

Trading Desk Commentary

This week took market participants on a true roller coaster ride as both domestic and international news reversed investor outlook on a daily basis. Early in the week news centered around the €100Bn Spanish bailout package that initially brought some relief to the markets, but quickly turned into fodder for skeptics citing the potential need for a much larger amount. As the week moved on, daily European news seemed to subside a bit as Greece prepares to hold a pivotal election over the weekend. In lieu of new European drama the market turned to domestic policy, as Chicago Fed President Evans hinted at the need for more accommodative central bank measures in the near future. This was further enforced as lower than anticipated economic releases continued to show slowing growth and declining inflation pressures. Despite the softer numbers, the equity market was constructive on the outlook for additional easing and able to mount a respectable rally by the end of the week, while Treasuries seemed to be content with focusing on the never ending saga that is Europe, seeing a flight to quality bid that moved yields lower.

In Munis, both the street and investors happily called it a week, as the huge slate of deals moved past. What started off as a valid reason for concern, ended as a good example of what relatively attractive spread levels can do for buyers' appetites. Despite seeing multiple \$Bln+ deals price, cash was readily deployed into a wide variety of sectors and quality as the street was able to lead an orderly placement of the bonds. Yields on the week actually moved lower as deals began to clear out and investors realized that the sky had not fallen. In secondary trading, many of the new issues quickly traded into an up bid (lower yield level), showing that buyers were willing to go even a step further than where they had originally priced. Looking ahead to next week, supply is expected to be more in-line with previous levels, as just over \$8Bln is anticipated to price. If this past week is any indication as to how much demand remains in the Muni market despite low yields, then it would be fair to say that this is still an asset class revered by investors.

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.32	0.00	0.32	119%
5 Year	0.79	0.01	0.78	118%
10 Year	1.86	-0.04	1.90	118%
30 Year	3.15	-0.03	3.18	118%

UST Rates

2 Year	0.27	0.00	0.27
5 Year	0.67	-0.04	0.71
10 Year	1.57	-0.06	1.63
30 Year	2.68	-0.07	2.75

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$6.44	\$10.95
Competitive	\$1.88	\$1.08
TOTAL	\$8.32	\$12.03

Municipal 30 Day Visible Supply (\$ Bln)	\$11.19	\$15.15
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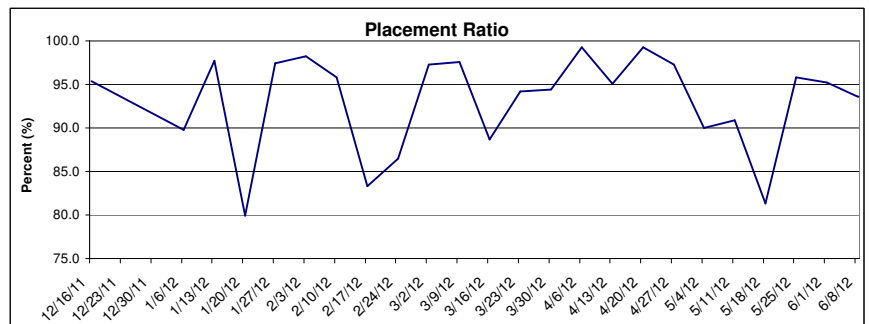
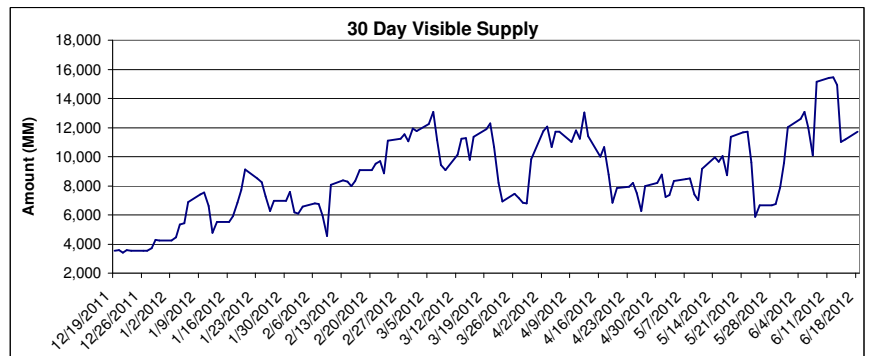
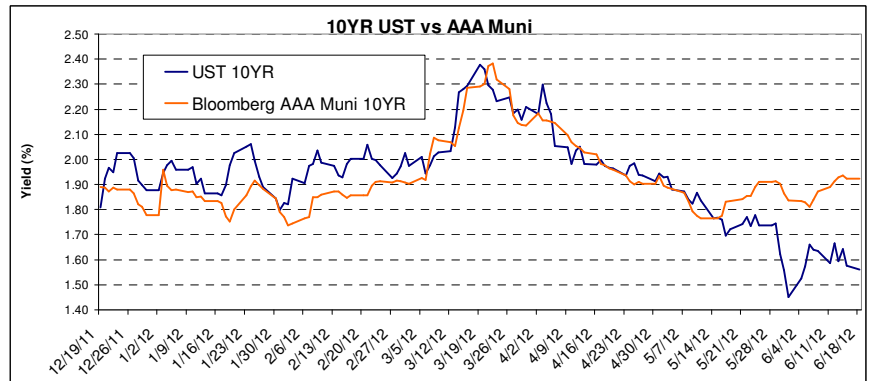
Bloomberg Muni PICK Offerings (\$ Bln)	\$11.44	\$13.26
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Muni Placement Ratio (New Issues)	n/a	93.60%
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Bond Buyer 20 Municipal G.O. Index	3.95%	3.92%
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Select Economic Releases

Date	Event	Period	Survey	Prior
6/19	Housing Starts	May	720K	717K
6/19	Building Permits	May	730K	715K
6/20	MBA Mortgage Applications	15-Jun	--	18.0%
6/20	FOMC Rate Decision	20-Jun	0.25%	0.25%
6/21	Initial Jobless Claims	16-Jun	383K	386K
6/21	Continuing Claims	9-Jun	3275K	3278K
6/21	Bloomberg Consumer Comfort	17-Jun	--	-36.40
6/21	Philadelphia Fed.	Jun	0.0	-5.8
6/21	Existing Home Sales	May	4.56M	4.62M
6/21	Leading Indicators	May	0.1%	-0.1%



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.

Placement Ratio - The amount of bonds sold by underwriting syndicates each week as a percentage of the amount issued that week by issuers selling \$1,000,000 par value or more of securities. The ratio published by The Bond Buyer, helps gauge the demand for municipal bonds in the marketplace.

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, and the placement ratio 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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