

## Trading Desk Commentary

What are typically muted summer trading sessions around the US market's 4th of July holiday, the sleepy summer months have been woken up this year by market moving global headlines. Summarizing the volatile week of Greece news, we started off Monday with about a 60% "No" vote rejecting the austerity plan. This caused a flight to quality bid in USTs opening up ~10bps tighter in 10s. While market participants waited on Greece's next move, China was added to the mix with the government mandating that Chinese financial institutions contribute to a "Market Stabilization Fund" totaling about \$19.3B USD and begin to purchase large blocks of equities. The government also halted about ~40% of tickers trading in the Shanghai Composite and canceled all planned IPOs. The unrest and uncertainty of the outcome of this move by the Chinese government further continued the bid for USTs and drove rates lower, testing early June levels. The Fed released the June meeting minutes on Wednesday and, to the market's surprise, they had a more dovish tone, potentially pushing a rate hike into early 2016 or later. Just as quickly as the bid came early in the week, it disappeared Thursday and Friday with two almost one point selloff days in the 10Y ending at 2.38% and closing the loop on a volatile round trip. This was preceded by a remarkable two-day positive streak for the Shanghai composite, proving the success of the measures taken by the government and a deal submitted to Greece's creditors that was deemed "credible" and the chance for a resolution could be near. Once the creditors approve Greece's submitted plan, it will go back to the voters for final approval and, if it passes, Greece will remain a part of the EU; if not, hello GREXIT. Sifting through the noise of headlines will continue to be a challenge for traders, but we remain vigilant and confident in our overall portfolio positioning as we turn the page to Q3.

Last week muni rates were whipsawed up and down, mirroring their Treasury counterparts but ultimately outperforming Treasuries for the week. The largest swing came Friday when rates were cut as much 7 basis points following a risk-on trade and subsequent sell-off in Treasuries. A light calendar (~\$5 billion) was received with relative ease last week as several of the larger deals were well oversubscribed and benefitted from bumps to their scales. Several of the competitive loans were aggressively bid and priced with tight spreads to the AAA MMD Index. Undoubtedly the second consecutive week of light primary issuance could be attributed to the strong performance in the primary market. This week the calendar increases to a more robust \$10 billion, but the number is slightly deceiving as there are 3 deals with a par amount north of \$1 billion each, including \$1.1 billion for the City of Chicago, which was downgraded one notch by S&P last week to BBB+. The downgrade stemmed from the City's inability to take corrective actions to address its structural imbalances.

Continuing on the credit front, Puerto Rico remained in the news last week after the Court of Appeals for the First Circuit in Boston affirmed the Commonwealth may not authorize its municipalities (including public utilities like PREPA) to file for bankruptcy under chapter 9 of the Bankruptcy Code. Puerto Rico could appeal the decision to the U.S. Supreme Court in a last ditch effort. Adding a new (although not surprising) name to the distressed municipality list is Wayne County, Michigan, Detroit's home county. The county plans to sell a downtown building that serves as its headquarters as it tries to deter potential insolvency. The move reflects the continued stress in the area around Detroit even after the City of Detroit emerged from bankruptcy last year.

## 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			Slightly Shorter Positioning Given Volatility
Intermediate Muni			Slightly Shorter Positioning Given Volatility
Intermediate Taxable			Slightly Shorter Positioning Given Volatility
Tactical Muni ETF			Slightly Short, Overweight to CA
Core Plus ETF			Slightly Short, Overweight to Treasuries
Tactical Opportunity ETF			Slightly Short, Neutral Munis to Taxables

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.62	-0.04	0.66	98%
5 Year	1.32	-0.08	1.40	80%
10 Year	2.32	0.00	2.32	97%
30 Year	3.31	-0.02	3.33	104%

UST Rates			
2 Year	0.63	0.01	0.62
5 Year	1.65	0.02	1.63
10 Year	2.39	0.01	2.38
30 Year	3.19	0.01	3.18

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$5.58	\$4.56
Competitive	\$1.55	\$1.25
<b>TOTAL</b>	<b>\$7.13</b>	<b>\$5.81</b>

