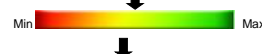



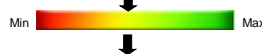

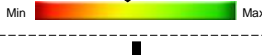
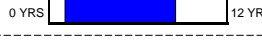





## Trading Desk Commentary

There will be no easing into the New Year. Before most of us had gotten out of bed on Monday, Asian equities had slumped more than 6% on the day, causing new circuit breakers to trip and suspending all trading. Trading was halted again after another steep decline on Wednesday. The aggressive selloff was triggered by a private Chinese survey that showed that factory activity in the world's second largest economy had contracted for a 10th straight month in December; an official government report the day before showed a fifth consecutive month of contraction. The selloff intensified after The Peoples Bank of China set the midpoint on the yuan at its lowest level since early 2011 vs. the dollar. The move caused investors to once again question what the true economic condition of the Chinese economy really might be, as information and data coming out of the country is increasingly opaque. The turmoil in China spread around the world, impacting virtually all asset classes. The Dow Jones Industrial average suffered its worst opening week ever, falling approximately 6%, while the S&P suffered its worst opening since 1999, also falling approximately 6%. Commodities were also negatively impacted as Copper prices traded below \$2/lb for the first time in more than 6 years. Oil also continued its price deterioration; as of this writing the price of crude had dropped to \$32.91/barrel, a level not seen since 2003. Investor anxiety over these events triggered the risk-off trade, and treasuries were the beneficiaries. Yields across the curve declined over the course of the week led by the 5-yr, down 20 bps. Yields on the 10-yr and 30-yr were down 15 and 10 basis points, respectively. December's Nonfarm print on Friday came in much stronger than expected (292k vs. 200k estimate) and November's number was revised up 41k, to 252k. However, average hourly earnings came in 0.2% below expectations. The jobs number did little to reverse the risk-off trade, but it did temper trading in some markets as investors weighed the strong headline U.S. jobs number against global economic volatility.

Over in the municipal space, primary supply was essentially non-existent as a little over \$2 billion was priced. Muni rates realized significant bumps to its scale over the course of the week as the 5-yr, 10-yr and 30-yr AAA MMD rates were down 18, 12, and 7 basis points, respectively. The limited primary supply, which led to very rich secondary trading, may finally find reprieve from the 30-day Visible Supply that has increased throughout the week and now stands at close to \$13.5 billion. This will bring much-needed supply to the muni space that has started to see crossover buyers looking for the relative safe-haven munis can provide. On the credit front, the same names are stealing the headlines. Puerto Rico made debt service payments on its General Obligation debt after clawing back certain revenues that were tagged to pay debt service on several other of the island's issuing Authorities. Negotiations regarding a full debt restructuring are ongoing. In other news, the state of Illinois is planning to come to market with a \$480 million General Obligation transaction, its first general obligation offering since April 2014. The state has well-known fiscal issues, so it will be interesting to see what kind of premium the state will be forced to pay and which investors will ultimately purchase the debt. We hope everyone had a nice holiday and new year's break, and we look forward to working with you in 2016.

## 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			Slightly Shorter Positioning Given Volatility
Intermediate Muni			Neutral Positioning Given Global Weakness
Intermediate Taxable			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	0.73	-0.07	0.80	78%
5 Year	1.09	-0.14	1.23	70%
10 Year	1.78	-0.09	1.87	84%
30 Year	2.73	-0.04	2.77	94%

UST Rates	Current Wk	Prior Wk
2 Year	0.93	1.05
5 Year	1.56	1.76
10 Year	2.12	2.27
30 Year	2.91	3.02

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$5.96	\$2.28
Competitive	\$2.01	\$0.47
<b>TOTAL</b>	<b>\$7.97</b>	<b>\$2.75</b>

