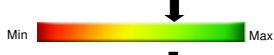



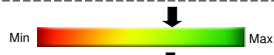

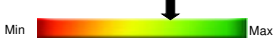

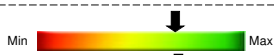




Trading Desk Commentary

A sleepy Friday received a powerful jolt with news that Ukrainian soldiers attacked a Russian military convoy that allegedly crossed into Ukraine territory. Western journalists are verifying that the vehicles were military in nature and that they did indeed cross into prohibited Ukrainian areas. Today's events mark yet another significant escalation in the region. As details of the conflict trickled out, markets reacted violently. US Treasuries rallied strongly with the UST 10Yr note yield falling to a 2.32% as of this writing. We wrote last week that the yield floor for the 10-year in the mid-2.40%'s had officially been broken. But, until today, the geopolitical front felt somewhat subdued, and economic releases were fairly benign. That left the 10-Year US Treasury hovering near the 2.40% without a catalyst to drive yields lower. Beyond the 2.40%'s, technicals offer little help in discovering the next point of resistance. Today illustrates global traders' itchy trigger fingers, ready to respond to new headlines from the world's most troubled regions. The Dow traded stronger by almost 60 points before the Ukraine-Russia news hit the tape. As of now, the Dow is trading off more by more than 75 points. It appears the geopolitical turmoil and mixed US data have taken a toll on consumer confidence as well. University of Michigan Consumer Confidence fell to 79.2 this morning, well below expectations and its lowest point since last November. The market tone has turned, at least for now, from sluggish to decidedly risk-off. For months, geopolitics has provided the primary driver of trading trends. But, while all eyes remain affixed to the points of conflict around the globe, the US recovery in Q2 is not showing the string of improvement that economists and the Fed were hoping for. Furthermore, speculation that the US will not be able to avoid significant military involvement on some or all of the tumultuous fronts only ratchets up the domestic tension. This weekend will require close surveillance of the situation in Ukraine to prepare for Monday's trading tone. Ukraine and Russia's foreign ministers will meet in Berlin on Sunday. It's feasible that if Putin was looking for war with Ukraine, he could use today's events as his permission to do so. We hope cooler heads prevail. From a purely market standpoint, shocks to the system like those today should continue to fuel a strong flight to quality.

Unsurprisingly, Munis continued to march higher by playing follow the leader with US Treasuries, and Munis will likely continue to look to Treasuries for directional guidance. Both primary and secondary trading strengthened as the week progressed. New issuance found their distribution channels with ease. Buyers were lined up around the block, offering far more willing dollars than the number of bonds available. For instance, the large (Aa3/AA-) Port Authority of New York & New Jersey revenue loan (which we participated in) received orders more than 10 times the actual size of the deal. Before the MMD AAA scale was adjusted this morning for today's early trading, high grade debt was trading much stronger than yesterday's close. By day's end, the curve should see bumps in the 4 to 6 basis point range. Muni activity is light due to seasonal reasons and the ongoing supply drought. Next week's \$4bln in new supply is exceptionally low and would further support any ongoing strength in US Treasuries. Puerto Rico Electric Power Authority (PREPA) was able to negotiate with Citi and ScotiaBank to postpone the repayment of its loans to the banks. While many assumed that the banks would agree to the forbearance, the official agreement brought some relief to the Muni market. Puerto Rico's financial troubles still hold weight over Muni market sentiment. The repayment is now delayed until March, but Puerto Rican agencies will continue flirt with default between now and then. Let the "kicking the can down the road" resume.

