
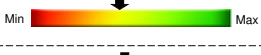

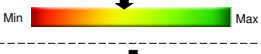





Trading Desk Commentary

As if the risk off trade need be any more crowded, the BOJ stole major headlines this week after announcing overnight Thursday they are adopting a negative interest rate policy, which subsequently kept treasuries' bid in Friday's NY close. The move comes as an effort to encourage large financial institutions to lend to businesses in hopes of stimulating an otherwise dormant economy despite years of ineffective QE measures. Oil rallied almost 15% from its intraweek lows, which helped boost major US equity indices about two percent. Traders in the fixed space, however, have moved focus to global economic headwinds and a looming growth slowdown as there was no relief in rates. The 3Y and 5Y rallied the most at 13 and 15bps respectively, while the long bond moved less dramatically suggesting it already accounted for these prospects. Markets got their first look at Q4 US GDP, which only missed estimates by a tenth (0.7% vs 0.8%), but, given that the Fed has raised and has begun injecting confidence in the economy, a case can be made that the GDP number should be higher for an economy not dealing with a recession hangover. With continued soft patches in global growth, we expect that, as they did at this past week's meeting, the Fed will reevaluate its aggressively forecasted rate hiking schedule constructively.

Even with a light calendar, munis could not keep pace with Treasuries this week, and another week of underperformance is in the books. Muni to treasury ratios are finally finding some relief after two months of historically rich levels with the 30Y flirting with 100%. In Muni credit news Chicago stole the show this week, pulling their Board of Ed deal and placing it on the Day-to-Day basis calendar. The preliminary scale priced the bonds close to the levels of the Puerto Rico electric authority deal that came in 2013. All eyes are on congress as the fate of Puerto Rico lies with potential legislation that will either allow them access to Chapter 9 type protection or allow government control board restructuring to take place. Both events mentioned above will dominate headlines, and we expect that, if ratios remain favorable, issuers may potentially begin refunding deals again frontloading the calendar similar to what took place in 2015.

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, Neutral Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.66	-0.02	0.68	86%
5 Year	1.00	-0.05	1.05	75%
10 Year	1.71	-0.04	1.75	89%
30 Year	2.75	-0.01	2.76	100%

UST Rates			
2 Year	0.77	-0.10	0.87
5 Year	1.33	-0.15	1.48
10 Year	1.92	-0.13	2.05
30 Year	2.74	-0.08	2.82

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$2.70	\$3.65
Competitive	\$1.35	\$1.59
TOTAL	\$4.05	\$5.24

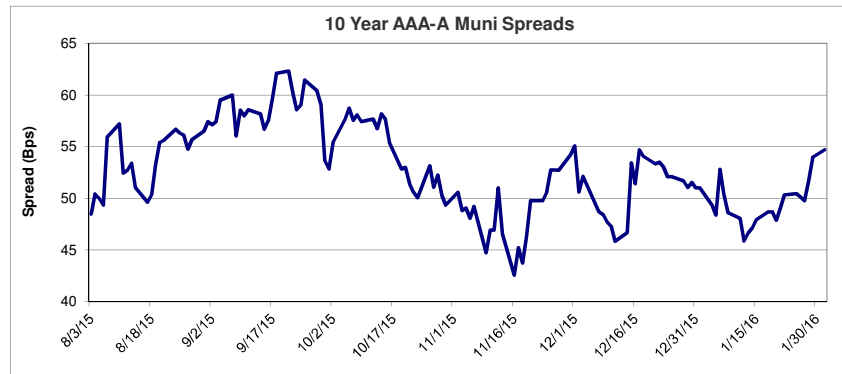
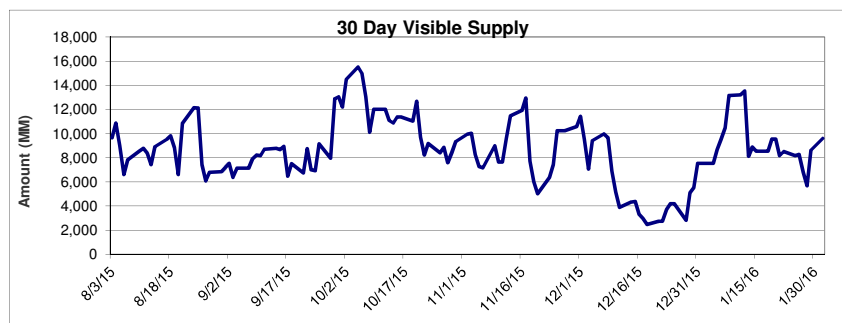
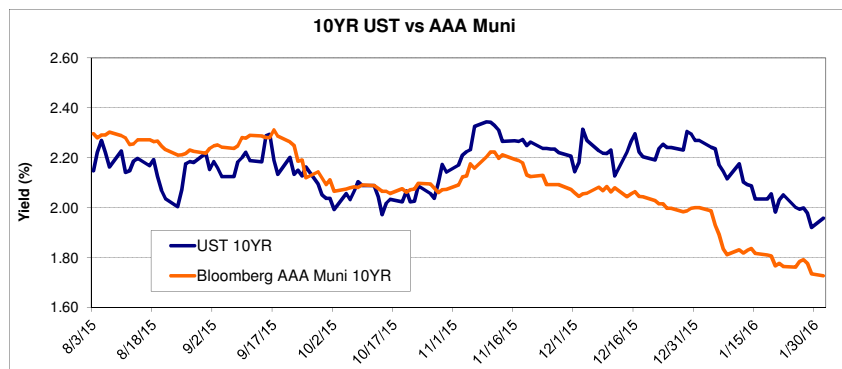
Municipal 30 Day Visible Supply (\$ Bln)	\$8.61	\$8.52
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Bloomberg Muni PICK Offerings (\$ Bln)	\$3.50	\$14.46
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Bond Buyer 20 Municipal G.O. Index	3.38%	3.37%
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Select Economic Releases

Date	Event	Period	Survey	Prior
2/1	ISM Manufacturing	Jan	48.40	48.20
2/1	Markit US Manufacturing PMI	Jan F	52.60	52.70
2/1	Personal Income	Dec	0.20%	0.30%
2/1	Personal Spending	Dec	0.10%	0.30%
2/3	MBA Mortgage Applications	29-Jan	--	8.80%
2/4	Initial Jobless Claims	30-Jan	279k	278k
2/4	Durable Goods Orders	Dec F	-4.50%	-5.10%
2/4	Factory Orders	Dec	-2.80%	-0.20%
2/5	Change in Nonfarm Payrolls	Jan	190k	292k
2/5	Unemployment Rate	Jan	5.00%	5.00%
2/5	Trade Balance	Dec	-\$43.20b	-\$42.37b



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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