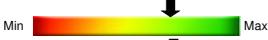


Trading Desk Commentary

Today the US Treasury market ended a five-day winning streak that took the 30-year bond to its lowest yield on record. Global deflationary fears and the skid in energy prices resulted in an extreme recalibration of markets' inflation expectations. 10-year US Treasury prices rallied over 1.00% in yesterday's session, which pushed the UST 10 well into a new technical channel. Today the market seems to be saying that this week's activity was a bit overzealous. Most of the curve has already given up over half of yesterday's gains, and equities turned positive after Dow futures suggested a terrible morning was in store. Perhaps the momentum shifter was this morning's University of Michigan Confidence data. The metric came in at 98.2, its highest level in more than a decade. Consumers presumably are feeling a bit more upbeat now that they can fill their tanks up for less than \$2.00 per gallon in many parts of the country. The Consumer Price Index fell 0.4%, which was in line with survey expectations. That decline is the largest since December of 2008. Inflation remains a non-threat and is making it a bit more difficult for the Fed to raise rates as soon as they may like. However, we believe that the Fed is eager to get off of its 0% mark even if inflation stays suppressed; the Fed just completed tapering, finally bringing an end to its unprecedented stimulus program, so it is unlikely the Fed wants to put together a new round of QE in the event of deteriorating US conditions. The zero-rate policy limits the Fed's ability to offer cushion should a global slowdown start washing up on US shores. Raising the target rate to 0.50% would likely result in a flatter curve than the one we have today, but that may be a price the Fed is willing to pay to give itself some breathing room. The longer end of the curve should remain fairly stable in the near-term. Global yields are still as low as they have ever been, and, as the World Bank stated earlier this week, the US remains a rare bright spot on the global stage. Foreign dollars should continue to pour into US debt and keep any upward yield momentum in check beyond 10 years.

All week - until today - Municipals enjoyed a very strong US Treasury backdrop, which helped dealers distribute new issues and clean up pieces in their inventory. However, Munis couldn't keep pace with the exceptional rally in US Treasuries and improved to a lesser degree from Monday to Thursday. Today's action helped Munis catch up a bit. As US Treasuries sharply weakened, Munis fared far better, actually rallying as Treasuries sold off. This week was the first week of 'normal' supply totals in 2015. Demand is still healthy, and we don't see any reason that this trend won't continue: Lipper is still reporting strong inflows into Muni mutual funds, and plenty of cash appears to be on the sideline ready to go to work. Next week's \$7bn or so of new supply doesn't pose much of a threat to Muni stability and should help the sector continue its winning streak. A scan of next week's supply calendar reveals a bunch of \$100-500mn deals spread out all over the country from the transportation, healthcare and general obligation sectors. The issuance will be compressed into four days due to the Martin Luther King Jr. holiday, and we will hit the ground running on Tuesday. Hope everyone enjoys their long weekend.

Caprin Strategy Summary

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

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.42	-0.07	0.49	88%
5 Year	1.02	-0.20	1.22	80%
10 Year	1.75	-0.13	1.88	96%
30 Year	2.54	-0.13	2.67	104%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.48	-0.09	0.57
5 Year	1.28	-0.16	1.44
10 Year	1.82	-0.15	1.97
30 Year	2.44	-0.11	2.55

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$5.76	\$5.58
Competitive	\$1.84	\$1.04
TOTAL	\$7.60	\$6.62

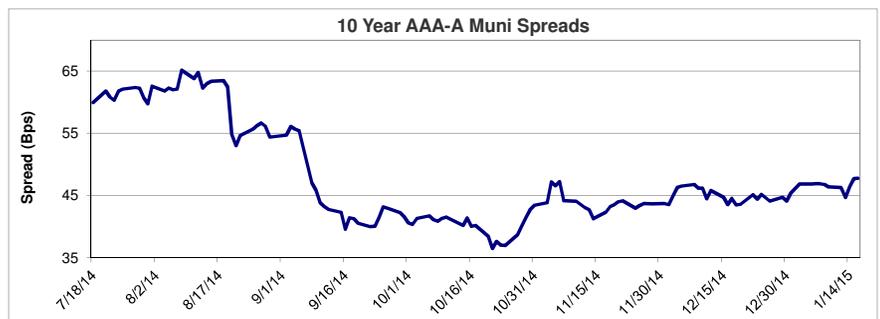
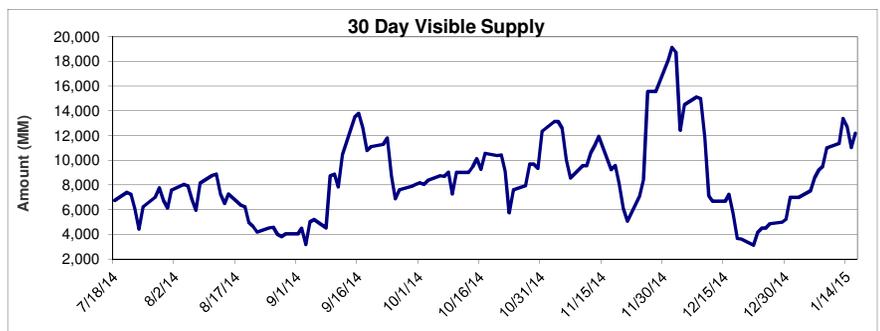
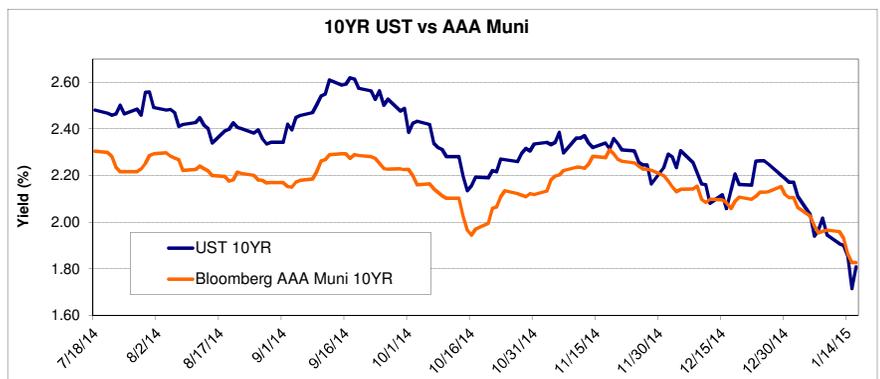
Municipal 30 Day Visible Supply (\$ Bln)	\$12.18	\$11.00
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Bloomberg Muni PICK Offerings (\$ Bln)	\$10.74	\$12.10
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Bond Buyer 20 Municipal G.O. Index	3.29%	3.42%
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Select Economic Releases

Date	Event	Period	Survey	Prior
1/21	MBA Mortgage Applications	16-Jan	--	49.10%
1/21	Housing Starts	Dec	1040K	1028K
1/22	Initial Jobless Claims	17-Jan	300K	316K
1/23	Markit US Manufacturing PMI	Jan P	54.00	53.90
1/23	Existing Home Sales	Dec	5.07M	4.93M
1/23	Leading Index	Dec	0.40%	0.60%



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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