












Trading Desk Commentary

A slow post-Memorial Day week came to a shocking end on Friday after the release of the May Nonfarm payrolls report. A paltry 38k jobs were added during the month, miles from the consensus estimate of 160k. April and March were also revised down 37k and 22k, respectively. There is really nothing to debate: the number is terrible, and is the lowest nonfarm print since September 2010. The trend so far this year has also been troubling. After February's 233k print, the MoM declines have been 20% in March, 34% in April, and a whopping 69% in May. Nonfarm payrolls for the year have averaged 149k, the average for all of 2015 was 229k, and the average for the first 5 months of 2015 was 219k. So what does this mean for the Fed? Quite simply, forget about a June hike. Recent hawkish Fed speak, including comments from Yellen herself, had increased the probability of June hike to approximately 34% just a week ago. The probability plummeted to just 4% minutes after the Nonfarm release. The Fed may try to point to the Average Hourly Earnings (up 0.2%) as a sign of strength, but while it was the silver lining of the release Friday morning, it does not provide enough ammo to offset the headline number or the job trend previously mentioned. Onto the July debate. Bonds predictably rallied after the release. As of this writing, Treasuries were firmer across the curve, led by the front end which saw yields rally as much as 11 basis points. Stocks, the dollar, and oil all tumbled as the report made news headlines globally. We'll let the dust settle over the weekend and pick it all back up on Monday when Yellen is scheduled to speak before the World Affairs Council of Philadelphia. This speech will give her an opportunity to address the weak job print and what, if anything, it has done to her view of future rate hikes.

In the municipal space, as Treasuries rallied across the curve after the nonfarm report, muni's were relatively steady. Treasury yields decreased by 10 to 11 basis points while benchmark muni yields declined only 2 to 4 basis points. Issuance was light following Memorial Day, and the calendar was placed easily as the majority of transactions priced prior to Friday's data releases. Muni fund inflows remained robust at \$473 million for the week. We have officially made it through one of the weaker periods historically for muni's with ease. The spring is usually marked by higher issuance and fewer redemptions, which can result in attractive prices. However, robust inflows provided ample distribution channels to place bonds, keeping prices elevated and credit spreads low. Now we enter the summer months where redemptions are historically high, meaning the demand for paper should remain persistent. Issuance appears to be robust for the first full week of summer as the Bondbuyer Visible Supply is north of \$16 billion. Next week the market will digest close to \$14 billion, with two \$1 billion-plus size transactions for the State of Georgia and State of Maryland. Enjoy the week, please feel free to reach out to us if you have questions or need additional information.

Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni		0 YRS  5 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable		0 YRS  5 YRS	Slightly Shorter Positioning Given Volatility
Intermediate Muni		0 YRS  17 YRS	Neutral Positioning Given Global Weakness
Intermediate Taxable		0 YRS  12 YRS	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	0.71	-0.01	0.72	92%
5 Year	1.06	-0.03	1.09	86%
10 Year	1.62	-0.04	1.66	95%
30 Year	2.40	-0.05	2.45	96%

UST Rates			
2 Year	0.77	-0.14	0.91
5 Year	1.23	-0.15	1.38
10 Year	1.70	-0.15	1.85
30 Year	2.51	-0.14	2.65

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$6.92	\$2.76
Competitive	\$5.04	\$1.66
TOTAL	\$11.96	\$4.42

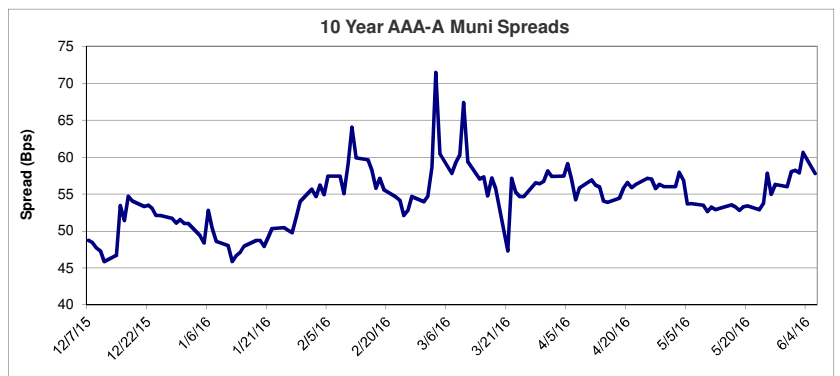
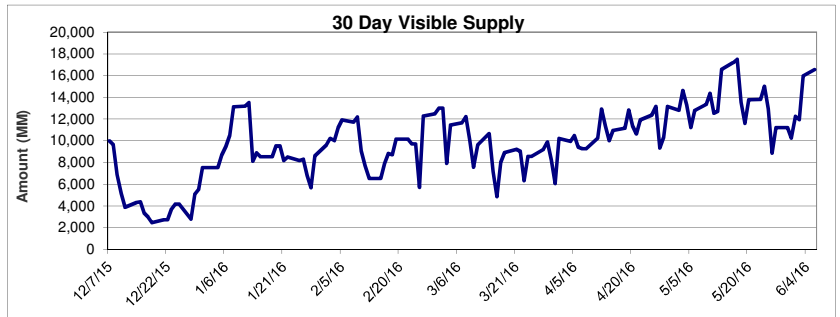
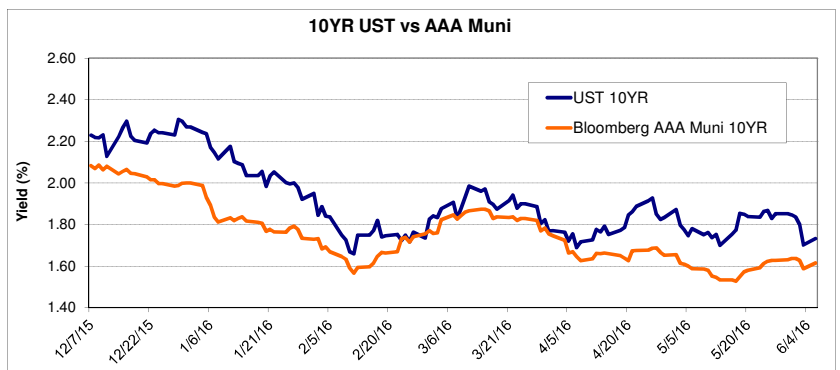
Municipal 30 Day Visible Supply (\$ Bln)	\$15.97	\$11.21
---	----------------	----------------

Bloomberg Muni PICK Offerings (\$ Bln)	\$5.81	\$17.31
---	---------------	----------------

Bond Buyer 20 Municipal G.O. Index	3.26%	3.26%
---	--------------	--------------

Select Economic Releases

Date	Event	Period	Survey	Prior
6/7	Nonfarm Productivity	1Q F	-0.60%	-1.00%
6/7	Consumer Credit	Apr	\$18.000b	\$29.674b
6/7	Unit Labor Costs	1Q F	4.00%	4.10%
6/7	IBD/TIPP Economic Optimism	Jun	48.3	48.7
6/8	MBA Mortgage Applications	3-Jun	--	-4.10%
6/9	Initial Jobless Claims	4-Jun	270k	267k
6/9	Wholesale Inventories MoM	Apr	0.10%	0.10%
6/9	Continuing Claims	28-May	2171k	2172k
6/9	Bloomberg Consumer Comfort	5-Jun	--	43.2
6/10	U. of Mich. Sentiment	Jun P	94	94.7
6/10	Monthly Budget Statement	May	-\$56.0b	--



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.