

Trading Desk Commentary

US Treasuries traded in a rather tight range this week as the economic data calendar slowed and tentative plans were laid out for a de-arming of Syria. Bond investors are focused on next week's Federal Reserve meeting, where details of a possible reduction in asset purchases may be disseminated. Opinions as to what the Fed may say and subsequent market reactions vary significantly, and it certainly seems hard to imagine that any type of release will satisfy all camps. A release including the imminent tapering of asset purchases has the potential to send rates sharply higher if it is thought that the central bank now sees sufficient evidence to accelerate Fed Funds levels. However, a release with no mention of tapering could likely have the exact opposite effect, at least in the near term, and see Treasuries rally significantly. Investors would be forced to consider whether economic data like last Friday's disappointing Payrolls number and declining mortgage applications show an economy that is still too fragile to absorb meaningfully higher interest rates. Regardless, volatility does seem likely for next week, and as such, we continue to be defensively positioned in order to help limit downside risks.

Muni market sentiment improved on the week seeing the 10YR AAA MMD yield move lower by approximately 18 basis points (.18%) despite another heavy week of mutual fund outflows. New issues seemed to be relatively well received, but slight concessions were needed to ensure orderly placement. The bright spot of the market seemed to be a firmer secondary bid, with the possible return of retail interest allowing dealers to feel more confident in their ability to place inventory. Looking ahead to next week, supply seems to again be more than manageable with approximately \$3.5bn slated to be sold. However, in speaking with several dealers, this number could be misleading as several large issuers that have been sitting on the sidelines might try to get deals pushed through ahead of the Fed announcement. An unexpected spike in supply coupled with continued outflows could certainly pressure the market meaningfully and quickly erase any ground gained this past week. We again see these potential scenarios for volatility as reasons for remaining cautious in our investment approach as we head into the fall.

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.43	0.00	0.43	98%
5 Year	1.54	-0.04	1.58	91%
10 Year	2.83	-0.18	3.01	98%
30 Year	4.39	-0.10	4.49	114%
UST Rates				
2 Year	0.44	-0.02	0.46	
5 Year	1.70	-0.06	1.76	
10 Year	2.89	-0.05	2.94	
30 Year	3.85	-0.01	3.86	

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$1.91	\$3.62
Competitive	\$1.28	\$2.08
TOTAL	\$3.19	\$5.70

Municipal 30 Day Visible Supply (\$ Bln)	\$6.27	\$8.71
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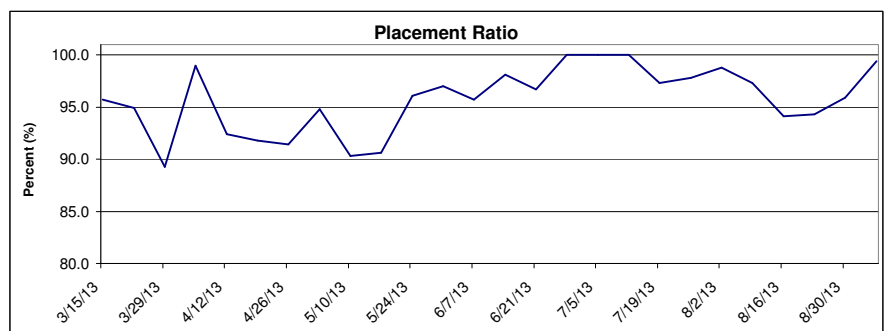
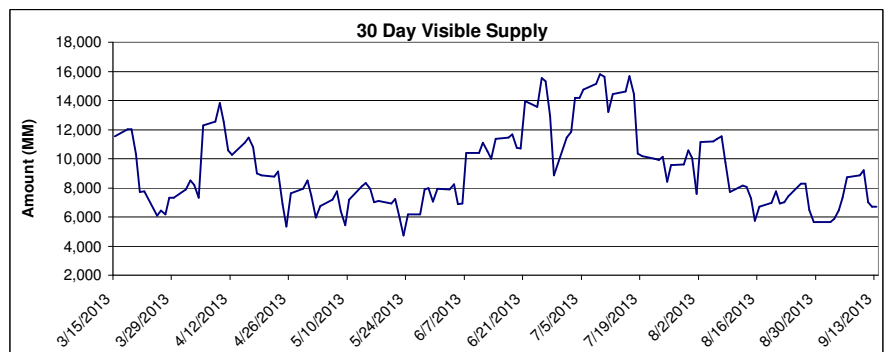
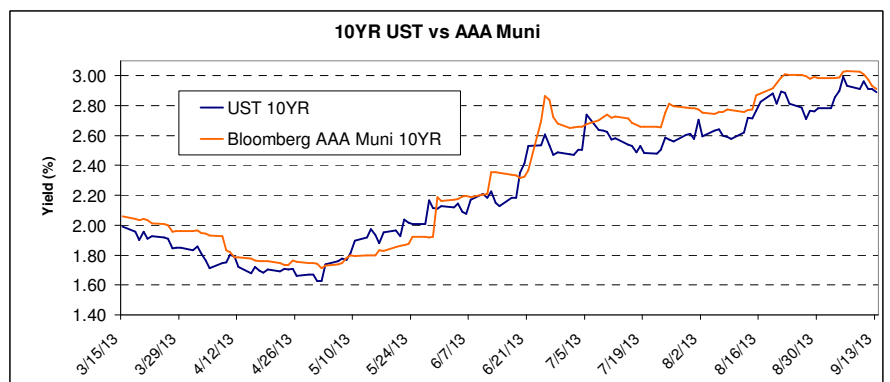
Bloomberg Muni PICK Offerings (\$ Bln)	\$11.46	\$15.10
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Muni Placement Ratio (New Issues)	n/a	99.4%
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Bond Buyer 20 Municipal G.O. Index	4.93%	5.03%
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Select Economic Releases

Date	Event	Period	Survey	Prior
9/16	Empire Manufacturing	Sep	9.00	8.24
9/16	Industrial Production MoM	Aug	0.5%	0.0%
9/17	CPI MoM	Aug	0.2%	0.2%
9/18	MBA Mortgage Applications	13-Sep	--	-13.5%
9/18	Housing Starts	Aug	915K	896K
9/18	Building Permits	Aug	950K	943K
9/18	FOMC Rate Decision	18-Sep	0.25%	0.25%
9/19	Initial Jobless Claims	14-Sep	330K	292K
9/19	Continuing Claims	7-Sep	--	2871K
9/19	Existing Home Sales	Aug	5.25M	5.39M



Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni	Min [Bar] Max	0 YRS [Bar] 5 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable	Min [Bar] Max	0 YRS [Bar] 5 YRS	Prefer Corporates and Taxable Munis
Intermediate Muni	Min [Bar] Max	0 YRS [Bar] 17 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Intermediate Taxable	Min [Bar] Max	0 YRS [Bar] 12 YRS	Prefer Corporates and Taxable Munis
Tactical Muni ETF	Min [Bar] Max		Slight Overweight to CA and NY
Core Plus ETF	Min [Bar] Max		Slight Overweight to Corporates and BABs
Tactical Opportunity ETF	Min [Bar] Max		Slight Overweight Munis, Underweight Taxables

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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