












Trading Desk Commentary

With lightly staffed desks following Labor Day, treasuries stumbled into Friday's close and posted losses for the week. Yields across the globe softened on the ECB's disappointing (surprising) announcement of no additional easing measures and confusing (contradictory) statements out of the BOJ's Kuroda on coming policy moves. Front end rates have been spared the most as derivative markets are only pricing in approximately a 30% probability that the Fed will hike in September, forcing them to stay relatively anchored. The calendar in the upcoming week is chalked full of Fed governor testimony, which ensures a week of ramped up US (and likely global) rate volatility as financial markets continue to hang on to every word of central bankers far and wide. Participants will also get another look at inflation data and the ever-telling retail sales number on Thursday.

Demand (fund flow) continues to keep pressure on municipal rates. Month-to-date they have outperformed their taxable counterparts, and even with a heavier calendar leading up to the Fed meeting, we don't anticipate any trend divergence there. The upcoming week's calendar of \$12.5B is set to price concentrated mid-week, consisting of eight deals of \$500M+ ensuring busy underwriters. With a lot of specialty state money parked on the sidelines recently, this calendar will be welcomed by all and likely put away with ease. Munis continue to model slightly cheaper on a relative value basis to treasuries, making them attractive not only to natural buyers but crossover investors as well. Ratios as of Friday's close were 89%, 88%, and 92% for 2s, 10s, and 30s respectively. We are watching and listening intently, but as of this writing market participants are dismissing the idea that the Fed will hike in December.

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	Neutral Positioning Given Global Weakness
Intermediate Taxable		0 YRS  12 YRS	Neutral Positioning Given Global Weakness
Tactical Muni ETF			Neutral Duration, Overweight to CA
Core Plus ETF			Neutral Duration, Overweight to Treasuries
Tactical Opportunity ETF			Neutral Duration, Neutral Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.70	0.01	0.69	90%
5 Year	0.98	0.07	0.91	80%
10 Year	1.49	0.04	1.45	89%
30 Year	2.20	0.06	2.14	92%

UST Rates			
2 Year	0.78	-0.01	0.79
5 Year	1.22	0.03	1.19
10 Year	1.67	0.07	1.60
30 Year	2.39	0.12	2.28

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$8.42	\$3.77
Competitive	\$1.78	\$1.54
TOTAL	\$10.20	\$5.31

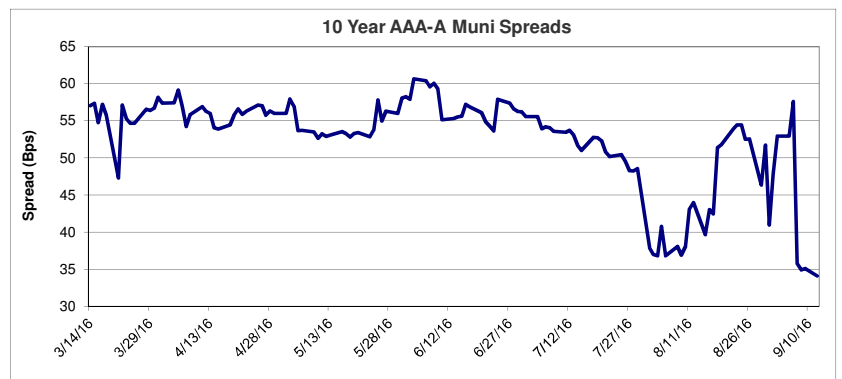
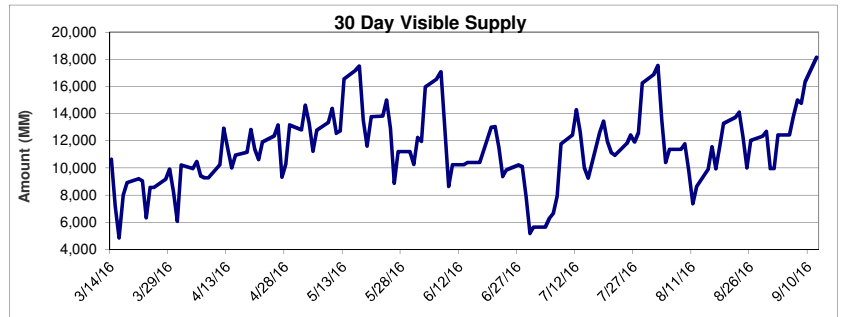
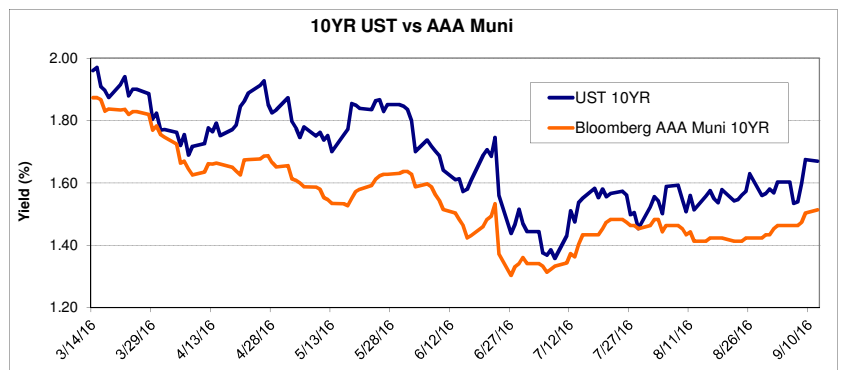
Municipal 30 Day Visible Supply (\$ Bln)	\$16.34	\$12.42
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Bloomberg Muni PICK Offerings (\$ Bln)	\$18.14	\$15.83
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Bond Buyer 20 Municipal G.O. Index	2.83%	2.84%
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Select Economic Releases

Date	Event	Period	Survey	Prior
9/14	MBA Mortgage Applications	9-Sep	--	0.90%
9/14	Import Price Index MoM	Aug	-0.10%	0.10%
9/15	Initial Jobless Claims	10-Sep	265k	259k
9/15	Retail Sales Advance MoM	Aug	-0.10%	0.00%
9/15	Industrial Production MoM	Aug	-0.20%	0.70%
9/15	PPI Final Demand MoM	Aug	0.10%	-0.40%
9/15	Empire Manufacturing	Sep	-1	-4.21
9/15	Philadelphia Fed Business Outlook	Sep	1	2
9/16	CPI MoM	Aug	0.10%	0.00%
9/16	U. of Mich. Sentiment	Sep P	90.6	89.8
9/16	CPI Ex Food and Energy MoM	Aug	0.20%	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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