

Trading Desk Commentary

After last week's sell-off following October's strong Non-farm jobs report, Treasuries firmed over the holiday-shortened week. The 10-yr retreated approximately 10 basis points to yield 2.27% (as of this note) from its 3-month high of 2.37% during intraday trading on Tuesday. Eurozone economic growth slowed in the third quarter as GDP missed analyst's estimates by 0.1%, coming in at 0.3% vs. an expected 0.4%. The slowdown highlights the vulnerability of the region's growth prospects amid global growth uncertainty. At meetings this week, ECB President Mario Draghi continued to hint at the possibility of expanded QE measures as inflation remains low and growth subdued. The Euro weakened on the news, falling close to a six-month low against the dollar. In other news, the price of oil fell over 8% during the week, NYMEX Crude futures contracts are trading at \$40.51/barrel which is approaching the low of \$38/barrel last seen in August. Prices plunged after the International Energy Agency said that the global demand for oil will slow to 1.2 million barrels a day in 2016, after averaging close to 1.8 million barrels a day so far in 2015. Further strengthening the bid for Treasuries were Friday's disappointing prints of Retail Sales and PPI. October retail sales rose 0.1% vs. an expected 0.3% gain and retail sales ex autos rose only 0.2% vs. an expected 0.4%. The surprising declines may suggest a slowdown in consumer spending going into the crucial holiday months for retailers. Also on Friday, wholesale prices fell for the second straight month as PPI came in at -0.4%, disappointing economists who were expecting a slight gain. The decline suggests that domestic inflation will remain subdued and well below the Fed's oft-quoted 2.0% target. The Fed, which notably wants to raise interest rates at its December meeting, can justify the rate hike based on the strong jobs data but with inflation still tame, more QE expected out of the Eurozone, and global growth uncertainties, the Fed may be forced to stand down. Fed Fund futures show the probability of a December hike have crept down to 64% from 70% after October's strong non-farm number, but still remains strongly in favor of a hike. However, should data continue to disappoint leading up to the December meeting, the Fed may be forced to delay into 2016.

Meanwhile in the municipal space, the Veterans Day holiday-shortened week was rather uneventful. The primary market was light (\$6 billion) to start the week and got lighter after the \$1.75 billion All Aboard Florida Passenger Rail Project was delayed once again due to lack of interest. The unrated, high-yield transaction has been marketed to investors since August but underwriters have been unable to place the deal due to its sheer size. A recent decline of cash into high yield muni funds coupled with a lack of interest from crossover buyers have also been detractors. In the secondary market, dealers who refused to cut prices after last week's muni sell-off (following the Treasury sell-off) were granted a reprieve as munis caught a firm bid toward the end of the week. Next week's calendar will put the spotlight back on the primary as approximately \$10 billion comes to the market, which is one of the largest weekly supply numbers since the summer months. We expect that there will be elevated interest in the primary market since it is the last full week of trading before the Thanksgiving holiday-shortened week. Current ratios have increased slightly from last week's sharp decline following the sharp sell-off in Treasuries. As of this note five, ten, and thirty year ratios stand at 77%, 95%, and 104%, respectively. We hope everyone had a great week and we want to send a special thank you to all of our veterans and current members of the armed forces. We thank you for protecting our freedom.

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	0.72	0.05	0.67	86%
5 Year	1.31	0.02	1.29	79%
10 Year	2.17	0.01	2.16	96%
30 Year	3.15	-0.02	3.17	103%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.83	-0.05	0.89
5 Year	1.65	-0.08	1.73
10 Year	2.27	-0.06	2.33
30 Year	3.05	-0.03	3.09

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$6.60	\$4.23
Competitive	\$2.50	\$1.80
TOTAL	\$9.10	\$6.03