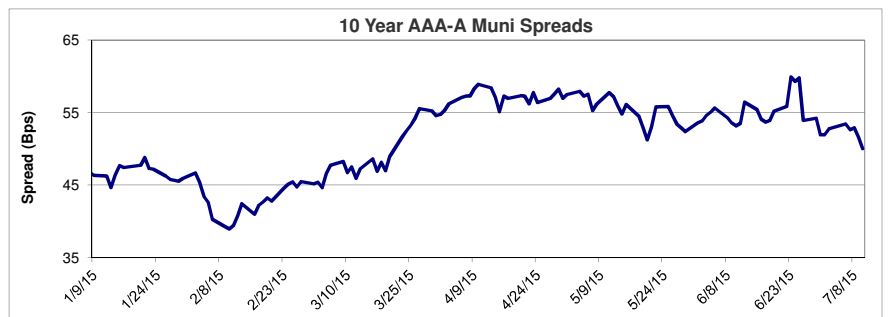
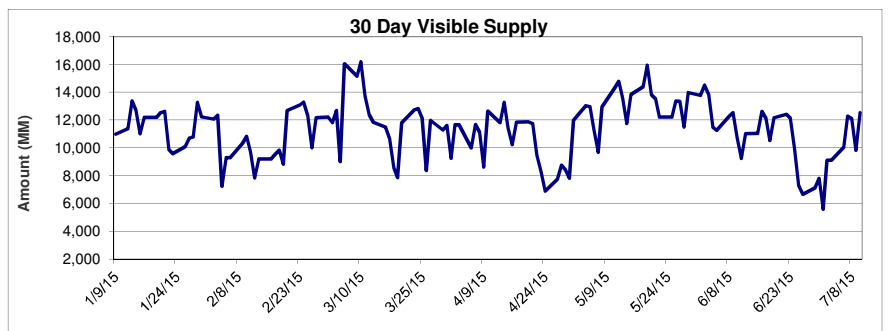
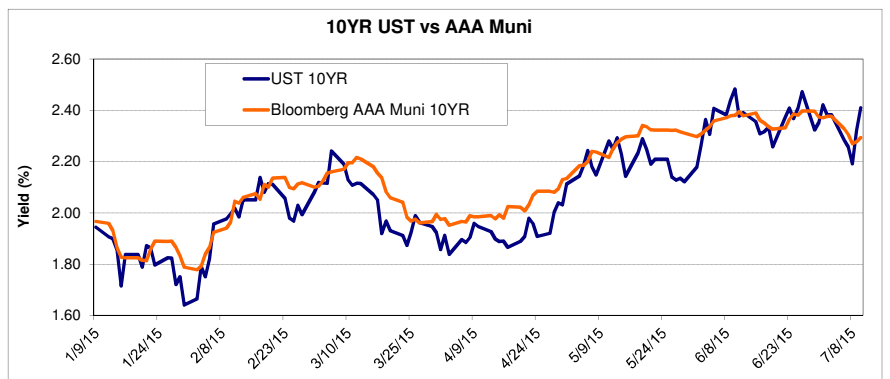
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$12.52</b>	<b>\$9.09</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$11.53</b>	<b>\$12.59</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.76%</b>	<b>3.85%</b>
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## Select Economic Releases

Date	Event	Period	Survey	Prior
7/10	Wholesale Inventories MoM	May	0.30%	0.40%
7/14	Retail Sales Advance MoM	Jun	0.30%	1.20%
7/14	Import Price Index MoM	Jun	0.20%	1.30%
7/14	MBA Mortgage Applications	10-Jul	--	4.60%
7/15	PPI Final Demand MoM	Jun	0.20%	0.50%
7/15	Empire Manufacturing	Jul	3.50	-1.98
7/15	Industrial Production MoM	Jun	0.20%	-0.20%
7/16	Initial Jobless Claims	11-Jul	285K	297K
7/16	Philadelphia Fed Business Outlo	Jul	12.00	15.20
7/17	CPI MoM	Jun	0.30%	0.40%
7/17	Housing Starts	Jun	1110K	1036K



**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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