








## Trading Desk Commentary

With the addition of some stronger than forecasted housing data last week, US growth exceeded investor expectations but has remained under the radar due to the diversion of focus across the pond recently. Derivative markets are nowhere near where they were pricing hikes earlier in 2016, but they have crept up recently returning to about a 50% chance of tightening action at the December meeting. US equity markets continue to post gains, pushing all-time highs even higher in anticipation of continued easing measures by global central banks even in the face of the Federal Reserve. Hard to believe six weeks have passed as markets are already on the heels of another FOMC meeting this week that is forecasted to duplicate the announcements we've witnessed year to date. The fed will likely continue to 'hawk' up the rhetoric in order to keep the 2Y note propped, which will continue to put flattening pressure on the USD swap and treasury curve.

Secondary trading continues to be light across the board, leaving participants focused on primary issues. The handful of deals that came last week saw healthy oversubscription and bumps to most all major scales in at least some of the serials. The demand for munis continues to be strong as inflows pour into mutual funds and ETFs: Lipper reported that muni funds saw about \$1B in new money for the week ended Wednesday. Treasury volatility has settled, and it has left muni ratios depressed with the 5Y portion of the curve still the lowest at around 77%. Munis continue to be a coveted sector in the optimal asset allocation. The ISDA (governing authority on credit default swap determination) determined last Monday that there was a failure to pay credit event which triggered the outstanding Muni CDS contracts to be paid. This event will trigger more accurate representation of recovery value which should effect outstanding PR debt trading.

## 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	0.00	0.59	84%
5 Year	0.88	0.00	0.88	79%
10 Year	1.45	0.00	1.45	93%
30 Year	2.15	0.05	2.10	94%

UST Rates			
2 Year	0.70	0.04	0.67
5 Year	1.12	0.01	1.10
10 Year	1.57	0.02	1.55
30 Year	2.28	0.02	2.27

Current Wk		Prior Wk
<b>Weekly Municipal Supply (\$ Bln)</b>		
Negotiated	\$4.95	\$1.59
Competitive	\$0.91	\$4.73
<b>TOTAL</b>	<b>\$5.86</b>	<b>\$6.32</b>

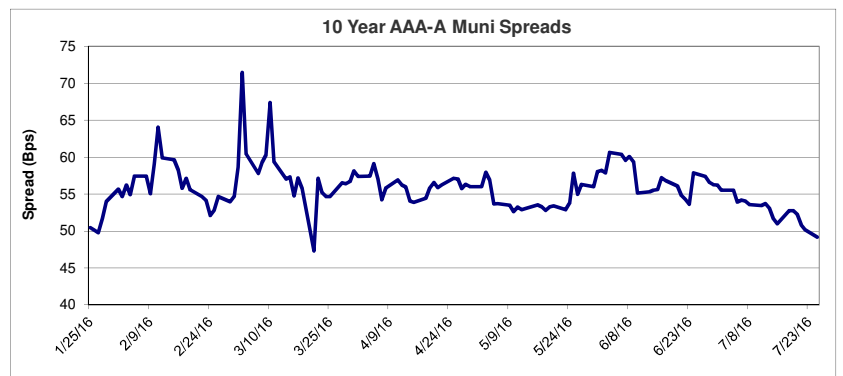
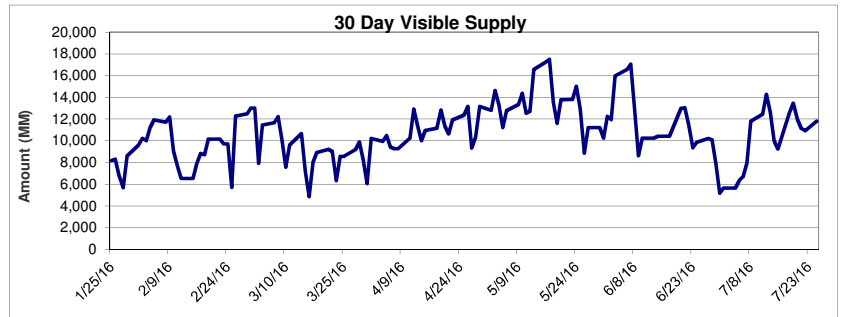
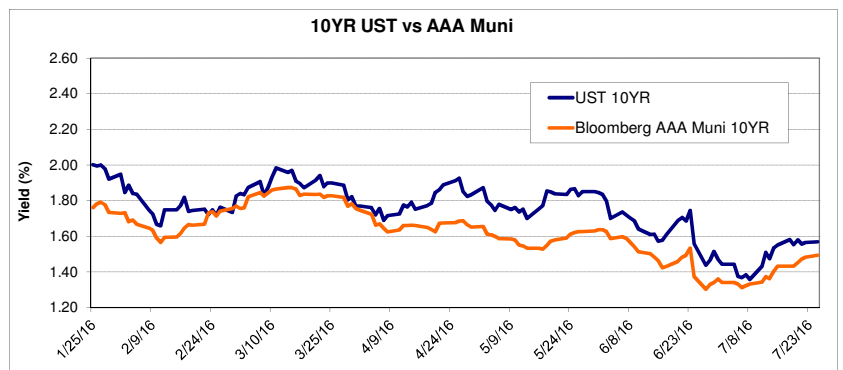
<b>Municipal 30 Day Visible Supply (\$ Bln)</b>	<b>\$10.94</b>	<b>\$9.25</b>
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<b>Bloomberg Muni PICK Offerings (\$ Bln)</b>	<b>\$13.41</b>	<b>\$14.81</b>
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<b>Bond Buyer 20 Municipal G.O. Index</b>	<b>2.87%</b>	<b>2.80%</b>
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### Select Economic Releases

Date	Event	Period	Survey	Prior
7/26	Consumer Confidence Index	Jul	96	98
7/26	New Home Sales	Jun	560k	551k
7/27	FOMC Rate Decision (Upper Bound)	27-Jul	0.50%	0.50%
7/27	Durable Goods Orders	Jun P	-1.30%	-2.30%
7/27	MBA Mortgage Applications	22-Jul	--	-1.30%
7/27	Pending Home Sales MoM	Jun	1.20%	-3.70%
7/28	Initial Jobless Claims	23-Jul	262k	253k
7/29	GDP Annualized QoQ	2Q A	2.60%	1.10%
7/29	U. of Mich. Sentiment	Jul F	90.1	89.5
7/29	Chicago Purchasing Manager	Jul	54	56.8
7/29	GDP Price Index	2Q A	1.80%	0.40%



**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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