

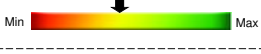






## Trading Desk Commentary

Although the US rate market rally was spurred by May's lackluster non-farm number, the continued move lower can likely be attributed to fears over a 'Leave' vote in the British referendum on June 23rd. The British pound has been in a tailspin as an exit could have significant short term ramifications on global markets, but most are forecasting lesser effects long term. Foreign investors continue to pile into US treasuries, showcased by significant demand at the 3Y, 10Y and 30Y auctions. The FOMC convenes this week, and, although a hike at this point is all but off the table, tangibles are due to be released as well as a press conference that will hopefully provide more direction for participants. The US data calendar is extremely light, shifting all focus to the Fed meeting that will dominate macro trading activity. Barring a completely unexpected move by the Fed, traders will be mostly quiet ahead of the Eurozone saga that will come to a head the following week. The flight to quality trade will persist until these summer uncertainty events roll off, creating some breathing room and capacity for additional risk.

Ahead of a light week of issuance, last week's \$14B was well received, and rallying treasuries assisted in deals being put away with ease. Negotiated loans, which are still coming cheaper vs competitive, saw plenty of oversubscription and healthy bumps to their respective scales. Smaller specialty state loans in our footprint continue to be some of the most oversubscribed deals as demand remains firm and full allotments are rare. Record fund inflows of \$800M hit the tape, doubling last week's positive flow of \$400M. Large focus deals for the market next week will be a \$550M State of IL GO bonds and a \$500M New York State Environmental Facilities Corp Clean Water loan. Munis continue to perform well in this environment even with such heavy supply. The long end continues to reach new lows while the muni curve overall stays on its flattening path similar to the UST curve. Housing bonds continue to tighten after an uninspiring spring and continue to be additive to performance. 30 day visible supply ticked down under \$9B and will likely remain lighter over the next few weeks as the above mentioned macro risk event saga is underway.

## 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	0.68	-0.03	0.71	94%
5 Year	1.00	-0.06	1.06	86%
10 Year	1.51	-0.11	1.62	92%
30 Year	2.22	-0.18	2.40	91%

UST Rates			
2 Year	0.73	-0.05	0.77
5 Year	1.17	-0.06	1.23
10 Year	1.64	-0.06	1.70
30 Year	2.45	-0.06	2.51

	Current Wk	Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$3.66	\$6.92
Competitive	\$1.91	\$5.04
<b>TOTAL</b>	<b>\$5.57</b>	<b>\$11.96</b>

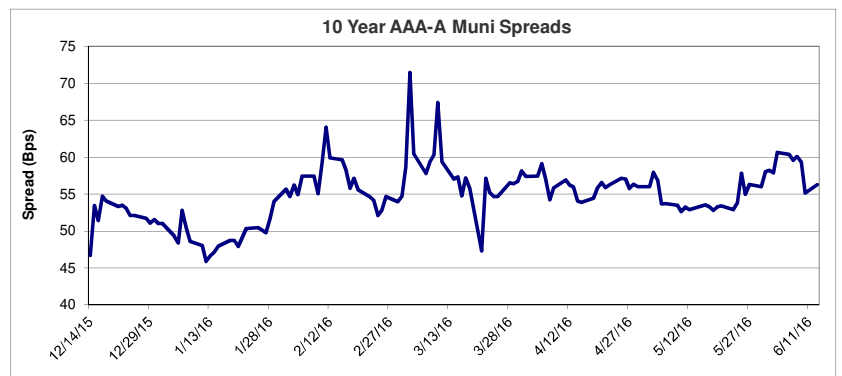
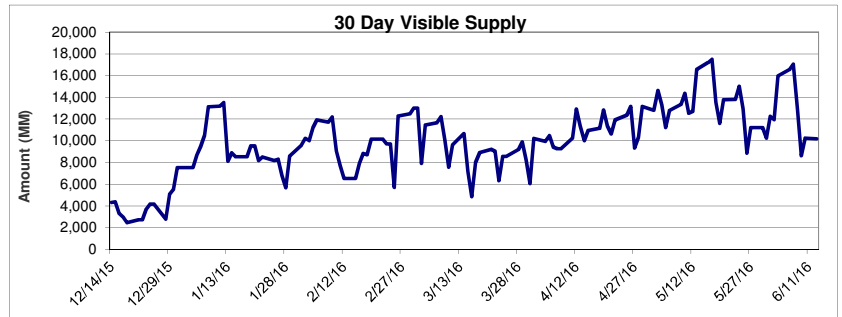
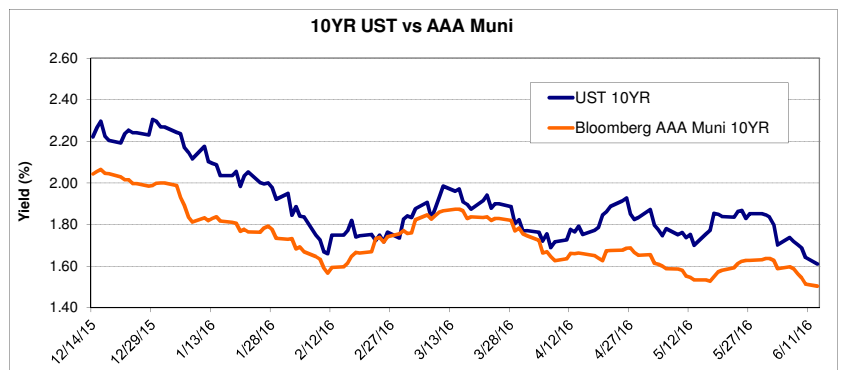
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$10.23</b>	<b>\$15.97</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$14.44</b>	<b>\$5.81</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>3.18%</b>	<b>3.26%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
6/14	Retail Sales Advance MoM	May	0.30%	1.30%
6/14	Import Price Index MoM	May	0.70%	0.30%
6/15	FOMC Rate Decision (Upper Bound)	15-Jun	0.50%	0.50%
6/15	MBA Mortgage Applications	10-Jun	--	9.30%
6/15	Industrial Production MoM	May	-0.20%	0.70%
6/15	PPI Final Demand MoM	May	0.30%	0.20%
6/15	Empire Manufacturing	Jun	-4.25	-9.02
6/16	Initial Jobless Claims	11-Jun	270k	264k
6/16	CPI MoM	May	0.30%	0.40%
6/16	Philadelphia Fed Business Outlook	Jun	1	-1.8
6/17	Housing Starts	May	1149k	1172k



**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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