

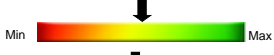



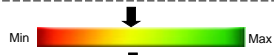

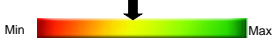

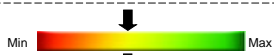
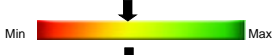

Trading Desk Commentary

Last week the yield curve flattened as the spread between longer dated yields and short-term yields have tightened. The recent flattening phenomenon has been driven by the increasing anticipation of a fed rate hike in 2015, slumping commodity prices, and a mixed equity earnings season that has put pressure on stocks and initiated a risk-off trade. The yield on the 30-yr Treasury traded as high as 3.13% during intraday trading but finished down 13 bps on the week, settling in below 3%. Similarly, the 10-yr Treasury traded as high as 2.39% in intraday trading before falling to 2.26% on Friday. In contrast 1 and 2 yr Treasury rates increased while 3-yr and 5-yr year rates were flat or down only a few of basis points. Should language out of the Fed meeting next week further suggest the potential for a September hike, we expect short-term rates to increase firmly over the coming weeks. The price of crude continued its slide last week and is still trading below \$50/barrel; the price decline has been driven by concerns over a glut of global supply and a potential slowdown in the Chinese economy, which is the second largest-largest consumer of oil.

The past week's subdued economic calendar failed to provide traders with much data to go on, and overall trading volume was subdued. This week should reverse that course as we get Durable Goods on Monday, Q2 GDP on Thursday, and squeezed in between them is a Fed meeting. We do not expect any major surprises out of the Fed meeting, but there is no doubt that every word will be analyzed and dissected in what could be the final meeting before a rate hike. GDP slipped into negative territory in Q1 (-0.2%) but is expected to bounce back in Q2. Current Bloomberg surveys estimate Q2 GDP to be 2.5%. We believe that the weak June retail sales number (and downward revisions to prior prints) hindered the growth in consumption, which was trending higher this spring. Since consumption is the primary driver of GDP, we wouldn't be surprised to see the print slightly below consensus estimates. Regardless, the news will bring trading opportunities, and we will be prepared to make strategy adjustments accordingly.

Over in Muniland, the focus was on the primary market as participants digested one of the largest calendars of the summer. Almost \$10B came to market with \$1.5B of it being a loan for the State of NY backed by sales tax revenue. Generally in line with each other, the BVAL AAA and MMD curves were mildly flatter given the tightening 5 yrs and out over the last 4 trading sessions. 2 year rates cheapened this week, and we were able to find value in the secondary market from a few bid lists. Muni fund flows were positive for the first time in 3 months posting inflows of ~120M. This, coupled with a lighter primary issuance calendar next week, will make for interesting trading in the secondary. In credit news Puerto Rico continues to head toward an Aug. 1st deadline with no deal in sight, causing significant concern for the islands bondholders. Although our desk has no direct exposure (and hasn't for over a decade) to the island, we are keeping close tabs on the situation and possible spillover into the broader muni market. From the humid region of the Mid-Atlantic we hope everyone had a great weekend, until next week.

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	0.62	0.00	0.62	84%
5 Year	1.27	-0.03	1.30	77%
10 Year	2.20	-0.09	2.29	96%
30 Year	3.15	-0.10	3.25	106%

UST Rates	Current Wk	Yld Change	Prior Wk
2 Year	0.74	0.05	0.69
5 Year	1.65	-0.14	1.79
10 Year	2.29	-0.05	2.34
30 Year	2.98	-0.09	3.07

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$5.20	\$7.30
Competitive	\$1.20	\$1.49
TOTAL	\$6.40	\$8.79

