
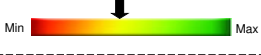











## Trading Desk Commentary

Ahead of an extremely busy economic calendar next week and the start of a June that promises to be anything but dull, front-end treasury rates moved higher as traders began to consider the possibility of another FOMC hike in the summer of 2016. OPEC is also scheduled to meet to discuss production totals and evaluate the landscape yet again. With WTI crude sitting above \$49 and the supply/demand backdrop showing signs of balancing, the markets will be looking to the outcome of the meeting for some possible direction. Chair Yellen spoke late Friday, using what most considered a hawkish tone, and basically eliminated the possibility of the FOMC considering negative interest rates. The probability of a hike in July has risen to approximately 50%, suggesting traders are also sensing an aggressive Fed agenda even amidst uncertainty and a US growth picture that has yet to inspire anything but mediocrity. With the FOMC and the British exit referendum vote also on the horizon for late June, we expect rate volatility to remain elevated and speculation to be rampant. We again remind investors to stay vigilant and focused on individual investment objectives and manage risk prudently with volatility drivers abound.

Even with the continued strength in muni performance, a case can be made that the market is starting to feel a little heavy here, particularly with the backup in treasury rates persisting. Higher than average supply in the latter part of May is also contributing to the potential weakness with no signs of slowing in June. Muni mutual fund flows as reported by Lipper, however, paint a slightly different picture. As of Wednesday, flows continue to be positive as they have been for 34 consecutive weeks. This supports the thesis that retail investors continue to value the relative stability and tax advantages that Munis offer. With Puerto Rico's July 1st payment inching ever closer, expect that story to remain in the spotlight for the next month. The liquidity profile of the island continues to be challenged with the moratorium accounting for very little interest payments on outstanding debt. No legitimate proposal has made it out of congress suggesting July 1st will come and go with minimal compensation to bondholders. Municipals, even with some forecasted short term softness, remain a sound asset class allocation during this heightened rate volatility environment.

## 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			Neutral Positioning Given Global Weakness
Intermediate Taxable			Neutral Positioning Given Global Weakness
Tactical Muni ETF			Neutral Duration, Overweight to CA
Core Plus ETF			Neutral Duration, Overweight to Treasuries
Tactical Opportunity ETF			Neutral Duration, Neutral Munis to Taxables

## Market Overview

Muni Rates	Current Wk	Yld Change	Prior Wk	Muni to UST
2 Year	0.72	0.05	0.67	79%
5 Year	1.09	0.07	1.02	79%
10 Year	1.66	0.03	1.63	90%
30 Year	2.45	0.02	2.43	93%

UST Rates			
2 Year	0.91	0.03	0.88
5 Year	1.38	0.02	1.36
10 Year	1.85	0.01	1.84
30 Year	2.65	0.02	2.63

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$2.76	\$8.83
Competitive	\$1.66	\$1.87
<b>TOTAL</b>	<b>\$4.42</b>	<b>\$10.70</b>

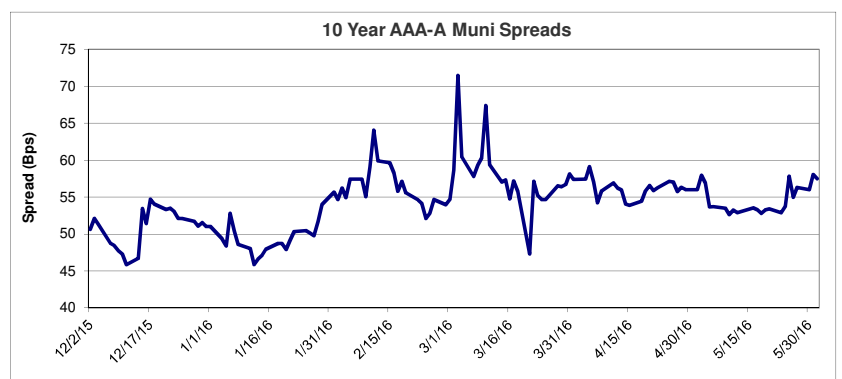
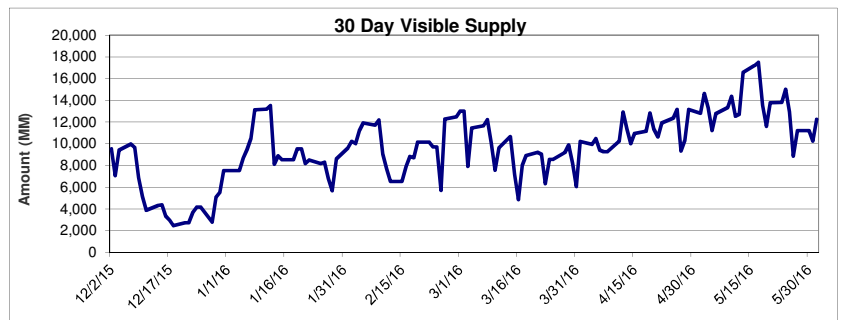
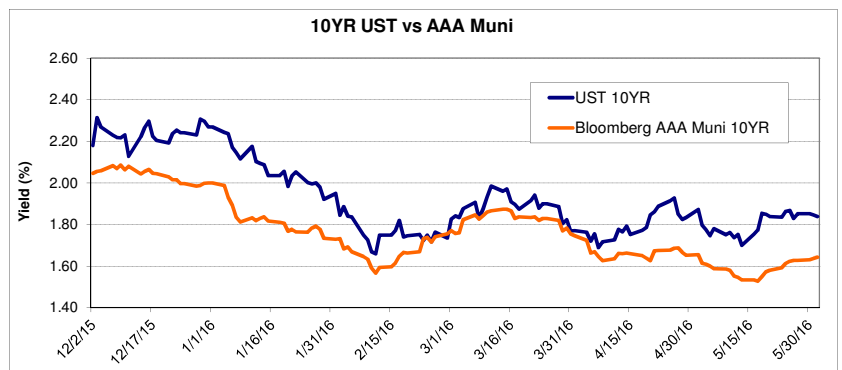
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$11.21</b>	<b>\$13.78</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$17.31</b>	<b>\$15.78</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.26%</b>	<b>3.26%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
5/31	Consumer Confidence Index	May	96.1	94.2
5/31	Personal Income	Apr	0.40%	0.40%
5/31	Personal Spending	Apr	0.70%	0.10%
6/1	ISM Manufacturing	May	50.3	50.8
6/1	MBA Mortgage Applications	27-May	--	2.30%
6/1	Markit US Manufacturing PMI	May F	50.5	50.5
6/2	Initial Jobless Claims	28-May	270k	268k
6/3	Change in Nonfarm Payrolls	May	160k	160k
6/3	Durable Goods Orders	Apr F	--	3.40%
6/3	Unemployment Rate	May	4.90%	5.00%
6/3	Factory Orders	Apr	1.90%	1.10%



**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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