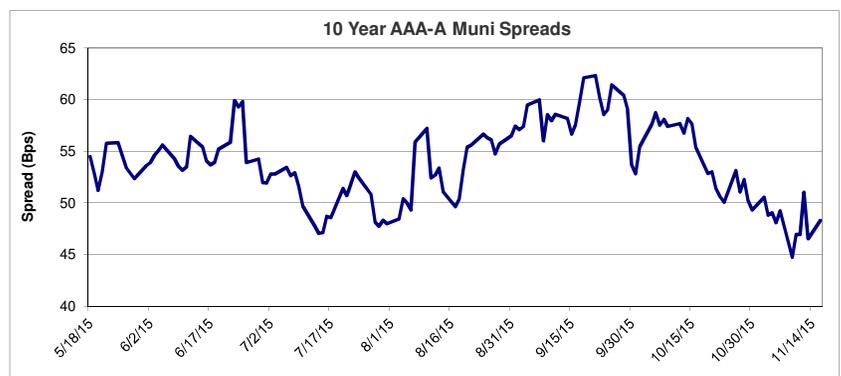
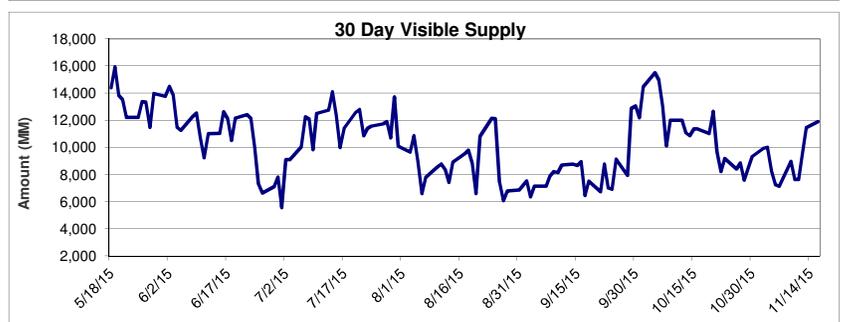
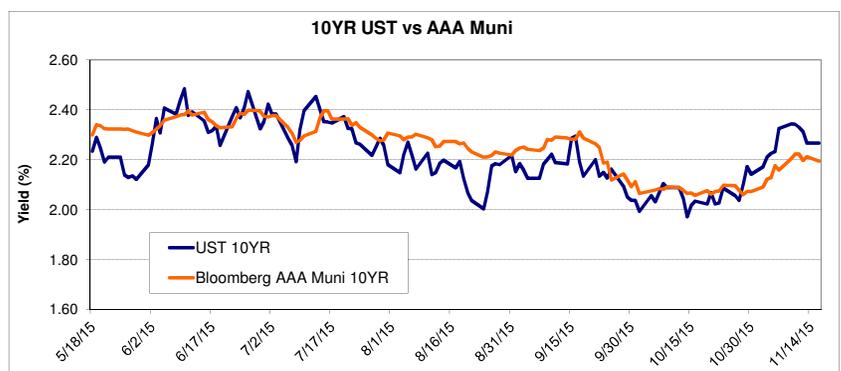
Municipal 30 Day Visible Supply (\$ Bln)	\$11.46	\$7.27
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Bloomberg Muni PICK Offerings (\$ Bln)	\$13.78	\$13.39
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Bond Buyer 20 Municipal G.O. Index	3.74%	3.66%
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Select Economic Releases

Date	Event	Period	Survey	Prior
11/16	Empire Manufacturing	Nov	-6.50	-11.36
11/17	CPI MoM	Oct	0.20%	-0.20%
11/17	Industrial Production MoM	Oct	0.10%	-0.20%
11/17	CPI Ex Food and Energy MoM	Oct	0.20%	0.20%
11/17	Net Long-term TIC Flows	Sep	--	\$20.4b
11/18	MBA Mortgage Applications	13-Nov	--	-1.30%
11/18	Housing Starts	Oct	1160k	1206k
11/19	Initial Jobless Claims	14-Nov	270k	276k
11/19	Leading Index	Oct	0.50%	-0.20%
11/19	Philadelphia Fed Business Outlook	Nov	0.00	-4.50
11/19	Continuing Claims	7-Nov	2169k	2174k



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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