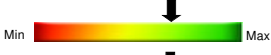






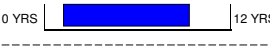
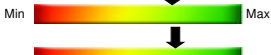




## Trading Desk Commentary

Since the Columbus Day holiday, US markets have remained suspended in a state of volatility. On October 8th, the 10-Year US Treasury note broke through resistance near 2.35% and yields entered into a week-long downward spiral. The UST 10 checked up near a 2.12% a week later, essentially creating a mirror image of the steep sell-off from June 2013 when 'taper' went mainstream. In the sessions since the October 15th top in bond prices, yields have reversed course and erased the majority of their post-Columbus Day gains. A decent corporate earnings season encouraged stock buying after US indices were pummeled by the flight-to-quality. US inflation metrics ticked higher as well, and overseas data also looked a little better after a dismal stretch. The threat of a European recession and the news of an Ebola case in New York City are still keeping US treasury weakness in check, but the tone in risk markets has improved. For the long-term, the global growth outlook is still concerning, but markets spent most of this week releasing some of pressure applied by last week's downbeat developments. That leaves US Treasuries at the end of a round trip that almost resets the table ahead of next week's Fed decision. We expect the Federal Open Market Committee to announce the conclusion of the bond-buying program despite the 'risk-off' panic since its last meeting. To change course this late in the game would be interpreted as a game-changer and heap significant volatility onto an already skittish market. At this stage it is probably better for the Fed to end its asset purchases if only to reassure markets that Europe does not have the central bank shaking in its boots. Maintaining \$15bln in asset purchases is just throwing a pebble into the ocean compared to the tsunami a European recession would create for G7 economies. However, it would not surprise us to hear a more dovish tone from the Fed. Fed officials shifting to a more global view was one of the more notable changes in the past six weeks. If there is follow-through with this mentality at the upcoming meeting – or the Fed hawks appear to have dulled their talons since last meeting – we would expect a stronger quality bias to seize US markets. Technicals are less help in a bond-rally scenario. There appears to be a 10-year yield floor around a 2.10-2.15%, but historical thresholds are pretty sloppy. Should investor sentiment stay on the mend, the next level of interest is back to the 2.35% range. Based on today's known factors, it is easy to guess what would need to happen for higher and lower yields. Lower US yields: increased Ebola panic and a measurable impact on the economy; Europe continues its march into recession, geopolitical tensions re-inflate, and overseas buying of US debt gathers momentum. Higher US yields: successful Ebola containment in the US, ECB policy shows signs of reversing the EU's troubles, ISIS and Russia stay out of the headlines. Like most things in life, it is probably going to lie somewhere in between leaving US Treasuries volatile but range-bound. We continue to invest accounts to the longer-end of our neutral duration target.

For the first time in weeks, Municipal bonds felt a little heavy. A fairly healthy supply calendar coupled with the weakness in US Treasuries didn't provide the best environment for tax-exempt trading. Reports of new issues cutting prices in their order periods were fairly common, particularly in high grade deals. This was likely more a function of yield fatigue as opposed to a lack of Muni interest. Deals offering extra spread versus the AAA curve, like the \$435mln (A2/AA-) New York Metro Transportation Authority revenue deal that we participated in, fared far better. The Bond Buyer 30-day visible supply dipped sharply before \$8bln today, with less than \$6bln planned for next week. This should help restore some firmness in Municipals but US Treasury movements will continue to serve as the chief source of direction. We await the Fed's statement come Wednesday and would expect US Treasuries to be on hold until then. We will see if Europe and/or Ebola concerns have other plans.

