• With Thanksgiving on the front burner and last week's data modestly positive, markets look to the consumer to spend into Black Friday and beyond to keep the economic momentum rumbling through to the gifting holidays. For the week, equities rallied slightly, oil and gold dropped as the dollar firmed, and the bond market sold off, with a skew towards a 'fattening of the belly,' something we might expect to continue literally this week. The five-year swap rate has now risen over 40 bps in the past month. QE2 is now well underway, amidst calls from varying pundits and politicians for its stoppage, expansion, and revision. This morning brings news that Ireland has officially asked for an EU backstop arrangement on the order of $130B, bringing some calm to the bond and credit markets globally even as others worry about contagion to Spain, Portugal, and Italy. With retailers starting sales earlier this year (or running perpetual sales), the data from last week was stronger than expected (1.2% vs. 0.7% and prior two months revised higher) and still positive even excluding the resurgent automotive industry. We saw inflation data in the CPI and PPI both run softer than expectations, with discounting in autos and falls in food prices offsetting an uptick in energy and crude goods. Softening data came from manufacturing this week, as new orders fell off a cliff for the Empire State survey and industrial production was flat when a small increase was expected. Also spoiling an otherwise sunny economic forecast was weakness in housing starts, which fell nearly 12% MoM. The Conference Board's Leading Indicators reading came in at 0.5% for a third consecutive monthly gain, helped by a decline in long rates (which has since reversed a fair amount) and a rise in the money supply (which will continue with more QE).

• We have a holiday-shortened trading week with everyone home on Thursday, but with the bond market and equities pulling a half-day of action on Friday. Data to be monitored for the week includes new and existing home sales, a GDP revision on Tuesday, durable goods orders, personal income and spending, and also the release of the FOMC minutes from the previous meeting, which should add some color to the QE2 deliberations redux. $99B in 2-, 5- and 7-year Treasury notes come to market before most people head off for a nice long weekend. Cardea Partners is thankful for everything we have and we wish our clients and friends a safe and happy Thanksgiving break.

Index Rates	Last	Week Ago	Month Ago	Year Ago
1-mo LIBOR	0.25%	0.25%	0.26%	0.24%
3-mo LIBOR	0.28%	0.28%	0.29%	0.26%
6-mo LIBOR	0.44%	0.44%	0.45%	0.49%
12-mo LIBOR	0.76%	0.76%	0.77%	1.02%
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%	0.28%

Treasury Rates	Last	Week Ago	Month Ago	Year Ago
2-yr Treasury	0.51%	0.51%	0.36%	0.73%
3-yr Treasury	0.78%	0.74%	0.54%	1.25%
5-yr Treasury	1.52%	1.37%	1.11%	2.18%
7-yr Treasury	2.19%	2.00%	1.78%	2.90%
10-yr Treasury	2.87%	2.79%	2.48%	3.37%
30-yr Treasury	4.25%	4.29%	3.91%	4.30%

Taxable Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr LIBOR	0.60%	0.64%	0.46%	0.97%
3-yr LIBOR	0.93%	0.91%	0.66%	1.55%
5-yr LIBOR	1.68%	1.56%	1.27%	2.39%
7-yr LIBOR	2.32%	2.18%	1.85%	2.91%
10-yr LIBOR	2.92%	2.81%	2.44%	3.37%

Tax-Exempt Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr SIFMA	0.64%	0.68%	0.50%	0.89%
3-yr SIFMA	0.91%	0.89%	0.67%	1.35%
5-yr SIFMA	1.51%	1.42%	1.19%	2.00%
7-yr SIFMA	2.04%	1.94%	1.69%	2.41%
10-yr SIFMA	2.56%	2.47%	2.19%	2.79%

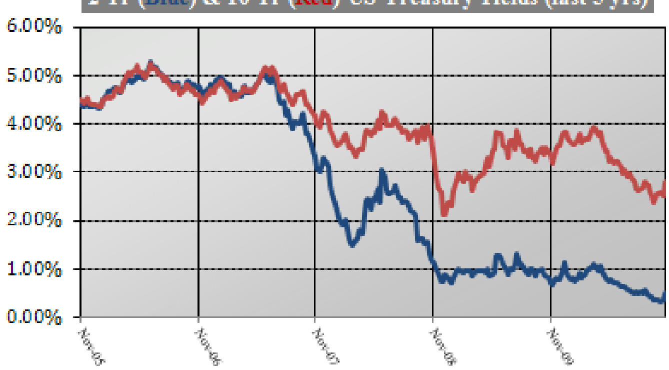
Rate Caps (cost in bps)	Strike = 4.00%	Strike = 5.00%
3-yr LIBOR Cap	36	30
5-yr LIBOR Cap	128	89
7-yr LIBOR Cap	323	222
10-yr LIBOR Cap	681	478

Fwd Implied 3mL Rate	Last
Dec. 10	0.31%
Dec. 11	0.73%
Dec. 12	1.43%
Dec. 13	2.28%

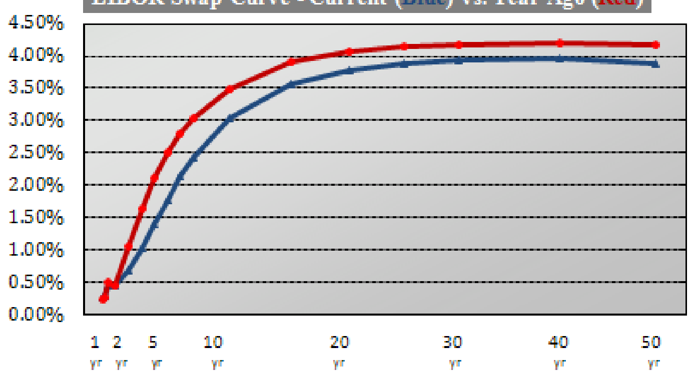
Conventions

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)



Cardea Partners is a firm of seasoned professionals dedicated to bringing transparency of execution and education to end-users in the derivatives marketplace. Specializing in interest rate risk management and strategy and debt portfolio analysis, we are pleased to provide our weekly commentary on the US rates market and an economic perspective for the benefit of our client organizations. We love to discuss the markets and keep our clients ahead of the (really steep) curve--please let us know how we can help your organization identify and manage its financial risks.

CARDEA PARTNERS

Warm regards,

Ryan Kozak, Christopher Hunt, Joseph Momich, and Rex Evans

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