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US markets were blindsided today by a much stronger than expected Nonfarm Payrolls number. The release showed that the US economy added 204k new jobs versus 120k survey, boosted by a particularly strong hiring period within the private sector. In the minds of traders, numbers like this increase the likelihood that the Fed will reduce its stimulus measures more quickly, meaning the bond market loses its biggest supporter. No clearer depiction of the times we live in can be painted than the one rendered by this morning's equity market. In the minutes that followed one of the largest upside surprises in jobs data in 2013, Dow futures actually weakened. This reaction to a strengthening economy is counterintuitive in a more traditional market. However today, it means that the solace that the central bank provided through the past five years of turmoil could begin slowly dissipating and the economy will need to fend for itself more and more. This prospect makes market participants nervous. What is fair value in US markets with the Fed's gargantuan stimulus stripped away? We won't find out today or tomorrow, but indications of job growth like we saw today suggest we may find out sooner than anyone is currently expecting. We know the Federal Reserve is intensely scrutinizing every economic data point, searching for validation to taper. The Fed does not want to grow its balance sheet ad infinitum – and we know some voting Fed officials would apply the brakes immediately if they had their druthers. Remaining nimble and attuned to new releases still offers the best way to navigate through this era of data dependency.

In our view, the Nonfarm Payroll data is notable but not a game changer. It will help the Fed build a case for stimulus reduction but we still do not foresee it happening at the December meeting. Early 2014 is definitely in play for a taper announcement. We may see trading activity closer to year end pull interest rates higher as traders try to get ahead of a potential announcement but this will depend on new data justifying the preemptive trading closer to the New Year. Over the next few weeks, we anticipate choppy activity in bonds. We suspect trading will remain highly reactive to new releases, especially those that will heavily inform future Fed policy. If the past several months are any indication, housing and jobs data will likely be a mixed bag, though there will always be the risk of big surprises (in either direction) like we saw this morning. In anticipation of a market seeking validation, we have extended our duration targets closer to neutral for the time being. We do not want to forego income in a sideways market that does not compensate investors for using a defensive strategy. Regardless, any duration or credit profile a manager selects requires constant reevaluation. Probability modeling of future Fed action is an ever-evolving measure with strong implications on fixed income strategies. Our Investment Team remains committed to ongoing analysis of the macro indicators that will drive taper timing. The Fed need not look far to the primary counterweight to potential policy tightening. Congress and the White House were only able to move the debt ceiling debate off until early next year, smack dab in the middle of when many expect a taper announcement. The Fed blames DC uncertainty for balking at stimulus reduction in September. We may hear a familiar tune in January. In the meantime, we will use yield spikes like we saw today as opportunities to buy debt at attractive levels relative to recent trading. Simultaneously, we acknowledge the importance of a flexible duration strategy over the course of the next several months.

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	Prefer Corporates and Taxable Munis
Intermediate Muni		0 YRS  17 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Intermediate Taxable		0 YRS  12 YRS	Prefer Corporates and Taxable Munis
Tactical Muni ETF			Slight Overweight to CA and NY
Core Plus ETF			Slight Overweight to Corporates
Tactical Opportunity ETF			Equal Weight Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.34	0.00	0.34	110%
5 Year	1.15	0.09	1.06	81%
10 Year	2.58	0.12	2.46	94%
30 Year	4.15	0.09	4.06	108%
UST Rates				
2 Year	0.31	0.01	0.30	
5 Year	1.42	0.05	1.37	
10 Year	2.75	0.14	2.61	
30 Year	3.84	0.15	3.69	

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$3.54	\$4.38
Competitive	\$1.50	\$1.24
TOTAL	\$5.04	\$4.20

Municipal 30 Day Visible Supply (\$ Bln)	\$10.76	\$8.04
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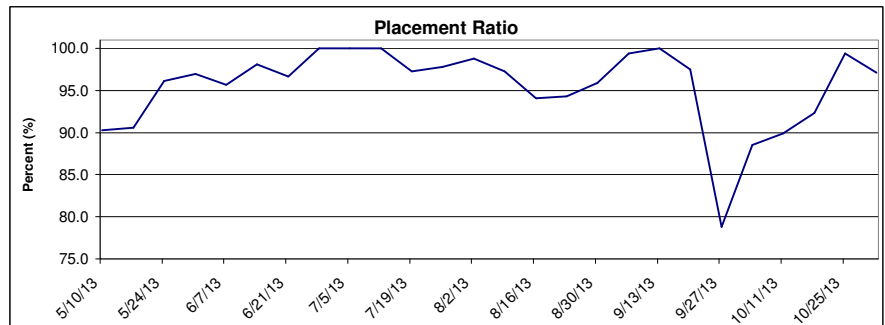
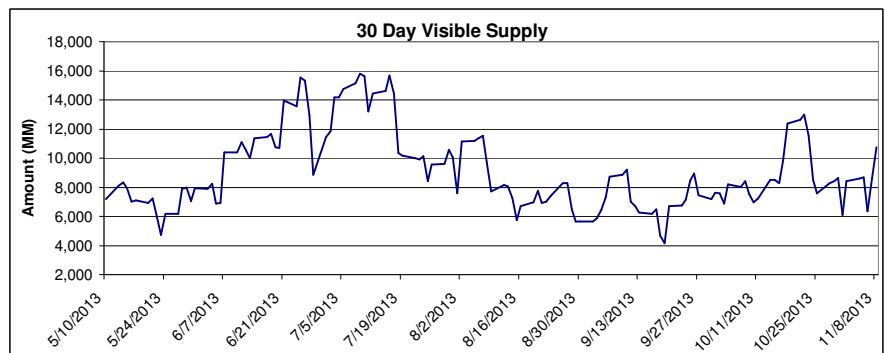
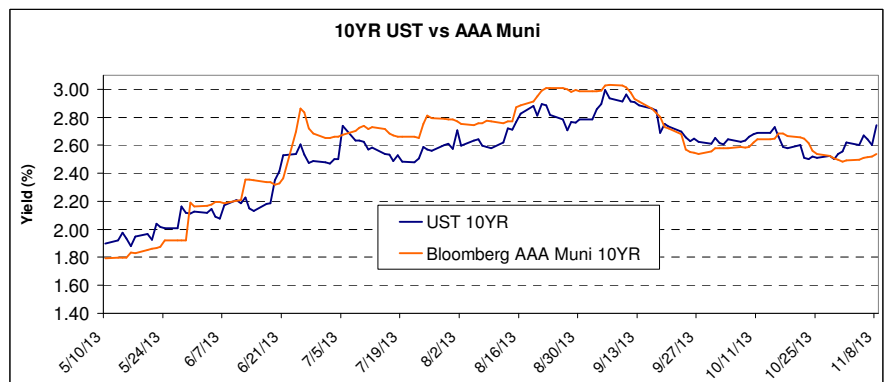
Bloomberg Muni PICK Offerings (\$ Bln)	\$15.54	\$11.81
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Muni Placement Ratio (New Issues)	n/a	97.1%
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Bond Buyer 20 Municipal G.O. Index	4.56%	4.48%
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Select Economic Releases

Date	Event	Period	Survey	Prior
11/13	MBA Mortgage Applications	8-Nov	--	-7.0%
11/14	Initial Jobless Claims	9-Nov	330K	336K
11/14	Continuing Claims	2-Nov	2875K	2868K
11/15	Import Price Index MoM	Oct	-0.4%	0.2%
11/15	Empire Manufacturing	Nov	5.00	1.52
11/15	Industrial Production MoM	Oct	0.2%	0.6%



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 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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