## 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	0.01	0.33	81%
5 Year	1.08	0.05	1.03	72%
10 Year	2.02	0.13	1.89	89%
30 Year	2.97	0.12	2.85	97%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.42	0.05	0.37
5 Year	1.51	0.09	1.42
10 Year	2.26	0.06	2.20
30 Year	3.05	0.08	2.97

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$4.58	\$5.42
Competitive	\$0.69	\$1.63
<b>TOTAL</b>	<b>\$5.27</b>	<b>\$7.05</b>

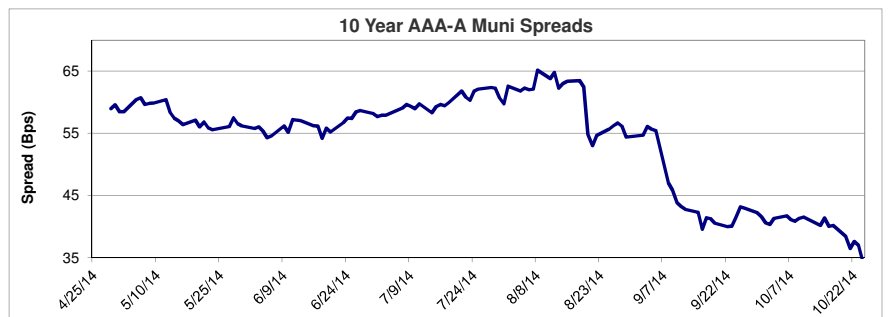
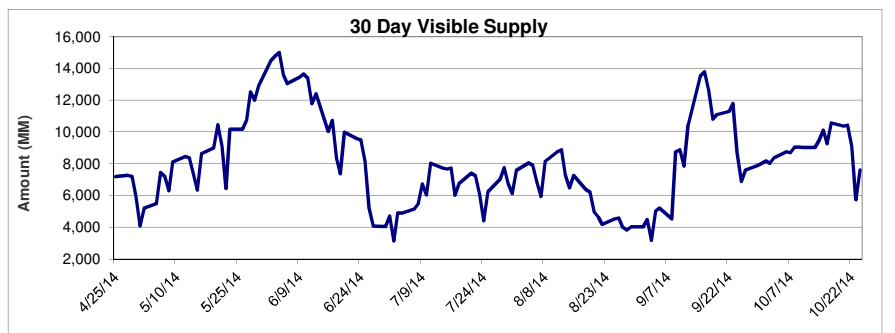
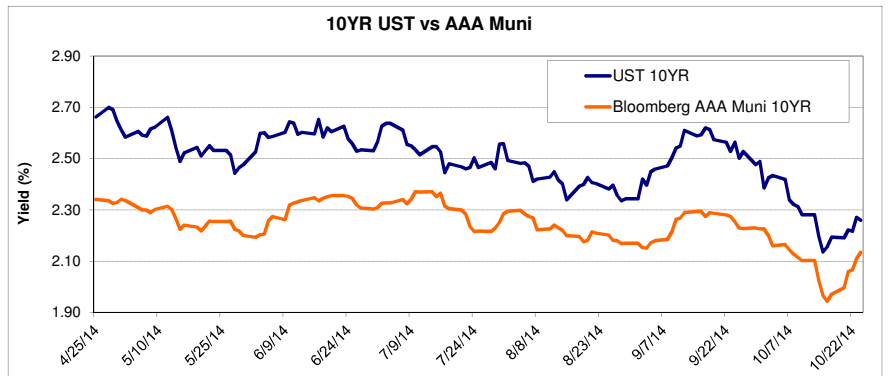
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$7.61</b>	<b>\$10.56</b>
---	---------------	----------------

<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$13.76</b>	<b>\$12.81</b>
---	----------------	----------------

<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.90%</b>	<b>3.87%</b>
---	--------------	--------------

### Select Economic Releases

Date	Event	Period	Survey	Prior
10/28	Durable Goods Orders	Sep	0.30%	-18.20%
10/28	Consumer Confidence Index	Oct	87.00	86.00
10/29	MBA Mortgage Applications	24-Oct	--	11.60%
10/29	FOMC Rate Decision	29-Oct	0.25%	0.25%
10/29	Fed QE3 Pace	Oct	--	\$15B
10/30	Initial Jobless Claims	25-Oct	--	--
10/30	GDP Annualized QoQ	3Q A	2.90%	4.60%
10/31	Personal Spending	Sep	0.10%	0.50%
10/31	Personal Income	Sep	0.30%	0.30%
10/31	Univ. of Michigan Confidence	Oct F	86.20	86.40



**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.

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.