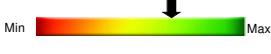
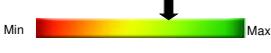
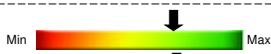
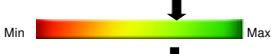


## Trading Desk Commentary

Markets quickly reminded participants this week that the once prevalent risk-on / risk-off trade is still alive and well. With the lack of a robust U.S. economic calendar to scrutinize, traders turned to our European neighbors for cues. They did not have to wait long as the week started off with surprisingly softer industrial data out of the UK and Germany - both of which are crucial to a recovering EU economy and had been showing meaningful strides in growth up to that point. This surprise, coupled with a renewed conversation around the possibility of the Fed bumping rates a little sooner than previously anticipated, was enough to push investors out of risk and into haven assets classes. US Treasuries rallied across the curve with the yield on the 10 Year moving lower by 8 basis points (0.08%) from its pre-holiday close of 2.63%, and the Dow posted a little more than 150 point decline. By mid-week investors' sentiment had calmed somewhat and was even bolstered a bit by Alcoa's impressive earnings right out of the gate. This was short lived as news from Europe again pointed to problems as the parent company of Portugal's second largest bank reported missing short term debt payments to several clients. The news was enough to reignite the flight to quality seen earlier in the week and again pushed Treasury yields and equity indices lower. Next week will certainly shed more light on the recovery at home as the economic calendar is filled with several key indicators on housing, confidence, and sales. With the 10 Year UST (2.51%) now trading at the low end of its range, positive data releases next week could help build on the recently strong June payrolls report and see yields pushed higher into the range. This of course will now also depend on whether there are any further reaching implications on the European banking system other than just one Portuguese lender.

Municipal bonds were effectively sideways on the week despite the risk-off rally seen in their taxable counterparts. Even with very manageable post-holiday supply levels, municipal participants seemed paralyzed by the recent developments in Puerto Rico. Early in the week the Puerto Rico Electric Power Authority announced that it had negotiated the delay of certain upcoming bank loan payments it would likely have been unable to meet otherwise. Despite buying itself a little time, investors generally viewed the news to mean that some type of restructuring of the issuer's debt was a distinct possibility going forward. Large bid lists of various Puerto Rico issuers continued to be prevalent through the week with prices somewhat stabilizing a bit heading into the weekend. We continue to avoid Puerto Rico debt as the weak fundamentals and trading volatility go against one of our core principals of capital preservation. Monitoring the situation, though, will be key as increased selling pressure from mutual fund investors could have further reaching implications on the market and from our standpoint lead to potentially attractive buying opportunities.

## 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	70%
5 Year	1.30	0.03	1.27	80%
10 Year	2.36	0.01	2.35	94%
30 Year	3.40	0.03	3.37	102%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.44	-0.06	0.50
5 Year	1.63	-0.10	1.73
10 Year	2.51	-0.12	2.63
30 Year	3.34	-0.12	3.46

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$4.49	\$2.66
Competitive	\$0.86	\$0.86
<b>TOTAL</b>	<b>\$5.35</b>	<b>\$3.52</b>

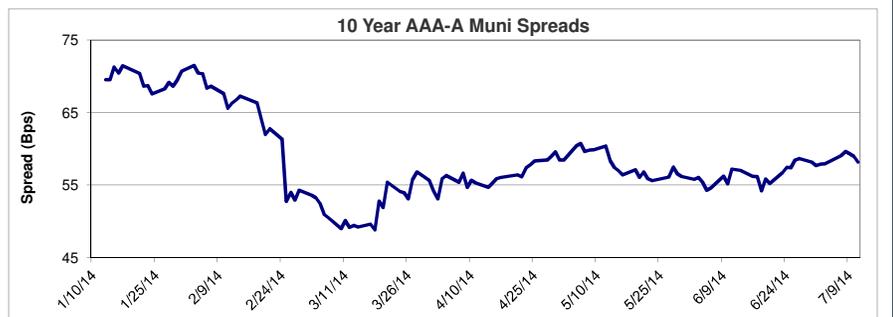
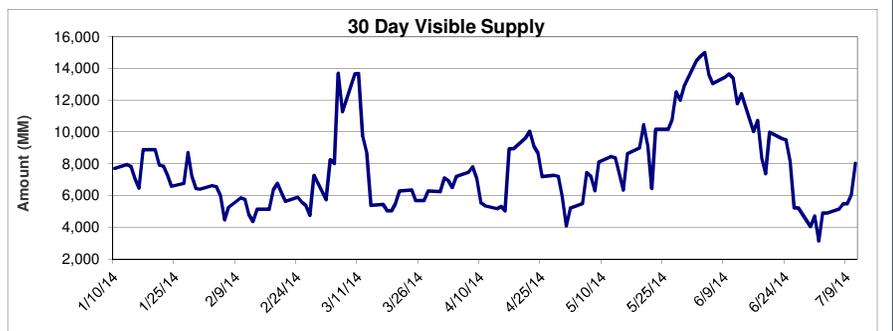
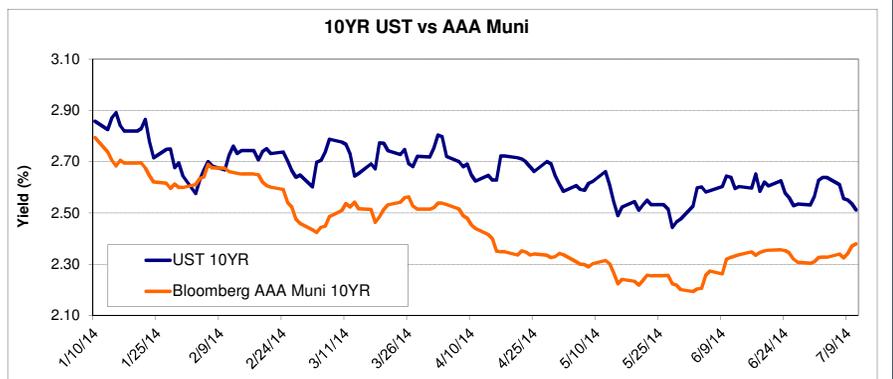
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$8.04</b>	<b>\$4.88</b>
---	---------------	---------------

<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$11.85</b>	<b>\$12.10</b>
---	----------------	----------------

<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>4.38%</b>	<b>4.29%</b>
---	--------------	--------------

### Select Economic Releases

Date	Event	Period	Survey	Prior
7/15	Retail Sales Advance MoM	Jun	0.60%	0.30%
7/15	Empire Manufacturing	Jul	17.00	19.28
7/15	Import Price Index MoM	Jun	0.40%	0.10%
7/16	MBA Mortgage Applications	11-Jul	--	1.90%
7/16	PPI Final Demand MoM	Jun	0.20%	-0.20%
7/16	Industrial Production MoM	Jun	0.30%	0.60%
7/17	Initial Jobless Claims	12-Jul	310K	304K
7/17	Housing Starts	Jun	1020K	1001K
7/18	Univ. of Michigan Confidence	Jul P	83.00	82.50
7/18	Leading Index	Jun	0.50%	0.50%



**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.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this piece, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion of information contained in this piece serves as the receipt of, or as a substitute for, personalized advice from Caprin Asset Management. To the extent that a reader has any questions regarding the applicability to their situation of any specific issue discussed above, they are encouraged to consult with the professional advisor of their choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request.