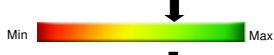



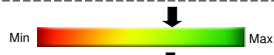

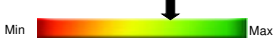

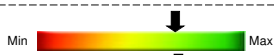




## Trading Desk Commentary

The market had little use for things like Empire Manufacturing, Retail Sales, Housing Starts and University of Michigan Confidence releases. These numbers constituted little more than background noise under a blaring geopolitical soundtrack. Developments in Ukraine and Gaza put global traders on edge. On Wednesday, before news of the latest Malaysian airliner tragedy surfaced, the US had already imposed an expanded list of sanctions on Russia. The strain on US-Russian relations was already growing. Then, reports that Russian-backed separatists inside Ukraine's borders were responsible for bringing down a commercial airliner of innocent civilians immediately sparked fears of further escalation. Up to this point, the US limited its involvement to warnings and economic restrictions. Military intervention remains an option of last resort for the Obama administration – not to mention an unpopular proposition among Americans. The US wants to navigate the situation at arm's length if it can. It appears that even after the newest incident (and not the first time militants destroyed a plane in the area), the US remains committed to peaceful involvement. Meanwhile, Israel's war with Hamas in Gaza continues to worsen. Israeli Prime Minister Netanyahu is preparing to boost ground attacks with aims to disrupt Hamas' network of tunnels. Quick de-escalation between Israel and Hamas appears off the table. And ISIS militants in Iraq and Syria continue to destabilize the region. The international community and nearby forces have done little to slow down ISIS's advances. This week's developments in Ukraine distracted many from the situation in Iraq, but the reality is that the country remains in every bit as much turmoil as a few weeks ago. Taken in concert, the current state of the globe looms large in investors' mindsets. A solid corporate earnings season is allowing equity investors to shrug off the threats and justify a Dow still trading north of 17,000. Bonds tell a different story. The demand for safety is still intact. Yesterday we tested the one-year low in 10 Year US Treasury yields but have seen some of those gains dissipate today. The number and severity of the crises should keep US Treasuries stuck in and around their current ranges. At her press conference Tuesday, Fed Chair Yellen reiterated the Fed's long-term accommodative intentions. Each time she steps to the mic and sings a dovish tune, bond investors still cheer and sway. "Low Fed Funds Rate" is their favorite song. But in the back of their minds they know the QE concert is drawing to a close. At some point this year, the party will likely end.

Trading in Muniland may as well have been on a different planet. Sure, they benefited from a stable rate backdrop and demand for safety. But the limited number of bonds available to investors is still forcing buyers to scramble. Today illustrated the isolated island that tax-exempts are living on. While US Treasuries weakened after days of strength, Munis advanced even further. Secondary trading looks exceptionally strong. There is simply not enough new issuance to put a dent in buyers' needs. This leaves Muni participants leaning on secondary trading to fill inquiries. Dealer inventory is marked up to super-expensive levels, most of the value stripped away from the offerings. But, in reality, these bonds will likely still find a home somewhere. People have cash that needs to go to work. We are actively bidding secondary pieces and digging into as many of the new issues that we can find bonds that fit. However, we are staying patient in our approach. Environments like this require discipline to avoid overpaying for Munis. We are still finding attractive spreads, mainly in odd lot purchases. The Bond Buyer 30-day visible supply total is still under \$7bln, but almost \$6bln will come to market next week. This is by no means a bond feast, but there are plenty of deals on the calendar that pique our interest. Buyers, ourselves included, will need to be proactive and persistent next week in the search for new supply. Rarely is the search for bonds as competitive as it is right now.

