

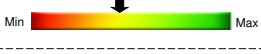







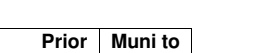


Trading Desk Commentary

What a week. Donald Trump surprised just about everyone on his way to defeating Hillary Clinton to become the 45th President of the United States in the most contentious race in political history. As it started to become evident that a Trump victory was in hand, the risk-off trade ensued. Overnight, equity futures were down almost 800 points while bonds caught a flight to quality bid sending the yield on the 10-year down 12 basis points. However as traders made their way into the office on Wednesday morning, Treasuries had completely reversed course and sold off...hard. Yields on the 10-yr and 30-yr treasury were up 35 and 34 basis points respectively until settling down several basis points into Wednesday's close. Stocks experienced one of their biggest reversals ever and ended Wednesday's session up 1.40%. What made these huge moves even more puzzling was that commonsense told you that the move on election night should have held. However, the reversal came as markets began to digest what a Trump presidency might look like, and what they saw was heavy infrastructure investment that surely would drive inflation higher and steepen the yield curve. The problem with the sell-off and why we expect it to be somewhat overdone is that nothing has happened yet. Yes, Trump has won the election and also controls both chambers of Congress, but the Republican Party has never been more divisive. Trump largely won both the Republican nomination and the presidency without the support of the parties' strongest and most tenured leaders. This does give Trump tremendous political clout, but we believe getting his agenda passed, which is light on details, will be still prove challenging and will take time.

Munis outperformed treasuries during the tumultuous week but also moved higher in yield across the curve. The calendar was extremely light around the election, and after we got the shocking results on Wednesday, the majority of the primary calendar was pushed into the next week as bonds sold off around the globe. We've been asked what a Trump Presidency means for the municipal landscape, but the answer is not concrete. We do know that Trump wants a massive \$1 trillion infrastructure plan and to lower tax rates on individuals and corporations. Some opine that the tax reductions need to be met with caps on other deductions - one floating around is the muni tax exemption. Although the possibility is real, we do not think that the muni tax exemption will be capped or eliminated since municipal localities have historically paid for 75% of all infrastructure. To make it more costly for them would be counterproductive. We also know that the state and local government lobby is extremely powerful and has deep pockets to combat any kind of cap or elimination. The other topic being discussed is Trump's desire to repeal and replace the Affordable Care Act, which could exert negative pressure on the hospital sector, especially for smaller systems that are located within states that have expanded Medicaid. Again, we think its too early to jump to conclusions, and any "repeal" would have to be "replaced" with something; without knowing those details it's hard to quantify what the true impact will be. Undoubtedly there is a lot to digest with the election results, and we look forward to keeping our readers updated as details emerge.

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, Overweight to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.87	0.05	0.82	95%
5 Year	1.24	0.12	1.12	80%
10 Year	1.94	0.24	1.70	90%
30 Year	2.76	0.23	2.53	94%

UST Rates			
2 Year	0.92	0.09	0.83
5 Year	1.56	0.33	1.23
10 Year	2.15	0.37	1.78
30 Year	2.94	0.37	2.56

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$8.54	\$2.87
Competitive	\$2.54	\$2.13
TOTAL	\$11.08	\$5.00

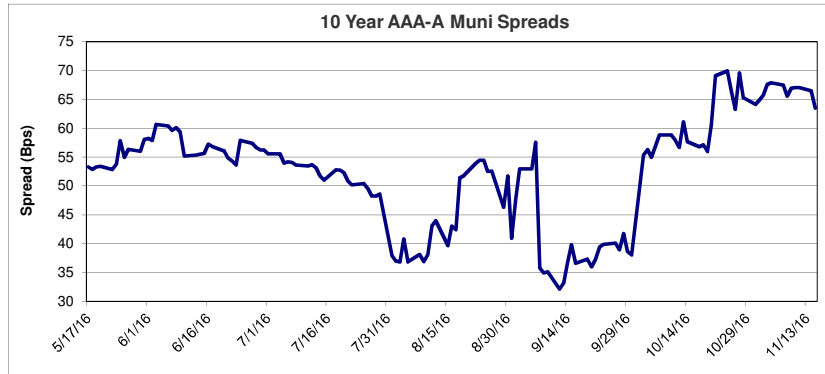
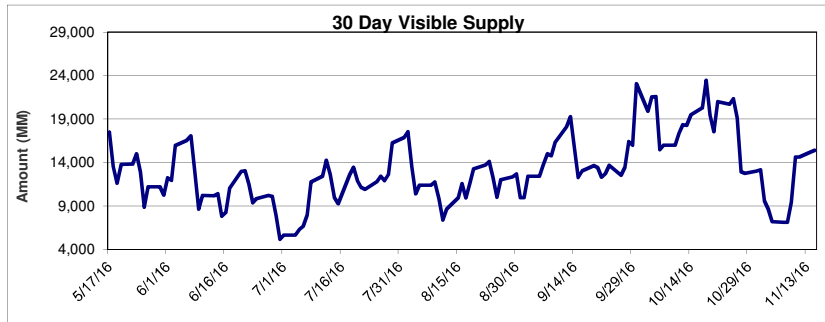
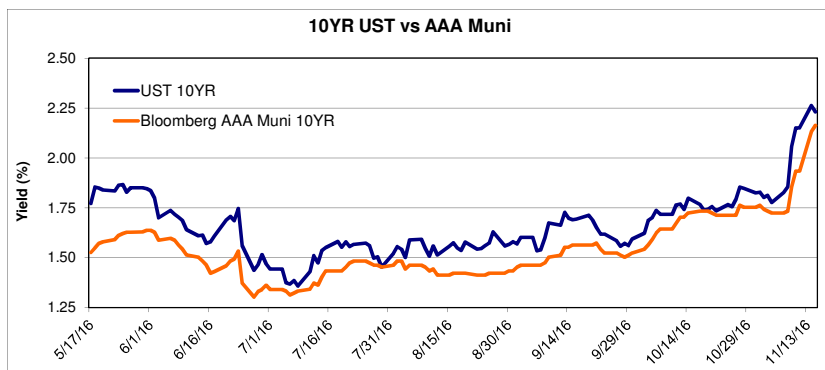
Municipal 30 Day Visible Supply (\$ Bln)	\$14.64	\$7.21
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Bloomberg Muni PICK Offerings (\$ Bln)	\$18.81	\$19.28
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Bond Buyer 20 Municipal G.O. Index	3.52%	3.27%
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Select Economic Releases

Date	Event	Period	Survey	Prior
11/15	Retail Sales Advance MoM	Oct	0.60%	0.60%
11/15	Empire Manufacturing	Nov	-2.5	-6.8
11/15	Import Price Index MoM	Oct	0.40%	0.10%
11/16	MBA Mortgage Applications	11-Nov	--	-1.20%
11/16	Industrial Production MoM	Oct	0.20%	0.10%
11/16	PPI Final Demand MoM	Oct	0.30%	0.30%
11/17	Initial Jobless Claims	12-Nov	257k	254k
11/17	CPI MoM	Oct	0.40%	0.30%
11/17	Housing Starts	Oct	1160k	1047k
11/17	Philadelphia Fed Business Outlook	Nov	7.6	9.7
11/18	Leading Index	Oct	0.10%	0.20%



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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