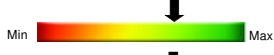



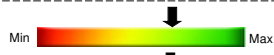

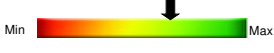

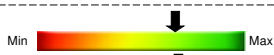




Trading Desk Commentary

After a week of blocking out the nay-sayers, equity investors finally succumbed to the negatives and pulled indices down to 2-week lows. Investors largely neglected the frightening scenarios playing out in Ukraine and Gaza. Traders instead focused on the impressive corporate earnings season that provided many more beats than misses. Top- and bottom-line earnings looked reasonably healthy and instilled some confidence in the US economy. That is, until today when big names like Amazon and Visa failed to meet analyst expectations. The misses provided a gut check for risk advocates who could no longer lean on earnings to justify a rally. Meanwhile, Putin followed up pro-Russian separatists' destruction of a Malaysian airline by increasing the Russian military presence in Ukraine, and the situation in Gaza is growing more violent with every day that passes. Yet there is very little in the way of obvious US response to these critical situations. Our limited involvement is likely a positive in the minds of risk investors who would prefer to avoid the inevitable volatility of a more serious American response (i.e. military). However US Treasuries are telling a very different story (the bond market is often the best barometer of true sentiment). Rates are hovering near multi-month lows and are more accurately depicting the instability currently upon us. Of course, the benign inflation picture is helping keep rates in check, but global fears are sparking some of the strength in US debt as well. Next Wednesday will offer investors its latest glimpse behind the Fed curtain following the end of a two-day meeting. We suspect tapering to continue forward as planned (\$10 billion reduction in total monthly purchases) and Yellen to preserve her dovish slant. It is likely that the Fed will point to signals of a pick-up following a dismal first quarter. Interestingly, the Bureau of Economic Analysis will provide our first look at Q2 GDP less than six hours before the Fed releases its rate decision. The US economy's Q1 contraction was the most disappointing print of the year, and a lot of eyes will be on Q2 numbers to gauge how much the winter weather really disrupted the economy and how much of the slack is attributable to underlying weakness.

Muni buyers slogged through another week of constrained supply. Demand is still very sturdy, even in high-grade names dominated by the \$900mln (Aaa/AAA) State of Maryland general obligation loan this week. As MMD's AAA scale was improved on firmer US Treasury trading, the Maryland deal improved right along with it and continued to enjoy a warm reception over its 3-day order period. The fact that buyers were so open to a large high-grade deal at some of the lowest absolute yield levels in a couple months is notable. And Puerto Rico laid low after weeks of capturing tax-exempt headlines. The Puerto Rico agencies included in Gov. Padilla's new debt restructuring rules are trading a touch better than they were last week but remain at distressed levels. Still, the 'sky is falling' scenario from early July has eased. We firmly believe that the headlines will likely turn ugly again, so we used the calm this week to adjust the risk profile of our ETF strategies by selling High Yield Muni ETFs with Puerto Rico exposure. We have not owned individual Puerto Rico bonds for years. The risk associated with investing there, in our minds, outweighs the yield and the short-term performance bounce from extremely low trading levels. We believe it is prudent to avoid the arena in its entirety at this point, even in fractional exposure via an ETF because of the uncertainty of the debt path. What in Muniland is certain? Next week's low supply and a food fight for what is available.

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			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	0.31	0.00	0.31	65%
5 Year	1.21	-0.04	1.25	72%
10 Year	2.19	-0.05	2.24	89%
30 Year	3.24	-0.07	3.31	100%
UST Rates				
2 Year	0.48	0.00	0.48	
5 Year	1.67	0.00	1.67	
10 Year	2.46	-0.02	2.48	
30 Year	3.23	-0.06	3.29	

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$3.67	\$3.80
Competitive	\$0.49	\$1.77
TOTAL	\$4.16	\$5.57

