

	Current Wk	Prior Wk
<b>Weekly Municipal</b> (\$ Bln)		
Negotiated	\$3.79	\$4.21
Competitive	\$1.57	\$1.59
<b>TOTAL</b>	<b>\$5.36</b>	<b>\$5.80</b>

<b>Municipal 30 Day</b>	<b>\$8.94</b>	<b>\$9.19</b>
<b>Visible Supply (\$ Bln)</b>		

<b>Bloomberg Municipal PICK Offerings Par</b> (\$ Bln)	<b>\$10.70</b>	<b>\$10.97</b>
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<b>Municipal Placement Ratio (New Issues)</b>	<b>89.50%</b>	<b>93.40%</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.93%</b>	<b>4.12%</b>
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Treasury Supply		Current Auction	Prior Auction
Day	Maturity	Amount (\$ Bln)	Amount (\$Bln)
Mon	3 Year	32	32
Tues	10 Year	21	24
Wed	30 Year	13	16
<b>TOTAL</b>		<b>66</b>	<b>72</b>

Select Economic Releases				
Date	Event	Period	Survey	Prior
12/13	Advance Retail Sales	NOV	0.60%	0.50%
12/13	FOMC Rate Decision	13-Dec	0.25%	0.25%
12/14	MBA Mortgage Applications	9-Dec	--	12.80%
12/14	Import Price Index (MoM)	NOV	1.10%	-0.60%
12/15	Producer Price Index (MoM)	NOV	0.20%	-0.30%
12/15	Empire Manufacturing	DEC	3	0.61
12/15	Initial Jobless Claims	10-Dec	390K	--
12/15	Continuing Claims	3-Dec	3640K	--
12/15	Capacity Utilization	NOV	77.90%	77.80%
12/16	Consumer Price Index (MoM)	NOV	0.10%	-0.10%

## Trading Desk Commentary

Europe held much of the world's attention last week as the continent's financial leaders met in Brussels to discuss how the EU plans to respond to their ongoing debt crisis. Until talks got under way late in the week, financial markets took a wait-and-see approach resulting in muted activity amongst UST's and equities. By week's end, the EU had agreed to add roughly \$250bln to the union's bailout fund and emphasized the need for more rigorous austerity measures among Eurozone members. The EU will still have a long road ahead but the measured progress made this week was a net positive in the opinions of investors – enough to create a modest UST sell-off and advance the Dow roughly 200pts on Friday. The EU's accords and display of initiative (esp. by Germany and France) fostered confidence but are only a small step towards the type of resolutions needed to restore full faith in the EU system and prevent (seemingly) daily shocks to the system. We believe European headlines will continue to be the dominant force guiding equity and taxable movements through year-end.

While taxables took their cues from global developments, Munis played in their own sandbox, largely independent of the macro factors affecting other asset classes. While UST's were subdued for the majority of the week, tax-exempts could finally look introspectively and find fair value on their own. UST volatility has made price discovery difficult for tax-exempts since the summer months, dragging yields higher on signs of progress in Europe (and better domestic news) and lower in response to more negative headlines; however, last week's rumor mill was quieter than usual. Munis had a relatively modest calendar of supply (~\$6bln); not nearly enough to satiate the current appetite for tax-exempt paper being generated by December's strong reinvestment needs and active crossover buying due to still-attractive Muni-to-UST ratios. More importantly, the supply "boom" that was expected to cap off 2011 does not appear to be materializing. In preparation for the non-arrival of a large supply calendar, participants are cannibalizing weekly supply with ease as they scan the forward calendar and are realizing their options will be fairly limited. The supply-demand imbalance last week helped improve Munis by more than 20bps in the 10yr range, according to MMD's AAA scale. Though Muni-to-TSY ratios in the 7-10yr area have inched closer to more historic norms, ratios are still highly enticing in the shorter and longer regions of the Muni curve (120-150%) and should keep crossover buying engaged. Given the tax-exempt supply picture, ratios and energetic reinvestment/crossover activity, we would expect Munis to perform well in the short-term. Furthermore, low yields (now back near all-time lows) should act positively on credit spreads, providing an opportunity for lesser rated names to outperform AAA-type names as investors reach for more attractive yields in healthcare and power names, for example. Our recent purchases in sectors such as these could serve Caprin portfolios well if such a credit rally indeed develops.

Rates	Current	Yld	Prior	Muni to Treasury Ratio
	Wk	Change	Wk	
<b>Muni's</b>				
2 Year	0.36	-0.03	0.39	164%
5 Year	0.95	-0.12	1.07	107%
10 Year	1.97	-0.21	2.18	96%
30 Year	3.69	-0.14	3.83	119%
<b>UST</b>				
2 Year	0.22	-0.03	0.25	
5 Year	0.89	-0.03	0.92	
10 Year	2.06	0.03	2.03	
30 Year	3.10	0.08	3.02	

### 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.

**Placement Ratio** - The amount of bonds sold by underwriting syndicates each week as a percentage of the amount issued that week by issuers selling \$1,000,000 par value or more of securities. The ratio published by The Bond Buyer, helps gauge the demand for municipal bonds in the marketplace.

**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, and the placement ratio are obtained through The Muni Center, 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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