

## Trading Desk Commentary

Last week markets remained focused on central bank policy around the globe as participants continued to question whether QE policies are beginning to lose their effectiveness. Rates were volatile over the course of the week, selling off Tuesday then rallying Wednesday; the long-end of the curve continued its softening trend of the previous week. We think most of the long-end selloff is a only a mild correction, not a move that will gain significant traction as investors continue to speculate whether the ECB's decision not to add additional stimulus will impact the BOJ and Fed, among other central banks. Here at home sluggish Retail Sales (-0.3%) and a dip in Industrial Production (-0.4%) last week may have been the final blow to a hike this week from a Fed desperate to raise interest rates. Should they surprise markets and raise the benchmark rate on Wednesday, the Fed would be completely dismissing their notion of data dependency. However, we would not be completely floored should they try to sneak a hike in this week, highlighting the August increase in CPI (yoy core 2.3%). We believe the November meeting is off the table since the presidential election will take place just 6 days afterwards, and even though December currently has a 53% chance of a hike, according to Fed Fund futures, there is no telling what the economy will look like in over 3 months. The Fed may view this week as their window, similar to the one they missed in the fall of 2015 when they elected not to hike and were subsequently pushed to December after sluggish data poured in during Q4 2015. Trading will be muted leading up to the decision on Wednesday, however the BOJ has the ability to rattle markets should they decide to cut rates further into negative territory and/or take more drastic QE measures. The BOJ decision will be known prior to the Fed's announcement on Wednesday.

Muni's largely underperformed Treasuries on the week as yields on the AAA MMD Index increased as much as 11 basis points on the long end compared to 4 to 5 basis points on the long end of the Treasury curve. Much of the underperformance on the long end can be explained by the primary calendar, as over \$13 billion was priced. Results were mixed as most competitive deals were bid aggressively and some of the larger, more-obscure credits (Hudson Yards) that came negotiated saw bumps to their scale. However, we saw several deals that were cut upwards of 5 basis points, and heavy balances remained on some syndicate books. Inflows reached 50 consecutive weeks as another \$480 million came into the muni space. Front end selling from muni funds prior to money market reform prompted ratios to cheapen especially on the front-end as the 2-yr ratio is now hovering around 100%, while the long end is sitting at 93%. This week over \$9 billion will price before and after the Fed's announcement on Wednesday. Should the Fed or BOJ surprise, volatility will ensue which could delay some of the primary calendar coming in the later part of the week. We'll see where the dust settles and should have a clearer picture after this eventful week.

## 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, Neutral Munis to Taxables

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.75	0.05	0.70	98%
5 Year	1.04	0.06	0.98	87%
10 Year	1.57	0.08	1.49	93%
30 Year	2.31	0.11	2.20	94%

UST Rates			
2 Year	0.76	-0.02	0.78
5 Year	1.20	-0.02	1.22
10 Year	1.69	0.02	1.67
30 Year	2.45	0.05	2.39

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$6.24	\$8.42
Competitive	\$2.15	\$1.78
<b>TOTAL</b>	<b>\$8.39</b>	<b>\$10.20</b>

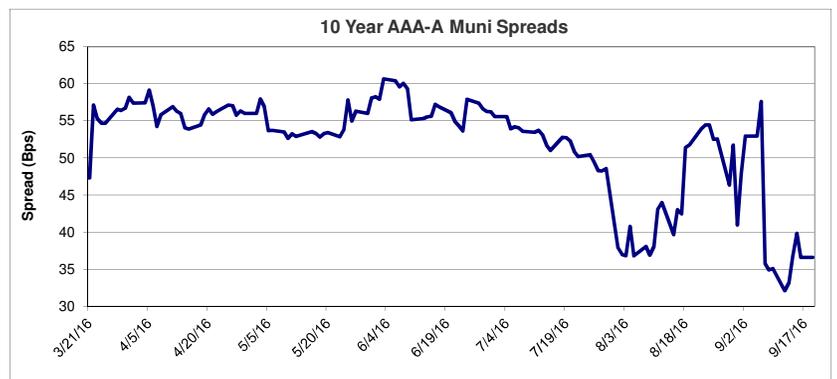
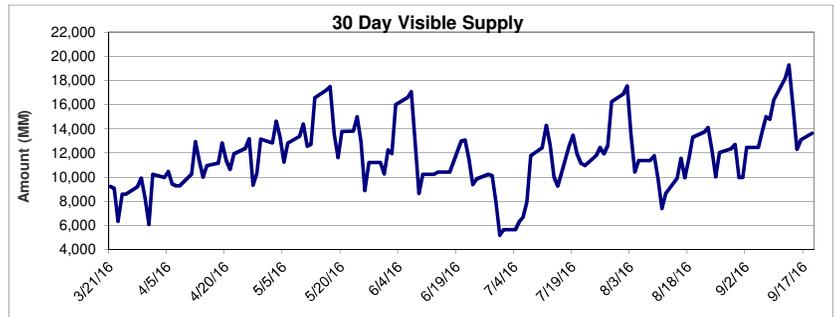
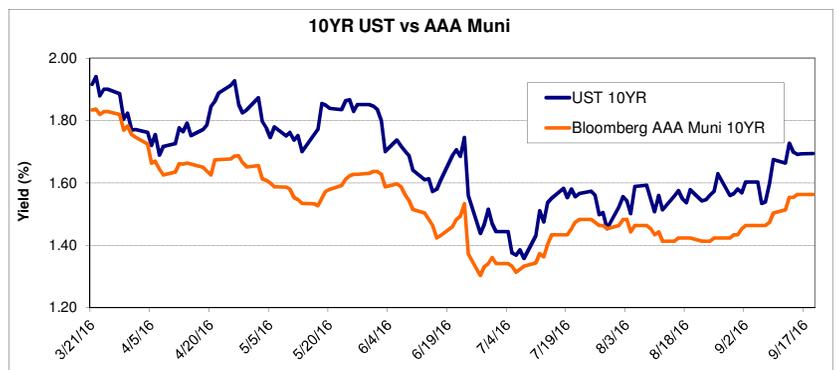
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$16.34</b>	<b>\$16.34</b>
---	----------------	----------------

<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$18.43</b>	<b>\$18.14</b>
---	----------------	----------------

<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>2.96%</b>	<b>2.83%</b>
---	--------------	--------------

### Select Economic Releases

Date	Event	Period	Survey	Prior
9/20	Housing Starts	Aug	1190k	1211k
9/21	FOMC Rate Decision (Upper Bound)	21-Sep	0.50%	0.50%
9/21	MBA Mortgage Applications	16-Sep	--	4.20%
9/22	Initial Jobless Claims	17-Sep	261k	260k
9/22	Existing Home Sales	Aug	5.45m	5.39m
9/22	Leading Index	Aug	0.00%	0.40%
9/22	FHFA House Price Index MoM	Jul	0.30%	0.20%
9/22	Continuing Claims	10-Sep	2141k	2143k
9/22	Bloomberg Consumer Comfort	18-Sep	--	42.2
9/22	Chicago Fed Nat Activity Index	Aug	0.15	0.27
9/23	Markit US Manufacturing PMI	Sep P	52	52



**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.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this piece, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion of information contained in this piece serves as the receipt of, or as a substitute for, personalized advice from Caprin Asset Management. To the extent that a reader has any questions regarding the applicability to their situation of any specific issue discussed above, they are encouraged to consult with the professional advisor of their choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request.