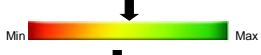
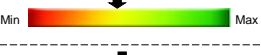
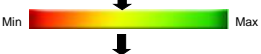






Trading Desk Commentary

A brief rally immediately following Friday's Nonfarm payroll print of 151k vs. 180k survey reversed course quickly, and treasuries sold off across the curve going into Friday's close. The print was a miss but not a major disappointment; furthermore, August prints have been historically weak vs. expectations. Let's also remember that June and July prints were well above median forecasts, so one month of a slight letdown that will be subject to sometimes-volatile revisions should not be overly surprising. We've written about this before, but it can't hurt to mention again. The Nonfarm numbers are important and are typically the first significant release each month that the market trades on. However, over the past year it seems that headline writers and pundits on TV over-emphasize the importance of a single Nonfarm print. The year-to-date monthly Nonfarm number has averaged 191k, and that includes May's 11k print. No matter what side you are on, you can use the current number to further your personal line of thinking. On one side, although the number was weaker than expected, it was still moderately strong and further proves that May's 11k number was an anomaly. On the other side, you can argue that the "data dependent" Fed will view the print as a miss and that a further look into the data will show wage growth is still a concern (average hourly earnings increased only 0.1% vs. 0.3% last month), and the participation rate remains at multi-year lows. For the most part, markets largely dismissed the report, Fed Fund futures prior to the release priced in a 34% probability of a September hike. After the release, that percentage decreased 2% to 32%. It felt like the release was a little too boring, failing to sway the market one way or another, or maybe it was the fact that the majority of traders had already left the office for the long weekend. Probably a mixture of both, but the number certainly failed to excite either side of the September hike debate. Labor Day Week will be light as far as data is concerned, so markets will turn their attention to John Williams's speech on Tuesday in Reno. Williams has made headlines recently after suggesting in an economic letter the Fed should be aiming for higher inflation and that the current low inflation target is not useful in a low interest rate environment. A higher inflation target "should," in due course, allow for a higher fed funds rate and would give the central bank a cushion to cut rates in the event of future recessions. Although unlikely, it is an interesting debate occurring within the Fed.

Municipal issuance in August totaled approximately \$45 billion, a 57% increase month-over-month. Refunding issues, which accounted for roughly 60% of the volume, largely drove the supply. This past week a modest calendar was placed with ease as another week of inflows (\$428 million) into the muni market helped prop up demand. The week of September 6 will also be a light week for the primary calendar as traders and investment bankers take time off around the Labor Day holiday. One of the bigger stories in the muni space was the underperformance on the front-end of the curve. One and two-year yields in the AAA MMD index increased 11 and 13 basis points respectively on the week while yields on front-end Treasuries were down 2 to 4 basis points. The weakness on the front end of the muni curve is due to new regulations on money market funds that go into effect October 14. The new regulations require a floating NAV for institutional prime money market funds and allow the funds to charge liquidity fees of up to 2%. Institutional money in short-term muni funds that do not want the risk of a floating NAV are exiting positions and entering government money market funds with a more stable NAV. This, in turn, has put pressure on the front end of the muni curve. We hope everyone enjoyed his or her final week of summer.

Caprin Strategy Summary

Name	Target Duration Position	Target Maturity Range	Highlights
Short Maturity Muni		0 YRS to 5 YRS	Prefer Hlth, Hsg, Pwr to G.O.'s for Yield
Low Duration Taxable		0 YRS to 5 YRS	Slightly Shorter Positioning Given Volatility
Intermediate Muni		0 YRS to 17 YRS	Neutral Positioning Given Global Weakness
Intermediate Taxable		0 YRS to 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	0.69	0.12	0.57	88%
5 Year	0.91	0.05	0.86	76%
10 Year	1.45	0.03	1.42	90%
30 Year	2.14	0.02	2.12	94%

UST Rates	Current Wk	Prior Wk
2 Year	0.79	0.84
5 Year	1.19	1.24
10 Year	1.60	1.63
30 Year	2.28	2.29

