



• Domestic markets nearly hit the pause button last week in between the excitement of a positive employment situation and the anticipation of the two-day FOMC meeting of the Federal Reserve, which starts Tuesday. The Treasury yield curve fluctuated by only 1-3 bps, the S&P 500 closed up a whopping 2 points for the week, and despite a midweek spike, the front month contract for WTI crude was up 13 cents. With two days to debate the future of short term interest rates (and a likely decision that more debate is warranted), no one expects Chair Yellen to surprise traders in her press conference on Wednesday, but the economic forecasts that accompany her may show a shift for growth and employment expectations. The first quarter's data has been kind to the latter and troublesome for the former, which might leave inflation as the tiebreaker as we move through the rest of the year. If she seems hawkish, it is probably preparation for some modest action in September. If she stays the course and doesn't downplay the assertions of many, including the IMF, that the Fed should not tighten, perhaps there will only be a token rate increase late in the year. 75 bps on the fed funds target rate seems plausible by year end if growth can cling to 2% YoY.

• Apart from the results of meetings with policymakers in Europe and at home, it's a bit of a yawner data-wise this week. Consumer prices (CPI) should rise on the headline and core akin to the PPI report last week that was impacted by food and energy prices. Empire State's manufacturing index fell to -2 for the month when released this morning, and the survey for Philly Fed is only slightly positive. The housing market index should show a good mood out of homebuilders, although housing starts are expected to tick lower after the April spike. Leading indicators should only rise 0.4% MoM after a solid +0.7% last month. Industrial production and capacity utilization should rise MoM in May.

• Headline producer prices ran slightly hot at +0.5% MoM (oil), but the core reading of 0.1% MoM and 0.6% YoY are still well in check. The retail sales report for May was pleasant, rising 1.2% on the headline and 1% ex autos MoM, and should encourage upward revisions to Q2 GDP. Both wholesale and business inventories rose 0.4% MoM in April, which works well ahead of improved sales. Despite dramatic drops YoY, import and export prices both rose in May, thanks to energy and ag. Jobless claims ticked up slightly to 279k WoW. After talks again broke down between Greece and EU officials, both sides are posturing politically ahead of what may be the do-or-die meeting among euro finance ministers this Thursday. Greece's new government is fighting over the budget surplus (reduced requirement from 3% to 1% offered), taxes, and the pension payments, which creditors wish would start at older ages to reduce early retirements. Greek banks were nearly 20% lower at the worst point today. EU stocks were off 1% and futures at home have been hit as well. Friday is quadruple witching the expiration of single stock and index futures and options, which could add to the fireworks this week if any real news arises out of the Fed or Greece.

Index Rates	Last	Week Ago	Month Ago	Year Ago
1-month LIBOR	0.18%	0.18%	0.19%	0.15%
3-month LIBOR	0.29%	0.28%	0.28%	0.23%
6-month LIBOR	0.45%	0.42%	0.41%	0.32%
12-month LIBOR	0.79%	0.75%	0.73%	0.54%
Fed Funds Target	0.25%	0.25%	0.25%	0.25%
Prime Rate	3.25%	3.25%	3.25%	3.25%
SIFMA Muni Swap Index	Call	0.07%	0.11%	0.06%

Taxable Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr LIBOR Swap	Call	0.94%	0.84%	0.57%
3-yr LIBOR Swap	Call	1.30%	1.19%	1.00%
5-yr LIBOR Swap	Call	1.81%	1.66%	1.72%
7-yr LIBOR Swap	Call	2.14%	1.98%	2.19%
10-yr LIBOR Swap	Call	2.42%	2.25%	2.62%

All else equal, amortizing swaps and caps will have lower rates and costs, respectively. Please call for specific structure pricing requests.

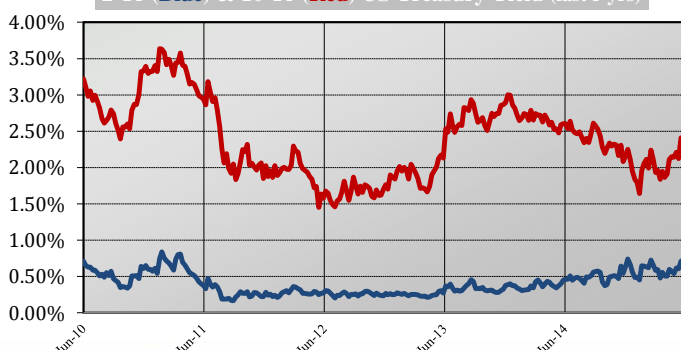
Agency Rate Caps (in bps)	LIBOR = 3%	LIBOR = 4%	LIBOR = 5%	LIBOR = 6%
3-yr LIBOR Cap	34	15	8	11
4-yr LIBOR Cap	87	51	22	27
5-yr LIBOR Cap	160	80	42	47
7-yr LIBOR Cap	336	205	103	102

Treasury Rates	Last	Week Ago	Month Ago	Year Ago
2-yr Treasury	0.73%	0.71%	0.60%	0.44%
3-yr Treasury	1.14%	1.10%	0.97%	0.92%
5-yr Treasury	1.75%	1.74%	1.56%	1.68%
7-yr Treasury	2.15%	2.16%	1.98%	2.19%
10-yr Treasury	2.39%	2.41%	2.25%	2.60%
30-yr Treasury	3.10%	3.11%	3.01%	3.41%
2s-10s Spread	1.67%	1.70%	1.65%	2.16%

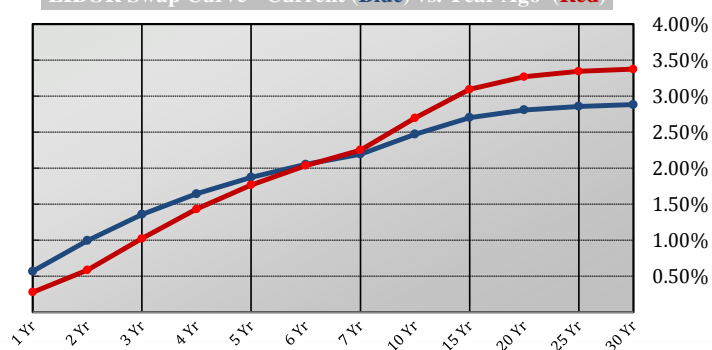
Tax-Exempt Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr SIFMA Swap	Call	0.45%	0.42%	0.32%
3-yr SIFMA Swap	Call	0.72%	0.69%	0.62%
5-yr SIFMA Swap	Call	1.23%	1.14%	1.27%
7-yr SIFMA Swap	Call	1.57%	1.45%	1.73%
10-yr SIFMA Swap	Call	1.89%	1.75%	2.18%

Fwd Implied 3mL Rate	Last	Conventions
Dec. 15	0.66%	Source: Bloomberg. LIBOR swaps use 1-month LIBOR, monthly payments, act/360 for both legs. SIFMA swaps reset weekly and pay monthly, act/act. For % of LIBOR swaps, multiply the % used by the taxable swap rate. No amortization.
Dec. 16	1.55%	
Dec. 17	2.19%	
Dec. 18	2.63%	

2 Yr (Blue) & 10 Yr (Red) US Treasury Yield (last 5 yrs)



LIBOR Swap Curve - Current (Blue) vs. Year Ago (Red)



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