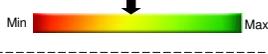
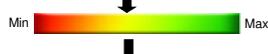
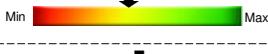


Trading Desk Commentary

Markets regained composure after being whipsawed by global volatility the past couple of weeks. The breather coincided with Chinese equity markets being closed Thursday and Friday (due to the 70th anniversary of the end of World War II) and thinly-staffed trading desks here at home anxiously awaiting an extended Labor Day weekend. However, before the long weekend tipped off, all eyes and focus were on Friday's Nonfarm payrolls number, the final print before the Fed's next meeting and arguably the last major economic release before a potential rate hike. The number, forecasted at 217,000, came in at 173,000. Trigger-happy traders reacted immediately to the release and Treasury yields quickly ticked down. However, those who digested the whole payroll report noticed that July's Nonfarm payroll number was revised upward (+30k) and that average hourly earnings increased from 0.2% to 0.3% in August. Treasuries then reversed course and began to sell-off before settling down to similar levels before the release. U.S. equities didn't know how to react to the number, and the uncertainty led to futures pointing down and the indexes selling off during Friday's session. So here we stand, again, forced to guess what the Fed will do come September 17. Markets were hoping that the Nonfarm number would provide clarity, but again we were left unfulfilled – many simply wanting to get to the weekend. We believe the upward revision to July's number and the uptick in average hourly earnings are enough to offset the below-consensus August payroll print and gives the Fed just enough underlying U.S. data to justify a September rate hike. However, headwinds abound. Inflation remains stubbornly low, reflected by falling commodity prices and headlined by the price of oil declining 7% this week (due to a surprising build in inventory levels) after increasing as much as 20% the week prior. The dollar strengthened this week putting further pressure on exports, and in Europe ECB President Mario Draghi hinted that additional stimulus measures may be warranted to offset slower growth forecasts in the euro area. We are certain that volatility will persist over the next few weeks, and our strategies remain defensive.

Turning the page to the municipal market: Munis for the most part have dodged global volatility and, as a whole, have been able to compartmentalize and set aside headlines coming out of Puerto Rico – more on this later. Yields on municipal bonds were up 1 to 3 basis points across the curve for the week. Current ratios stand at 94%, 103% and 108% in 5 years, 10 years and 30 years, respectively making munis attractive on the long-end of the yield curve. Supply was extremely thin as a little over \$3 billion was priced this week. One third of the volume came from a Dormitory Authority of the State of New York transaction, which was well received by the market. Next week's calendar is also thin as state and local government officials and public finance bankers return from the final week of summer vacations. As we pointed out earlier, the major headlines in the muni market were centered around Puerto Rico's Electric Power Authority (PREPA), which was able to reach a restructuring agreement with 35% of its bondholders – primarily mutual funds and hedge funds. The agreement stipulated new securities would replace current PREPA bonds, which would be backed by a new and separate dedicated surcharge. The restructuring would also come with a 15% haircut on principal for current bondholders. The agreement is still contingent on several important factors, including the ability to obtain investment grade ratings for the new securities and the ability of PREPA to obtain legislative approval for the agreement. It should also be noted that, for the restructuring to advance efficiently, additional bondholders (above the 35%) would need to agree to the terms, as it currently appears to benefit only those investors who purchased the bonds at severely distressed levels. The majority of Puerto Rico bonds traded firmer on the news but are still being offered at substantial discounts. We hope everyone has an enjoyable Labor Day weekend, we look forward to assisting our clients navigate the coming volatile months with the goals of capital preservation and income in mind.

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	Slightly Shorter Positioning Given Volatility
Intermediate Muni		0 YRS  17 YRS	Slightly Shorter Positioning Given Volatility
Intermediate Taxable		0 YRS  12 YRS	Slightly Shorter Positioning Given Volatility
Tactical Muni ETF			Neutral Duration, Overweight to CA
Core Plus ETF			Neutral Duration, Overweight to Treasuries
Tactical Opportunity ETF			Neutral Duration, Overweight Munis

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.61	0.02	0.59	86%
5 Year	1.37	0.04	1.33	93%
10 Year	2.18	0.02	2.16	103%
30 Year	3.11	0.01	3.10	108%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.71	-0.01	0.72
5 Year	1.47	-0.05	1.51
10 Year	2.12	-0.06	2.18
30 Year	2.88	-0.03	2.91

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$2.91	\$2.30
Competitive	\$0.52	\$0.85
TOTAL	\$3.43	\$5.52

