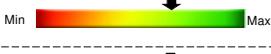
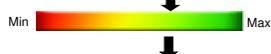
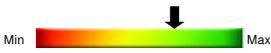


Trading Desk Commentary

A slew of downbeat releases sparked a flight to quality responsible for US Treasuries yields touching their lowest point in over a year. On Wednesday, the International Monetary Fund revised their global growth expectations downward and warned that significant risks exist to global recovery. Then on the same day, the Fed's meeting minutes were released and illustrated a more dovish tone than what many took away from the meeting itself. In the minutes, the Fed acknowledged what a significant risk the global slowdown poses to US growth. For the most part, the Fed has kept global economic issues away from its decision-making process. Seeing that the Fed is now noting the drag it could cause in the coming months (and the effect it may have on the policy path the Fed chooses) was eye-opening. US Treasuries spent the entire week rallying while the Dow and S&P 500 fell to two-month lows. We have mentioned many times that 2.35% provided a floor for the 10 Year US Treasury note on several occasions. This week's flurry of concern caused the UST 10 to break through that significant point of resistance. The UST 10 is now trading around 2.30% which, from a technical perspective, leaves the UST 10 in a downward breakout. The next major technical resistance level for a lower yield scenario is down around 2.20%. However, 2.20% is a weak point of support and is likely more psychological in nature. Should conditions worsen (economically, geopolitically or even through Ebola-related developments) it is hard to say where yields will eventually bottom. Though the rally in US Treasuries paused on Friday, technicals suggest a strong bias to lower yields barring a significant change in tone. The CBOE/CBOT 10-year U.S. Treasury Note Volatility Index (VXTYN) spiked to levels that we saw ahead of the Fed last month. Before that, you have to look back to May for comparable levels in the index. Unless better news emerges next week, we expect the recent volatility – and strength – in bonds to carry on.

The firmness in US debt is spreading to the Municipal space though the moves in tax-exempts were muted – a phenomenon for all of 2014. Low supply and the decreased trading that come along with it makes it difficult for Munis to keep up with US Treasuries. This has been a good and bad thing. For example, Munis outperformed their taxable counterpart during the US Treasury sell-off before the FOMC meeting in September. On the other hand, in periods like this week Munis have trouble keeping pace as US Treasuries catch fire. Munis typically catch up to normalize ratios but not until US Treasuries calm down. We are still active participants in the Muni primary and secondary markets. For example, we bought a portion of the \$436mln (Aa1/AA-) Cypress-Fairbanks Texas ISD general obligation deal and the \$102mln (Aa1/AAA) Charlotte NC Stormwater revenue deal. We are finding prices in higher quality names increasingly justifiable as credit spreads compress and make lower-rated debt look relatively expensive, particularly on a risk-adjusted basis. Next week is shortened by the Columbus Day holiday but will pack about \$6bln of new issuance into the four days. Leading the way will be a \$1.1bln (Aa1/AAA) New York Dorm Sales Tax revenue deal and a \$550mln (A1/AA-) South Carolina Public Service Authority Santee Cooper revenue deal, the only two deals larger than \$500mln. Beyond that, a wide range of sectors and states are represented on next week's slate, though in smaller quantities. We continue to roll bonds out of the first two years of the curve and into longer dated maturities (10-15 years) to maintain our duration targets. Our outlook for Munis remains highly constructive. The supply picture remains super manageable. Demand is as strong as ever as evidenced by a huge inflow to Muni bond funds this week (+762mln), according to Lipper. That is now 34 weeks of inflows in 2014 versus 6 weeks of divestitures. Putting that stat next to this year's sluggish issuance – down more than 10% from an already-slow 2013 – really tells the main story of 2014. Muni issuers and dealers cannot keep up with a supply-starved buyer base – and there is no sign of anything changing.

