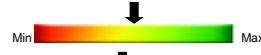
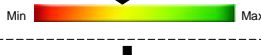

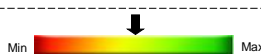
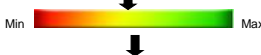




Trading Desk Commentary

Whether markets were propped up by Yellen and Co's rhetoric or global economy fundamentals were always pointing in this direction, it would be difficult to start a year more volatile than this. The 10Y note has gained in every trading session since the beginning of the year except one. This has depressed yields back to early Q4 levels, costing the 10Y benchmark approximately 23bps since year end. The S&P 500 is off more than 8% to start the year with Chinese equities entering their second bear market in a year's time. The Chinese central bank's efforts to intervene and prop up the Yuan were initially unsuccessful as rapid contagion has gripped global markets making the risk off trade the place to be. Also driving the bid in treasuries is the rapid decent of crude oil prices reaching twelve year lows in some trading sessions. The headline that drove this weeks' trading was President Obama's administration lifting of the Iran sanctions, which caused the market to adjust/brace for a jump in Iranian exports of oil, adding to the existing massive supply glut. Sub \$30/barrel WTI crude does have its consequences on the economy beyond driving unbelievable stress on North American shale oil producers, and it finally received airtime in a Fed governor's speech this past week as he noted the current level does affect policy action in the future. With mixed US economic data and tumultuous times overseas, we expect UST's to remain well bid as long as these critical inputs persist, particularly in the longer dated maturities. The IG corporate issuance pipeline is worth noting this week as the record \$45B deal to fund the AmBev/SabMiller takeover was priced on Wednesday making it the second largest bond issues to ever come to market. Issue spreads were +85 and +120 for the 3Y and 5Y benchmark issues respectively.

New issuance returned, finally, to the muni market as an 8+ billion came this past week. This led to some mixed secondary trading as munis attempted to follow the rally in treasuries but supply forced traders to cut for the first time this year. Most new issue deals, specialty states in particular, saw healthy oversubscription and bumps to their scales across most tenors. A deal the desk wanted to highlight this week was the \$32B Montgomery County EDA that priced Wednesday. Due to a heavy competitive calendar in the southeast region we thought this deal was slightly overlooked by investors. In this environment coming off some of the richest Muni-to-Treasury ratios in some time, for a Aa2 VA deal to price +30 in the 10+ year range is easily the most attractive levels we have seen this year. The transaction was undersubscribed, and we were able to increase our original order and receive full allotments. The syndicate desk bumped the deal the next day, and it traded 5-6 bps tighter than new issue levels. Municipal funds saw a second straight week of inflows totaling almost \$1B. Once new issue supply satiates some of the investor demand, we expect munis to continue to quietly soften in the background as they may have gotten a tad over their skis at the end of 2015.

Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni		0 YRS to 5 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable		0 YRS to 5 YRS	Slightly Shorter Positioning Given Volatility
Intermediate Muni		0 YRS to 17 YRS	Neutral Positioning Given Global Weakness
Intermediate Taxable		0 YRS to 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, Neutral Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.71	-0.02	0.73	84%
5 Year	1.07	-0.02	1.09	74%
10 Year	1.75	-0.03	1.78	86%
30 Year	2.70	-0.03	2.73	96%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.85	-0.08	0.93
5 Year	1.45	-0.11	1.56
10 Year	2.03	-0.09	2.12
30 Year	2.81	-0.10	2.91

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$3.03	\$5.96
Competitive	\$2.09	\$2.01
TOTAL	\$5.12	\$7.97

