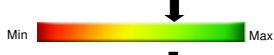



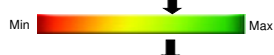








Trading Desk Commentary

It looks like 2015 is just a number. Some very familiar concerns over Europe's financial stability plagued trading activity today, mirroring much of the sentiment that gripped markets at 2014's end. The US debt relative value play is still alive and well among European investors. Germany's 10-year debt is currently offering roughly 0.50% compared to the 2.10% offered by the US 10-year - the widest gap between the two benchmarks in over a decade. The better recovery story (and the strengthening US dollar) is promoting US Treasury demand globally and continues to create a significant countervailing factor to the 'Fed tightening' story. Short-term rates will likely continue to carry the brunt of Fed hawkishness and should be the most volatile region along the yield curve. However, from 10 years and longer, US yields should continue to entice foreign investors while avoiding some of the Fed effect. Furthermore, the inflation picture looks pretty bleak and is supportive of today's intermediate and long rates, particularly while inflation remains well short of the Fed's long-term target. While the US recovery leads the pack globally, domestic economic data as a whole is still very mixed. Today's manufacturing numbers looked surprisingly weak, and housing data is stubbornly tepid despite the favorable financing environment. Q3 GDP provided one of the brightest spots of 2014, but there is quiet concern that Q4 results might throw cold water on GDP's promising streak. A few temporary contributors boosted US growth (especially in Q3) that probably declined meaningfully in Q4 period, though only time will tell. We will get our first look at Q4 GDP on January 30th, and analysts will be scrutinizing whether retail spending helped maintain GDP strength or if we will look back at Q2 and Q3 GDP as anomalous. A big unknown about GDP going forward is just how badly the skyrocketing US dollar could damage export activity. This and other questions may be nagging at US stock traders as they take inventory of the year ahead. The Dow is off over 200 points since the Christmas holiday following an extraordinary run-up starting December 17th. It is likely hard to justify a 18,000+ Dow with so many potential challenges looming on the horizon. In any event, we still view the near-term outlook in US debt favorably. Overseas cash should continue to flow into US debt and support the intermediate and longer end of the yield curve. We are restricting exposure to the shortest maturities (0-2 years) in an effort to limit Fed-driven fluctuations and investing toward the longer end of our 'neutral' duration range.

Munis have benefited from the stable US Treasury tone, but the New Year's holiday chopped up trading and kept a lot of traders' desks vacant. This week's supply was very limited and activity was light. We expect trading to pick up a little momentum next week as new issuance bounces back and The Bond Buyer 30-day visible supply volume continues to grow. It has already grown to over \$7bn today and will likely continue to trend higher as issuers get their first 2015 deals into the rotation. Deals like next week's \$1bn Dormitory Authority of the State of New York person income tax revenue deal will help shake the dust off the primary. Our focus will become more evenly distributed between the primary and secondary markets after having only the secondary at our disposal for the past two weeks. We look forward to getting off to a strong start and stand ready to meet the challenges and rewards that 2015 will bring.

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			Overweight to CA
Core Plus ETF			Slight Overweight to Corporates
Tactical Opportunity ETF			Overweight Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.51	0.03	0.48	65%
5 Year	1.29	-0.04	1.33	73%
10 Year	2.01	-0.09	2.10	88%
30 Year	2.83	-0.12	2.95	99%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.78	0.14	0.64
5 Year	1.77	0.12	1.65
10 Year	2.29	0.12	2.17
30 Year	2.85	0.08	2.77

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$2.86	< \$0.1
Competitive	\$1.06	\$0.00
TOTAL	\$3.92	< \$0.1

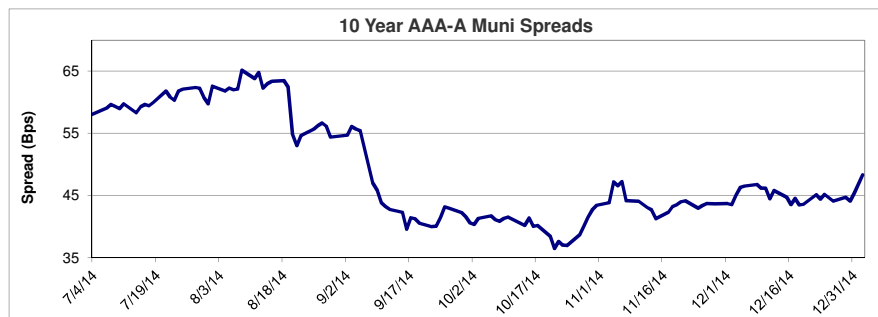
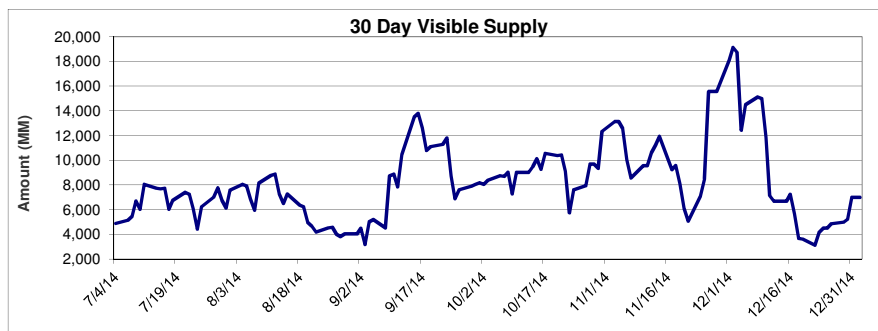
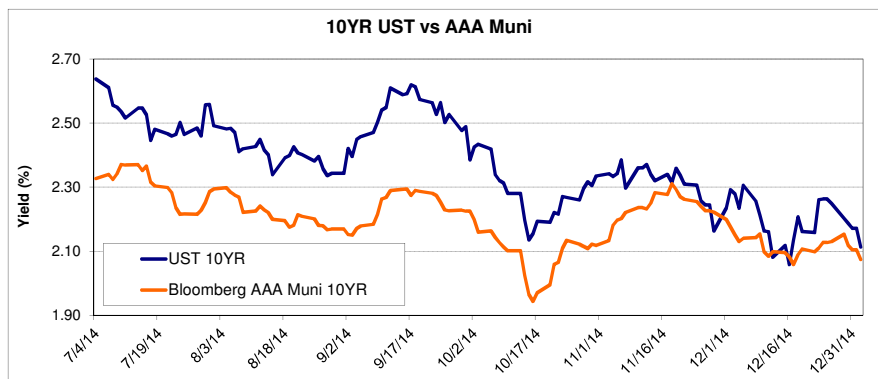
Municipal 30 Day Visible Supply (\$ Bln)	\$6.99	\$4.87
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Bloomberg Muni PICK Offerings (\$ Bln)	\$9.57	\$14.34
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Bond Buyer 20 Municipal G.O. Index	3.65%	3.65%
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Select Economic Releases

Date	Event	Period	Survey	Prior
1/6	Factory Orders	Nov	-0.40%	-0.70%
1/7	MBA Mortgage Applications	2-Jan	--	0.90%
1/7	ADP Employment Change	Dec	226K	208K
1/7	Trade Balance	Nov	-\$42.0B	-\$43.4B
1/8	Initial Jobless Claims	3-Jan	290K	298K
1/9	Change in Nonfarm Payrolls	Dec	243K	321K
1/9	Unemployment Rate	Dec	5.70%	5.80%
1/9	Wholesale Inventories MoM	Nov	0.30%	0.40%



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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