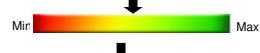
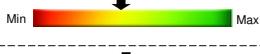
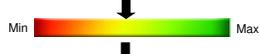
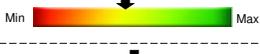
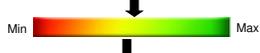


## Trading Desk Commentary

With another week of US economic data and headlines behind us, the treasury curve has continued to trade range bound as market participants seem to be positioning for December FOMC rate lift off. CPI printed Tuesday in line with expectations at 0.2% solidifying the Fed's lowered inflation expectations but still meeting their conditions for action. Rates remain slightly depressed compared to pre-September meeting levels, as traders are cautious after possibly positioning too optimistically. ECB hinting at extended stimulus measures, global unrest over Paris attacks and heightened terrorism threats are also all factors keeping benchmark US rates in check. Treasury and US equity volatility remain muted as the blockbuster October jobs number has forced more investors to the sidelines in wait and see situation. On the heels of an already strange situation developing in the swaps market, the 3Y swap spread (difference in USD interest rate swap and corresponding UST maturity) joined the longer tenors of the curve and fell below zero on Friday. Given that the IRS has embedded credit "counterparty" risk they should most always trade wider than debt backed by the US government. There has been speculation on what could be causing it but no one has been able to pinpoint a single specific reason. This developing phenomenon is not likely to correct itself soon, particularly in front of Fed action, and is raising questions among major market participants about price discovery in the fixed space. With a rather light economic calendar and a shortened trading week we continue to expect a low volatility week in rate products.

In what occasionally seems to be another universe, municipals have disconnected from treasuries for the time being and remain extremely firm. Even with the "elevated" supply, there was no relief in the bid-side as it is likely the street wants to own bonds going into a paltry end-of-year calendar. Secondary trading has proved challenging as dramatic spread compression, particularly in specialty states, is rampant, making most offerings very unattractive. We expect trading to be light next week and munis to hold firm and put up solid performance numbers closing out November. On the credit front, the superbond lives! Per a meeting Friday with the GDB and creditors, Puerto Rico is planning to present an opportunity to swap out existing debt, of various maturities, for a new loan in one single bond. The meeting was largely viewed as positive and productive by both sides as the island's back is against the wall with the next repayment deadline only two weeks away. The situation is far from over, especially since it involves another loan, but this is positive step. We hope everyone has a safe and pleasant holiday with family and loved ones and we appreciate you taking the time to read. Happy Thanksgiving.

## 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	Slightly Shorter Positioning Given Volatility
Intermediate Muni		0 YRS - 17 YRS	Neutral Positioning Given Global Weakness
Intermediate Taxable		0 YRS - 12 YRS	Neutral Positioning Given Global Weakness
Tactical Muni ETF			Neutral Duration, Overweight to CA
Core Plus ETF			Neutral Duration, Overweight to Treasuries
Tactical Opportunity ETF			Neutral Duration, Overweight Munis

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.72	0.00	0.72	78%
5 Year	1.29	-0.02	1.31	76%
10 Year	2.06	-0.11	2.17	91%
30 Year	3.01	-0.14	3.15	100%

UST Rates	Current Wk	Prior Wk
2 Year	0.92	0.83
5 Year	1.69	1.65
10 Year	2.26	2.27
30 Year	3.02	3.05

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$0.65	\$6.60
Competitive	\$0.13	\$2.50
<b>TOTAL</b>	<b>\$0.78</b>	<b>\$9.10</b>

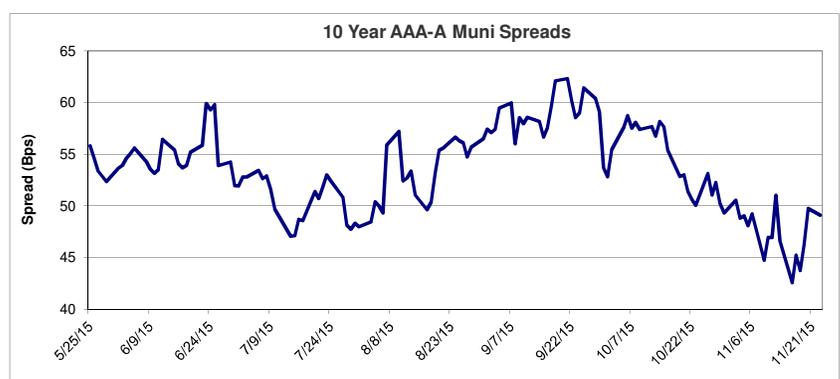
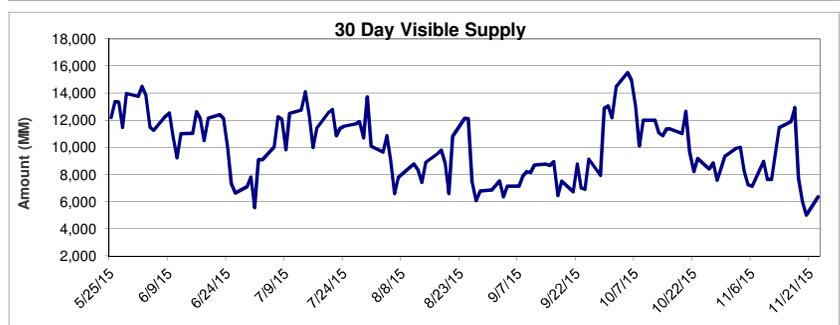
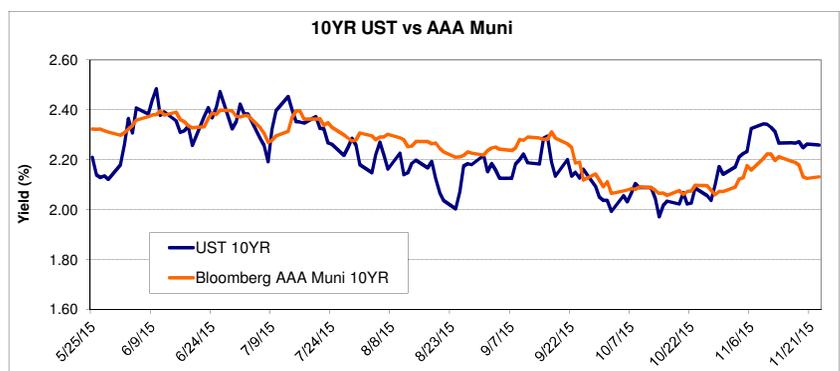
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$5.02</b>	<b>\$11.46</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$15.12</b>	<b>\$13.78</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.65%</b>	<b>3.74%</b>
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## Select Economic Releases

Date	Event	Period	Survey	Prior
11/23	Markit US Manufacturing PMI	Nov P	54.00	54.10
11/23	Existing Home Sales	Oct	5.40m	5.55m
11/24	GDP Annualized QoQ	3Q S	2.10%	1.50%
11/24	Consumer Confidence Index	Nov	99.50	97.60
11/25	Initial Jobless Claims	21-Nov	270k	271k
11/25	U. of Mich. Sentiment	Nov F	93.10	93.10
11/25	Durable Goods Orders	Oct P	1.60%	-1.20%
11/25	MBA Mortgage Applications	20-Nov	--	6.20%
11/25	New Home Sales	Oct	500k	468k
11/25	Personal Spending	Oct	0.30%	0.10%
11/25	Personal Income	Oct	0.40%	0.10%



#### **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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