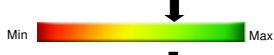



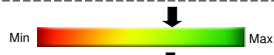

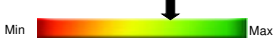

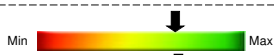




Trading Desk Commentary

A fairly active week unfolded in interest rate markets as the year-to-date bond rally finally broke stride. After testing 2.40% last week, the 10-year US Treasury yield bounced back and pushed towards 2.60% in multiple sessions. Most of the action actually preceded typically influential mid-to-late week employment reports. The shift in tone is partially attributable to easing back of short-covering that fueled May's latest leg downward in yields. While economic data didn't broadly surprise to the upside, a week of simply meeting expectations was enough to shake the taste of last week's dismal GDP print. Wednesday's ADP Employment Change number of 179k came in slightly below the 210k expected, but yields barely budged. The more data-rich Bureau of Labor Statistics report on Friday delivered on expectations, pushing equities higher, but rate reaction has been muted. May saw a 217k increase in payrolls and a tick downward in the unemployment rate to 6.3%. The labor participation rate stabilized at 62.8%, unchanged from the previous month. The overall report was not directionally compelling for rates, but sufficient for markets to hold the selloff from earlier in the week. In international news, Russian President Vladimir Putin participated in D-Day honoring activities this week, joining President Obama and European leaders. The event marks the Russian leader's return to the international table, further calming geopolitical tensions that have been steadily easing in recent weeks, and stemming the flow towards haven assets. Meanwhile, the ECB met expectations of further easing by cutting its primary target rate to 0.15% (0.25% prior) and actually setting overnight deposit rates in negative territory to -0.1% (0.0% prior). The moves reflect European Central Bankers' continued struggle with growth and inflation well below targets. The symbolic negative rates caught the market's attention, and the Euro initially sold off. However, the ECB's reticence to move towards the kind of large scale asset purchases taking place in Japan and the US disappointed, with the Euro quickly recovering and now trading above pre-announcement level as of this writing.

While muni yields have backed up in sympathy with the Treasury market, the ride has been a steadier daily move of 2-4 basis points in the 10 year part of the curve. Front end yields remain resilient, leading to a slight steepening in 2's to 5's and 5's to 10's. New issuance garnered a mixed reception during the week. The largest loan, a \$440mln (Aa3/A) Colorado Regional Transportation Districts deal, saw moderate cuts in pricing (higher yields) in its scale to bring in investors, while the \$282mln (Aa2/AA) Austin TX Water & Wastewater deal was able to get done at higher prices (lower yields) than originally anticipated. Supply continues to be the word of the day for most municipal market participants with The Bond Buyer 30-Day supply number continuing to hover above \$13bln. Next week, the market will look to price more than \$8bln in new deals, the highest level seen since March 10th when Puerto Rico came with their infamous 8.00%'s of 2035. The upcoming slate of loans should have something for most buyers to consider with large GO offerings from the likes of the \$1.7bln (Aa2/AA-) Los Angeles Unified School District, and the \$850mln (Aa2/AA) New York City loans. For those more yield seeking investors, revenue issues in the form of the \$400mln (A1/AA-) South Carolina Public Service Auth, and the \$254mln (NR/A+) Louisville Airport Authority may be worth consideration. We will certainly be paying attention to the new issue calendar next week to see how well the market can digest this increased level of supply, and will be ready if opportunities arise from the very crowded calendar.

Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni			Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable			Prefer Corporates and Taxable Munis
Intermediate Muni			Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Intermediate Taxable			Prefer Corporates and Taxable Munis
Tactical Muni ETF			Slight Overweight to CA
Core Plus ETF			Slight Overweight to Corporates
Tactical Opportunity ETF			Slight Overweight Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.30	0.01	0.29	75%
5 Year	1.23	0.08	1.15	75%
10 Year	2.27	0.11	2.16	88%
30 Year	3.36	0.10	3.26	98%
UST Rates				
2 Year	0.40	0.03	0.37	
5 Year	1.64	0.11	1.53	
10 Year	2.59	0.13	2.46	
30 Year	3.44	0.13	3.31	

