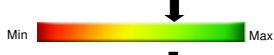



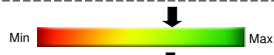

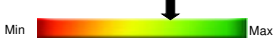

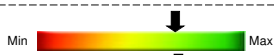




Trading Desk Commentary

If investors were hungry for direction, this week gave them plenty to digest. Unfortunately, the last five days of economic data and headlines looked more like 'pot luck' than fine cuisine, with today's University of Michigan Confidence data serving as an ineffective 'digestif'. Yesterday's Retail Sales showed growth at half the pace expected, while today's release of May's Producer Price Index showed a surprising drop, suggesting that inflationary pressures are still muted. Adding to the disappointment was today's University of Michigan Consumer Confidence survey that depicted a souring consumer sentiment. Higher prices in the grocery checkout line and rising fuel costs probably sparked the increased concern. Any anxieties over fuel costs are likely to stick around for the foreseeable future as tensions in Iraq continue to grow. At this point, US involvement appears inevitable as militants approach Baghdad with violent intentions. The degree of our involvement is unclear right now; however, some combination of airstrikes, ground troops and diplomacy are the obvious tools in the President's hand. Financially speaking, oil prices are under the largest threat from a destabilized Middle East, though escalation in Iraq could spell stronger US debt prices and a flight from risk. For now, in spite of the geopolitical landscape, US yields are leaning towards a higher bias. The Bank of England's Gov. Mark Carney revealed that he believes UK borrowing rates could be revised upwards sooner than previously anticipated. The BOE is worried about Britain's overheated real estate market. Carney's comments sparked a steep sell-off in UK debt, mirroring the March reaction in the US to Yellen's comments regarding imminent rate hikes. The end result of the developments was a choppy, rudderless US Treasury market, which traded in a tight range. Today the 10-Year US Treasury note is trading at the top of its recently established 2.40-2.60% yield channel. There appears to be resistance at the 2.60% mark even though the 10-year traded in a 2.62-2.85% range for essentially the first half of 2014. US data is too underwhelming to justify re-entry into the higher yield channel at this point. Economic growth continues to anchor US Treasury yields, much like our prospects for a quicker recovery. Next week will usher in a big week of data (CPI, housing, Wednesday's Fed meeting) that will force a gut check in US markets.

Municipal bonds held firm this week, shrugging off the chop in US Treasuries. A more robust new issue calendar kept Muni participants busy. The larger volume did not seem to weigh down the Muni space. New deals were met with open arms with limited reports of cheapening to get loans distributed. The hefty calendar left secondary trading out in the cold. We did find some success scooping up odd lots offering value but were being neglected due to the busy primary. The Bond Buyer's 30-day visible calendar is still elevated relative to the past six months (sitting at \$12.4bln today). Just over \$6bln of that will come next week, a weekly total that has proven manageable all year. A \$900mln (Aaa/AAA) Texas Transportation Commission revenue loan dominates the schedule, after which the average deal size falls dramatically. A stable US Treasury backdrop would serve next week's deals well, but even amidst rate volatility, we would still expect buyers to take down next week's calendar with little effort. Lipper's report showed over \$500mln flowed into Muni bonds funds over the past week. Demand remains healthy with little potential disruptions on the horizon.

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	Prefer Corporates and Taxable Munis
Intermediate Muni		0 YRS  17 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Intermediate Taxable		0 YRS  12 YRS	Prefer Corporates and Taxable Munis
Tactical Muni ETF			Slight Overweight to CA
Core Plus ETF			Slight Overweight to Corporates
Tactical Opportunity ETF			Slight Overweight Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.30	0.00	0.30	67%
5 Year	1.30	0.07	1.23	77%
10 Year	2.33	0.06	2.27	90%
30 Year	3.37	0.01	3.36	99%
UST Rates				
2 Year	0.45	0.05	0.40	
5 Year	1.69	0.05	1.64	
10 Year	2.60	0.01	2.59	
30 Year	3.41	-0.03	3.44	

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$3.88	\$6.86
Competitive	\$2.28	\$1.47
TOTAL	\$6.16	\$8.33

