








Trading Desk Commentary

US markets were range bound most of the week as traders remained reluctant to make aggressive wagers with the markets seemingly quiet and a December rate hike 71% priced in. There continues to be talk about the Fed's eroding credibility and mounting inflation pressure, but most focus is on the approaching US presidential election. Fed bankers continue to bring the 'fiscal reform' piece of the equation to the table hoping it might spur a public discussion, but neither candidate has addressed it in detail. Nor are they expected to with less than a month away until the election. Investment grade credit is of special mention this week as cash bond spreads continue to grind tighter on mostly technical influences and the continued hunt for return in yield starved bond markets. These spreads are easily the lowest of the year, and the case for more compression continues to be strong even if not necessarily fundamentally driven.

The municipal market digested another week of elevated supply, but the yield curve, as measured by MMD, held in surprisingly well with bumps to respective new issue scales. Traders in the secondary are reluctant to hit down bids likely due to some hedging, and there is a belief that this move may be short lived while the market moves through this heavy supply period. Lipper mutual fund flows printed the first cash outflow from muni mutual funds in 54 weeks suggesting some potential booking of gains and perhaps even year-end tax planning. Although cash spreads held in, intermediate muni ETFs suffered some exaggerated underperformance being more susceptible to negative news headlines (e.g. the first outflows in over a year). The upcoming week brings another massive calendar with over \$16B pricing. Barring contagion and overreaction to the heavy calendar, we expect that the municipal sector will perform well into year end. We expect continued range bound trading in US fixed markets in the very near term with the November 8th election and December FOMC meeting in focus.

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 to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.85	-0.03	0.88	103%
5 Year	1.12	-0.01	1.13	90%
10 Year	1.72	0.01	1.71	99%
30 Year	2.54	-0.02	2.56	102%

UST Rates			
2 Year	0.82	-0.01	0.83
5 Year	1.24	-0.04	1.29
10 Year	1.73	-0.06	1.80
30 Year	2.48	-0.04	2.53

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$11.06	\$9.77
Competitive	\$2.76	\$4.38
TOTAL	\$13.82	\$14.15

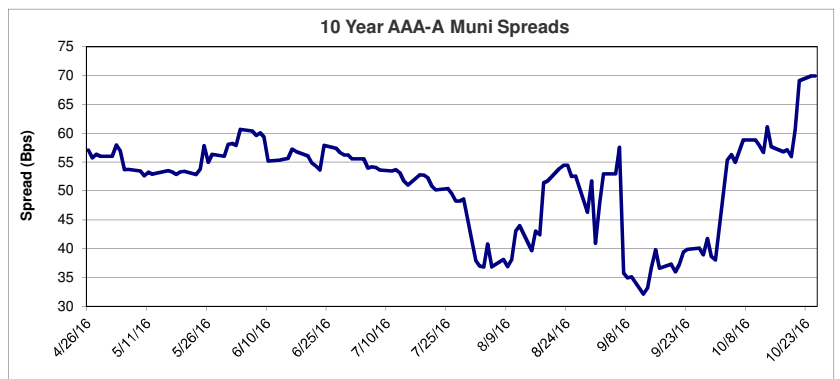
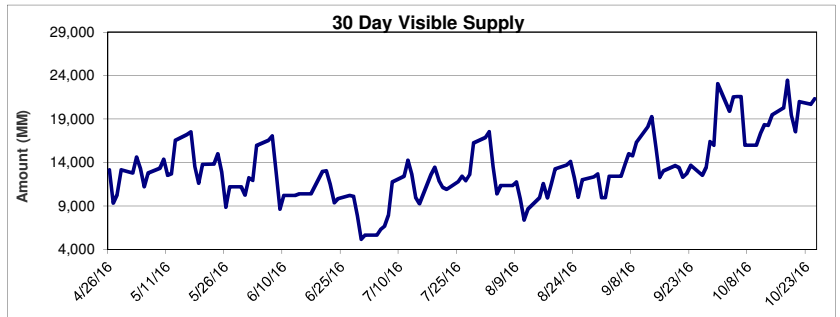
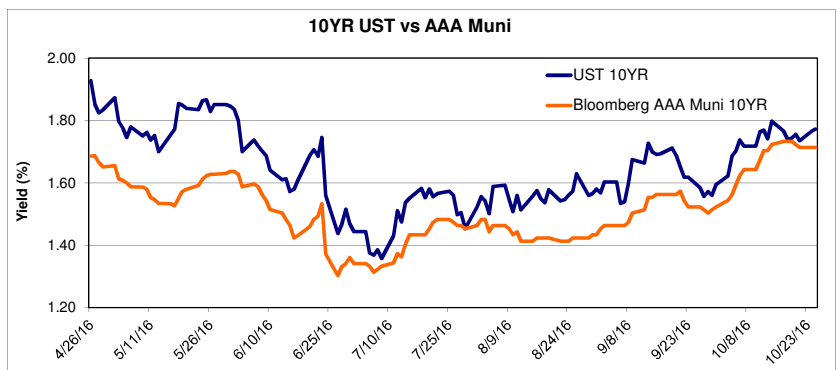
Municipal 30 Day Visible Supply (\$ Bln)	\$21.02	\$19.47
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Bloomberg Muni PICK Offerings (\$ Bln)	\$20.16	\$18.51
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Bond Buyer 20 Municipal G.O. Index	3.28%	3.28%
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Select Economic Releases

Date	Event	Period	Survey	Prior
10/24	Markit US Manufacturing PMI	Oct P	51.5	51.5
10/25	Consumer Confidence Index	Oct	101.5	104.1
10/26	MBA Mortgage Applications	21-Oct	--	0.60%
10/26	New Home Sales	Sep	600k	609k
10/26	Wholesale Inventories MoM	Sep P	0.10%	-0.20%
10/27	Initial Jobless Claims	22-Oct	255k	260k
10/27	Durable Goods Orders	Sep P	0.00%	0.10%
10/27	Pending Home Sales MoM	Sep	1.10%	-2.40%
10/28	GDP Annualized QoQ	3Q A	2.50%	1.40%
10/28	U. of Mich. Sentiment	Oct F	88.2	87.9
10/28	GDP Price Index	3Q A	1.40%	2.30%



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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