

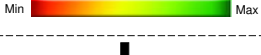



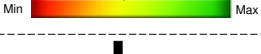
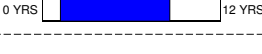





Trading Desk Commentary

The Treasury market continued to soften during the holiday-shortened week. Wednesday's moves came amidst very low volume as traders headed for the doors early, happy to have a couple of days off to regroup from the shellacking the bond market had taken over the past couple of weeks. On the other hand, equities have reached all-time highs with the Dow settling in over 19,000 as of this writing. Markets continue to assume a Trump presidency will simply push inflation higher, decrease regulation and lower tax rates for both individuals and corporations and do it all quickly and without many headwinds. That seems unlikely given the scarcity of details on Trump's agenda, not to mention the legal steps and time that would need to be taken to enact many of his policies. The last three weeks have essentially reversed over a year's worth of inflationary expectations. All the while – fundamentally - very little has changed. We will get several actual numbers to trade on this week including a second look at Q3 GDP, ADP employment, Personal Income and Spending, and Friday brings us the final Nonfarm print prior to the Fed's December 14 meeting. Even though a Fed hike is 100% priced in at this point, a few disappointing numbers could reverse the current trade. In contrast, surprises to the upside could send Treasury yields higher, although we expect any additional increase in yields to be more constructive than the aggressive sell-off over the past couple of weeks.

Municipals continued to underperform in last week's abbreviated session. Most desks were lightly staffed, and only about \$800 million came in the primary space. Although muni's suffered another week of outflows (\$5.5 billion over the past two weeks), net inflows for the year remain at approximately \$50 billion. We have also observed that the selling, although heavy at times since Trump's victory, has been far more orderly than the taper tantrum of 2013, where bid-sides were virtually non-existent. This week the primary calendar picks up (\$8 billion) as well as 30-day Visible Supply (\$16 billion). We do expect continued near-term volatility, but muni/treasury ratios have become historically attractive due to the recent muni underperformance. This could bring crossover buyers into the space, which should help firm up the bid-side, helping to ease potential further underperformance. We will have much more information after next week's full calendar. We hope everyone had a safe and happy Thanksgiving holiday.

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			Maintain Conservative Maturity Positioning
Intermediate Taxable			Overweight to High Grade Corporates
Tactical Muni ETF			Slightly Shorter, Focus on Extension Risk
Core Plus ETF			Slightly Shorter, Slight Credit Overweight
Tactical Opportunity ETF			Slightly Shorter, Neutral Muni to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	1.12	0.07	1.05	100%
5 Year	1.72	0.13	1.59	94%
10 Year	2.40	0.10	2.30	102%
30 Year	3.13	0.07	3.06	104%

UST Rates			
2 Year	1.12	0.05	1.07
5 Year	1.84	0.04	1.80
10 Year	2.36	0.00	2.35
30 Year	3.00	0.00	3.00

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$7.60	\$0.74
Competitive	\$2.50	\$0.14
TOTAL	\$10.10	\$0.88

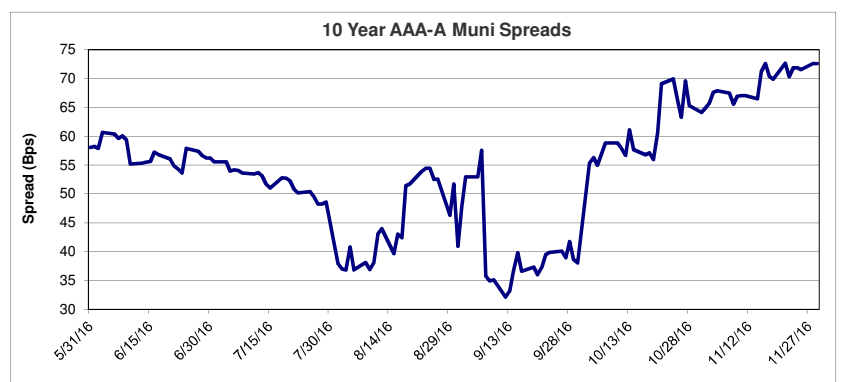
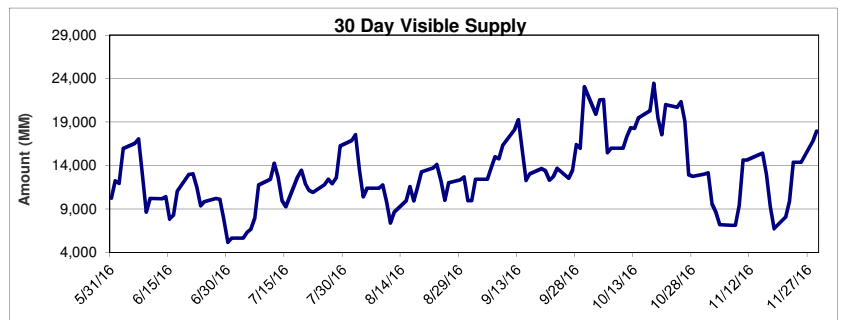
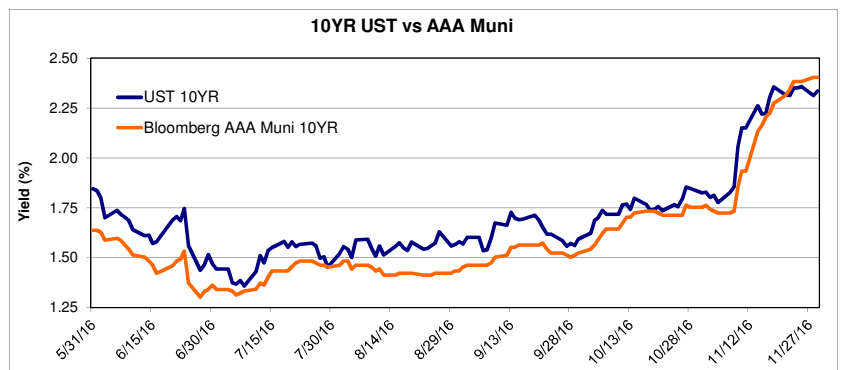
Municipal 30 Day Visible Supply (\$ Bln)	\$14.40	\$6.74
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Bloomberg Muni PICK Offerings (\$ Bln)	\$20.38	\$21.64
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Bond Buyer 20 Municipal G.O. Index	3.75%	3.75%
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Select Economic Releases

Date	Event	Period	Survey	Prior
11/29	GDP Annualized QoQ	3Q S	3.00%	2.90%
11/29	Consumer Confidence Index	Nov	101.5	98.6
11/30	MBA Mortgage Applications	25-Nov	--	5.50%
11/30	Personal Spending	Oct	0.50%	0.50%
11/30	Personal Income	Oct	0.40%	0.30%
11/30	ADP Employment Change	Nov	169k	147k
12/1	Initial Jobless Claims	26-Nov	253k	251k
12/1	ISM Manufacturing	Nov	52.3	51.9
12/1	Markit US Manufacturing PMI	Nov F	53.9	53.9
12/2	Change in Nonfarm Payrolls	Nov	180k	161k
12/2	Unemployment Rate	Nov	4.90%	4.90%



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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