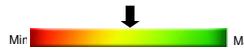
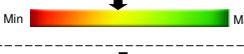
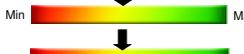
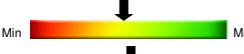
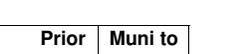


## Trading Desk Commentary

Markets were relatively calm leading up to Friday's highly-anticipated Nonfarm jobs print. Equity markets were basically flat on the week, attempting to find ground as Europe debated more quantitative easing measures and news out of China was mixed. On Thursday San Francisco Fed President John Williams, reiterated his forecast for a rate increase this year. He also added that he would be happy to see September's Nonfarm payroll print to be around 100k to 150k. In hindsight we found this statement interesting considering Friday's print came in well below the 201k market consensus, at 142k. Perhaps Williams, who is privy to the payroll numbers prior to its release, was attempting to instill some preliminary confidence into a market he knew was about to get shaken. After all, Yellen herself had made what markets perceived to be hawkish remarks in her prepared speech at UMass Amherst last week. Several other Fed officials had also publicly remarked that a rate hike before years end had a high probability. Any Nonfarm print close to the 201k consensus would have justified these comments and forced traders to keep an October increase on the table. However, the dreadful number and subsequent 37k and 22k downward revision to August and July's prints paint a troubling picture. Adding to the negative news, average hourly earnings were flat, the average work week fell, and the participation rate fell to a new 38-year low, suggesting further slack in employment. It appears that weakness in global growth and concerns about its ultimate impact here at home have crept into the minds of U.S. employers. An October rate hike is now off the table, and we believe a December hike to be a long-shot at this point. Current Fed Fund futures imply only a 33% probability of December hike, down from 43% on Thursday. This disappointing jobs data, including the lack of wage growth and falling participation rate, will do little to provide the markets confidence going forward. One could argue that the Fed missed its chance to raise rates two weeks ago. But one could also argue that waiting was the correct call due to the uninspiring jobs print and downward revisions to prior prints. Either way, we conclude that the fed funds rate will remain at its current level for a prolonged period.

Over in the municipal market, another week of paltry primary issuance was received well. Many deals were heavily oversubscribed with bumps to their respective scales. September primary issuance was down 27% year-over-year, but visible supply has increased substantially and currently shows \$14.5 billion, up from an average of \$7 - \$8 billion over the past couple of weeks. Muni yields were lower throughout the week and then rocketed lower after the Nonfarm payroll miss. Dealers, finally having some news to trade on, quickly and excitedly bumped holdings as much as 10 basis points proclaiming bonds were "flying off the shelves". Some participants bought into the hype, and we saw several blocks of high grade names trade well through the AAA MMD scale. As Friday drew to a close, Treasury yields began to firm, paring earlier gains. Forever lagging their taxable counterparts, muni's did not firm and the aggressive earlier bumps largely held true. We participated in several new issues last week where we continue to find the greatest value and largely stayed on the sidelines during Friday morning's volatile session. We expect the muni market to settle over the weekend and for bond prices to adjust early next week where we will be waiting and watching for value. Next week's calendar increased by several billion and currently sits just under \$10 billion. However, it is largely dominated by a \$2 billion Port Authority of New York and New Jersey transaction and a \$1.95 billion loan for the Chicago O'Hare International Airport. We hope everyone had nice week and those on the east coast we hope you are able to withstand the the abundance of rain.

## 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	Slightly Shorter Positioning Given Volatility
Intermediate Muni		0 YRS - 17 YRS	Neutral Positioning Given Global Weakness
Intermediate Taxable		0 YRS - 12 YRS	Neutral Positioning Given Global Weakness
Tactical Muni ETF			Neutral Duration, Overweight to CA
Core Plus ETF			Neutral Duration, Overweight to Treasuries
Tactical Opportunity ETF			Neutral Duration, Overweight Munis

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.55	-0.03	0.58	95%
5 Year	1.23	-0.09	1.32	95%
10 Year	1.98	-0.11	2.09	99%
30 Year	3.02	-0.08	3.10	107%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.58	-0.11	0.69
5 Year	1.30	-0.18	1.47
10 Year	1.99	-0.17	2.16
30 Year	2.83	-0.13	2.96

