

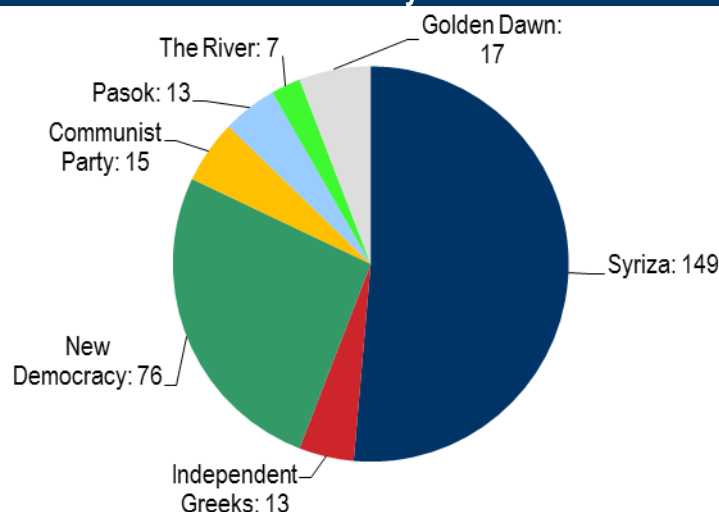
Current Rate Environment

Short Term Rates	Thursday	Prior Week	Change
1-Month LIBOR	0.19%	0.19%	0.00% ○
3-Month LIBOR	0.29%	0.28%	0.01% ↑
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	0.67%	0.64%	0.03% ↑
5-year Treasury	1.67%	1.66%	0.01% ↑
10-year Treasury	2.35%	2.40%	(0.05%) ↓
Swaps vs. 3M LIBOR			
2-year	0.98%	0.94%	0.04% ↑
5-year	1.84%	1.83%	0.01% ↑
10-year	2.49%	2.54%	(0.05%) ↓

Fedspeak & Economic News:

- As the US economy improves due to job growth, rising household wealth, better credit availability, and an improving housing market, Federal Reserve Chair Janet Yellen is simultaneously preparing markets for a rise in interest rates later this year. The increasingly hawkish Yellen concluded her semi-annual congressional testimony in front of the Senate Banking Committee on Thursday, claiming the labor market has moved "demonstrably closer" to a normal state. While the Fed contemplates a rate hike this year, economists surveyed put the probability of a hike in September at 82 percent. Yellen's speech in Cleveland on July 9 drastically altered market participants' expectations, as the projected likelihood of such a move climbed from 26 to 46 percent following the Chairwoman's address. However, Yellen did leave markets with a healthy dose of uncertainty by mentioning that the backdrop of global risks from Greece's debt issue to China's stock market woes could continue to threaten the timeline for normalization.
- In Greece, crisis has been averted – for now. Though Greece was able to pass the bailout terms through parliament, the future of the Eurozone is still anything but certain. Greek Prime Minister Alexis Tsipras is expected to announce changes to his cabinet this week in order to limit the resistance to a bailout. Some senior officials in Europe maintain that the likelihood that the third bailout will collapse is upwards of 50 percent. German Finance Minister Wolfgang Schaeuble still believes a temporary euro exit for the nation will make for a "better path."
- As the issue of debt relief becomes center-stage, pressure continues to mount from the IMF for Europe to re-evaluate what it is willing to consider in order for Greece's debt burden to reach a sustainable level. US Treasury Secretary Jacob Lew adds that "without some form of debt restructuring, this problem will just come right back." European Central Bank President Mario Draghi corroborated this theory, insisting "it's uncontroversial that debt relief is necessary." Draghi also announced the extension of Emergency Liquidity Assistance (ELA) to desperate Greek Banks prior to bailout funding. The ELA ceiling has increased by €900 million, bringing the total to €90 billion. Banks are expected to open on Monday for limited transactions, and capital controls are expected to remain in place for the time being as withdrawal limits remain at €60 per day.

Syriza's Continued



Ten days after Greek citizens rejected the bailout terms imposed on them by creditors, Parliament passed even tougher terms as it became clear that a better deal was not attainable. Despite accepting a worse deal, seven in ten Greek citizens believed it was the right thing to do as exiting the European Union would prove to be a difficult challenge. Support still remains for Prime Minister Tsipras, though an early election in September or October is increasingly possible. Tsipras is expected retain power given the Syriza's overwhelming majority in opinion polls.

The Week Ahead

- The Federal Reserve Board of Governors will meet to discuss final rules for implementing capital surcharges on U.S. banks on Monday
- The Bank of England will publish minutes to its July meeting on Wednesday
- The US economic calendar will be light, though housing data reported this week will be looked at closely ahead of the FOMC meeting at month-end.

Date	Indicator	For	Forecast	Last
22-Jul	Existing Home Sales		5.40M	5.35M
23-Jul	Chicago Fed Nat Activity Index		-0.05	-0.17
23-Jul	Leading Index		0.2%	0.7%
24-Jul	Markit US Manufacturing PMI		53.6	53.6
24-Jul	New Home Sales		546k	546k

Sources: Bloomberg, Hellenic Parliament

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