












Trading Desk Commentary

US benchmark rates have settled into a range as the market waits intently for the first days of the incoming Trump administration. Last week began with an aggressive Theresa May (UK PM) dispelling any rumor of a non-committal UK, and vowed to trigger article 50 and begin renegotiation with the EU promptly. Chair Yellen and Committee continue to push the case for gradual policy tightening while also pushing for several hikes of the fed funds target rate this year. We would expect daily rate volatility to increase with significant developments on major fiscal policy initiatives out of the west wing, but participants are now demanding action before pushing rates dramatically higher. All eyes are focused on DC for the next few weeks as Trump settles into the Oval Office and the FOMC is back in session in a week.

More erratic tax exempt trading highlighted the dislocations that can occur within the asset class, as munis spent most of the week falling (yields higher) despite an only modestly softer treasury market. The return of primary issuance coupled with a mixed fund flows picture led to some aggressive selling in the front and intermediate portions of the curve. Muni to treasury ratios that began the week flirting with very rich 3 month levels likely had traders even more anxious to move their inventory. We expected munis to mean revert slightly given the very strong first two weeks of the year but were surprised to see traders shake it all out in only a few sessions. From here we anticipate a similar range-bound nature to take hold as the market finds its footing after a tumultuous couple of months. Stay tuned for what is shaping up to be an interesting 2017.

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	Maintain Conservative Maturity Positioning
Intermediate Taxable		0 YRS  12 YRS	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	1.09	0.02	1.07	92%
5 Year	1.66	0.09	1.57	86%
10 Year	2.32	0.16	2.16	94%
30 Year	3.05	0.14	2.91	100%

UST Rates		
2 Year	1.19	0.00
5 Year	1.94	0.04
10 Year	2.47	0.07
30 Year	3.05	0.06

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$4.07	\$6.77
Competitive	\$2.14	\$1.48
TOTAL	\$6.21	\$8.25

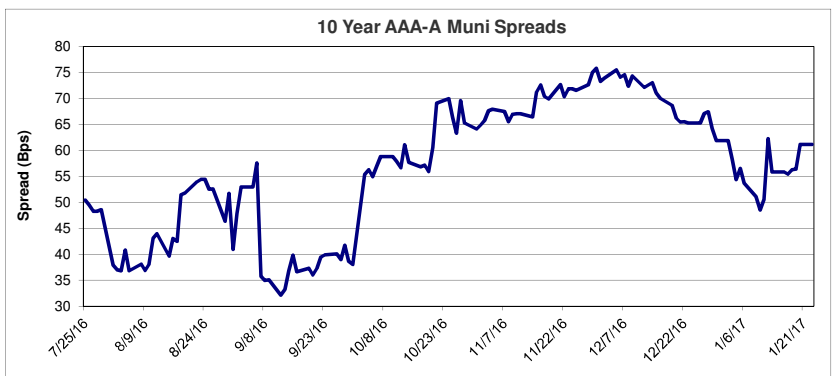
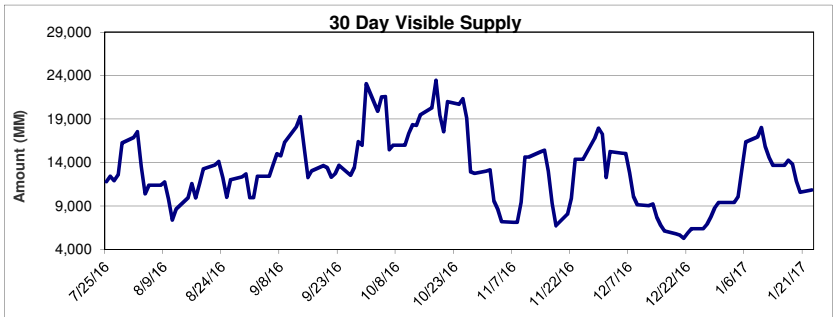
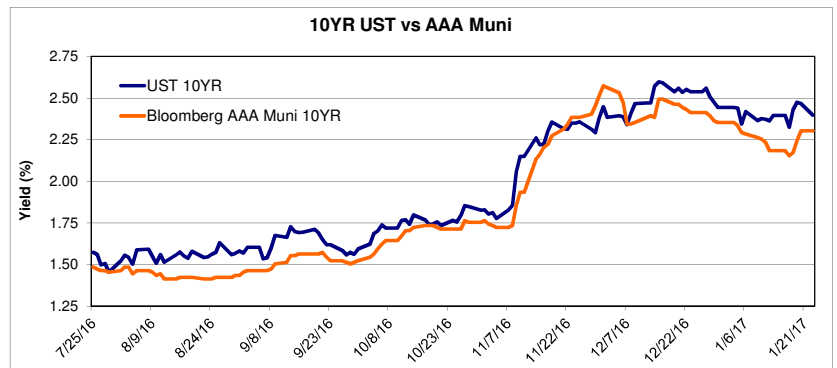
Municipal 30 Day Visible Supply (\$ Bln)	\$10.57	\$13.70
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Bloomberg Muni PICK Offerings (\$ Bln)	\$15.42	\$13.22
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Bond Buyer 20 Municipal G.O. Index	3.83%	3.72%
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Select Economic Releases

Date	Event	Period	Survey	Prior
1/24	Markit US Manufacturing PMI	Jan P	54.5	54.3
1/24	Existing Home Sales	Dec	5.51m	5.61m
1/25	MBA Mortgage Applications	20-Jan	--	0.80%
1/26	Initial Jobless Claims	21-Jan	247k	234k
1/26	New Home Sales	Dec	587k	592k
1/26	Leading Index	Dec	0.50%	0.00%
1/26	Wholesale Inventories MoM	Dec P	0.10%	1.00%
1/27	GDP Annualized QoQ	4Q A	2.20%	3.50%
1/27	U. of Mich. Sentiment	Jan F	98.1	98.1
1/27	Durable Goods Orders	Dec P	2.70%	-4.50%
1/27	GDP Price Index	4Q A	2.10%	1.40%



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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