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

## Market Overview

	Current Wk	Yld Change	Prior Wk	Muni to UST
<b>Muni Rates</b>				
2 Year	0.31	0.00	0.31	65%
5 Year	1.25	-0.05	1.30	75%
10 Year	2.24	-0.12	2.36	90%
30 Year	3.31	-0.09	3.40	101%
<b>UST Rates</b>				
2 Year	0.48	0.04	0.44	
5 Year	1.67	0.04	1.63	
10 Year	2.48	-0.03	2.51	
30 Year	3.29	-0.05	3.34	

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$3.80	\$4.49
Competitive	\$1.77	\$0.86
<b>TOTAL</b>	<b>\$5.57</b>	<b>\$5.35</b>

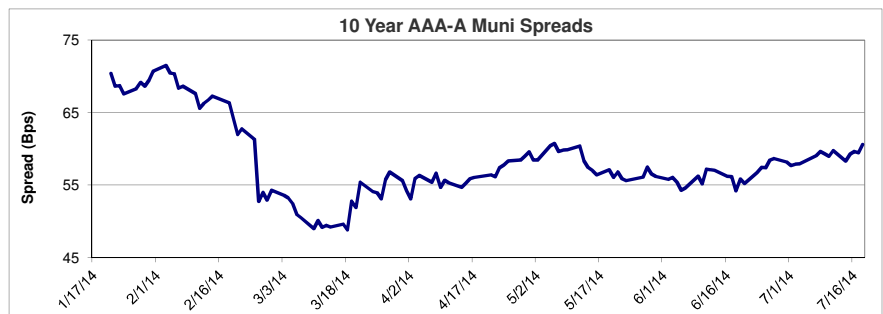
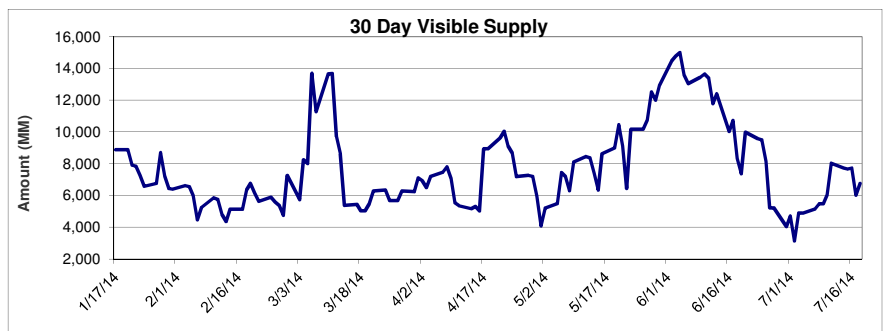
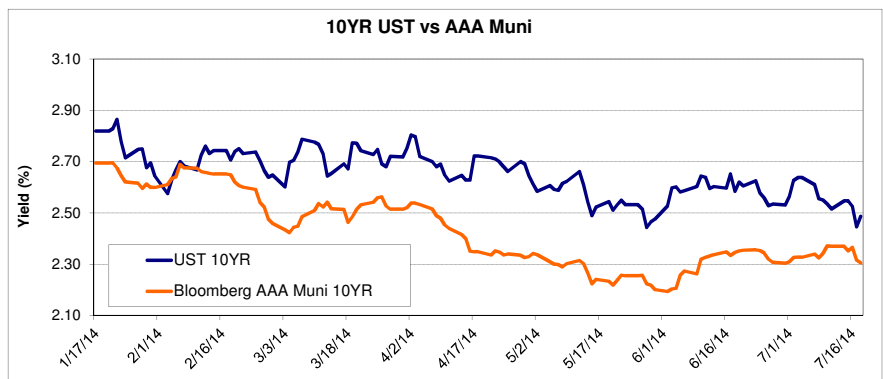
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$6.75</b>	<b>\$8.04</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$11.76</b>	<b>\$11.85</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>4.36%</b>	<b>4.38%</b>
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## Select Economic Releases

Date	Event	Period	Survey	Prior
7/22	CPI MoM	Jun	0.30%	0.40%
7/22	CPI Ex Food and Energy MoM	Jun	0.20%	0.30%
7/22	Existing Home Sales	Jun	4.99M	4.89M
7/23	MBA Mortgage Applications	18-Jul	--	-3.60%
7/24	Initial Jobless Claims	19-Jul	310K	302K
7/24	Markit US Manufacturing PMI	Jul P	57.50	57.30
7/24	New Home Sales	Jun	478K	504K
7/25	Durable Goods Orders	Jun	0.50%	-1.00%
7/25	Durables Ex Transportation	Jun	0.50%	-0.10%



**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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