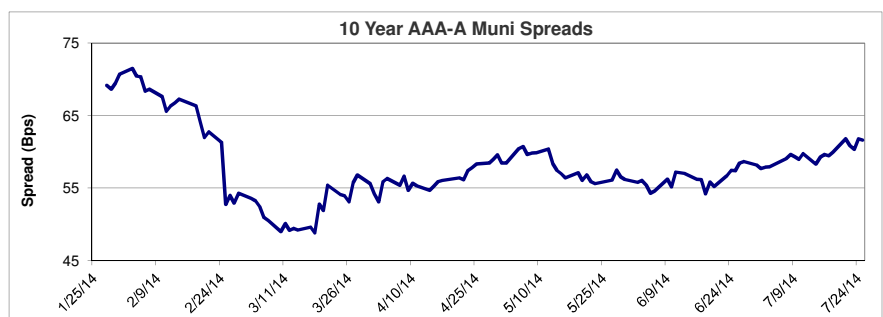
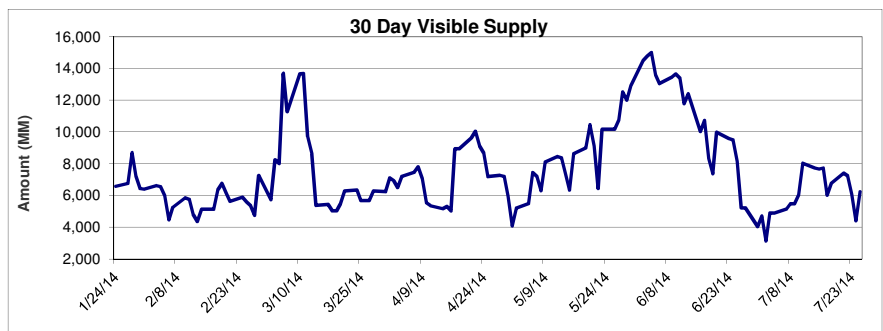
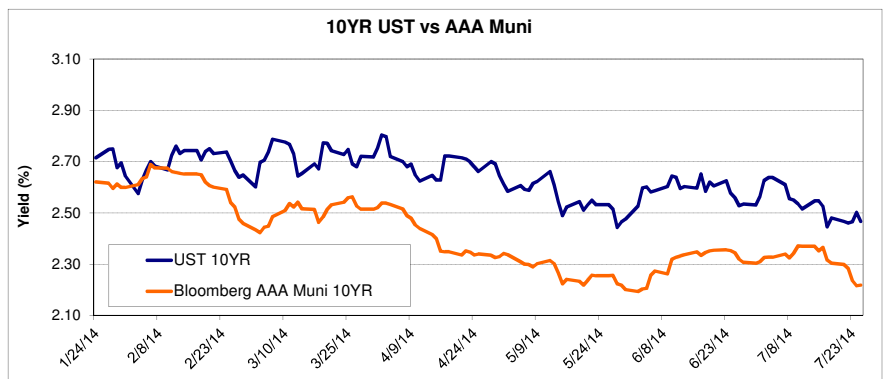
Municipal 30 Day Visible Supply (\$ Bln)	\$6.24	\$6.75
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Bloomberg Muni PICK Offerings (\$ Bln)	\$12.68	\$11.76
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Bond Buyer 20 Municipal G.O. Index	4.29%	4.36%
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Select Economic Releases

Date	Event	Period	Survey	Prior
7/29	Consumer Confidence Index	Jul	85.50	85.20
7/30	MBA Mortgage Applications	25-Jul	--	2.40%
7/30	GDP Annualized QoQ	2Q A	3.10%	-2.90%
7/30	FOMC Rate Decision	30-Jul	0.25%	0.25%
7/31	Initial Jobless Claims	26-Jul	302K	284K
8/1	Change in Nonfarm Payrolls	Jul	230K	288K
8/1	Unemployment Rate	Jul	6.10%	6.10%
8/1	Markit US Manufacturing PMI	Jul F	--	56.30
8/1	Univ. of Michigan Confidence	Jul F	81.50	81.30
8/1	ISM Manufacturing	Jul	56.00	55.30



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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