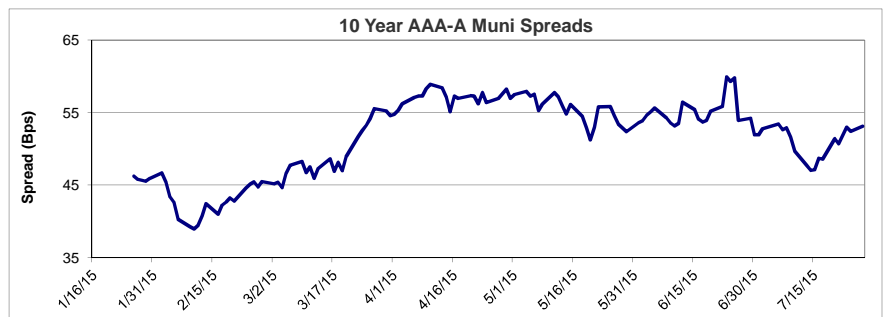
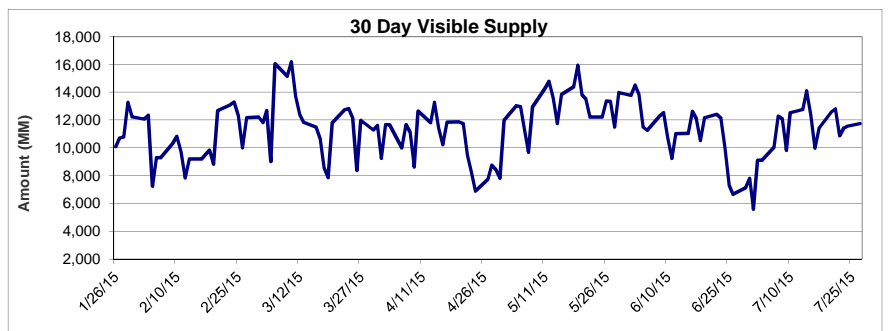
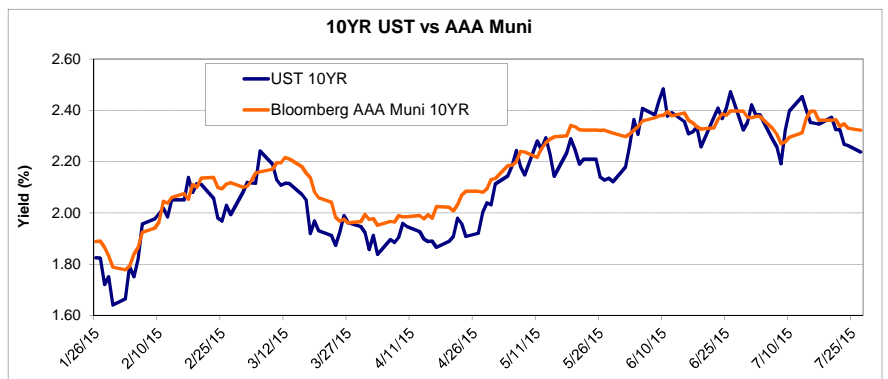
Municipal 30 Day Visible Supply (\$ Bln)	\$11.70	\$11.43
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Bloomberg Muni PICK Offerings (\$ Bln)	\$5.26	\$12.85
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Bond Buyer 20 Municipal G.O. Index	3.75%	3.76%
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Select Economic Releases

Date	Event	Period	Survey	Prior
7/27	Durable Goods Orders	Jun	3.20%	-1.80%
7/27	Dallas Fed Manf. Activity	Jul	-3.5	-7
7/28	S&P/Case-Shiller US HPI YoY	May	4.50%	4.23%
7/28	Consumer Confidence Index	Jul	100.00	101.4
7/28	Richmond Fed Manufact. Index	Jul	7.00	6
7/29	MBA Mortgage Applications	24-Jul	--	0.10%
7/29	FOMC Rate Decision (Upper)	29-Jul	0.25%	0.25%
7/29	FOMC Rate Decision (Lower)	29-Jul	0.00%	0.00%
7/30	Initial Jobless Claims	25-Jul	270K	255K
7/30	Continuing Claims	18-Jul	2205K	2207K
7/31	Employment Cost Index	2Q	0.60%	0.70%



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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