

Trading Desk Commentary

We have officially settled into the dog days of summer. The lack of data releases and headlines have kept rates in a relatively tight trading range. Even the release of the Fed minutes last Wednesday has been overshadowed by the abundance of news coverage surrounding Ryan Lochte's little white lie in Rio. But back to the minutes - the release painted the picture of a Fed split into three ways of thinking. There are members who are not ready to raise, members who are ready, and members who think the economy is close to being able to absorb another rate hike but want more data to justify it. Despite several Fed members (Lockhart specifically) talking publicly about a hike being on the table as early as next month, markets are viewing the divide as too much to overcome for a hike in September. Fed fund futures priced the probability of a hike prior to the release of the minutes at 22%. After the release of the minutes that probability sat right on 22%. The July CPI reading helped to further diminish the prospect of a rate hike next month as weakness in energy prices remain. Consumer prices were unchanged in July, and the flat reading is the weakest since February's 0.2% decrease. Focus will turn to Jackson Hole this week when Yellen speaks on Friday at the annual Economic Policy Symposium. She is not expected to send much of a message to markets other than to make sure they know that each meeting is "live" going forward.

A week of relatively light supply was placed with ease thanks again to another week of inflows (\$1.1 billion) into the muni space. The demand continues to be for higher yielding transactions as we have seen many of the lower-rated deals trading up once they are free to trade. For example, several longer maturities in the \$479 million transaction for the Barclays Center in New York traded up as much as 20 basis points the day after pricing. This week the calendar is larger and is headlined by a \$785 million loan for the Commonwealth of Massachusetts and \$573 million of the State of Illinois. The Illinois transaction is backed by a dedicated sales tax and carries an AAA rating from S&P. It will be interesting to see if the bonds price close the scale or whether the name alone will command more spread from investors. Both treasuries and municipal rates have been range bound for several weeks, and we expect this trend to persist, barring an unforeseen event, leading up to Labor Day weekend. We hope everyone is enjoying their summer break.

Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni			Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable			Slightly Shorter Positioning Given Volatility
Intermediate Muni			Neutral Positioning Given Global Weakness
Intermediate Taxable			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	70%
5 Year	0.84	-0.01	0.85	72%
10 Year	1.40	0.00	1.40	89%
30 Year	2.12	-0.01	2.13	93%

UST Rates			
2 Year	0.75	0.04	0.71
5 Year	1.16	0.07	1.10
10 Year	1.58	0.06	1.51
30 Year	2.29	0.06	2.23

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$6.00	\$3.04
Competitive	\$3.00	\$1.64
TOTAL	\$9.00	\$4.68

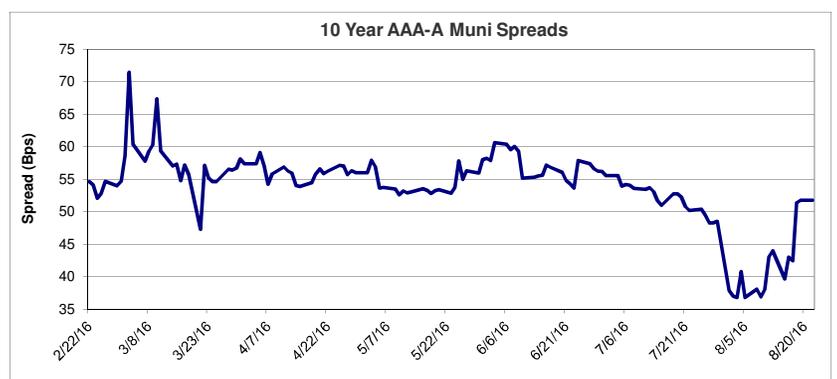
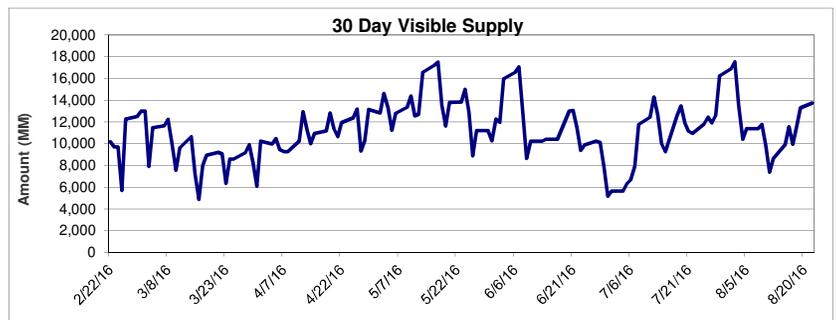
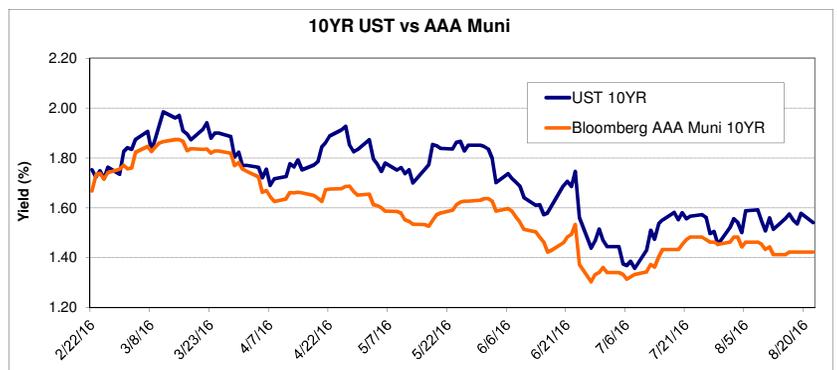
Municipal 30 Day Visible Supply (\$ Bln)	\$13.29	\$8.65
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Bloomberg Muni PICK Offerings (\$ Bln)	\$18.91	\$15.14
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Bond Buyer 20 Municipal G.O. Index	2.84%	2.85%
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Select Economic Releases

Date	Event	Period	Survey	Prior
8/23	New Home Sales	Jul	580k	592k
8/23	Markit US Manufacturing PMI	Aug P	52.6	52.9
8/24	MBA Mortgage Applications	19-Aug	--	-4.00%
8/24	Existing Home Sales	Jul	5.50m	5.57m
8/25	Initial Jobless Claims	20-Aug	265k	262k
8/25	Durable Goods Orders	Jul P	3.50%	-3.90%
8/25	Durables Ex Transportation	Jul P	0.50%	-0.40%
8/26	GDP Annualized QoQ	2Q S	1.10%	1.20%
8/26	U. of Mich. Sentiment	Aug F	90.7	90.4
8/26	Wholesale Inventories MoM	Jul P	0.20%	0.30%
8/26	GDP Price Index	2Q S	2.20%	2.20%



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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