












Trading Desk Commentary

We hope everyone had a chance to do some early shopping because prices are going up - just in time for the holiday season. Not only did US (& sovereign) rates move higher last week, but the cost of protection for portfolios increased dramatically as the uncertainty factor of the Trump administration's action plan gripped markets. With the derivative markets pricing in with almost complete certainty that the FOMC will hike rates at their December 14th meeting, most eyes have shifted to the fiscal policy lever and what that will look like coming out of Washington (or Trump Tower?). As we had mentioned in a post-election special note, we believe the rapid nature of this sharp move will likely dissipate as there have already been signs of exhaustion; but with the amount of inflation markets are now pricing in, it can't be ignored. As Trump's cabinet begins to take shape, each appointment will provide more clarity to the currently opaque picture, and we expect volatility to remain heightened around such events.

Municipal participants had quite the week as volatility lead to many opportunities in a relatively 'sluggish' market- this was showcased most clearly by the difference in Intermediate Muni ETF performance (MUB/ITM/TFI) and their NAV baskets (ie cash bonds). The ETFs tend to be more volatile given that they are exchange traded and are very quick to price in macro events. MMD scale cuts/curve adjustments played catch up to treasuries as muni yields were almost off three times as much as their taxable counterparts. Traders could not cut fast enough to move bonds, and this type of event usually creates a buying opportunity in the space. One street firm even mentioned that they would expect crossover buying to ramp up at these levels. Municipal muni funds experienced ~\$3B in outflows as stated by Lipper, suggesting a move to a more 'risk on' allocation by investors. Muni bid side was sloppy most of the week, but as the number of items out for the bid started to come down towards the end of the week, the market was able to find some footing. Next week will be a slow holiday-shortened week with a few small deals coming, but most action will be complete by the close on Tuesday.

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, Overweight to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	1.05	0.18	0.87	98%
5 Year	1.59	0.35	1.24	88%
10 Year	2.30	0.36	1.94	98%
30 Year	3.06	0.30	2.76	102%

UST Rates			
2 Year	1.07	0.15	0.92
5 Year	1.80	0.24	1.56
10 Year	2.35	0.20	2.15
30 Year	3.00	0.07	2.94

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$0.74	\$8.54
Competitive	\$0.14	\$2.54
TOTAL	\$0.88	\$11.08

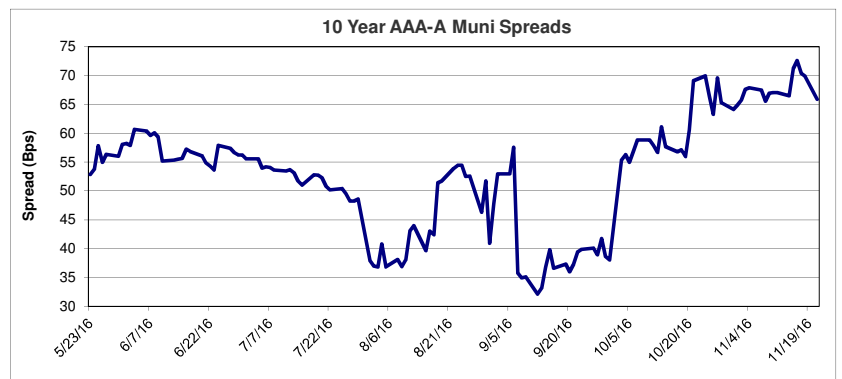
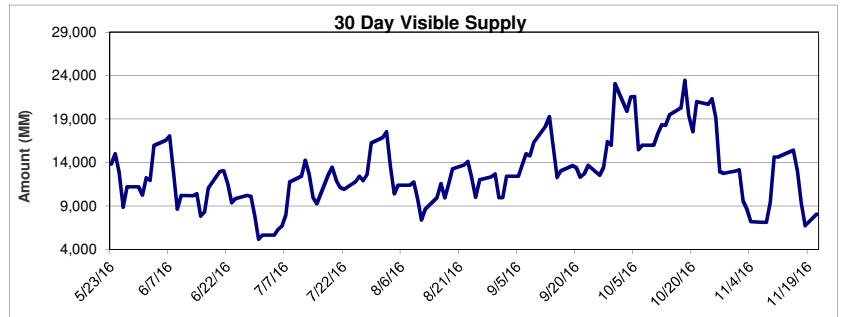
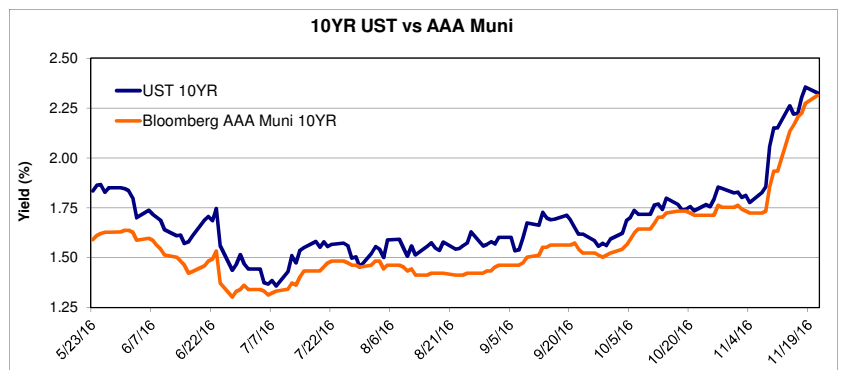
Municipal 30 Day Visible Supply (\$ Bln)	\$6.74	\$14.64
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Bloomberg Muni PICK Offerings (\$ Bln)	\$21.64	\$18.81
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Bond Buyer 20 Municipal G.O. Index	3.75%	3.52%
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Select Economic Releases

Date	Event	Period	Survey	Prior
11/22	Existing Home Sales	Oct	5.44m	5.47m
11/22	Richmond Fed Manufact. Index	Nov	0	-4
11/23	Initial Jobless Claims	19-Nov	250k	235k
11/23	U. of Mich. Sentiment	Nov F	91.6	91.6
11/23	Durable Goods Orders	Oct P	1.80%	-0.30%
11/23	MBA Mortgage Applications	18-Nov	--	-9.20%
11/23	New Home Sales	Oct	590k	593k
11/23	Markit US Manufacturing PMI	Nov P	53.5	53.4
11/23	Durables Ex Transportation	Oct P	0.20%	0.10%
11/25	Wholesale Inventories MoM	Oct P	0.20%	0.10%
11/25	Markit US Services PMI	Nov P	54.8	54.8



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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