

Trading Desk Commentary

Leading up to today, risk market participants did not have much good news to trade on. Weaker economic releases coupled with the speculation that European leaders are not doing enough to stem the area's debt crisis drove equities lower throughout much of the week, with the DOW touching a 3 week low on Thursday. Treasury market participants reacting to the negative news saw buying pressure, driving down yields in the 10YR part of the curve by approximately 14bps (0.14%). This marked the reversal of a general trend to higher rates that we saw beginning in the later half of July. Some reprieve was given to the markets by the middle of the session on Friday as a letter from Fed Chairman Bernanke to the Chairman of the House Oversight and Reform Committee reiterated that the central bank has further room for easing if conditions warrant. This, along with continued rumors of the European Central Bank discussing the use of yield targets for its members' sovereign debt allowed stocks to reverse course and post a 91 point gain for the day.

Munis were also led lower in yield on the week, but as has been the case for sometime now, not to the extent that their taxable counterparts experienced. Their muted move was in most part due to the early week supply that left many investors wondering whether there was enough cash laying around in late August to digest the larger slate of deals that included (NR/AAA) \$522MM NY Thruway Personal Income Tax Revenues, (A2/A-) \$445MM Chicago O'Hare Airports, and (A3/A+) \$809MM New Jersey Turnpikes. As deals were priced throughout the week, participants quickly realized that given the higher yielding nature of some of the credits, demand was such that pricing could be adjusted higher (yields lowered) without the risk of losing buyer interest. By Thursday, supply numbers for the upcoming week were being put together and the market realized how limited their opportunities would be ahead of the upcoming holiday weekend. Dealers began building inventory so that they could have something to offer investors as a calendar of only \$1.6Bln is planned for the week. This compares to a recent average week of \$5-7Bln, leading one to reasonably assume that Munis should have a firm footing as we look to close out the month.

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.29	0.00	0.29	107%
5 Year	0.70	0.01	0.69	97%
10 Year	1.79	-0.08	1.87	107%
30 Year	2.93	-0.08	3.01	105%

UST Rates

2 Year	0.27	-0.02	0.29
5 Year	0.72	-0.08	0.80
10 Year	1.67	-0.14	1.81
30 Year	2.80	-0.13	2.93

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$1.27	\$6.64
Competitive	\$0.32	\$1.09
TOTAL	\$1.59	\$7.73

Municipal 30 Day Visible Supply (\$ Bln)	\$2.92	\$8.89
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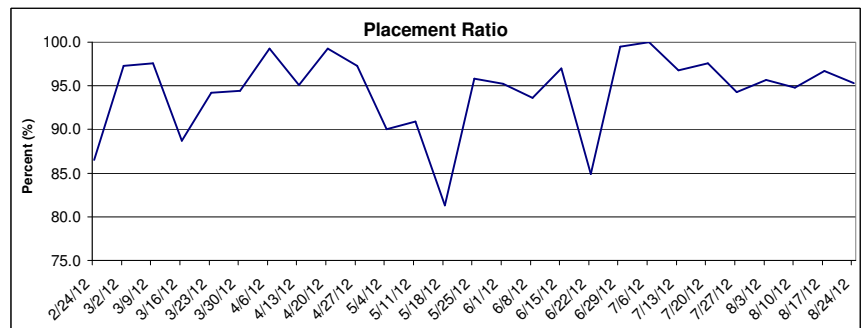
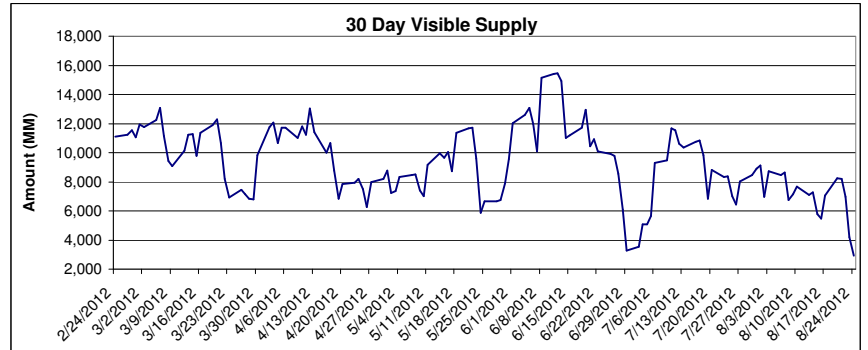
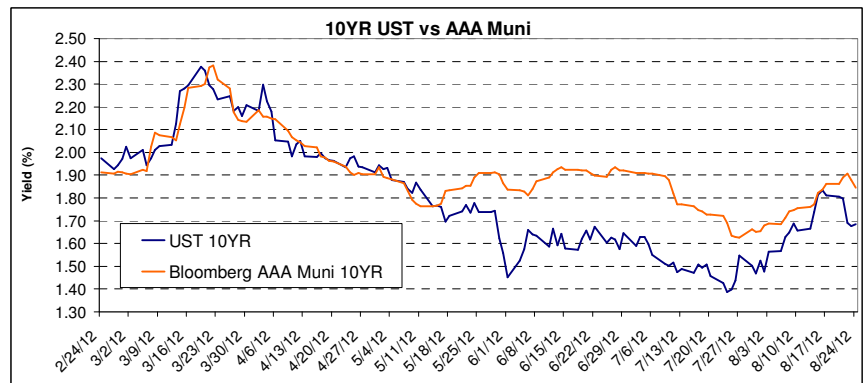
Bloomberg Muni PICK Offerings (\$ Bln)	\$13.26	\$13.84
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Muni Placement Ratio (New Issues)	95.3%	96.7%
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Bond Buyer 20 Municipal G.O. Index	3.76%	3.80%
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Select Economic Releases

Date	Event	Period	Survey	Prior
8/28	Consumer Confidence	Aug	66.0	65.9
8/29	MBA Mortgage Applications	24-Aug	--	-7.4%
8/29	GDP QoQ (Annualized)	2Q S	1.7%	1.5%
8/29	Pending Home Sales MoM	Jul	1.0%	-1.4%
8/29	Fed's Beige Book			
8/30	Personal Income	Jul	0.3%	0.5%
8/30	Personal Spending	Jul	0.50%	0.0
8/30	Initial Jobless Claims	25-Aug	370K	372K
8/31	Chicago Purchasing Manager	Aug	53.5	53.7
8/31	U. of Michigan Confidence	Aug F	73.6	73.6
8/31	Factory Orders	Jul	1.9%	-0.5%



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.

Placement Ratio - The amount of bonds sold by underwriting syndicates each week as a percentage of the amount issued that week by issuers selling \$1,000,000 par value or more of securities. The ratio published by The Bond Buyer, helps gauge the demand for municipal bonds in the marketplace.

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, and the placement ratio 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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