








Trading Desk Commentary

The risk-off trade triggered by Brexit flowed into the first part of last week as yields on benchmark Treasuries flirted with all-time lows. The 10-year Treasury settled in near 1.43% at close of business Monday just 5 basis points away from its all-time low of 1.38%. Markets finally began to settle down towards the middle of the week as US equities rallied after European stocks started to post gains on Tuesday. The Dow rose 5% from Monday's lows after being off approximately 900 points post Brexit, nearly closing the week where it began at 18,000. On Friday, bond yields again plunged to near record lows on speculation that central banks may provide more stimulus to limit the fallout from Brexit. Bank of England head, Mark Carney, hinted that the bank could cut interest rates in the coming months. Immediately following his speech, the 10-yr UST traded at a record low of 1.37% before quickly popping back to just over 1.40%. Investors are convinced yields will not be moving meaningfully higher in the near term as Brexit has likely derailed the Fed's plan. Post Brexit Fed Funds futures are now pricing a 30% probability for a hike in September 2017. There is now a higher probability for an interest rate cut in 2016 than for a hike. Unless we get some surprising economic results here at home, it's difficult to argue with the market's view. Volatility will remain elevated until officials in the UK and the EU begin reasonable talks about the timing and mechanics of Brexit. Until then, we expect markets to react quickly and aggressively to headlines.

Munis mostly followed Treasuries' lead and held onto gains going into the long weekend. The relatively light primary calendar was put away with ease while the secondary market was quiet all week as trading desks were thinly staffed and most dealers had already shored up balance sheets heading into quarter end. The major news in the municipal space came Thursday when President Obama signed the Puerto Rico Oversight, Management, and Economic Stability Act (Promesa) into law. The measure creates an independent board appointed by Obama which will be responsible for managing Puerto Rico's debt restructuring. The legislation did not prevent the island's second default which occurred Friday. The \$2 billion default included \$816 million in general obligation debt service and marks the first time since Arkansas in 1933 that a state/territory level borrower failed to pay. The municipal market will be quiet this week as only \$1 billion will be coming in the primary market. On top of that the 30-day visible supply has decreased to \$5 billion so focus will shift to the secondary. We hope everyone had a relaxing 4th of July weekend.

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	0.59	0.01	0.58	100%
5 Year	0.87	0.03	0.84	87%
10 Year	1.30	0.01	1.29	90%
30 Year	1.94	-0.06	2.00	87%

UST Rates			
2 Year	0.59	-0.03	0.62
5 Year	0.99	-0.08	1.07
10 Year	1.44	-0.12	1.56
30 Year	2.23	-0.18	2.41

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$0.76	\$5.31
Competitive	\$0.74	\$2.14
TOTAL	\$1.50	\$7.45

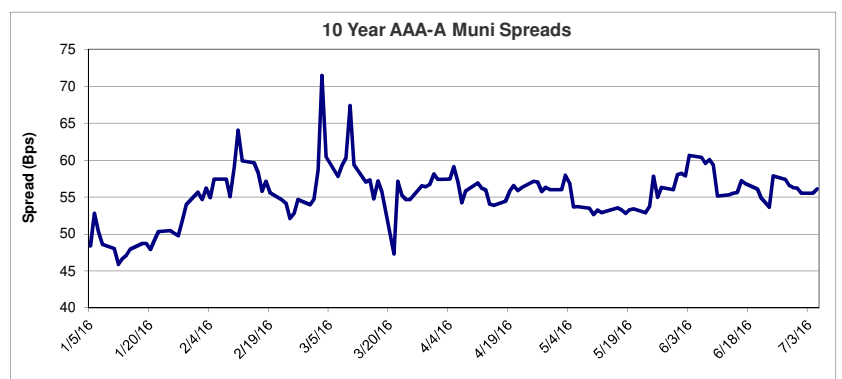
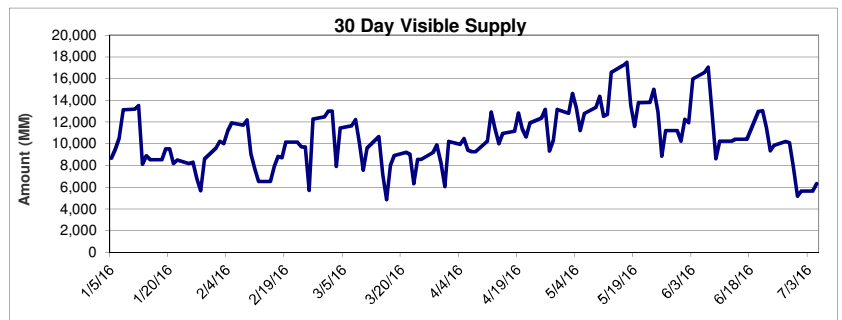
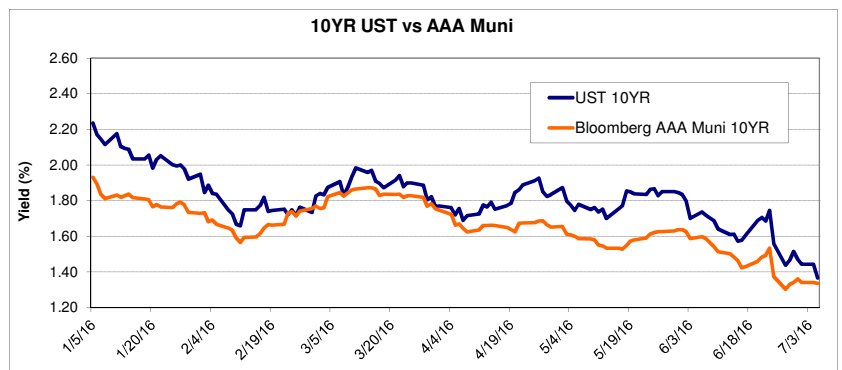
Municipal 30 Day Visible Supply (\$ Bln)	\$5.65	\$9.87
---	---------------	---------------

Bloomberg Muni PICK Offerings (\$ Bln)	\$12.21	\$14.00
---	----------------	----------------

Bond Buyer 20 Municipal G.O. Index	3.18%	3.18%
---	--------------	--------------

Select Economic Releases

Date	Event	Period	Survey	Prior
7/5	Durable Goods Orders	May F	-2.20%	-2.20%
7/5	Factory Orders	May	-0.80%	1.90%
7/5	Durables Ex Transportation	May F	-0.30%	-0.30%
7/6	MBA Mortgage Applications	1-Jul	--	-2.60%
7/6	Trade Balance	May	-\$40.0b	-\$37.4b
7/6	ISM Non-Manf. Composite	Jun	53.3	52.9
7/6	Markit US Services PMI	Jun F	51.3	51.3
7/7	Initial Jobless Claims	2-Jul	267k	268k
7/7	ADP Employment Change	Jun	160k	173k
7/8	Change in Nonfarm Payrolls	Jun	180k	38k
7/8	Unemployment Rate	Jun	4.80%	4.70%



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.

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.