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

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.35	-0.02	0.37	80%
5 Year	1.10	-0.07	1.17	71%
10 Year	2.01	-0.11	2.12	87%
30 Year	2.92	-0.12	3.04	96%
UST Rates				
2 Year	0.44	-0.12	0.56	
5 Year	1.55	-0.17	1.72	
10 Year	2.30	-0.13	2.43	
30 Year	3.04	-0.08	3.12	

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$4.84	\$4.53
Competitive	\$1.36	\$0.62
TOTAL	\$6.20	\$5.15

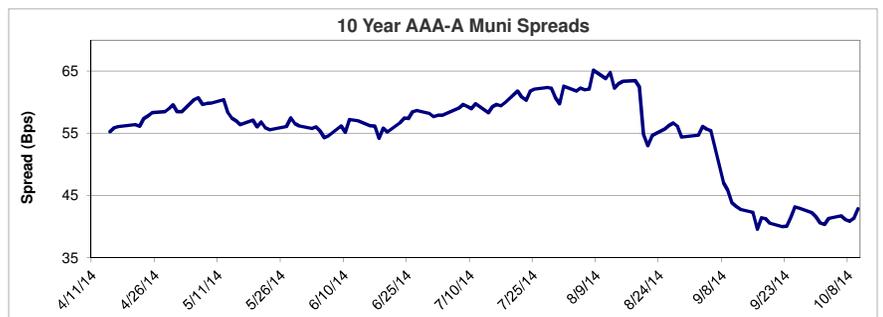
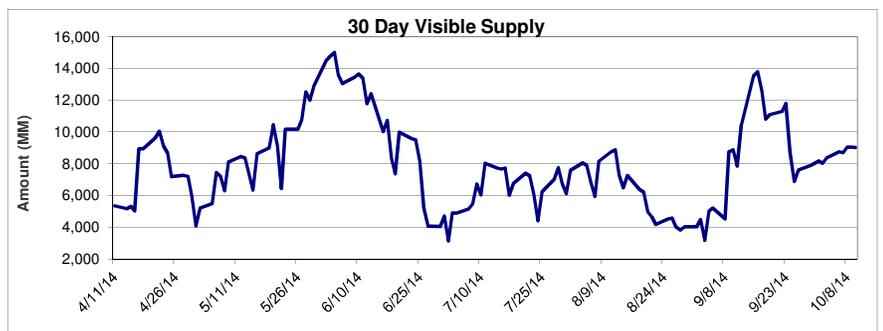
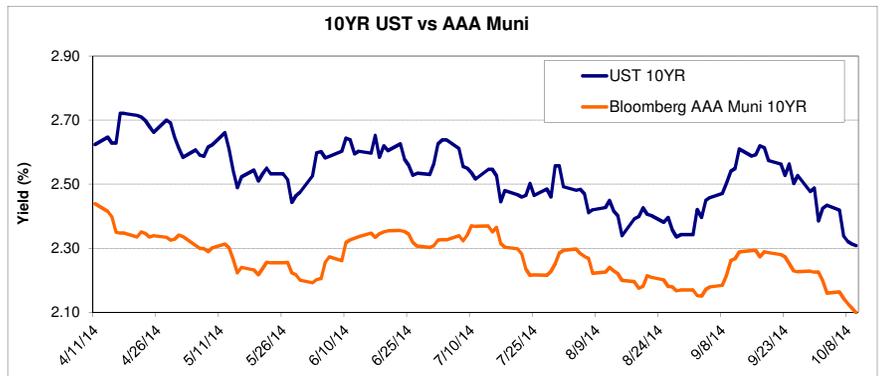
Municipal 30 Day Visible Supply (\$ Bln)	\$9.01	\$8.38
---	---------------	---------------

Bloomberg Muni PICK Offerings (\$ Bln)	\$12.29	\$12.21
---	----------------	----------------

Bond Buyer 20 Municipal G.O. Index	4.01%	4.11%
---	--------------	--------------

Select Economic Releases

Date	Event	Period	Survey	Prior
10/15	MBA Mortgage Applications	10-Oct	--	3.80%
10/15	Retail Sales Advance MoM	Sep	-0.10%	0.60%
10/15	PPI Final Demand MoM	Sep	0.10%	0.00%
10/15	Empire Manufacturing	Oct	20.25	27.54
10/16	Initial Jobless Claims	11-Oct	290K	287K
10/16	Industrial Production MoM	Sep	0.40%	-0.10%
10/17	Housing Starts	Sep	1010K	956K
10/17	Univ. of Michigan Confidence	Oct P	84.10	84.60



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.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this piece, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion of information contained in this piece serves as the receipt of, or as a substitute for, personalized advice from Caprin Asset Management. To the extent that a reader has any questions regarding the applicability to their situation of any specific issue discussed above, they are encouraged to consult with the professional advisor of their choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request.