

Current Rate Environment

Short Term Rates	Today	Last Week	Change
1-Month LIBOR	0.24%	0.24%	0.00% ○
3-Month LIBOR	0.47%	0.47%	0.00% ○
Fed Funds	0.25%	0.25%	0.00% ○
Fed Discount	0.75%	0.75%	0.00% ○
Prime	3.25%	3.25%	0.00% ○
US Treasury Yields			
2-year Treasury	0.26%	0.26%	0.00% ○
5-year Treasury	0.75%	0.78%	(0.03%) ↓
10-year Treasury	1.84%	1.88%	(0.04%) ↓
Swaps vs. 3M LIBOR			
2-year	0.71%	0.65%	0.06% ↑
5-year	1.20%	1.12%	0.08% ↑
10-year	2.08%	2.12%	(0.04%) ↓

Fed Speak & Economic News:

- Greece's political deadlock intensified over the weekend after the head of the Democratic Left – a small left-wing party and possible kingmaker in coalition negotiations, announced that the party will not join any coalition that does not include the radical left Syriza party. So far leaders of the Syriza party have resisted overtures to join the conservatives/socialist coalition raising the possibility of a new round of elections and endangering the country's Eurozone membership.
- Eurozone finance ministers convene in Brussels today for talks that will likely be dominated by the ongoing problems in Greece and the possibility of a Greek exit from the Eurozone. Credit ratings agency Fitch has warned that if Greece is stripped of its Eurozone membership, it is likely to put the credit ratings of all Euro nations on negative watch. The European Commission has predicted that the Greek economy is expected to shrink by a whopping 4.7% this year.
- Fed Chairman Ben Bernanke said last week that businesses and consumers are finding it easier to borrow, noting that banks have made "considerable progress" in shedding risk from balance sheets and building cushions against future loan losses. Unfortunately, the comments came one day before JP Morgan announced a \$2 billion trading loss on its credit derivative portfolio that rattled U.S. markets and revived the bank regulation debate.
- The People's Bank of China said that it will cut the reserve requirement ratio by 0.5% to help boost lending, after April data on fixed-asset investment, exports and imports came in lower than expected. The cut signals the government's acknowledgement of a sharp slowdown in the Chinese economy which has been propping up the global economy in the absence of strong U.S. growth and a prolonged European debt crisis.
- With earnings season nearly at its end, investors will focus on macro-economic data which has been uplifting at times, but not decisively positive. Goods-producing and consumer data released this week should help paint a clearer picture.

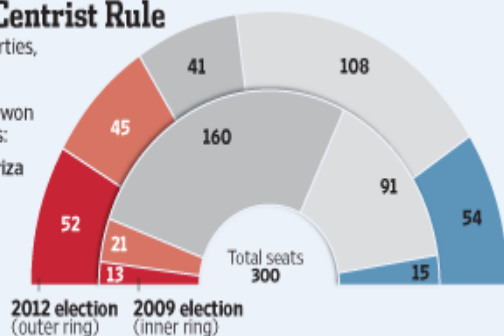
Weekly Chart

Greece's Shrinking Centrist Rule

The country's two mainstream parties, Pasok and New Democracy, lost parliament seats to smaller, more ideologically extreme ones. Seats won compared with the 2009 elections:

- Coalition of the Radical Left/Syriza
- Other left-leaning parties
- Pasok (Socialist)
- New Democracy (Conservative)
- Other right-leaning parties

Source: Greece's Ministry of Interior



In the most recent Greek elections, the two mainstream parties responsible for creating the recent austerity policies received less than a third of the votes combined. Investors and lenders fear that the Syriza party, whose members have described the terms of the country's bailout as "barbaric", could come out on top in a new vote.

Source of Financial Data: Bloomberg

U.S. Economic Data

- In March, the U.S. trade gap expanded to \$51.8 billion from last month's \$45.4 billion. Exports rose 2.9% to a record high after a 0.3% increase in February.
- The University of Michigan consumer confidence survey in early May increased to 77.8, versus April's 76.4. This month's figure represents the best reading so far since the beginning of the recovery.
- The producer price index fell 0.2% in April, driven largely by weaker energy costs.

Date	Indicator	For	Forecast	Last
15-May	Consumer Price Index (MoM)	Apr	0.0%	0.3%
15-May	Empire Manufacturing	Apr	9.50	6.56
15-May	Advance Retail Sales	Apr	0.2%	0.8%
16-May	Housing Starts	Apr	685K	654K
16-May	Industrial Production	Apr	0.6%	0.0%
17-May	Philadelphia Fed Manufacturing	May	10.0	8.5

Source of Chart: Wall Street Journal

Sales Manager

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216-689-3925

Bob Kunkle
216-689-3922

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