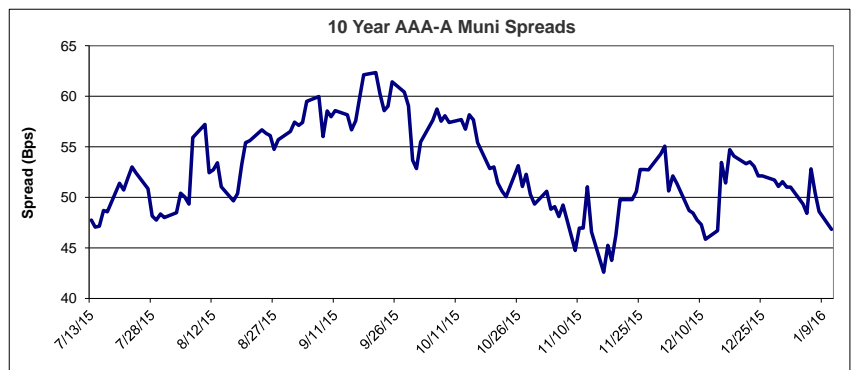
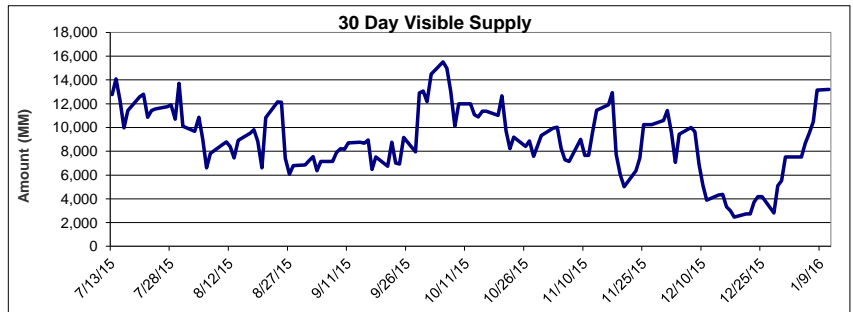
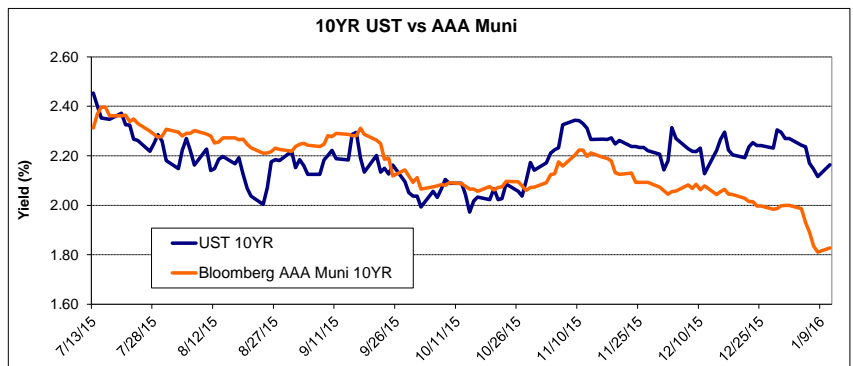
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$13.14</b>	<b>\$4.20</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$13.56</b>	<b>\$10.88</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.45%</b>	<b>3.57%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
1/14	Initial Jobless Claims	9-Jan	275k	277k
1/15	U. of Mich. Sentiment	Jan P	93.00	92.60
1/13	MBA Mortgage Applications	8-Jan	--	-11.60%
1/15	Retail Sales Advance MoM	Dec	-0.10%	0.20%
1/15	Industrial Production MoM	Dec	-0.20%	-0.60%
1/15	PPI Final Demand MoM	Dec	-0.20%	0.30%
1/15	Empire Manufacturing	Jan	-4.00	-4.59
1/14	Import Price Index MoM	Dec	-1.40%	-0.40%
1/13	Monthly Budget Statement	Dec	-\$10.0b	\$1.9b
1/14	Continuing Claims	2-Jan	2210k	2230k
1/15	PPI Final Demand YoY	Dec	-1.00%	-1.10%



**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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