home Sales	Aug	430K	412K
9/25	Initial Jobless Claims	20-Sep	298K	280K
9/25	Durable Goods Orders	Aug	-17.90%	22.60%
9/26	GDP Annualized QoQ	2Q T	4.60%	4.20%
9/26	Core PCE QoQ	2Q T	2.00%	2.00%
9/26	Univ. of Michigan Confidence	Sep F	84.70	84.60



**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.

**AAA-A Muni Spreads** - The difference in yield, as expressed in basis points (.01%), between the Bloomberg BVAL AAA 10 Year Benchmark Muni Index and the BVAL A Revenue 10 Year Muni Index.

**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 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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