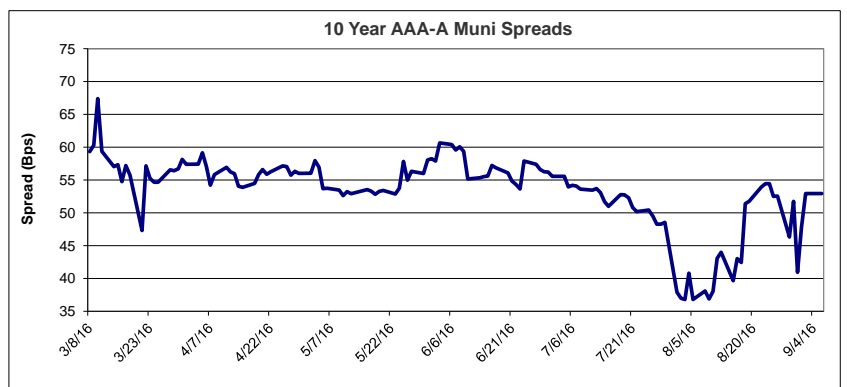
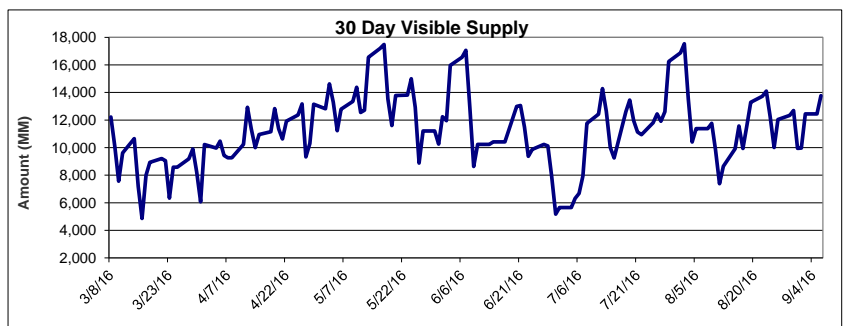
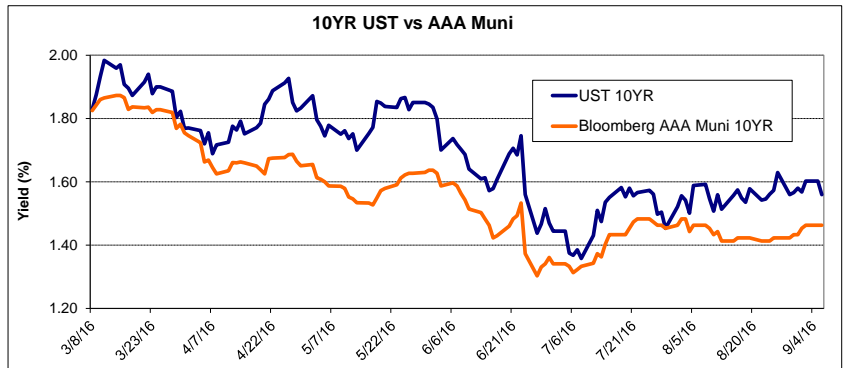
	Current Wk	Prior Wk
Weekly Municipal Supply (\$ Bln)		
Negotiated	\$3.77	\$5.59
Competitive	\$1.54	\$0.75
TOTAL	\$5.31	\$6.34

Municipal 30 Day Visible Supply (\$ Bln)	\$12.42	\$12.04
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Bloomberg Muni PICK Offerings (\$ Bln)	\$15.83	\$17.93
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Bond Buyer 20 Municipal G.O. Index	2.84%	2.84%
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Date	Event	Period	Survey	Prior
9/6	ISM Non-Manf. Composite	Aug	54.9	55.5
9/6	IBD/TIPP Economic Optimism	Sep	48.1	48.4
9/6	Labor Market Conditions Index Change	Aug	0	1
9/7	MBA Mortgage Applications	2-Sep	--	2.80%
9/7	JOLTS Job Openings	Jul	5625	5624
9/8	Initial Jobless Claims	3-Sep	265k	263k
9/8	Continuing Claims	27-Aug	2151k	2159k
9/8	Bloomberg Consumer Comfort	4-Sep	--	43.4
9/8	Consumer Credit	Jul	\$16.000b	\$12.320b
9/9	Wholesale Inventories MoM	Jul F	0.00%	0.00%
9/9	Wholesale Trade Sales MoM	Jul	0.20%	1.90%



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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