












Trading Desk Commentary

The surprising vote by UK citizens to leave the European Union this past week left markets in disarray heading into the weekend. Not only were odds makers left with the bag but many traders and investors were long substantial amounts of risk going into the vote due to an overwhelming [now clearly false] sense of security that 'brexit' was all but unlikely. As anticipated in such a situation USD rates rallied drastically as money, both foreign and domestic, piled into the 'risk off' trade. Financial markets susceptible to macro headlines experienced the most volatility as showcased by benchmark rates like the US Treasury 10Y note that touched 1.40% in overnight trading and the British pound that dropped almost 8% immediately. This type of erratic trading will likely persist as participants attempt to find their footing and establish new ranges for an EU era sans the UK. Derivative markets have completely discounted further FOMC action this year regardless of the recent SEP as this event now adds another layer to the already complex implications of raising US interest rates in the face of a soft global economic picture.

Municipals, following their taxable counterparts, also firmed up sharply post announcement adding to the outstanding month of performance to date. New issue supply was average, if not a little light, last week as most were fixated on the vote. There was a noticeable pause in participation as muni buyers were also expecting a 'stay' and were caught off guard by the outcome. Even with the most recent rally, technical factors are still pointing to continued positive performance in the municipal space. We expect that cash bonds, as well as mutual funds and ETFs, will continue to attract money with the highest demand being in the 10 years or longer space. Short dated munis will likely underperform their taxable counterparts in the short term but will still post overall positive performance as demand will be strong for a diversified 'uncorrelated' asset with positive yield.

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	0.58	-0.06	0.64	94%
5 Year	0.84	-0.10	0.94	78%
10 Year	1.29	-0.14	1.43	83%
30 Year	2.00	-0.14	2.14	83%

UST Rates			
2 Year	0.62	-0.07	0.69
5 Year	1.07	-0.04	1.11
10 Year	1.56	-0.05	1.61
30 Year	2.41	-0.01	2.42

Current Wk		Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$5.31	\$7.80
Competitive	\$2.14	\$1.76
TOTAL	\$7.45	\$9.56

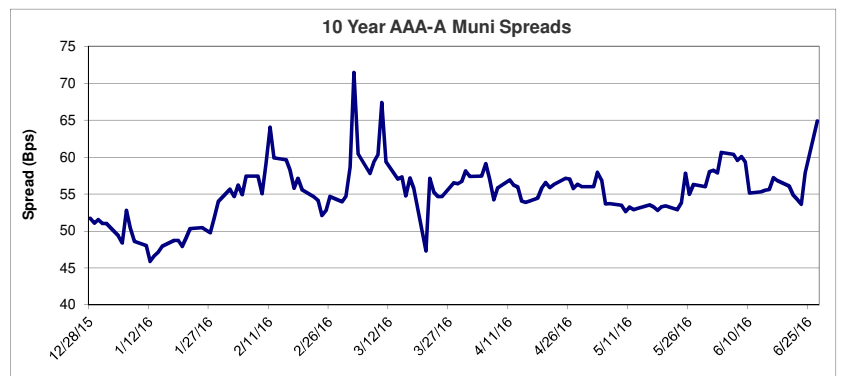
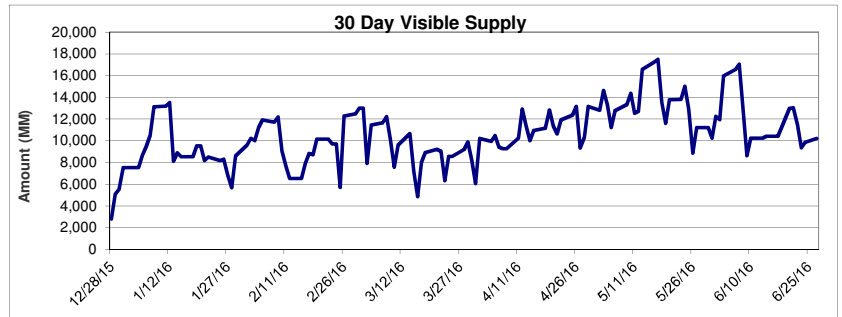
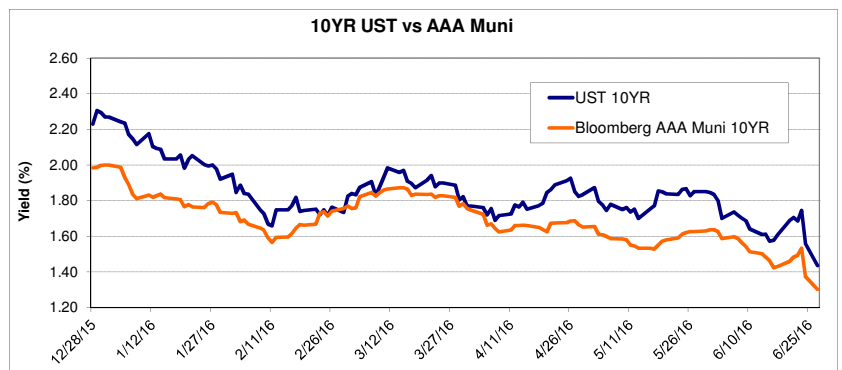
Municipal 30 Day Visible Supply (\$ Bln)	\$9.87	\$10.42
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Bloomberg Muni PICK Offerings (\$ Bln)	\$14.00	\$15.44
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Bond Buyer 20 Municipal G.O. Index	3.18%	3.18%
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Select Economic Releases

Date	Event	Period	Survey	Prior
6/28	GDP Annualized QoQ	1Q T	1.00%	0.80%
6/28	Consumer Confidence Index	Jun	93.5	92.6
6/29	MBA Mortgage Applications	24-Jun	--	2.90%
6/29	Personal Spending	May	0.40%	1.00%
6/29	Personal Income	May	0.30%	0.40%
6/29	Pending Home Sales MoM	May	-1.10%	5.10%
6/30	Initial Jobless Claims	25-Jun	267k	259k
6/30	Chicago Purchasing Manager	Jun	51	49.3
7/1	ISM Manufacturing	Jun	51.3	51.3
7/1	Markit US Manufacturing PMI	Jun F	51.3	51.4
7/1	Construction Spending MoM	May	0.60%	-1.80%



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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