

Trading Desk Commentary

Macro:

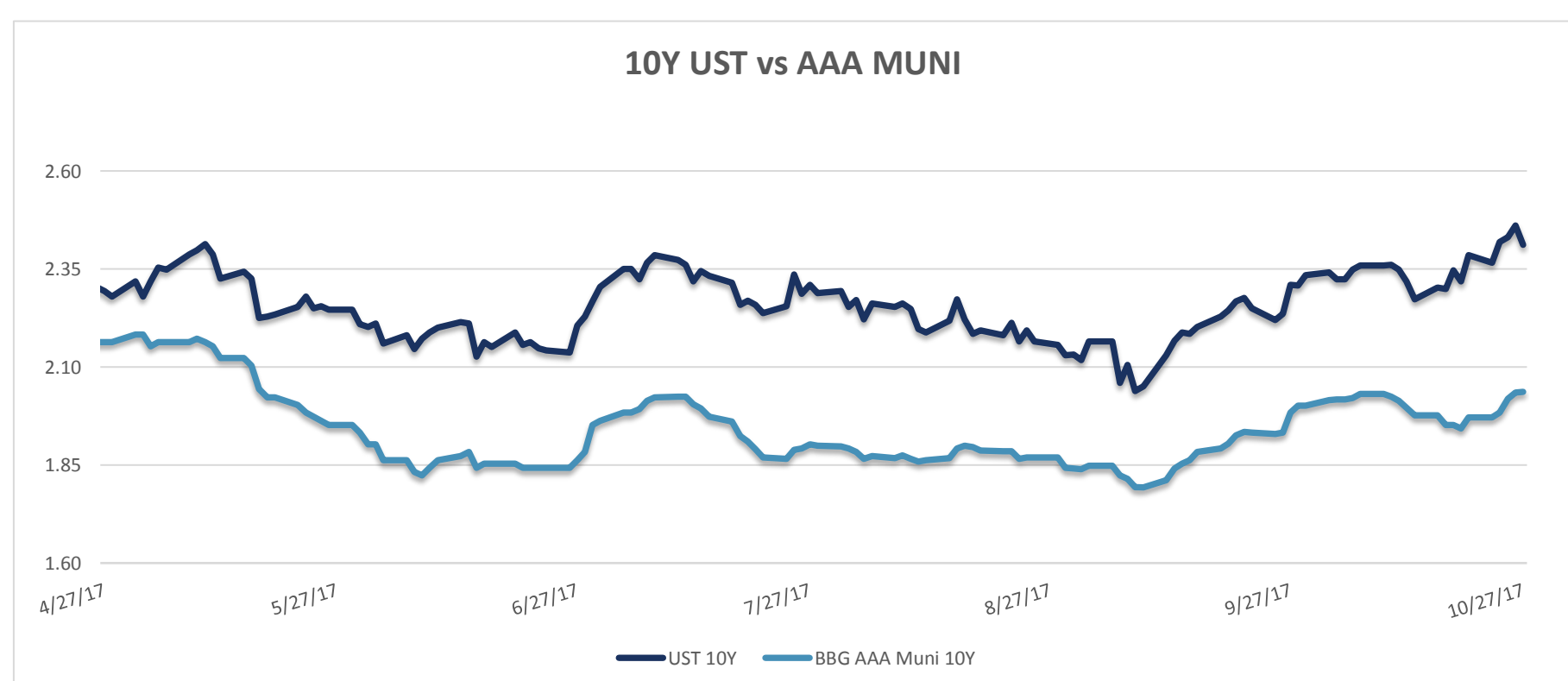
- The economy grew at a much faster pace than expected in the third quarter. Q3 GDP came in at 3.0% vs. an expected 2.6% and is the latest sign of improving conditions here at home. An increase in inventory investment and reduced trade deficit offset the impact of hurricanes Harvey and Irma.
- Last week's ECB statement brought little surprise as the central bank pledged its support of continued monetary stimulus. Although it reduced the amount of bonds it will purchase, the program will extend well into 2018. At his press conference following the decision, Mario Draghi maintained that the decision did not signal the end of quantitative easing in Europe and stressed that QE could be extended again at the end of its duration in September 2018. Last week's meeting marks the third time the ECB has extended its calendar for QE.
- Next week has the potential to be a wild one, and there will be no shortage of events that have great potential to move markets. President Trump is widely expected to announce his Fed Chair nominee on Thursday. Jerome Powell is considered the front-runner, but John Taylor also appears to be in the running. We will also be tuned into the Fed meeting on Wednesday (no surprises expected), the Bank of England meeting Thursday, tax reform details also on Thursday, and Friday we get the October jobs report. Not to mention, as of this writing, news is circulating that the Robert Mueller investigation has already yielded indictments of former President Trump campaign manager Paul Manafort and his associate Richard Gates.