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	0.32	0.00	0.32	78%
5 Year	1.12	-0.06	1.18	73%
10 Year	2.09	-0.06	2.15	89%
30 Year	3.10	-0.10	3.20	99%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.41	-0.03	0.44
5 Year	1.53	-0.08	1.61
10 Year	2.34	-0.08	2.42
30 Year	3.13	-0.10	3.23

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$3.21	\$4.53
Competitive	\$0.90	\$2.07
TOTAL	\$4.11	\$6.60

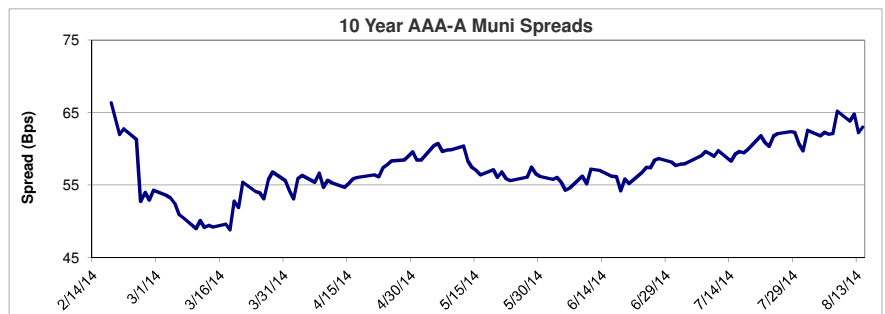
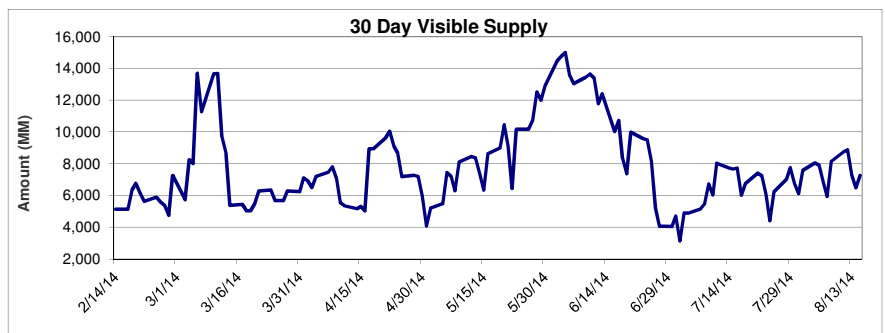
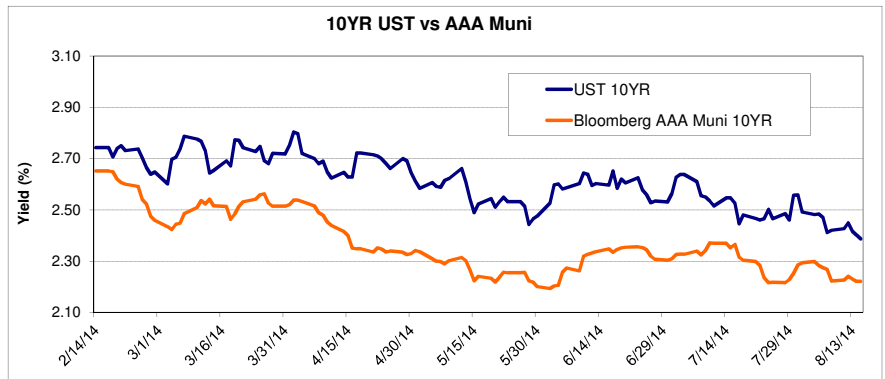
Municipal 30 Day Visible Supply (\$ Bln)	\$7.26	\$8.15
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Bloomberg Muni PICK Offerings (\$ Bln)	\$11.27	\$14.27
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Bond Buyer 20 Municipal G.O. Index	4.24%	4.31%
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Select Economic Releases

Date	Event	Period	Survey	Prior
8/19	CPI MoM	Jul	0.10%	0.30%
8/19	Housing Starts	Jul	970K	893K
8/19	CPI Ex Food and Energy MoM	Jul	0.20%	0.10%
8/20	MBA Mortgage Applications	15-Aug	--	-2.70%
8/21	Initial Jobless Claims	16-Aug	300K	311K
8/21	Markit US Manufacturing PMI	Aug P	55.7	55.8
8/21	Existing Home Sales	Jul	5.00M	5.04M
8/21	Leading Index	Jul	0.60%	0.30%
8/21	Philadelphia Fed Business Outlo	Aug	20.00	23.90



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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