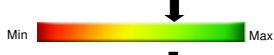



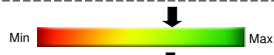

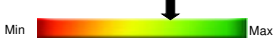

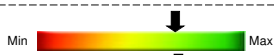




Trading Desk Commentary

Just when it seemed the global stage couldn't get any more chaotic, last night President Obama ordered heightened US involvement in northern Iraq. The US is now executing airdrops of humanitarian aid to the Yazidi Iraqis that have found themselves surrounded by the Sunni-extremist ISIS. Simultaneously, the White House cleared limited airstrikes to defend any American presence in the region and to protect the estranged Yazidi Iraqis stranded on Mount Sinjar. This morning, the Pentagon revealed that the US had already struck Sunni artillery in Erbil, marking the first overt US military campaign in Iraq since 2011. The Iraqi escalation clearly advances the situation firmly to the forefront, where Gaza talks and the Ukraine crises were already stirring up plenty of concern. The world is in turmoil to the point that Fed policy and economic fundamentals are taking a backseat, and a distant one at that. US Treasury yields have plummeted to their lowest point in over a year. The mid 2.40% served as a point of resistance for the US 10-year Treasury note since May, but always pulling back for reason or another. That floor (or ceiling, if you look at it from the perspective of bond prices) has officially been broken. If you remove the geopolitical tumult and focus on more traditional market factors, it is difficult to make a compelling case for these low yields. The Fed is plainly discussing the end of its asset purchases and unleashing tighter monetary policy. US companies are faring 'ok,' at least if one looks to earnings results. The labor markets, while sluggish, appear to be improving, and a big 4.0% first look at Q2 GDP is a good first step toward erasing the bad taste left in economists' mouths in Q1. Instead, the threat of all-out war on three unrelated fronts is drowning out the good noise. Sometimes this recap feels more of a political blog than market commentary, but, at least for now, the two are inextricably, and deeply, intertwined. We will be monitoring these points of conflict closely over the weekend.

Muni trading looked exceptionally strong all week. The advance in US Treasuries sparked strong Muni demand. New issuance was offered at very rich levels and fared extremely well nevertheless. The secondary market was no different. Locating value was especially difficult. Credit spreads are as tight, if not tighter, than at any point in recent memory. We also noticed dealers stocking up their inventory, knowing that buyers would begrudgingly come off the sidelines for the debt as the rally picked steam and the demand for quality grew stronger. The Bond Buyer's 30-day visible supply is still just over \$8bln, a familiar amount these days for the stat and one that poses zero threat to Muni stability. Weekly supply totals are hovering in the \$4-5bln range, which is also easily handled in this environment. We are stepping up our purchasing in higher rated names. We are finding that spreads have compressed so much that some high AA-rated revenue issuers are offering comparable spreads to lesser-rated debt or debt from riskier sectors. It is critical to look at Munis on a relative basis at all times – relative to Treasuries, relative to similar issuers and relative higher and lower rated debt to make sure the Muni is trading in the proper context. Supply remains the top challenge in Muniland. More supply or a weaker US Treasury backdrop could increase the buying opportunities. But until something gives, the tough grind for relative value marches on.

Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni	Min  Max	0 YRS  5 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable	Min  Max	0 YRS  5 YRS	Prefer Corporates and Taxable Munis
Intermediate Muni	Min  Max	0 YRS  17 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Intermediate Taxable	Min  Max	0 YRS  12 YRS	Prefer Corporates and Taxable Munis
Tactical Muni ETF	Min  Max		Overweight to CA
Core Plus ETF	Min  Max		Slight Overweight to Corporates
Tactical Opportunity ETF	Min  Max		Slight Overweight Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.32	0.00	0.32	73%
5 Year	1.18	-0.06	1.24	73%
10 Year	2.15	-0.12	2.27	89%
30 Year	3.20	-0.10	3.30	99%
UST Rates				
2 Year	0.44	-0.03	0.47	
5 Year	1.61	-0.05	1.66	
10 Year	2.42	-0.07	2.49	
30 Year	3.23	-0.05	3.28	

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$4.53	\$3.83
Competitive	\$2.07	\$1.25
TOTAL	\$6.60	\$5.08

