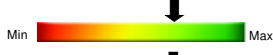



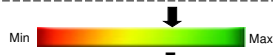

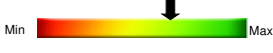


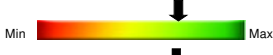



## Trading Desk Commentary

Yesterday's hotly anticipated ECB announcement and rate decision did not disappoint. ECB President Mario Draghi revealed an aggressive stimulus plan that will unleash the equivalent of more than \$1.1 trillion in cash via its new asset purchasing regimen. European stock and bond markets caught fire with the announcement in much the same way US markets used to react following each QE announcement from the Fed. The resulting decline in Eurozone yields quickly bled over into the US debt markets. Foreign-based buying in US Treasuries remains alive and well. The ECB's stimulus measures likely cement foreign interest in US yields for the foreseeable future. One of the most encouraging parts of the announcement in markets' minds was the open-ended nature of Draghi's timeline. A real sense of 'whatever it takes' permeated the plan, a sentiment Draghi has spoken about in previous releases, but here, he actually put it into action. Compared to last week's jam-packed slate of US economic releases, from CPI to PPI to Michigan Confidence, this week's data line-up looked particularly tame. The numbers were focused on the housing sector, a portion of the US economy that remains frustratingly sluggish. The updated look at home sales and building permits showed a modest uptick in activity, but not enough to really move the needle. So far, the lowest mortgage rates in years have not been enough to kick housing into a higher gear. Credit requirements remain strict, but it's the first-time homebuyer activity that is the primary culprit in housing's malaise. Low interest rates have helped drive up home prices like the improved buying activity did in 2013 and 2014. The combo of the two drove home prices higher and hurt home affordability for first-time homebuyers. The number of millennials deciding to return home and live with their parent(s) has risen steadily since the recession, shrinking the pool of individuals looking for their first home. A little housing momentum would serve as a welcome boost to GDP and employment, but the sector has a long way to go before it could contribute measurably to the recovery.

US Treasuries were fairly choppy in the earliest parts of the holiday-shortened week, which also saw Muni issuers bring a healthy amount of new supply. The weaker US Treasury backdrop did not do any favors for the first deals out of the gate. A fair number of issuers were forced to cut their prices in order to fully distribute their deals, which is a rare occurrence these days. If the week of supply had been more back-loaded so that deals were more concentrated during yesterday and today's sessions, they probably would have gone off without a hitch. But, by the time that US Treasuries found their footing, most of the deals were either put away at the cheaper levels or pulled from the week entirely. Now that the ECB volatility should be out of the way, we don't expect the same kind of disruption in next week's \$6bln of new supply. Lipper reported another strong week of inflows into Muni bond funds (\$771 mln), extending a long winning streak in the sector showing the demand is still there. The holiday and the ECB developments formed a pretty quirky week, so we are not going to read too much into the modest challenges on Tuesday and Wednesday. This time next week, we expect to report another strong week of Muni issuance and more fervent demand. We will be a part of those seeking out new Muni opportunities come Monday.

## 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			Overweight Munis to Taxables

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.42	0.00	0.42	88%
5 Year	1.00	-0.02	1.02	76%
10 Year	1.81	0.06	1.75	101%
30 Year	2.59	0.05	2.54	109%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.48	0.00	0.48
5 Year	1.31	0.03	1.28
10 Year	1.80	-0.02	1.82
30 Year	2.38	-0.06	2.44

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$3.78	\$5.76
Competitive	\$2.24	\$1.84
<b>TOTAL</b>	<b>\$6.02</b>	<b>\$7.60</b>

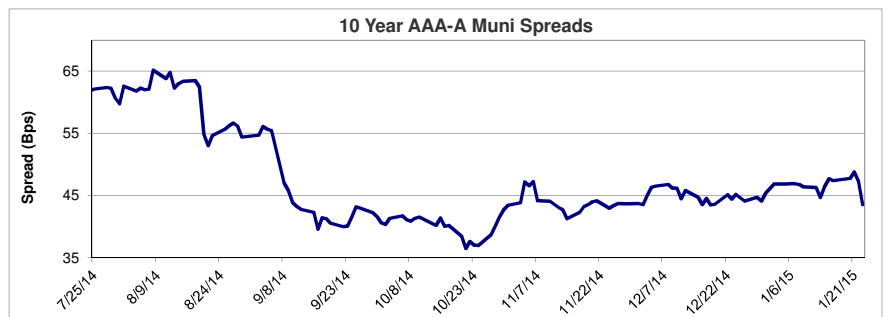
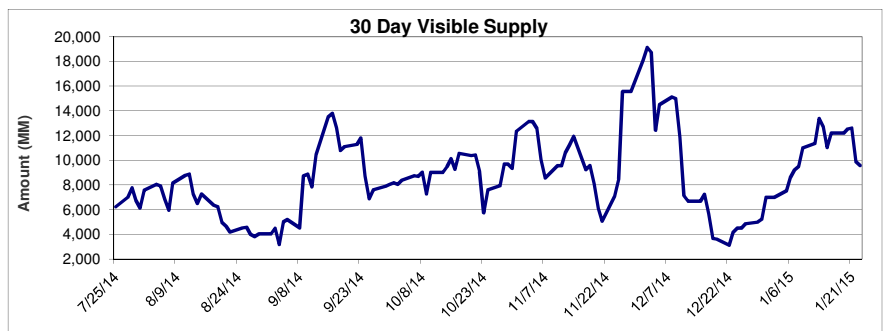
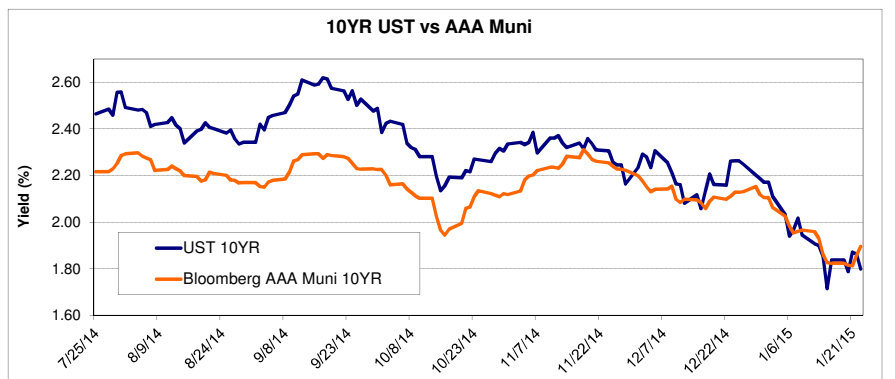
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$9.58</b>	<b>\$12.18</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$14.46</b>	<b>\$10.74</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.36%</b>	<b>3.29%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
1/27	Durable Goods Orders	Dec	0.50%	-0.70%
1/27	Consumer Confidence Index	Jan	95.50	92.60
1/27	New Home Sales	Dec	450K	438K
1/28	MBA Mortgage Applications	23-Jan	--	14.20%
1/28	FOMC Rate Decision	28-Jan	0.25%	0.25%
1/29	Initial Jobless Claims	24-Jan	300K	307K
1/30	GDP Annualized QoQ	4Q A	3.10%	5.00%
1/30	Chicago Purchasing Manager	Jan	57.80	58.30
1/30	U. of Mich. Sentiment	Jan F	98.20	98.20



**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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