

## Trading Desk Commentary

It was an overall choppy trading session last week with the 10-yr Treasury touching 2.49%, but, through the volatility, rates ended the week only a few bps wider. Treasuries navigated a selloff in sovereign bonds, heavy domestic corporate issuance, and the important May retail sales number.

Diving a bit further into the major economic release of the week, retail sales, which came in on the screws at 1.2%, suggests that consumers are finally more confident about the economy and are spending those gas savings. However, as we peel back the onion, the number is not as optimistic as most major news outlets suggest. 11 of the 13 retail sales components did increase in May, but vehicles and gas shifted the number higher, making up 0.75% of the 1.2% increase. The U.S. regular gasoline monthly average retail price reached a 2015 high of \$2.72 /gallon in May, an increase of \$0.25/gal from April, meaning consumers in May did not spend more money on discretionary items; rather, they spent quite a bit more on gas. We do not want to discount the Retail sales increase, the number was positive for economic outlook. We just want to exercise caution and want to see larger increases in the other discretionary components of retail sales before we declare, as many have, that the consumer has finally made a comeback. Next week should be busy and present many opportunities. The Greek tragedy's final chapter is playing out before our eyes, and the final scene may, in fact, take place this week (June 30 is a firm deadline). The FOMC meets next week, and, although we do not expect any major surprises, there is no doubt the market will dissect every word of the release. There will be no shortage of opinions, and we will sift through the commentary and update our readers next week.

Over in muniland participants easily digested a relatively light calendar this week with the \$1B GA State GO loan that sold competitively on Tuesday in the limelight. The front end of the deal was through the scale, with the longer end coming as wide as +1 to the AAA MMD scale. Given the scarcity of these deals historically, mild spread adjustments in GA and even AAA state credits were expected. A similar week of new issuance is expected with ~6B pricing and no major deals dominating the calendar. Noteworthy last week was the continued significant outflow numbers reported for muni funds, -400M+. We continue to focus on how the outflows will affect the trading landscape and the movement of the fund flows in both mutual funds and ETFs. With recent rate volatility, we also identified sporadic muni trades that weren't quite in line with intraday scale adjustments allowing us to pick up some extra value, particularly in the front end of the curve. Although there are no "headliner" deals in the primary this week, the diversity in credits will keep us plenty busy. We continue to see munis underperforming treasuries as they have recently, and, with looming volatility, we expect opportunities for value to become more prevalent.

## Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni	Min  Max	0 YRS  5 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable	Min  Max	0 YRS  5 YRS	Slightly Shorter Positioning Given Volatility
Intermediate Muni	Min  Max	0 YRS  17 YRS	Slightly Shorter Positioning Given Volatility
Intermediate Taxable	Min  Max	0 YRS  12 YRS	Slightly Shorter Positioning Given Volatility
Tactical Muni ETF	Min  Max		Slightly Short, Overweight to CA
Core Plus ETF	Min  Max		Slightly Short, Overweight to Treasuries
Tactical Opportunity ETF	Min  Max		Slightly Short, Neutral Munis to Taxables

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.68	0.01	0.67	94%
5 Year	1.52	-0.01	1.53	87%
10 Year	2.33	-0.03	2.36	97%
30 Year	3.30	-0.02	3.32	106%

UST Rates			
2 Year	0.72	0.01	0.71
5 Year	1.74	0.00	1.74
10 Year	2.39	-0.01	2.40
30 Year	3.10	-0.01	3.11

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$4.98	\$2.98
Competitive	\$1.17	\$3.63
<b>TOTAL</b>	<b>\$6.15</b>	<b>\$6.61</b>

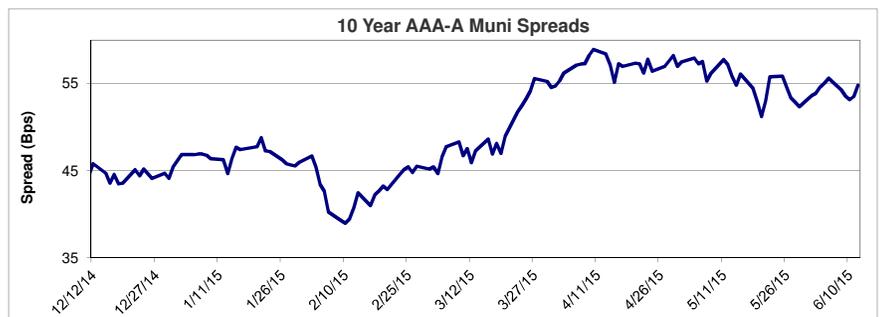
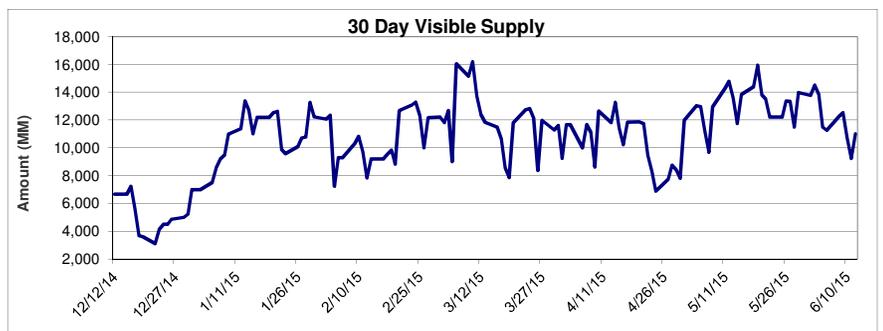
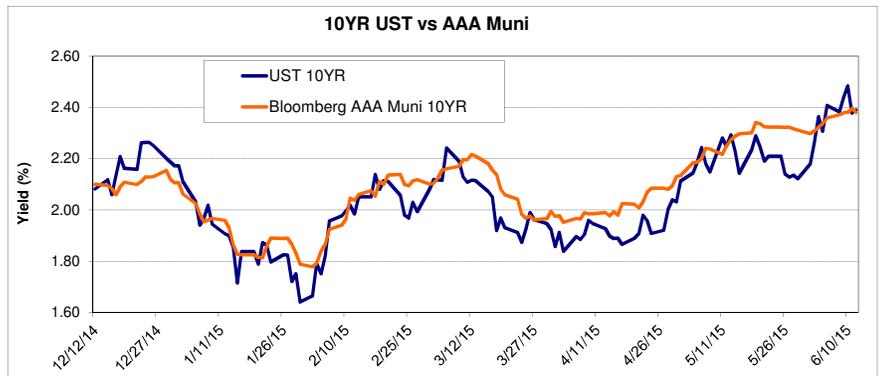
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$11.01</b>	<b>\$11.27</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$12.59</b>	<b>\$14.33</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.87%</b>	<b>3.81%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
6/15	Empire Manufacturing	Jun	6.00	3.09
6/15	Industrial Production MoM	May	0.20%	-0.30%
6/16	Housing Starts	May	1100K	1135K
6/17	MBA Mortgage Applications	12-Jun	--	8.40%
6/17	FOMC Rate Decision	17-Jun	0.25%	0.25%
6/18	Initial Jobless Claims	13-Jun	276K	279K
6/18	CPI MoM	May	0.50%	0.10%
6/18	Leading Index	May	0.40%	0.70%
6/18	Philadelphia Fed	Jun	8.00	6.70



**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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