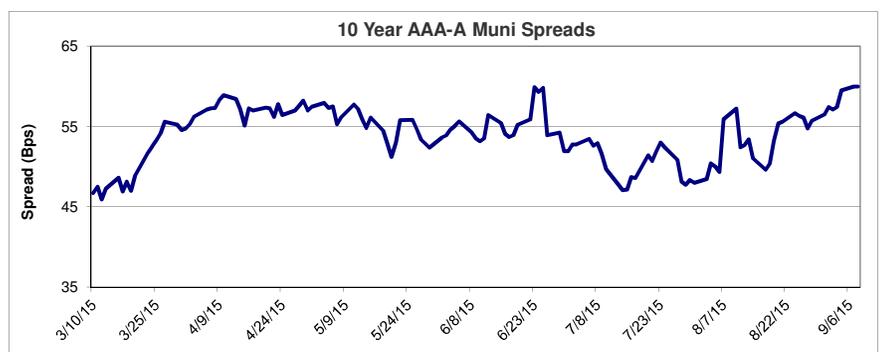
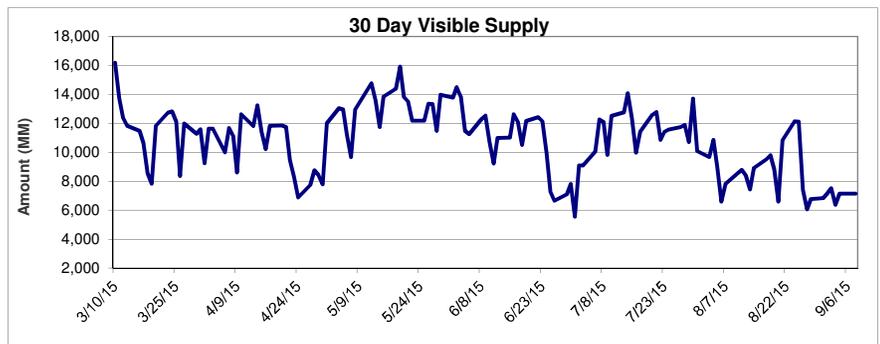
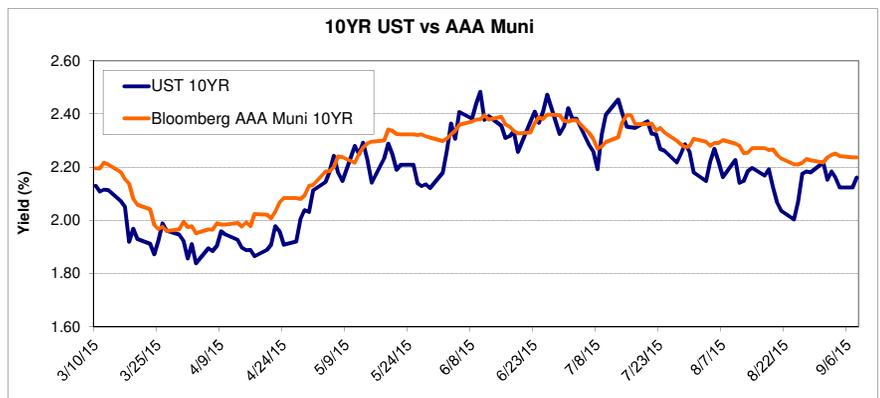
Municipal 30 Day Visible Supply (\$ Bln)	Current Wk	Prior Wk
	\$7.15	\$6.82

Bloomberg Muni PICK Offerings (\$ Bln)	Current Wk	Prior Wk
	\$3.32	\$15.34

Bond Buyer 20 Municipal G.O. Index	Current Wk	Prior Wk
	3.82%	3.79%

Select Economic Releases

Date	Event	Period	Survey	Prior
9/9	MBA Mortgage Applications	9/4	--	11.3%
9/10	Initial Jobless Claims	9/5	275K	282K
9/10	Wholesale Inventories MoM	Jul	0.30%	0.90%
9/10	Import Price Index MoM	Aug	-1.70%	-0.90%
9/10	Continuing Claims	8/29	2253K	2257K
9/11	U. of Mich. Sentiment	Sep P	91.1	91.9
9/11	PPI Final Demand MoM	Aug	-0.10%	0.20%
9/11	Monthly Budget Statement	Aug	-\$84.1B	--
9/11	PPI Final Demand YoY	Aug	-0.90%	-0.80%
9/11	PPI Ex Food and Energy MoM	Aug	0.10%	0.30%
9/11	PPI Ex Food and Energy YoY	Aug	0.70%	0.60%



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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