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$7.30	\$6.96
Competitive	\$1.72	\$1.00
<b>TOTAL</b>	<b>\$9.02</b>	<b>\$7.96</b>

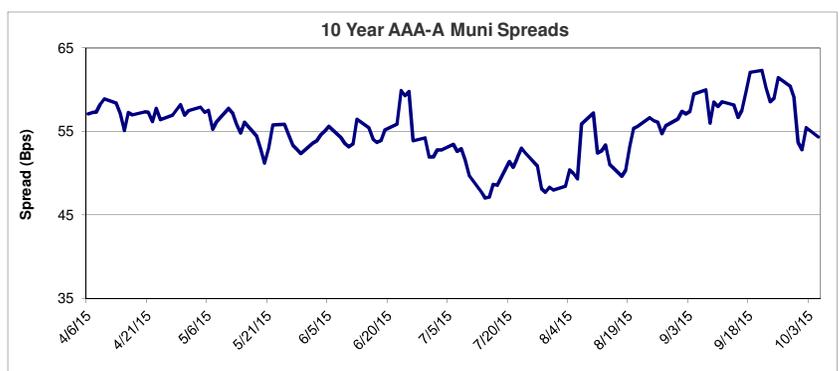
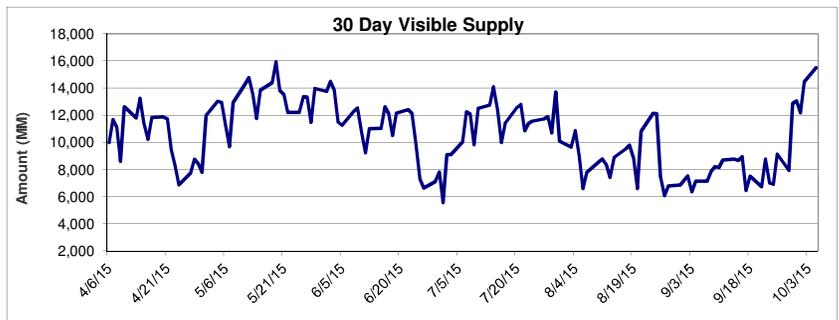
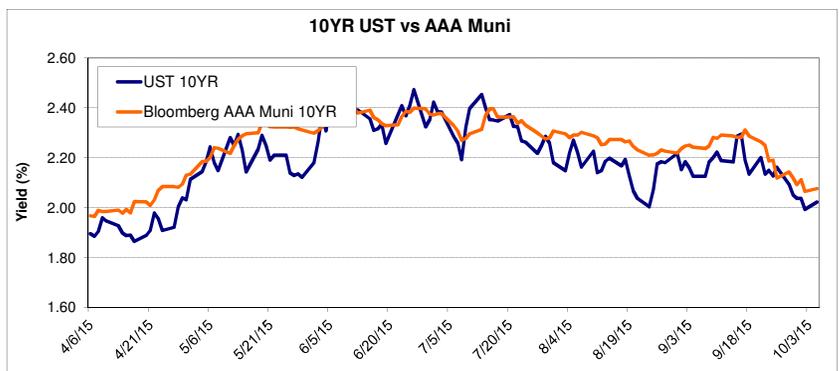
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$15.52</b>	<b>\$7.96</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$13.49</b>	<b>\$12.59</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.67%</b>	<b>3.78%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
10/5	ISM Non-Manf. Composite	Sep	57.50%	59.00%
10/5	Markit US Composite PMI	Sep F	--	55.30
10/5	Markit US Services PMI	Sep F	55.6%	55.6%
10/6	Trade Balance	Aug	-\$48.00b	-\$41.86b
10/7	MBA Mortgage Applications	2-Oct	--	-6.70%
10/7	Consumer Credit	Aug	\$19.500b	\$19.097b
10/8	Initial Jobless Claims	3-Oct	275k	277k
10/8	Continuing Claims	26-Sep	2195k	2191k
10/8	Bloomberg Consumer Comfort	4-Oct	--	43.00%
10/9	Wholesale Inventories MoM	Aug	0.00%	-0.10%
10/9	Import Price Index MoM	Sep	-0.50%	-1.80%



#### **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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