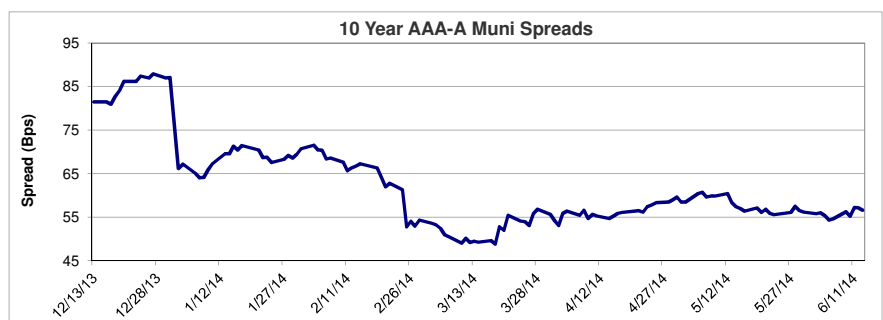
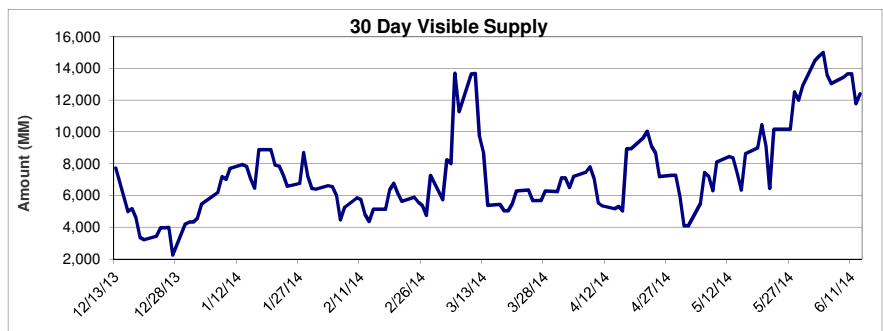
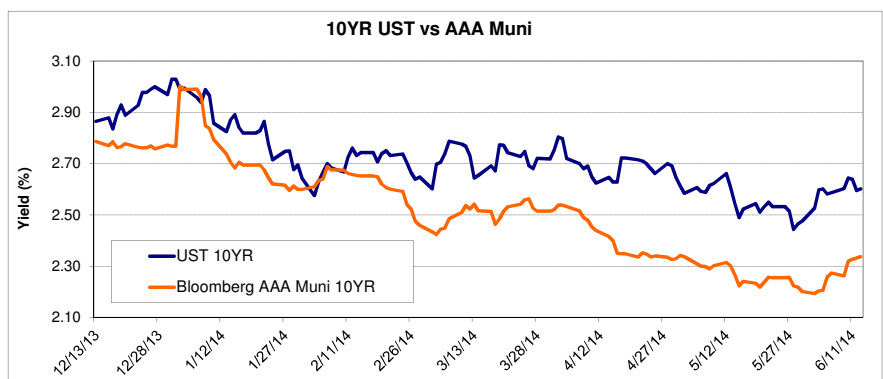
Municipal 30 Day Visible Supply (\$ Bln)	\$12.40	\$13.04
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Bloomberg Muni PICK Offerings (\$ Bln)	\$14.51	\$14.99
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Bond Buyer 20 Municipal G.O. Index	4.37%	4.26%
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Select Economic Releases

Date	Event	Period	Survey	Prior
6/16	Empire Manufacturing	Jun	15.00	19.01
6/16	Industrial Production MoM	May	0.50%	-0.60%
6/17	CPI MoM	May	0.20%	0.30%
6/17	Housing Starts	May	1030K	1072K
6/18	MBA Mortgage Applications	13-Jun	--	10.30%
6/18	FOMC Rate Decision	18-Jun	0.25%	0.25%
6/19	Initial Jobless Claims	14-Jun	313K	317K
6/19	Leading Index	May	0.60%	0.40%
6/19	Philadelphia Fed Business Outlo	Jun	14.00	15.40



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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