












## Trading Desk Commentary

Third quarter came to an end with a choppy week of trading. A potential OPEC agreement to limit oil production and concerns surrounding the health of Deutsche Bank, Germany biggest bank, spawned volatility in equity and fixed income markets. Stocks around the globe rejoiced after OPEC announced it had agreed to cut production for the first time in eight years. However, as is common with announcements from OPEC, once the headlines fade, uncertainty typically follows. The most challenging aspect and what could derail the deal going forward will be centered around who will actually limit production and by how much. Those seemingly-important details will not be decided until the cartel's meeting in November. Headline readers ignited the risk-on trade after the OPEC announcement but it was quickly reversed as the Justice Department announced a proposed \$14 billion fine for Deutsche Bank for its role in the mortgage crisis of 2008. The fine comes at the same time Deutsch is struggling to cut costs and boost revenues, among other problems. Reports of hedge funds dumping holdings this week and Germany insisting there would be no government bailout had many thinking that this could be the next Lehman moment which happened around this same time 8 years ago. Panic subsided Friday when news suggested the fine imposed by the Justice Department would actually be much lower, roughly \$5 billion. U.S. equities finished Friday on a high note while bonds sold off, reversing mild gains from earlier in the week. In other news, Personal Income, Personal Spending and PCE releases largely came in on top of expectations which were not lofty. In summary, household spending is not strong which doesn't bode well for Q3 GDP since personal consumption has been the driver of economic growth here at home. In fact, the Atlanta Fed GDPNow forecast was revised down yet again to 2.4% from 2.8% following the releases. The forecast is down from 3.8% at the beginning of August.

This week's calendar is the largest of the year as over \$17 billion will be priced. The large supply coincides with a 30-day Visible Supply of \$23 billion, the largest visible supply print in over 5 years. The Bloomberg PICK total, a daily index representing the total dollar amount of bonds being offered on Bloomberg's offerings system is about 20% higher than the year-to-date average. All of these factors should put pressure on munis. However the insatiable (52 consecutive weeks of inflows) demand for muni paper has proven resilient so far this year. This week could be a turning point and we could see yields increase and/or widening of credit spreads should heavy balances remain on dealer books at the end of this week. However, ratios remain attractive which could draw crossover buyers into the space. This week will be telling and should provide guidance for the weeks leading up to the election in November.

## Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni			Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable			Slightly Shorter Positioning Given Volatility
Intermediate Muni			Neutral Positioning Given Global Weakness
Intermediate Taxable			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	0.82	0.02	0.80	108%
5 Year	1.02	-0.02	1.04	89%
10 Year	1.51	0.00	1.51	95%
30 Year	2.31	0.01	2.30	100%

UST Rates		
2 Year	0.76	0.01
5 Year	1.15	-0.01
10 Year	1.59	-0.02
30 Year	2.32	-0.03

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$12.28	\$5.70
Competitive	\$1.14	\$1.27
<b>TOTAL</b>	<b>\$13.42</b>	<b>\$6.97</b>

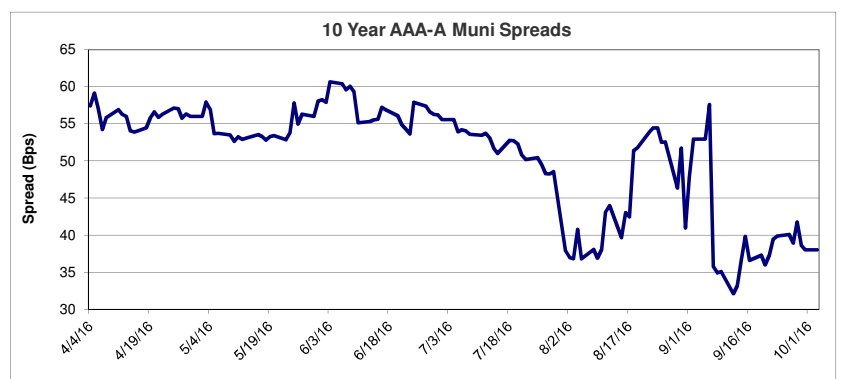
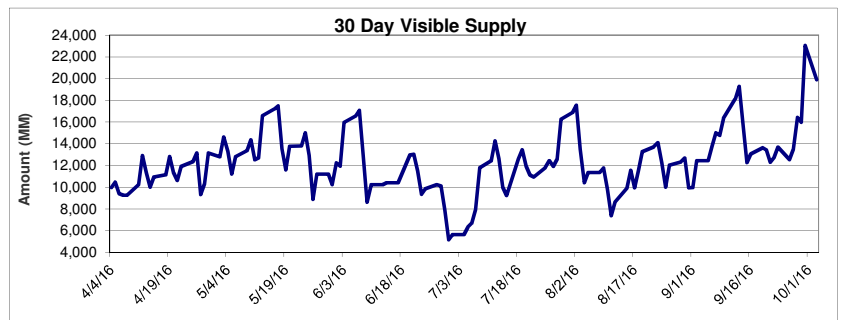
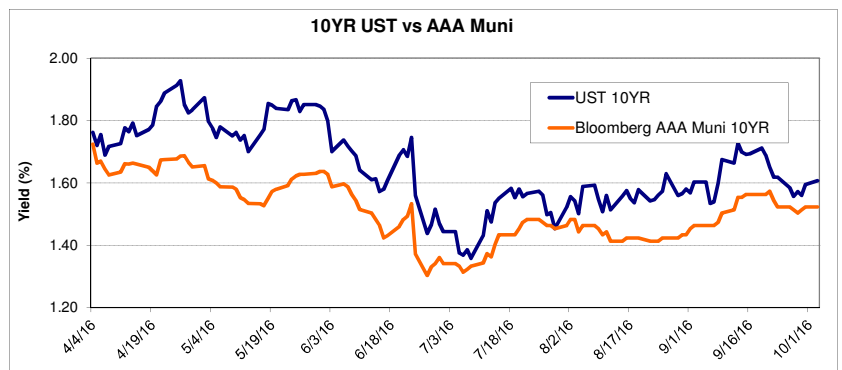
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$23.05</b>	<b>\$13.69</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$18.35</b>	<b>\$20.68</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.06%</b>	<b>2.98%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
10/3	ISM Manufacturing	Sep	50.4	49.4
10/3	Markit US Manufacturing PMI	Sep F	51.4	51.4
10/5	Durable Goods Orders	Aug F	0.00%	0.00%
10/5	MBA Mortgage Applications	30-Sep	--	-0.70%
10/5	Factory Orders	Aug	-0.002	1.90%
10/5	Trade Balance	Aug	-\$39.2b	-\$39.5b
10/5	ADP Employment Change	Sep	165k	177k
10/6	Initial Jobless Claims	1-Oct	256k	254k
10/7	Change in Nonfarm Payrolls	Sep	173k	151k
10/7	Unemployment Rate	Sep	4.90%	4.90%
10/7	Wholesale Inventories MoM	Aug F	-0.001	-0.10%



**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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