

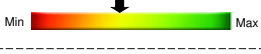







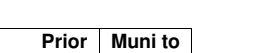


Trading Desk Commentary

Last Friday's jobs number miss was anticlimactic with NFP printing +156K jobs added in September. Although slightly below most estimates closer to +170K, most participants don't see this as a factor to prevent the Fed from hiking at the December FOMC meeting. Derivative markets currently have the probability of a hike at 68%, forcing US yield curves higher with a noticeable steepening bias. Of note was a sharp drop in the British pound during the Asia session from Thursday to Friday of about 6% that had 'flash crash' overtones. Ultimately the market recovered quickly, but risk still remains to the downside for the sterling as Brexit uncertainty still grips much of Western Europe. Benchmark WTI crude prices pushed above \$50/barrel for the first time since June, suggesting some upside for the energy sector after a tumultuous few years. Inflation pressures, as showcased by TIPS Breakevens, continue to mount as markets brace for the continued slow global growth landscape and the (potential) return of inflation to the US economy.

Muniland continues to digest an above average amount of new issuance, and the market generally continues to underperform its taxable counterparts. Almost \$14B in new supply hit the markets, and while it was put away with relative ease, secondary trading is telling a 'heavier' story with no sign of changing in the very near term. Thanks to money market reform, cheaper cost of short term financing (Libor), and a subsequent widening in the SIFMA Muni swap index, VRDN runs have made a triumphant return to the message boxes and are again an attractive alternative instrument for investors. As mentioned in pieces past, we expect this muni under performance to be relatively short lived as the asset class performs comparably well in the face of rising rates and remains a good source of return for yield hungry participants.

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	0.88	0.06	0.82	106%
5 Year	1.12	0.10	1.02	89%
10 Year	1.67	0.16	1.51	97%
30 Year	2.50	0.19	2.31	102%

UST Rates			
2 Year	0.83	0.07	0.76
5 Year	1.26	0.11	1.15
10 Year	1.72	0.12	1.59
30 Year	2.45	0.14	2.32

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$7.49	\$12.28
Competitive	\$0.82	\$1.14
TOTAL	\$8.31	\$13.42

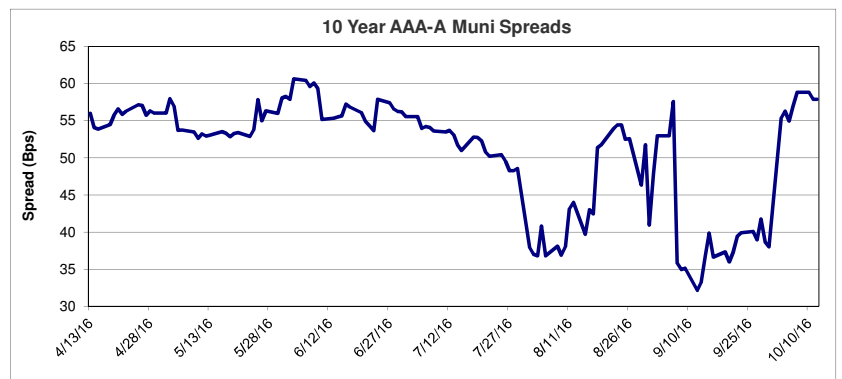
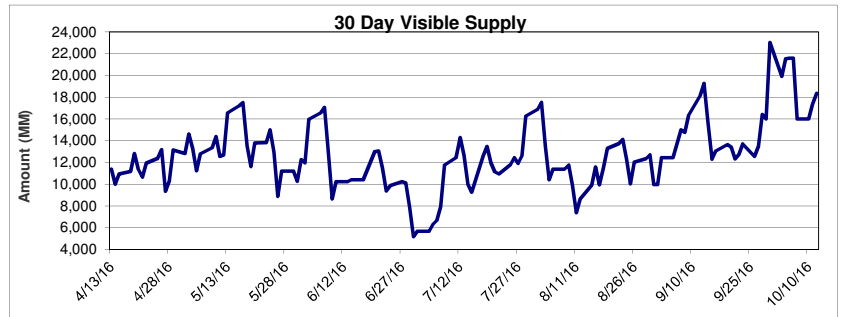
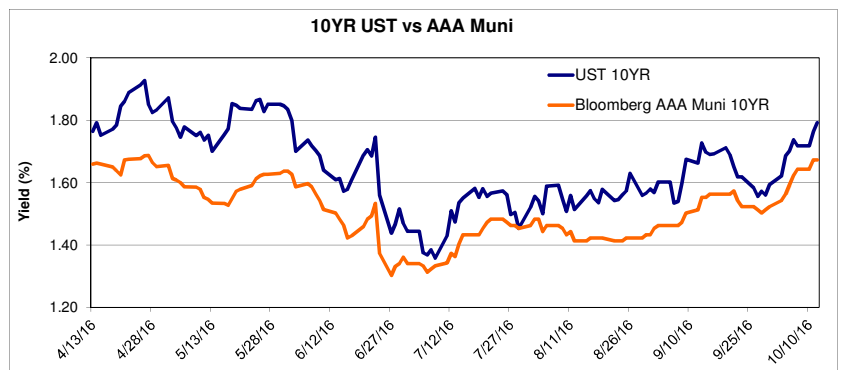
Municipal 30 Day Visible Supply (\$ Bln)	\$15.99	\$23.05
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Bloomberg Muni PICK Offerings (\$ Bln)	\$20.16	\$18.35
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Bond Buyer 20 Municipal G.O. Index	3.20%	3.06%
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Select Economic Releases

Date	Event	Period	Survey	Prior
10/12	MBA Mortgage Applications	7-Oct	--	2.90%
10/13	Initial Jobless Claims	8-Oct	253k	249k
10/13	Import Price Index MoM	Sep	0.10%	-0.20%
10/13	Continuing Claims	1-Oct	2050k	2058k
10/14	U. of Mich. Sentiment	Oct P	92	91.2
10/14	Retail Sales Advance MoM	Sep	0.60%	-0.30%
10/14	PPI Final Demand MoM	Sep	0.20%	0.00%
10/14	Monthly Budget Statement	Sep	\$30.0b	\$91.1b
10/14	PPI Final Demand YoY	Sep	0.60%	0.00%
10/14	PPI Ex Food and Energy MoM	Sep	0.10%	0.10%
10/14	PPI Ex Food and Energy YoY	Sep	1.20%	1.00%



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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