

Trading Desk Commentary

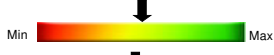

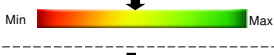

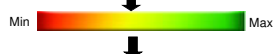




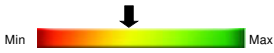

The Treasury market experienced significant intraday volatility throughout last week as market participants digested another round of Greek headlines and the all important Fed meeting. 10-yr rates experienced massive intraday swings but ended the week down 14 bps. So what caused the volatility? Greece undoubtedly caused some of the angst as talk between leaders seemed to end with little progress, although an emergency liquidity assistance ceiling was lifted to provide additional relief in front of mounting payments due at the end of the month.

Back home, traders' focus turned to the Fed meeting and the corresponding press conference with Fed Chair Yellen Wednesday afternoon. We find it interesting that the language in June's official statement was, for the most part, in-line with April's, which suggests a Fed that is increasingly more confident in the economy. However, we couldn't help but feel that the press conference had a more dovish tone. The dovish tone was backed up by the reduced forward rate guidance on the Fed's most recent dot plot chart. The sweeping drop in Fed expectations, from 1.875% in March to 1.625% currently for 2016, is quite clear and suggests that while 15 votes signaled it was time to hike rates in 2015 (vs 2 in 2016), the Fed's conviction appears to be lower and we expect a slower overall pace of tightening. This week is chocked full of economic releases that should give us more guidance on the underlying fundamentals of the economic recovery.

Another week of underperformance for Munis as the market refuses to keep pace with their taxable counterparts. The landscape continues to be volatile, which continues to create value for keen buyers. We have noticed a larger than average amount of front end paper in the secondary, which has cheapened the 2yr and 3yr space significantly. Muni to treasury ratios were higher in the front and intermediate portions of the curve with the longer end largely unchanged. As mentioned in last week's note, the new issue calendar has been light, keeping the front subdued. However, that reverses next week when roughly ~\$8B in tax exempt deals will price. This will be the largest number for the month of June and also wrap up the last full week of the 2Q. A \$939M GO loan for the Commonwealth of Massachusetts (AA-rated) is the most noteworthy transaction coming to the market this week.

Contributing to municipals underperformance was yet another week of outflows in excess of \$420M, bringing the net quarterly total to ~-\$1.5B. Visible supply is slightly above the year's average at \$12.42B, which we expect to be a slight negative for rate performance, at least into quarter end. Trading strategy remains consistent with last week's, and we will continue to identify relative value in the curve and sniff out extra spread when able. We hope all the dads out there had a pleasant Father's day yesterday and enjoyed some quality time with family.

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			Slightly Shorter Positioning Given Volatility
Intermediate Muni			Slightly Shorter Positioning Given Volatility
Intermediate Taxable			Slightly Shorter Positioning Given Volatility
Tactical Muni ETF			Slightly Short, Overweight to CA
Core Plus ETF			Slightly Short, Overweight to Treasuries
Tactical Opportunity ETF			Slightly Short, Neutral Munis to Taxables

Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.68	0.00	0.68	111%
5 Year	1.45	-0.07	1.52	92%
10 Year	2.27	-0.06	2.33	101%
30 Year	3.26	-0.04	3.30	107%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.61	-0.11	0.72
5 Year	1.57	-0.17	1.74
10 Year	2.25	-0.14	2.39
30 Year	3.04	-0.06	3.10

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$6.32	\$4.98
Competitive	\$1.52	\$1.17
TOTAL	\$7.84	\$6.15

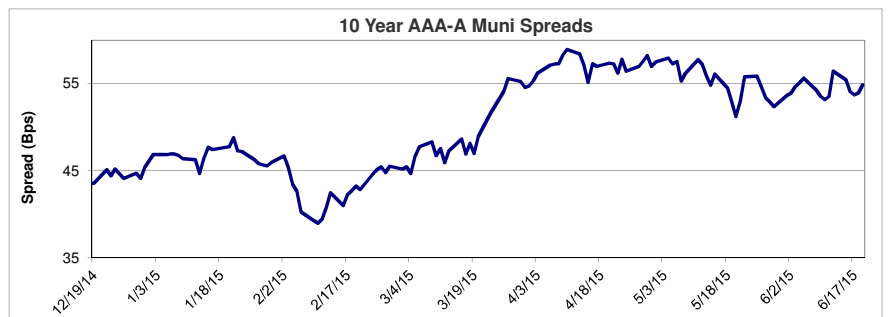
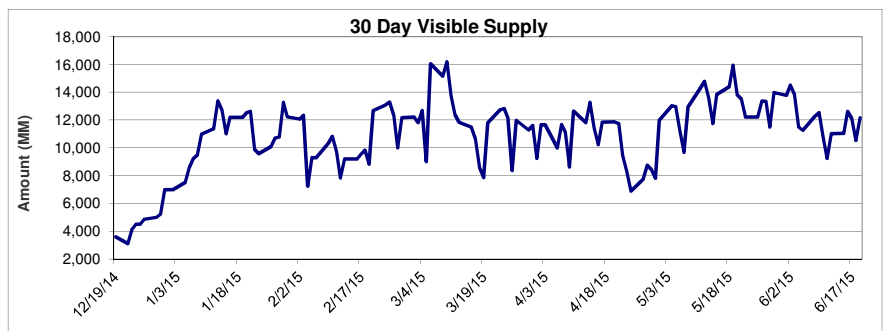
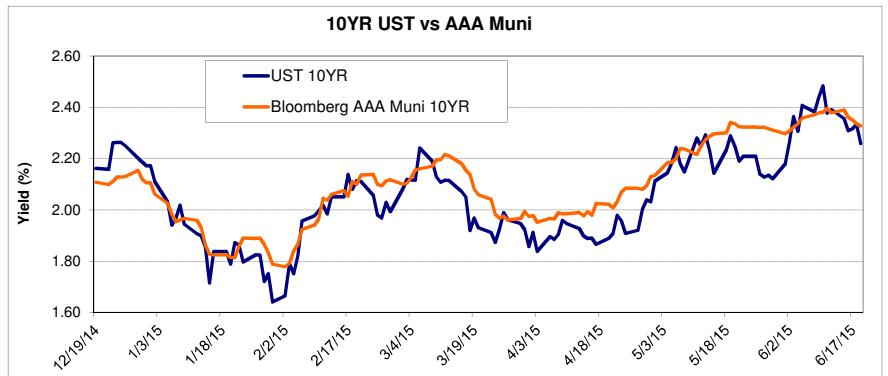
Municipal 30 Day Visible Supply (\$ Bln)	\$12.16	\$11.01
---	----------------	----------------

Bloomberg Muni PICK Offerings (\$ Bln)	\$12.42	\$12.59
---	----------------	----------------

Bond Buyer 20 Municipal G.O. Index	3.79%	3.87%
---	--------------	--------------

Select Economic Releases

Date	Event	Period	Survey	Prior
6/22	Existing Home Sales	May	5.26M	5.04M
6/23	Durable Goods Orders	May	-0.70%	-0.50%
6/23	Markit US Manufacturing PMI	Jun P	54.10	54.00
6/23	New Home Sales	May	524K	517K
6/24	MBA Mortgage Applications	19-Jun	--	-5.50%
6/24	GDP Annualized QoQ	1Q T	-0.20%	-0.70%
6/25	Initial Jobless Claims	20-Jun	273K	267K
6/25	Personal Spending	May	0.70%	0.00%
6/25	Personal Income	May	0.50%	0.40%
6/26	U. of Mich. Sentiment	Jun F	94.60	94.60



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.