












Trading Desk Commentary

All eyes were on policy last week as market participants fixated on the BOJ and the Fed in hopes of anticipating next moves. The BOJ announced that they are targeting 0% for the 10Y JGB and are happy with the current shape of the yield curve. A strange move that will definitely squash volatility in JGB trading, and there is conjecture that it may only be the first move in a several step plan the central bank has to attempt to stimulate growth in the dormant economy. Chair Yellen and the board of governors decided against a further tightening move at their September gathering. As can be seen in the latest posted SEP, their growth projections for both GDP and inflation have been reduced, which in turn has stifled their rate projections even further. When we started 2016 the consensus was that they planned to hike rates four times; the market still thinks they will be lucky to get one move before year end. The upcoming week promises to be eventful as focus will be on the first of three US presidential debates between the two hopefuls, Clinton and Trump.

Municipals continue to underperform their taxable counterparts with the most notable underperformance showcased by the 2Y and in portion of the muni curve. Front end muni rates have seen yields gap out over the last few weeks with the 2Y MMD/TSY ratio currently sitting at 107%. Most of this movement can be attributed to the historic money market reform that will be taking place October 14th as fund families have begun to liquidate short dated positions across most sectors. Given the nature of trading in the muni market, this move is likely to be exaggerated, and we expect this to be a temporary displacement. Similar to the back loaded IG credit calendar, we expect continued mixed reception of primary issuance as the market works through a heavier calendar to start off the fall. Our focus will be on several new issue loans pricing next week: \$14M VA HAD, \$160M Norfolk GO, and \$41M Onslow GO. We expect to see healthy subscription on these deals and will be watching secondary trading closely.

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	0.80	0.05	0.75	106%
5 Year	1.04	0.00	1.04	90%
10 Year	1.51	-0.06	1.57	93%
30 Year	2.30	-0.01	2.31	98%

UST Rates

2 Year	0.75	-0.01	0.76
5 Year	1.16	-0.04	1.20
10 Year	1.62	-0.07	1.69
30 Year	2.35	-0.10	2.45

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$5.70	\$6.24
Competitive	\$1.27	\$2.15
TOTAL	\$6.97	\$8.39

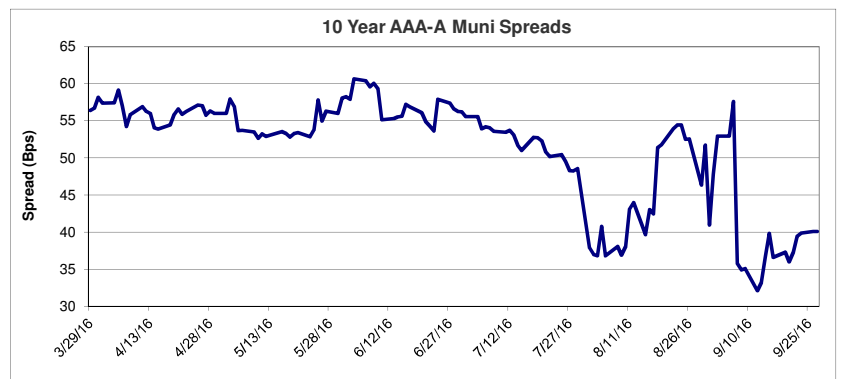
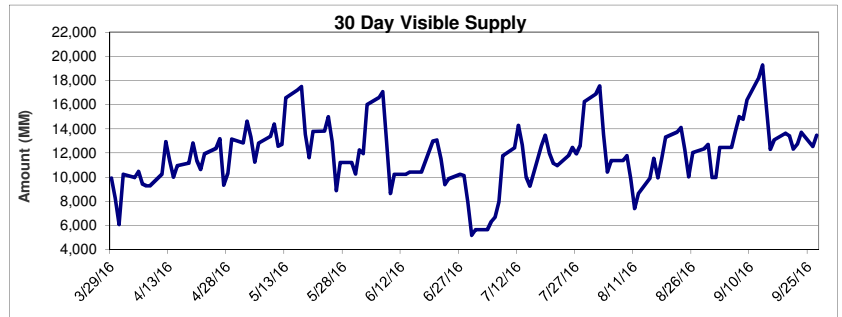
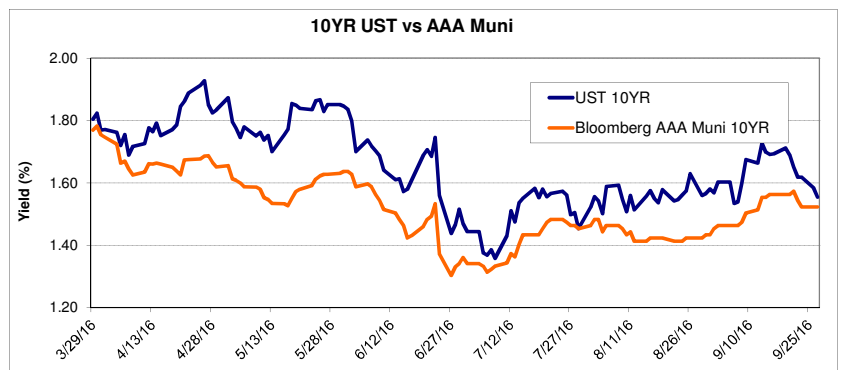
Municipal 30 Day Visible Supply (\$ Bln)	\$13.69	\$16.34
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Bloomberg Muni PICK Offerings (\$ Bln)	\$20.68	\$18.43
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Bond Buyer 20 Municipal G.O. Index	2.98%	2.96%
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Select Economic Releases

Date	Event	Period	Survey	Prior
9/26	New Home Sales	Aug	600k	654k
9/27	Consumer Confidence Index	Sep	99	101.1
9/28	Durable Goods Orders	Aug P	-1.50%	4.40%
9/28	MBA Mortgage Applications	23-Sep	--	-7.30%
9/29	Initial Jobless Claims	24-Sep	260k	252k
9/29	GDP Annualized QoQ	2Q T	1.30%	1.10%
9/29	Wholesale Inventories MoM	Aug P	0.00%	0.00%
9/30	U. of Mich. Sentiment	Sep F	90	89.8
9/30	Personal Spending	Aug	0.10%	0.30%
9/30	Personal Income	Aug	0.20%	0.40%
9/30	Chicago Purchasing Manager	Sep	52	51.5



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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