Muni:

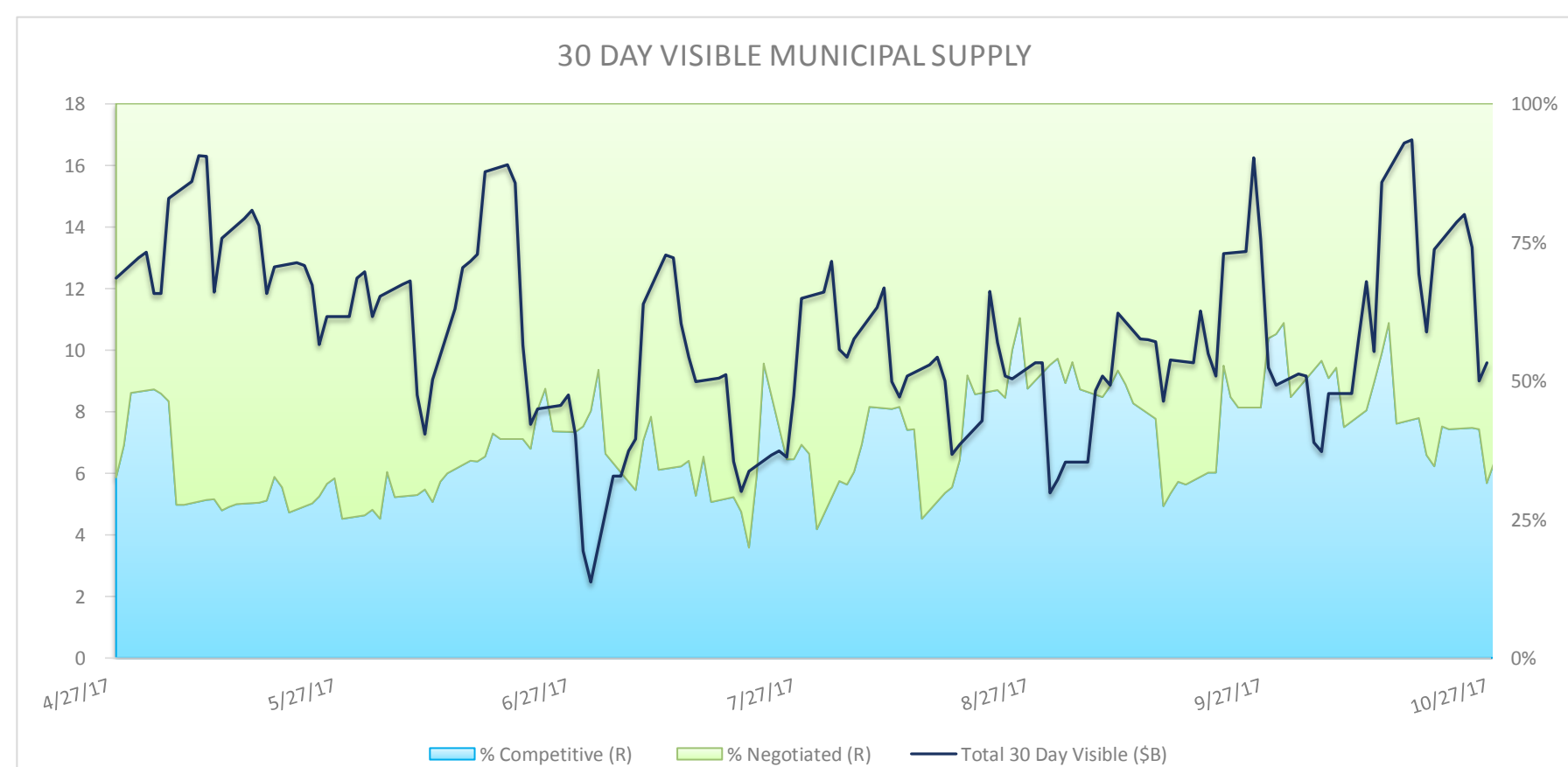
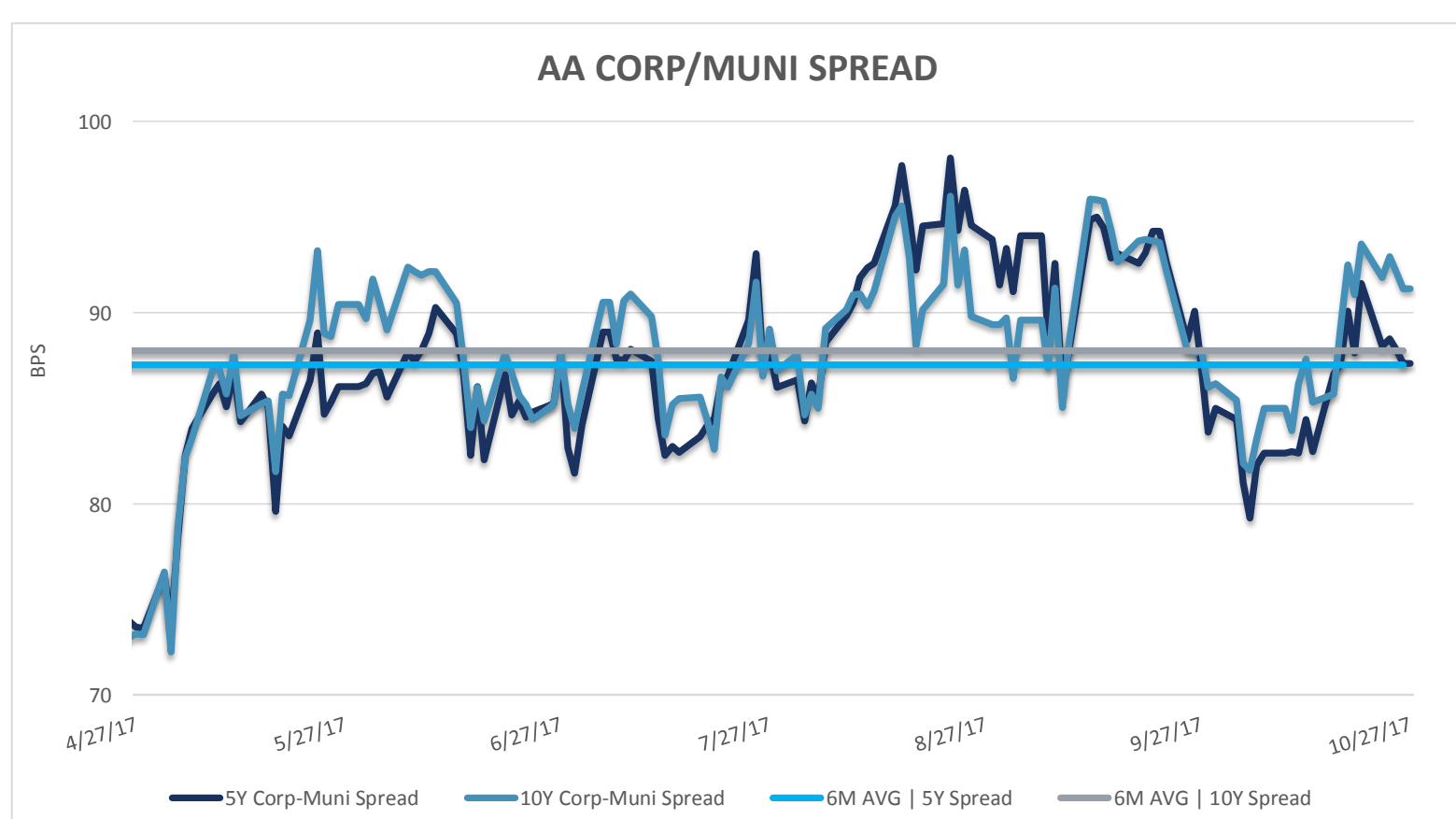
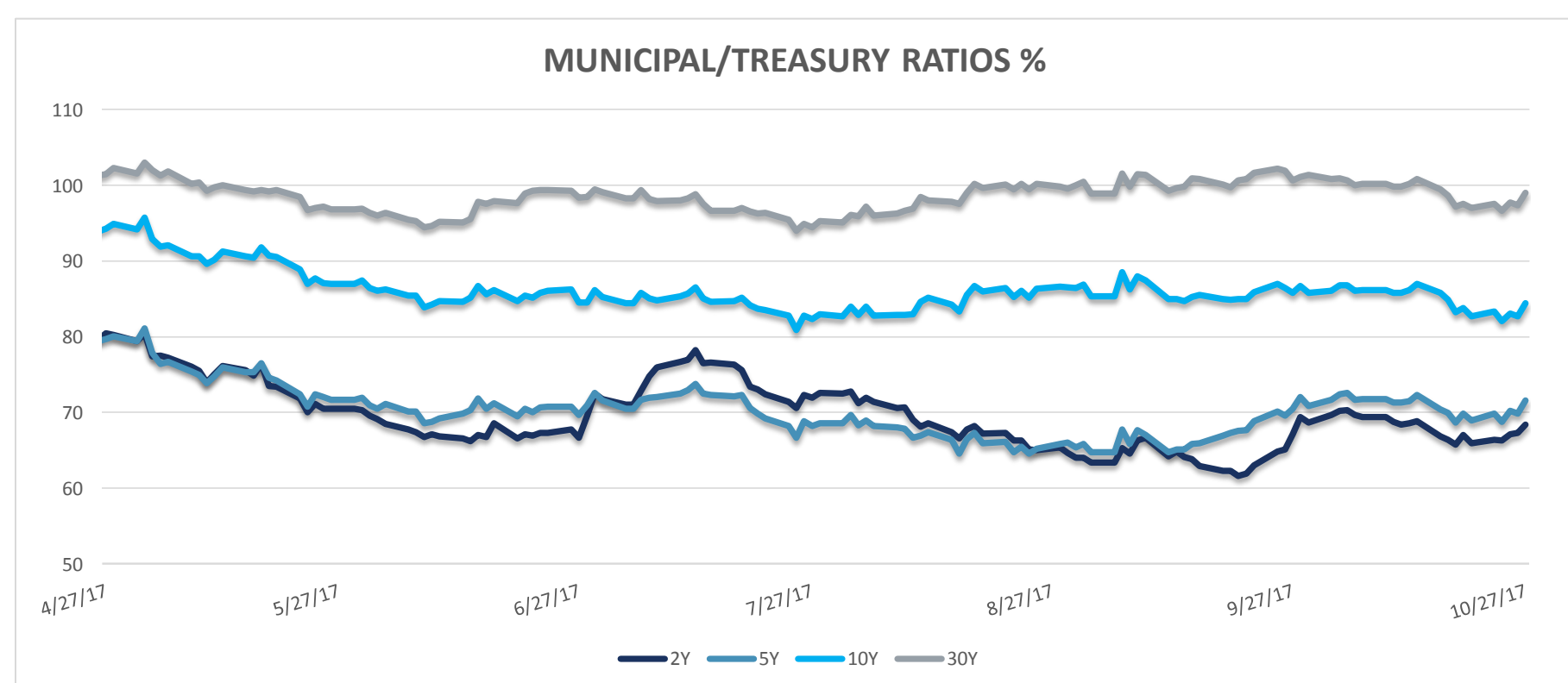
- Flows returned to the muni market for the second straight week, but munis underperformed Treasuries for the week. Yields on the AAA MMD Index were up 4 to 5 bps on the front end and up as much as 10 bps on the long end of the curve. Supply was elevated at over \$10 billion, but 40% of the volume was derived from the State of Illinois, which issued \$4.5 billion. The deal was not a hit with investors and needed cuts as much as 15 bps to get placed, and we also noticed bonds were trading below original levels in the secondary.
- All eyes this week will again turn to tax reform. The tax bill is set to be released on Wednesday and will give the public the first look at comprehensive details of the plan. Last week the House narrowly adopted the Senate version, increasing the chances that reform will be enacted prior to year-end. However, the more divisive issues such as how to offset tax cuts and whether the state and local tax deduction will be eliminated persist, making reform anything but a done deal.

MARKET OVERVIEW

		10/20/17	10/27/17	Δ bps	1M Trend
Muni	2Y	1.04	1.09	5	
	5Y	1.39	1.45	6	
	10Y	1.97	2.04	6	
	30Y	2.81	2.90	9	
UST	2Y	1.58	1.59	2	
	5Y	2.02	2.03	1	
	10Y	2.38	2.41	3	



		9/28/17	10/27/17	1M Trend
MUNI/UST Ratios	2Y	69%	68%	
	5Y	72%	72%	
	10Y	87%	84%	
	30Y	101%	99%	



EXPLANATION

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. Competitive and Negotiated are broken out as a percentage of total supply.

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.

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: 30 day visible figures are obtained through Bloomberg, 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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