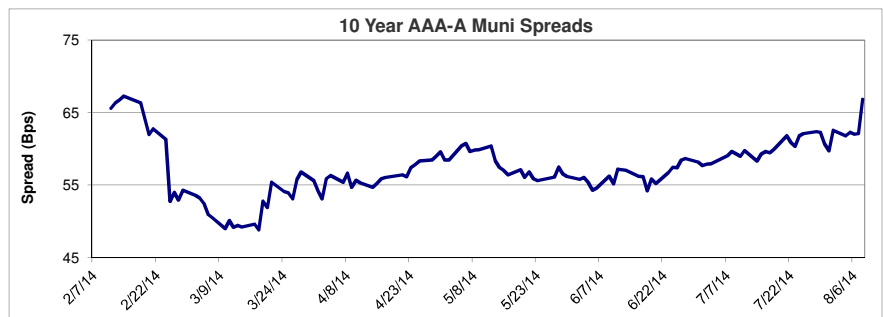
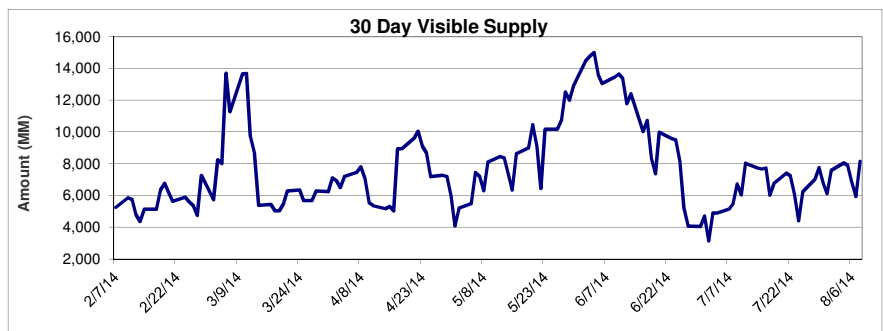
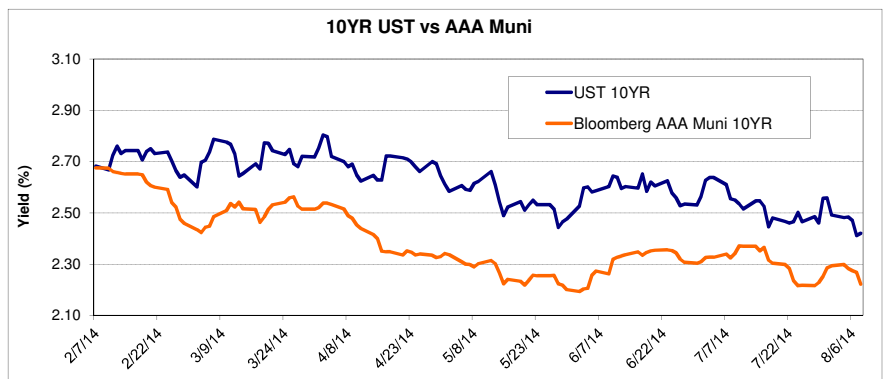
Municipal 30 Day Visible Supply (\$ Bln)	\$8.15	\$6.12
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Bloomberg Muni PICK Offerings (\$ Bln)	\$14.27	\$11.83
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Bond Buyer 20 Municipal G.O. Index	4.31%	4.29%
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Select Economic Releases

Date	Event	Period	Survey	Prior
8/12	Monthly Budget Statement	Jul	-\$96.0B	--
8/13	MBA Mortgage Applications	8-Aug	--	1.60%
8/13	Retail Sales Advance MoM	Jul	0.20%	0.20%
8/14	Initial Jobless Claims	9-Aug	295K	289K
8/14	Import Price Index MoM	Jul	-0.40%	0.10%
8/15	PPI Final Demand MoM	Jul	0.10%	0.40%
8/15	Empire Manufacturing	Aug	20.00	25.60
8/15	Industrial Production MoM	Jul	0.30%	0.20%
8/15	Univ. of Michigan Confidence	Aug P	82.50	81.80



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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