

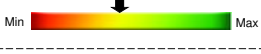






Trading Desk Commentary

Benchmark US rate trading was range bound and relatively quiet until the Friday retail sales miss, which spurred a rally and likely completely removed any chance of action by the Fed at the September meeting. The disappointing 30Y UST auction (relative to the 3Y and 10Y) was not enough to relieve any pressure as anticipated easing measures grip global rates and continue to drive money into US bonds. The BOJ is expected to steal headlines from the Federal reserve around their upcoming September meeting as the 'aggressive' tone of their preliminary statements regarding the measures they are willing to take to stimulate a dormant economy. Amongst the gloom it is important to note that Economic surprise indices are reaching highs not seen in a few years, showcasing that US economic releases are largely beating expectations. Although the Fed may not want to cause further disruption by raising interest rates amongst other developed markets' malaise, the US economy is outperforming economists' (FOMC?) expectations. Similar to the back half of 2015, market trends/performance will continue to revolve around the words of central bankers and monetary policy decision.

As we are beginning to see the end of the summer, it is expected that muni issuance will once again ramp up into the fall hitting the \$400B new issuance estimates for 2016. Last week's \$6B calendar was well bid and put away with ease and minor bumps to scale as the muni sector continues to be a desirable asset class. Per Lipper, money continues to flow into municipal funds with this week's print at \$900M+. Muni to UST ratios remain in the 70s for short dated bonds, while back end numbers are edging closer to 100 with the 30Y spot at 96%. We continue to focus on specialty state new issue deals in our footprint as strong demand continues to make the trading landscape incredibly competitive.

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	0.52	0.00	0.52	74%
5 Year	0.85	-0.02	0.87	77%
10 Year	1.40	-0.05	1.45	93%
30 Year	2.13	-0.05	2.18	95%

UST Rates			
2 Year	0.71	-0.02	0.72
5 Year	1.10	-0.04	1.14
10 Year	1.51	-0.08	1.59
30 Year	2.23	-0.08	2.31

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$3.04	\$5.70
Competitive	\$1.64	\$2.00
TOTAL	\$4.68	\$7.70

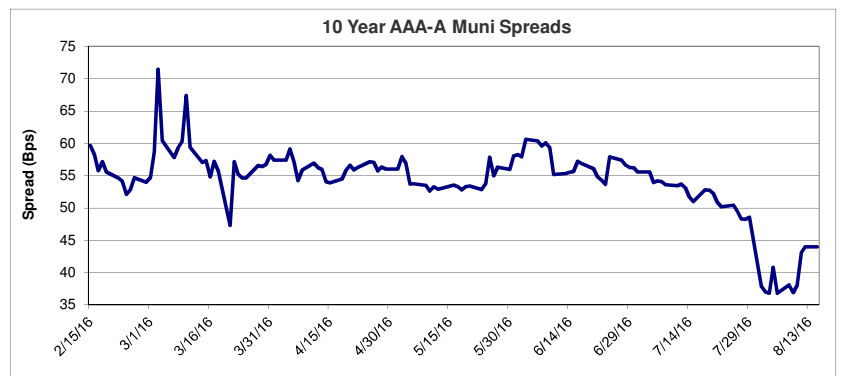
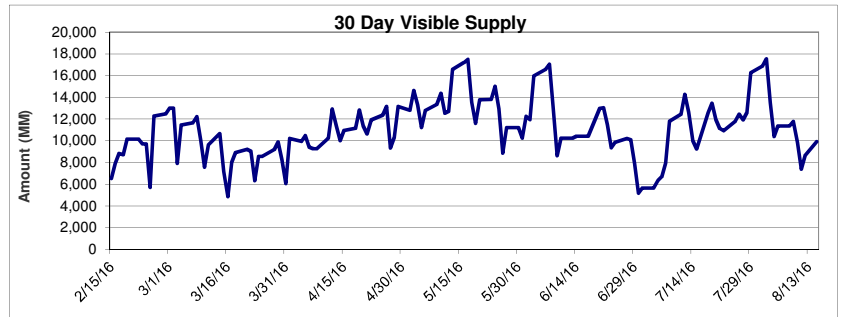
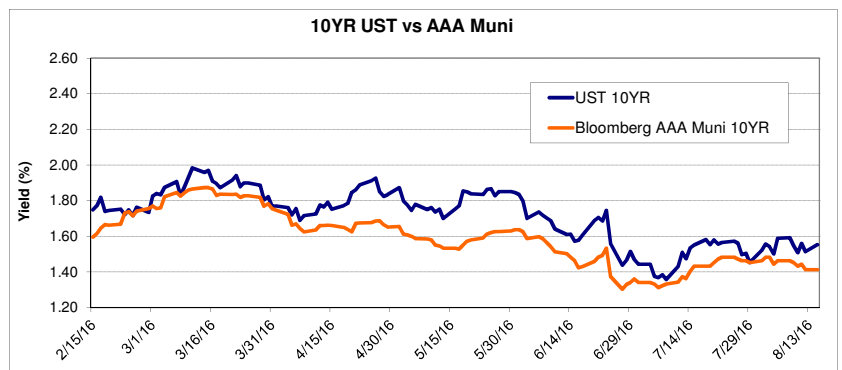
Municipal 30 Day Visible Supply (\$ Bln)	\$8.65	\$11.38
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Bloomberg Muni PICK Offerings (\$ Bln)	\$15.14	\$15.25
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Bond Buyer 20 Municipal G.O. Index	2.85%	2.85%
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Select Economic Releases

Date	Event	Period	Survey	Prior
8/15	Empire Manufacturing	Aug	2	0.55
8/15	Net Long-term TIC Flows	Jun	\$42.0b	\$41.1b
8/16	CPI MoM	Jul	0.00%	0.20%
8/16	Housing Starts	Jul	1180k	1189k
8/16	Industrial Production MoM	Jul	0.30%	0.60%
8/16	CPI Ex Food and Energy MoM	Jul	0.20%	0.20%
8/17	MBA Mortgage Applications	12-Aug	--	7.10%
8/18	Initial Jobless Claims	13-Aug	265k	266k
8/18	Leading Index	Jul	0.30%	0.30%
8/18	Philadelphia Fed Business Outlook	Aug	2	-2.9
8/18	Continuing Claims	6-Aug	2141k	2155k



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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