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$6.86	\$4.70
Competitive	\$1.47	\$1.64
TOTAL	\$8.33	\$6.34

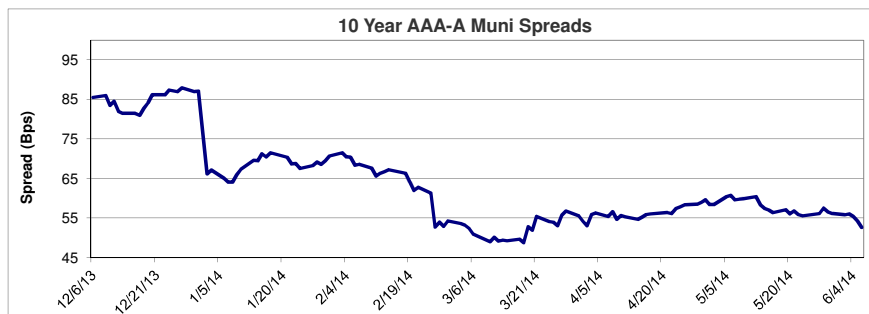
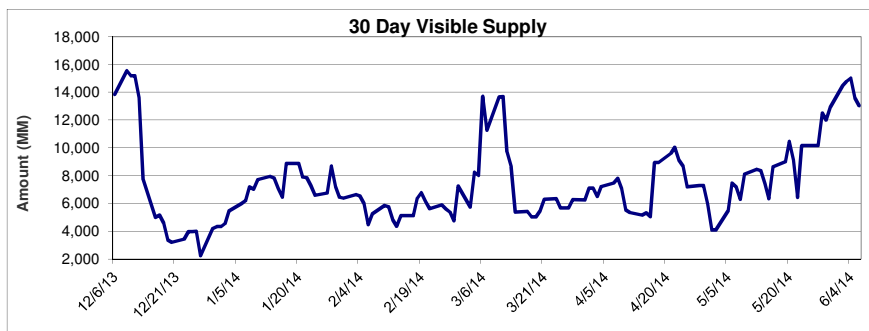
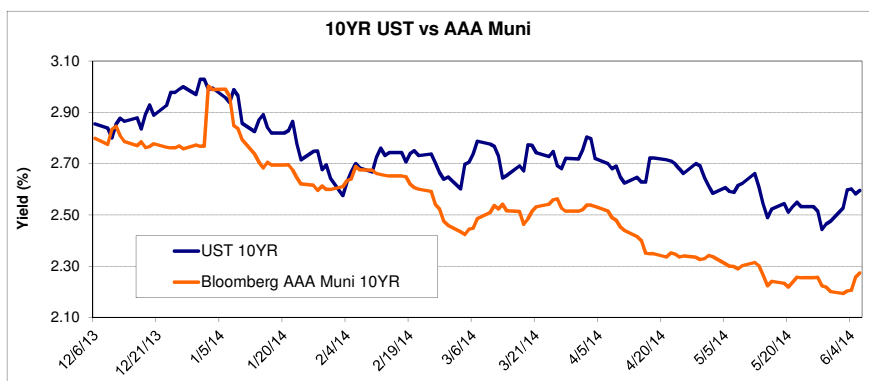
Municipal 30 Day Visible Supply (\$ Bln)	\$13.04	\$12.93
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Bloomberg Muni PICK Offerings (\$ Bln)	\$14.99	\$11.23
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Bond Buyer 20 Municipal G.O. Index	4.26%	4.26%
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Select Economic Releases

Date	Event	Period	Survey	Prior
6/10	Wholesale Inventories MoM	Apr	0.50%	1.10%
6/11	MBA Mortgage Applications	6-Jun	--	-3.10%
6/12	Initial Jobless Claims	7-Jun	309K	312K
6/12	Retail Sales Advance MoM	May	0.60%	0.10%
6/12	Import Price Index MoM	May	0.20%	-0.40%
6/12	Continuing Claims	31-May	2612K	2603K
6/13	PPI Final Demand MoM	May	0.10%	0.60%
6/13	Univ. of Michigan Confidence	Jun P	83.00	81.90



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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