












Trading Desk Commentary

With muted trading flows across the fixed income landscape for most of the week in anticipation of Chair Yellen's Jackson Hole comments, it is clear that the FOMC is still a key part of participants strategy initiatives. Investors have sidelined cash, similar to 2015, as they are now expecting additional tightening in the back half of the year as sentiment shifts more hawkish following the Jackson Hole comments, and US treasuries sold off dramatically to close out the week. The 10Y note pushed out of its recent trading range and closed at 1.63% all while Fed Funds futures trading was pushing hike probabilities in September to almost 60%. As mentioned in previous pieces, it is important to keep a "ten thousand foot view" of the whole situation when developing and executing strategy so as to not get caught in volatility and distracting rhetoric. The situation appears eerily similar to 2015 (shifting sentiment, seasonally strong growth metrics, etc) paving the way for at least one hike by the end of the year. US economic data will continue to be important as next week we get another look at Jobs with a preview given the PCE release on Monday.

Municipals outperformed their treasury counterparts for the week, mostly on the front end, as muni demand remains strong. With another week of positive fund flows, we are quickly approaching almost a full year of consecutive positive fund flows into the asset class - 47 weeks and counting. One reputable street firm, with others generally agreeing, is expecting a significant ramp up of issuance into the fall as demand (fund flows) remains strong and rates remain suppressed. Quiet week ahead in our footprint of specialty state issuance, so we will be focused on larger general market loans including the \$500M+ issue for Minneapolis Air that is likely to see a healthy subscription. Watch for continued performance in the municipal sector as markets remain latched onto FOMC governor testimony and US data releases.

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	0.57	0.05	0.52	68%
5 Year	0.86	0.02	0.84	70%
10 Year	1.42	0.02	1.40	87%
30 Year	2.12	0.00	2.12	93%

UST Rates			
2 Year	0.84	0.10	0.75
5 Year	1.24	0.07	1.16
10 Year	1.63	0.05	1.58
30 Year	2.29	0.00	2.29

	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$5.59	\$6.00
Competitive	\$0.75	\$3.00
TOTAL	\$6.34	\$9.00

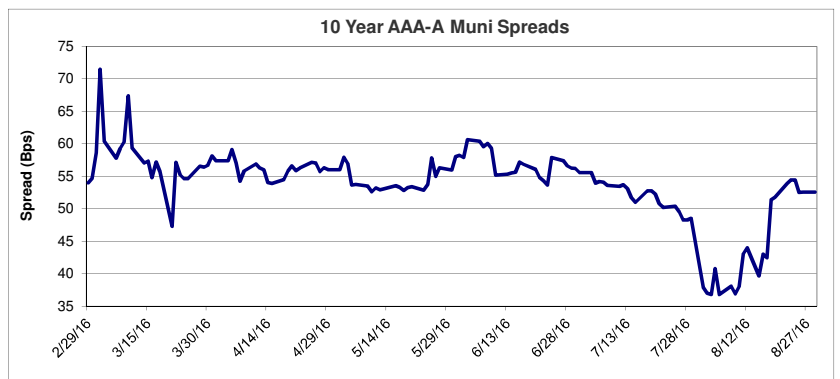
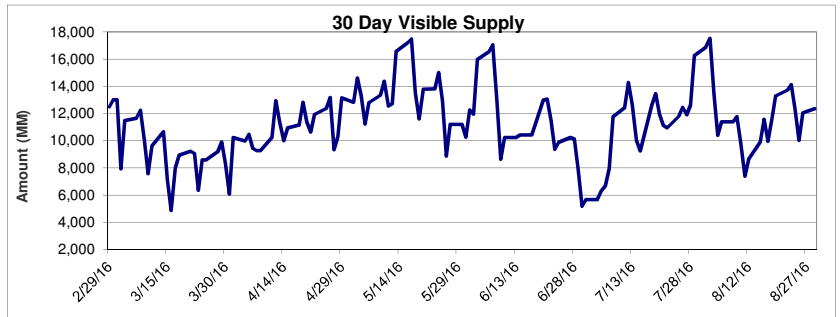
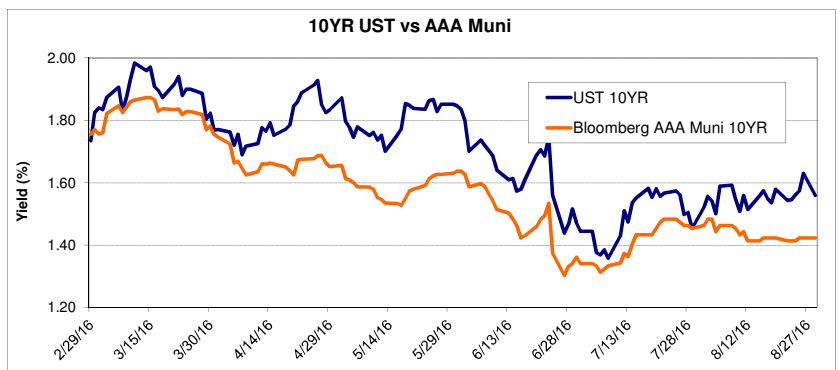
Municipal 30 Day Visible Supply (\$ Bln)	\$12.04	\$13.29
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Bloomberg Muni PICK Offerings (\$ Bln)	\$17.93	\$18.91
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Bond Buyer 20 Municipal G.O. Index	2.84%	2.85%
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Select Economic Releases

Date	Event	Period	Survey	Prior
8/29	Personal Income	Jul	0.40%	0.20%
8/29	Personal Spending	Jul	0.30%	0.40%
8/30	Consumer Confidence Index	Aug	97	97.3
8/31	MBA Mortgage Applications	26-Aug	--	-2.10%
9/1	Initial Jobless Claims	27-Aug	265k	261k
9/1	ISM Manufacturing	Aug	52	52.6
9/1	Markit US Manufacturing PMI	Aug F	52.1	52.1
9/2	Change in Nonfarm Payrolls	Aug	180k	255k
9/2	Durable Goods Orders	Jul F	4.40%	4.40%
9/2	Unemployment Rate	Aug	4.80%	4.90%
9/2	Factory Orders	Jul	2.00%	-1.50%



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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