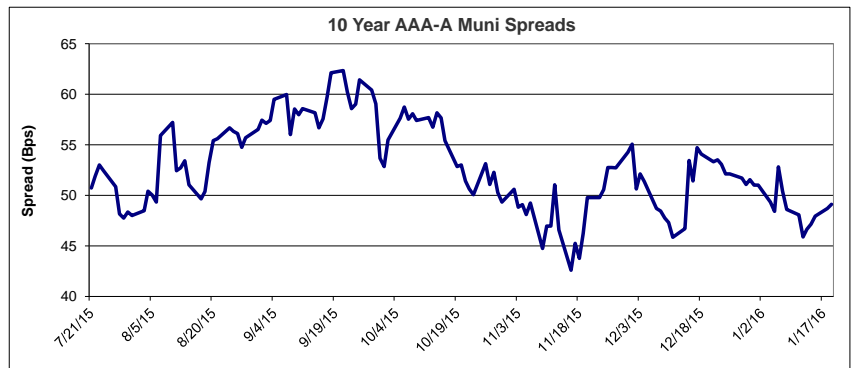
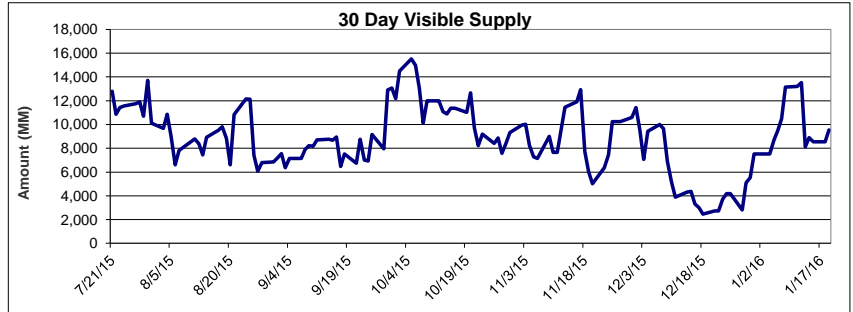
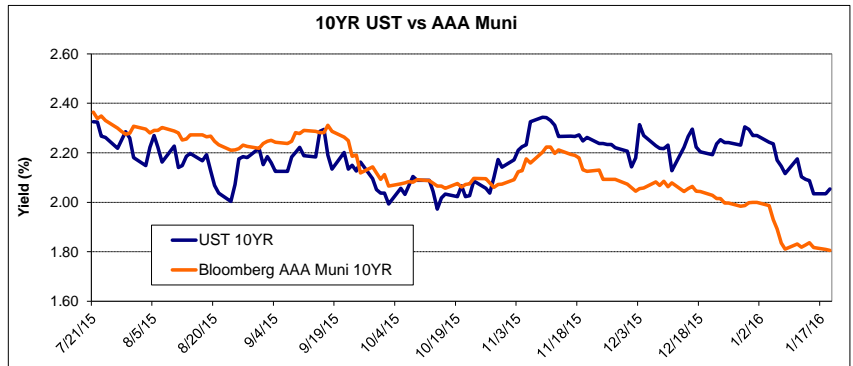
Municipal 30 Day Visible Supply (\$ Bln)	\$8.54	\$13.14
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Bloomberg Muni PICK Offerings (\$ Bln)	\$13.70	\$13.56
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Bond Buyer 20 Municipal G.O. Index	3.45%	3.45%
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Select Economic Releases

Date	Event	Period	Survey	Prior
1/19	Net Long-term TIC Flows	Nov	--	-\$16.6b
1/20	CPI MoM	Dec	0.00%	0.00%
1/20	MBA Mortgage Applications	15-Jan	--	21.30%
1/20	Housing Starts	Dec	1200k	1173k
1/20	CPI Ex Food and Energy MoM	Dec	0.20%	0.20%
1/21	Initial Jobless Claims	16-Jan	278k	284k
1/21	Philadelphia Fed Business Outlook	Jan	-5.90	-5.90
1/21	Continuing Claims	9-Jan	2250k	2263k
1/22	Markit US Manufacturing PMI	Jan P	51.00	51.20
1/22	Existing Home Sales	Dec	5.20m	4.76m
1/22	Leading Index	Dec	-0.10%	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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