

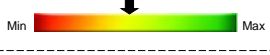

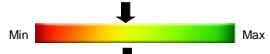

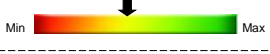

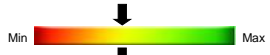




## Trading Desk Commentary

Treasury yields closed mildly lower out long and slightly higher on the front end solidifying a flatter yield curve for the month of July. Although we can hardly consider Greece and China to be resolved issues, they fell out of headlines this week and allowed global market focus to return to the U.S. central bank. The sentiment for a rate hike timing is skewed as investors digest mixed economic releases and the Fed's most recent statement. Although a number of prominent economists and interest rate strategists believe that a September lift-off is most likely, futures and forwards trading in the market only give a Sept. hike a probability of roughly 50%. We got our first look at US GDP for Q2, and the 2.3% print was slightly below the 2.5% expectation. Of note were revisions to last quarter's final GDP print (0.6% revised vs -0.2% prior) as the BEA announced they are altering the way GDP is calculated to deal with some of the "transitory" and seasonal economic factors. We continue to deliberate over what will be the driver of higher long-term rates after a fed hike and the front end of the curve normalizes. Here at home and globally, we remain unconvinced that low rates and the continued inflow of "free money" for markets will promote sustainable growth. Overall, given our expectations of hypersensitivity to economic data and suppressed fixed income trading volume, volatility should persist for the foreseeable future. Our investment and trading strategy takes into consideration timing of trading strive to best capitalize on entry points during such times.

The Municipal market seemed to be on pause Monday through Wednesday with a minor pick-up in activity after the FOMC announcement. Benchmark muni rates were shielded from the whipsaws that USTs experienced and stayed relatively firm most of the week. Trading volumes have been at year lows, and the number of street offerings and on bids wanted lists remain depressed. The new issue calendar of barely \$7B didn't have a deal over \$1B, and, from the look of the runs at the end of the week, there are definitely some new issue balances to be put away. Municipal funds saw outflows of about \$73M, and, even though we saw some promising inflows last week, this still puts the MoM negative for each of the past three months. 30D visible supply is running at its year-long average of \$10B with \$7B pricing this week. Our desk remains focused on the shorter space (2.5yrs and less) mostly in the new issue arena strategically buying yield when we see it while being cautious to avoid the trap of sliding down the credit curve to capture additional incremental yield. Hospital issuers remain a star yield trade, and, although spreads have definitely compressed, these issuers provide a way to occasionally pick up 100-150% of treasuries on the front end. Puerto Rico did not make a payment on a portion of the debt that was due Aug. 1st further pushing the island closer to default on all debt. The island is not making the payment because the funds are just not available, a chief of staff said in a press conference Friday. As this is the first missed payment, the talks will again heat up as the US territory begins to restructure and manage the \$72B in debt they have amassed. While we have no direct exposure to Puerto Rico, we are monitoring the situation closely for broad market spillover. Until next week.

## 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	0.00	0.62	91%
5 Year	1.30	0.03	1.27	84%
10 Year	2.19	-0.01	2.20	100%
30 Year	3.12	-0.03	3.15	107%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.68	-0.06	0.74
5 Year	1.55	-0.10	1.65
10 Year	2.20	-0.09	2.29
30 Year	2.91	-0.07	2.98

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$4.80	\$5.20
Competitive	\$2.20	\$1.20
<b>TOTAL</b>	<b>\$7.00</b>	<b>\$6.40</b>

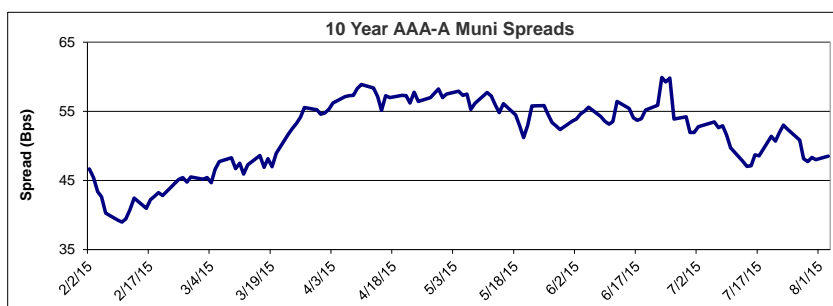
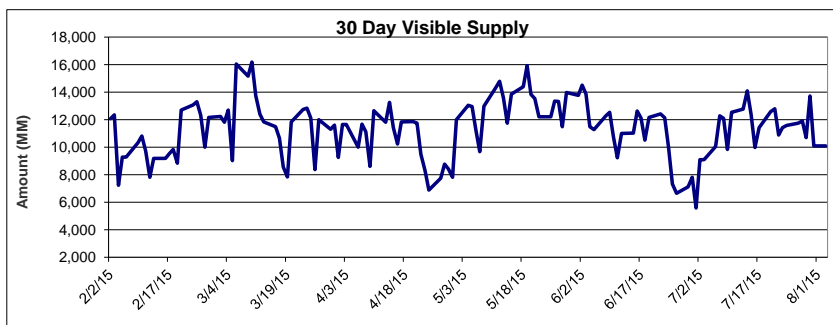
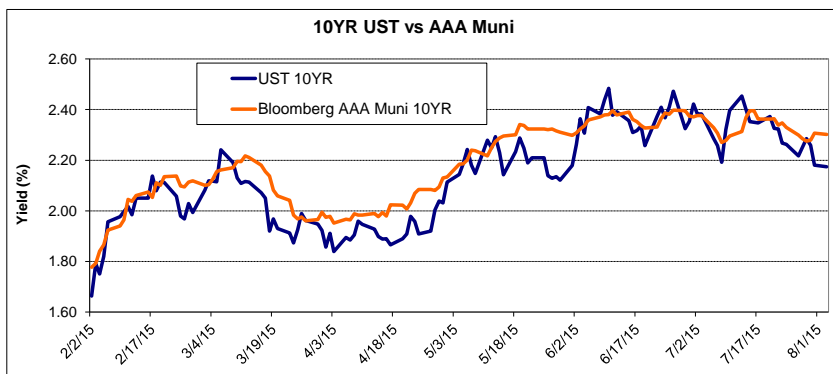
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$14.44</b>	<b>\$11.70</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$10.09</b>	<b>\$11.75</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.75%</b>	<b>3.75%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
8/3	PCE Core YoY	Jun	1.20%	1.20%
8/3	ISM Manufacturing	Jul	22-Feb	53.5
8/4	Factory Orders	Jun	1.80%	-1.00%
8/5	MBA Mortgage Applications	7/31	--	0.80%
8/5	Trade Balance	Jun	(\$43B)	(\$41.87B)
8/6	Initial Jobless Claims	8/1	272K	267K
8/6	Continuing Claims	7/25	2250K	2262K
8/7	Underemployment Rate	Jul	--	10.50%
8/7	Labor Force Participation	Jul	--	62.60%
8/7	Consumer Credit	Jun	\$17.0B	\$16.09B



**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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