• The action last week could be described as a market treading water, as mostly positive earnings and reasonably strong data buoyed assets in spite of negative sentiment and uncertainty. Equities ended the week modestly up despite a massive Wednesday sell-off, and bond yields flattened and ticked down several basis points across the curve. The Fed's Beige Book anecdotally noted modest economic advances in most districts, with positives coming from consumer spending (including autos) and manufacturing, with sluggishness persisting in housing sales and prices, commercial real estate activity, and end-user prices. Some components of production in agriculture and commodities markets increased in price for producers in a number of districts as inflation expectations in these sensitive markets rise ahead of the Fed meeting next week. Manufacturing data this week was down despite being strong last week (Industrial Production missing and down 0.2% MoM and the Philly Fed Survey basically flat), but forwarding looking expectations seem to be improving (Leading Indicators up 0.3%, six-month projections for employment, new orders, and shipments rebounding strongly in the Philly Fed Survey). The better-than expected rise in Housing Starts last week to 610k annualized may indicate that the plummet following the expiration of the housing tax credit may be over. The most notable strength came in the single-family housing subset, a sector which should also benefit from announcements by some of the banks that foreclosure practices are in fact sound and that moratoriums are being lifted. The G-20 Finance Summit over the weekend highlighted continued global concerns over currency valuations and the process for mitigating the risk of China's Yuan rise and the US Dollar's fall in the future. The pledge of G-20 members to avoid deliberate currency devaluation, letting currency markets set exchange rates openly, sends the correct message to other nations but seems to be a token gesture at best.

• The countdown to the Fed's FOMC meeting, and a likely pronouncement of more quantitative easing (Fed purchasing Treasuries likely on the order of $500B at first) continues to be the focus of the market. As with the last several years, the rate policy decision is not a discussion point, but the scale of QE could affect the expected timeframe for a rate decision in the future. Housing data at the beginning of the week should be closely monitored (New Sales, Existing Sales, Case-Shiller HPI), and Friday brings the preliminary GDP reading for the 3rd quarter, the consumer sentiment survey, and the Chicago Purchasing Managers' Index. Expectations for Q3 growth are at 2%, but the range is quite broad, so expect a market reaction when it prints. The middle of the yield curve could be pressured higher by $99 billion in auctions from Treasury at the 2-, 5-, and 7-yr term points.

Index Rates	Last	Week Ago	Month Ago	Year Ago
1-mo LIBOR	0.26%	0.26%	0.26%	0.24%
3-mo LIBOR	0.29%	0.29%	0.29%	0.28%
6-mo LIBOR	0.45%	0.45%	0.46%	0.58%
12-mo LIBOR	0.77%	0.77%	0.78%	1.24%
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	0.27%	0.30%	0.26%

Treasury Rates	Last	Week Ago	Month Ago	Year Ago
2-yr Treasury	0.36%	0.36%	0.44%	1.00%
3-yr Treasury	0.53%	0.59%	0.68%	1.57%
5-yr Treasury	1.15%	1.19%	1.32%	2.45%
7-yr Treasury	1.86%	1.87%	1.95%	3.11%
10-yr Treasury	2.56%	2.56%	2.56%	3.49%
30-yr Treasury	3.93%	3.98%	3.75%	4.29%

Taxable Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr LIBOR	0.45%	0.46%	0.53%	1.28%
3-yr LIBOR	0.67%	0.71%	0.82%	1.89%
5-yr LIBOR	1.31%	1.35%	1.46%	2.68%
7-yr LIBOR	1.92%	1.94%	1.99%	3.16%
10-yr LIBOR	2.51%	2.53%	2.49%	3.54%

Tax-Exempt Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr SIFMA	0.50%	0.51%	0.58%	1.18%
3-yr SIFMA	0.68%	0.71%	0.82%	1.64%
5-yr SIFMA	1.23%	1.26%	1.36%	2.26%
7-yr SIFMA	1.75%	1.77%	1.83%	2.63%
10-yr SIFMA	2.26%	2.27%	2.27%	2.96%

Rate Caps (cost in bps)	Strike = 4.00%	Strike = 5.00%
3-yr LIBOR Cap	23	17
5-yr LIBOR Cap	89	66
7-yr LIBOR Cap	241	164
10-yr LIBOR Cap	551	380

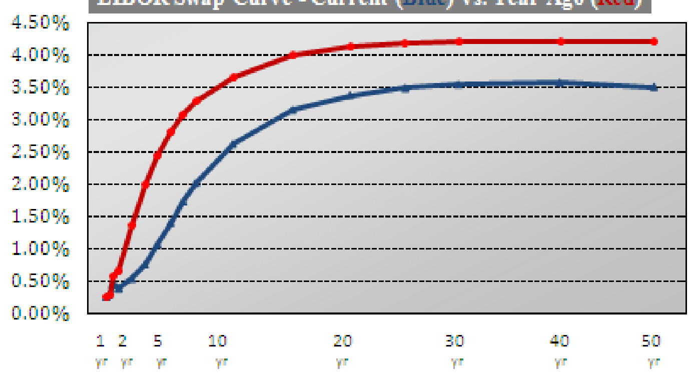
Fwd Implied 3mL Rate	Last
Dec. 10	0.34%
Dec. 11	0.58%
Dec. 12	1.05%
Dec. 13	1.81%

Conventions

LIBOR swaps use 1-month LIBOR, monthly payments, act/360 day count. SIFMA swaps reset weekly and pay monthly, act/act day count. All else equal, amortizing swaps will have lower rates. For %of LIBOR swaps, multiply the %used by the taxable swap rate.

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

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



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CARDEA PARTNERS

Warm regards,

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