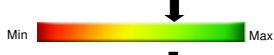



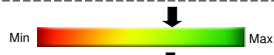

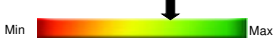

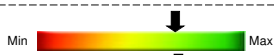




Trading Desk Commentary

Years from now, a 22-year old junior trader fresh out of online college will be immersed in his Bloomberg virtual reality headset, studying historical moves in the 10-Year US Treasury note. He may select a yield graph of the 10-Year US Treasury with his retinas, zoom into the bond rally in early October 2014 with a double-blink, and note the sharp yield decline in the period. But even with his cutting edge gadgetry, his brief glance at the rally won't scratch the surface of what took place. This is what makes experience so invaluable. This week was one that traders will recall for a long time – similar to the 'flash crash' in May 2010, though for very different reasons. US Treasuries offered a brief glimpse below the surface and revealed an abundance of fear in global markets. Yet, it was not one single element that triggered the largest flight-to-quality in recent memory. The multitude of concerns simply became too much to bear. A list of the primary players: 1) Europe. Growth and manufacturing in the EU is grinding to a halt. The ECB is out of ideas to bring stability back to the continent. The implications of an EU meltdown are severe (for everyone) and global policymakers are taking stock of the situation. Which brings us to the next big player. 2) The Fed. Until now, Fed Chair Yellen & Co. have kept their sights trained on US inflation and job creation. They have tried to block out as much of the global noise as possible, however this time the dissonant notes from around the globe became too harsh to ignore. The Fed acknowledged the threat of a European and Asian slowdown and admitted it may change course on tapering and future rate increases if the situation does not improve. For those paying attention, this was a major development. And even if you remove Europe from the picture, the US recovery stumbled in its own right. Empire Manufacturing, CPI, Retail sales – all weaker than anticipated. The outlook for US inflation hit a 15-month low based on 10-Year breakeven rates. The US clearly has its own problems without any further deterioration overseas. Big player number 3) Conflict. ISIS's advance is making the world very nervous. Though hampered by US efforts, ISIS continues to make gains in Iraq and Syria. This week's reports suggest ISIS may have won access to Saddam Hussein's old chemical weapon stockpile. Other areas of turmoil are still unresolved. Geopolitically, the world is still in flux. Big player number 4) Ebola. Though the risk of a widespread breakout is very low, to call it contained at this point is premature. On Wednesday, all of the anxiety surrounding these factors snowballed into a risk-off panic. Intraday, the UST 10 touch 1.86%, an irrational level given US fundamentals. Cooler heads eventually prevailed and concealed much of what was, for a few hours, one of the most volatile days since the financial crisis. Looking back years from now at a daily chart, Wednesday's wild ride will not be readily visible. But those who watched it unfold will remember.

The flight-to-safety filtered over to tax-exempts pulling Muni yields lower across the board. However, as we discussed last week, the moves in Munis are still muted due to lighter supply. New issues were extremely oversubscribed and price increases were the norm. Lipper reported another week of strong Muni bond fund inflows which will likely be even stronger next week. The Bond Buyer 30-day visible supply is back above \$10bln for the first time this month. But with today's quality bias, the Muni market won't flinch as it works through the next 30 days. We were active in both the primary and secondary and remain a proactive Muni buyer. We will have plenty of national deals to sift through in next week's \$7bln+ calendar. We expect the bidding to be very competitive and Munis to remain in high demand. The US Treasury backdrop will play a large part in Muni tone, but dealers should not struggle with new supply distribution. Credit spreads are still very tight, and patience is still paying off for us. Staying selective has allowed us to still find bonds that offer relative value, especially in the 10-15 year maturity range. We will watch headlines closely this weekend, let the market hopefully catch a needed breather and dive in head first come Monday.

