

Trading Desk Commentary

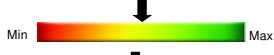



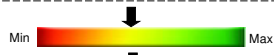

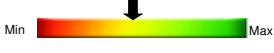

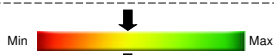
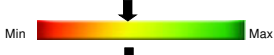
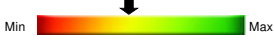
Deal or no deal? That was the question last week as Greece news hit the wires. Our screens were inundated with back-and-forth headlines which contained everything from 1) a deal has been accepted, 2) a deal is far from being accepted, to 3) a 6-month extension of current terms has been granted. Sources for the headlines were overwhelmingly anonymous; go figure. As of this writing, Greek leaders have set a voter referendum on creditor proposals, enabling the Greek citizens to agree to the ultimate concessions. Got to love politicians! Interestingly though, the vote is scheduled for July 5 while the IMF payment is due June 30. Meanwhile, Greek citizens have been forming lines at ATM's all week, withdrawing as much cash as possible before the Country imposes bank capital controls or declares a suspension of banking activities.

Back home, traders appeared to look past the seesaw headlines out of Greece and instead focused on the domestic economic releases of the week. The highlights were personal consumption and existing home sales, both coming in above expectations. Other releases came on the screws and although not market moving, the numbers helped push rates higher and have set the stage for the Fed to seriously contemplate a September rate hike. On the week UST 5's were up 18 bps, 10's up 12 bps and the long bond was up 20bps. Should housing data continue to perform well through a rising rate environment this summer, we believe the Fed's comfort for a rate lift off will increase.

This week Munis saw a new issue calendar of ~\$8B digested with ease. A large portion of the deals came with bumps due to healthy oversubscription. Visible supply had its lowest print of the year coming in at just over \$6.5B for the next 30 days. This is due to next week's new issue calendar showing only ~\$3B in loans pricing during the shortened holiday week. Muni fund flows for the week showed a relative improvement, only about \$100M+ poured out of muni funds compared with \$400M+ in outflows the last few weeks. An interesting note for fund flows, given the prospect of higher rates, was the \$48M+ that went into HY munis.

Puerto Rico brought munis back into the spotlight as the island's electric authority (PREPA) faces a looming July 1st loan payment deadline. It is expected a default will occur given a shortage in the reserve fund. This situation will likely affect munis more dramatically in the near term as opposed to the trickle down effect from Greece. A second noteworthy headline last week was the Supreme Court upholding the federal subsidies in the Affordable Care Act. In the prior weeks we had reviewed all of our exposure to the healthcare sector and were prepared for either a positive or adverse ruling. Spreads haven't dramatically changed and if anything, have been tightening, suggesting market participants were not overly concerned about immediate effects on profitability if an adverse ruling had been handed down. Even with the shortened holiday week, we will be watching the screens, as we believe near term volatility in rates is likely.

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	0.65	-0.03	0.68	92%
5 Year	1.43	-0.02	1.45	82%
10 Year	2.34	0.07	2.27	95%
30 Year	3.34	0.08	3.26	103%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.71	0.10	0.61
5 Year	1.75	0.18	1.57
10 Year	2.47	0.22	2.25
30 Year	3.24	0.20	3.04

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$2.60	\$6.32
Competitive	\$0.41	\$1.52
TOTAL	\$3.01	\$7.84

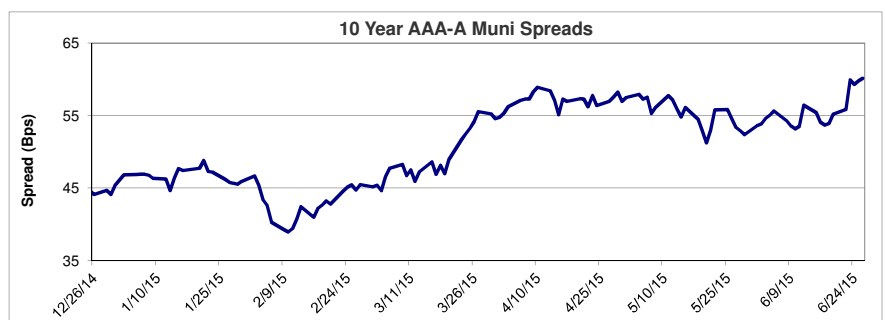
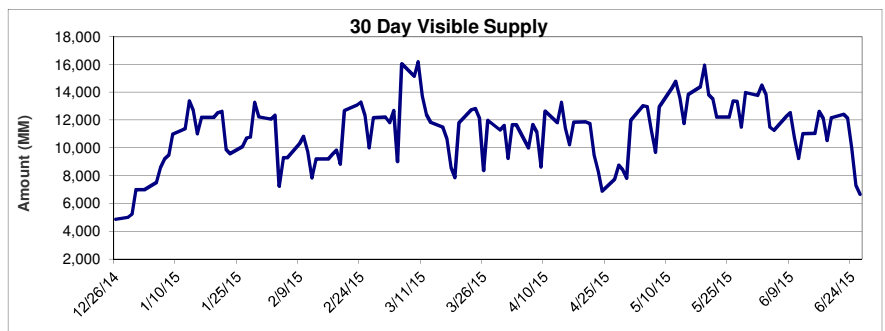
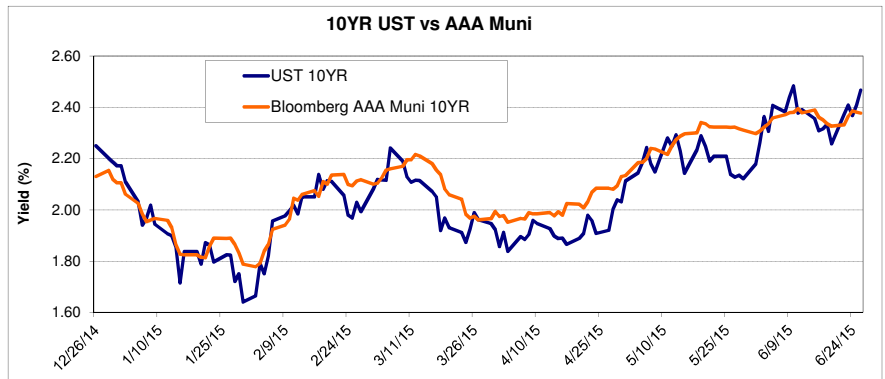
Municipal 30 Day Visible Supply (\$ Bln)	\$6.66	\$12.16
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Bloomberg Muni PICK Offerings (\$ Bln)	\$13.05	\$12.42
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Bond Buyer 20 Municipal G.O. Index	3.80%	3.79%
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Select Economic Releases

Date	Event	Period	Survey	Prior
6/30	Chicago Purchasing Manager	Jun	50.60	46.20
6/30	Consumer Confidence Index	Jun	97.00	95.40
7/1	MBA Mortgage Applications	26-Jun	--	1.60%
7/1	ADP Employment Change	Jun	215K	201K
7/1	Markit US Manufacturing PMI	Jun F	53.40	53.40
7/1	ISM Manufacturing	Jun	53.10	52.80
7/1	Construction Spending MoM	May	0.60%	2.20%
7/2	Change in Nonfarm Payrolls	Jun	230K	280K
7/2	Initial Jobless Claims	27-Jun	270K	271K
7/2	Unemployment Rate	Jun	5.40%	5.50%
7/2	Factory Orders	May	-0.50%	-0.40%



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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