

Trading Desk Commentary

In light of the market's full plate this week, it is somewhat surprising that the barrage of economic releases, headlines, and results of the FOMC's two-day meeting did not generate more volatility. Perhaps the reason for this was that the even balance of positive, negative, and unsurprising news resulted in a sentiment stalemate. That's not to say that this was a placid week, given Thursday's flight-to-quality and the Dow's 250 point sell-off. But, Friday retraced some of Thursday's reaction and smoothed some of the turbulence. On one hand, the Fed showed its willingness to support growth in the US via Operation Twist's extension and renewing its commitment to low rates through '14. Greece was able to cobble together a new government and appears to have temporarily quelled some short-term fears. On the other hand, many believed the Fed should have announced more monetary measures and unveiled plans for QE3. Disappointing jobs and manufacturing data only heightened fears that the global economy is weakening, which the Fed even acknowledged with its more downbeat statement following its meeting. The market seems to be anticipating that Greece's challenges are far from over, not to mention some of its neighbors' similar struggles. The uncertainties are making for an uneasy market.

Munis continue to digest supply with ease and are already looking ahead to next week's \$8bln in scheduled new deals - \$3bln of which will come from New York. This probably bodes well for next week's slate of new issuance. Debt issued in the State of NY (incl. its power, healthcare, and essential revenue names) is currently offering some attractive yields over AAA GO-type paper. Buyers are still feverishly seeking incremental yield, which some of the NY-based deals may provide next week. However, there's still one glaring omission from next week's new deal lineup: a large AAA-rated GO deal that can provide a gauge of interest for high-rated paper. This has been the case for the past several weeks, but we should probably be careful what we ask for. The fact that the recent deals have been dominated by lesser-rated issuers (i.e. higher-yielding) has been part of the reason why distribution has gone so smoothly. If some hypothetical \$500mln AAA GO deal came to market with limited success, some of Muniland's supporters would likely be scared off. Coupled with a still-robust visible calendar, this dynamic could set up a sharp correction - but it looks like that is not a concern for the coming week.

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.32	0.00	0.32	107%
5 Year	0.79	0.00	0.79	105%
10 Year	1.86	0.00	1.86	111%
30 Year	3.16	0.01	3.15	115%

UST Rates

2 Year	0.30	0.03	0.27
5 Year	0.75	0.08	0.67
10 Year	1.67	0.10	1.57
30 Year	2.75	0.07	2.68

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$6.28	\$6.44
Competitive	\$1.33	\$1.88
TOTAL	\$7.61	\$8.32

Municipal 30 Day Visible Supply (\$ Bln)	\$10.09	\$11.19
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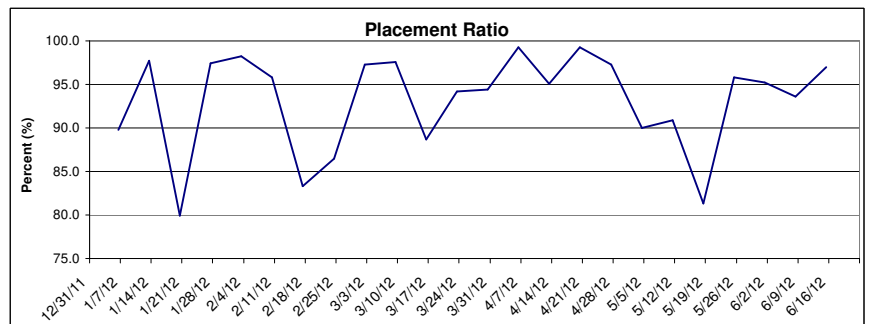
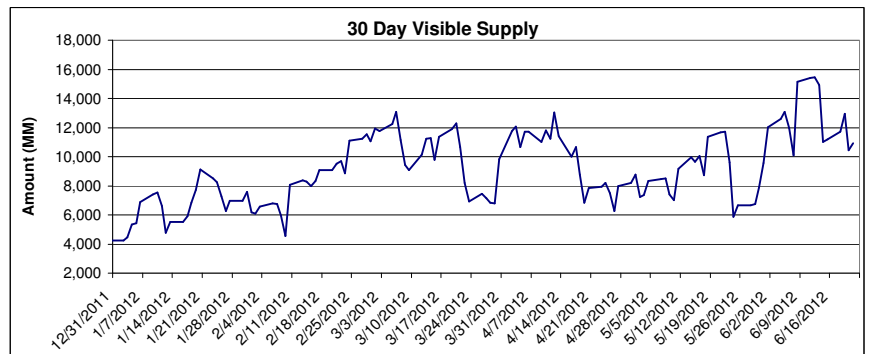
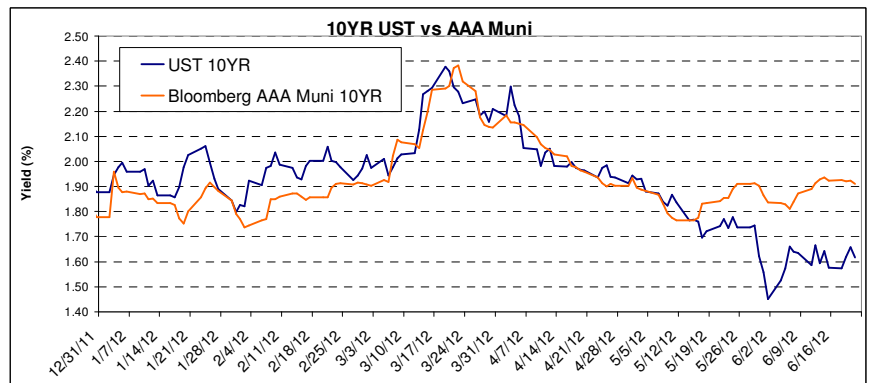
Bloomberg Muni PICK Offerings (\$ Bln)	\$13.35	\$11.44
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Muni Placement Ratio (New Issues)	n/a	97.00%
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Bond Buyer 20 Municipal G.O. Index	3.95%	3.95%
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Select 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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