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	0.33	-0.02	0.35	89%
5 Year	1.03	-0.07	1.10	73%
10 Year	1.89	-0.12	2.01	86%
30 Year	2.85	-0.07	2.92	96%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.37	-0.07	0.44
5 Year	1.42	-0.13	1.55
10 Year	2.20	-0.10	2.30
30 Year	2.97	-0.07	3.04

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$5.42	\$4.84
Competitive	\$1.63	\$1.36
TOTAL	\$7.05	\$6.20

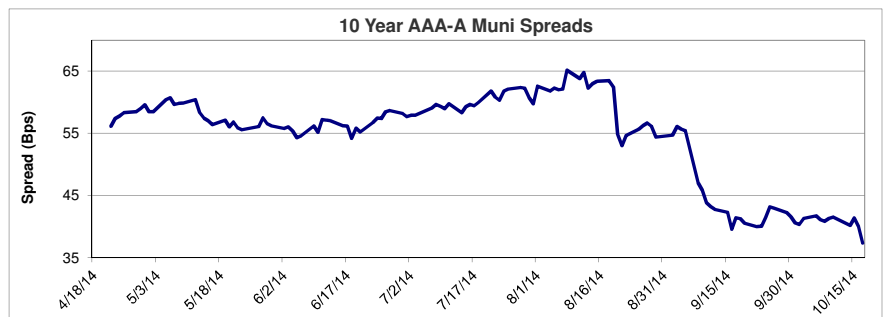
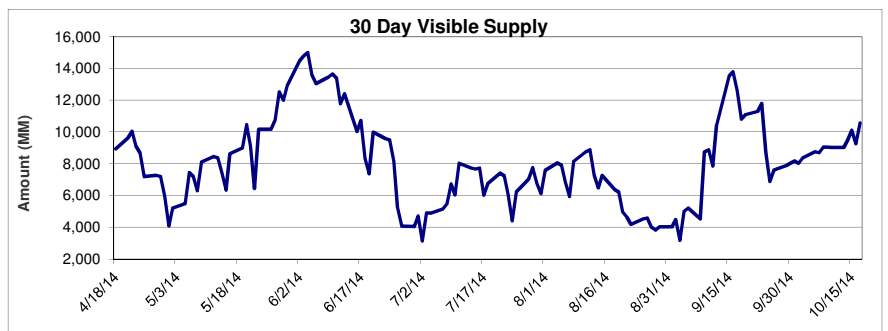
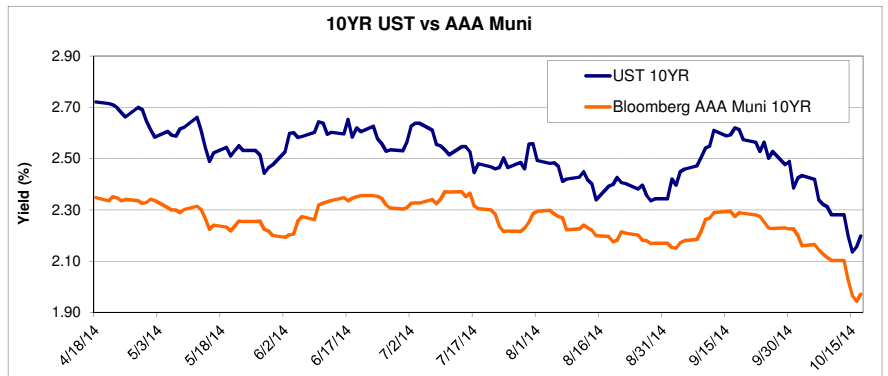
Municipal 30 Day Visible Supply (\$ Bln)	\$10.56	\$9.01
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Bloomberg Muni PICK Offerings (\$ Bln)	\$12.81	\$12.29
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Bond Buyer 20 Municipal G.O. Index	3.87%	4.01%
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Select Economic Releases

Date	Event	Period	Survey	Prior
10/21	Existing Home Sales	Sep	5.10M	5.05M
10/22	MBA Mortgage Applications	17-Oct	--	5.60%
10/22	CPI MoM	Sep	0.00%	-0.20%
10/22	CPI Ex Food and Energy MoM	Sep	0.20%	0.00%
10/23	Initial Jobless Claims	18-Oct	284K	264K
10/23	Markit US Manufacturing PMI	Oct P	57.00	57.50
10/23	Leading Index	Sep	0.70%	0.20%
10/24	New Home Sales	Sep	470K	504K



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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