

## Current Rate Environment

Short Term Rates	Today	Last Week	Change
1-Month LIBOR	0.21%	0.21%	0.00% ○
3-Month LIBOR	0.32%	0.33%	(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% ○
<b>US Treasury Yields</b>			
2-year Treasury	0.30%	0.26%	0.04% ▲
5-year Treasury	0.75%	0.66%	0.09% ▲
10-year Treasury	1.76%	1.66%	0.10% ▲
<b>Swaps vs. 3M LIBOR</b>			
2-year	0.50%	0.48%	0.02% ▲
5-year	0.96%	0.89%	0.07% ▲
10-year	1.89%	1.81%	0.08% ▲

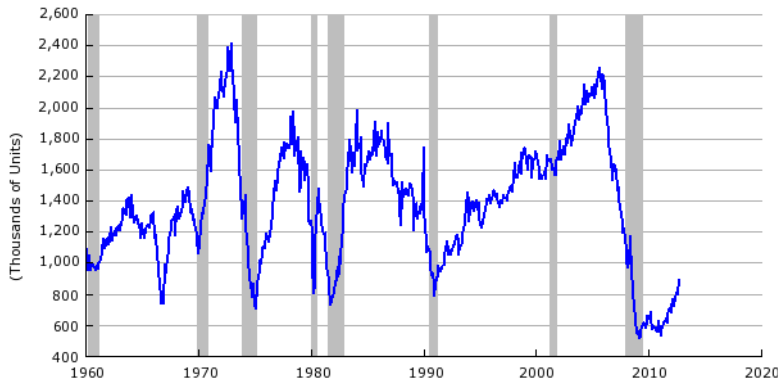
## Fed Speak & Economic News:

- Please pardon us as we try to regain our breath after what was a marathon week of conflicting emotions. Excitement was first, then confusion, then panic and in the end disappointment. Felix Baumgartner's jump from space energized investors on Monday, maybe also aided by better retail sales and housing data that pushed equities significantly higher at the onset of the week. Interest rates remained muted on Monday but anticipated an equity collapse a few days later and rallied on Tuesday and Wednesday. The 10-year Treasury posting an impressive near 20 basis point increase from Monday through Wednesday alone. Disappointing corporate earnings throughout the week reversed the good start in equities markets and stocks posted the worst session in four months on Friday (ironically the anniversary of Black Monday).
- The chopiness of last week could continue into this week as we have a number of Tier I events on the calendar. The Big Three, in order of likely importance, will be comprised of the FOMC meeting on Wednesday, the first look at Q3 GDP on Friday and New Home Sales also on Wednesday. The media has paid no lip service to the FOMC meeting thus far as nothing novel is expected out of Bernanke's camp after last month's QE3 announcement. The Fed will let its decision marinate a little longer as the central bank is rapidly running out of room for more action and recent positive data was strong but not enough to start an unwind of accommodation. That being said, early results do not look overwhelmingly positive. The Fed will surely appreciate continued low mortgage rates (30-year fixed at 3.37% – one basis point above all-time lows) as well as low yields on Treasuries to reduce the pain of the Government's interest payments. However, the issue comes from the strategy to spur lending to small businesses which is a solution to a non-problem: 32% of business owners surveyed by the NFIB reported that all credit needs were met, and 50% explicitly said that they do not want a loan.

## Weekly Chart

### New Private Housing Units Authorized by Building Permits

Source: U.S. Department Of Commerce



Source of Chart Data: Federal Reserve Economic Data

Source of Financial Data: Bloomberg

It has been a long time since this report's weekly chart centered around residential real estate as the industry has shrunk as a whole by two-thirds since 2005. Nonetheless, there have been sparing signs of life throughout the industry. A good example: the forward-looking Building Permits data for private housing. The report has shown year-over-year increases over the past 17 months. This week's New Home Sales could further add to the momentum.

## U.S. Economic Data

- Retail sales rose by 1.1% in September after gaining 1.2% in the month before, led by electronics and appliance stores (read iPhone sales).
- Existing home sales took a step back after two months of strong growth, falling to 1.7% in September.
- Industrial production rebounded 0.4% in September after a 1.4% drop in August. However, the August figure was mostly due to the halted production along the Gulf of Mexico, in anticipation of Hurricane Isaac.
- The CPI rose by 0.6% in September, following an equal rise in the month before, led by gasoline prices which jumped by 7%.

Date	Indicator	For	Forecast	Last
24-Oct	MBA Mortgage Applications	Oct 19	-	-
24-Oct	New Home Sales MoM	Sep	3.2%	(0.3%)
25-Oct	Durable Goods Orders	Sep	7.3%	(13.2%)
25-Oct	Pending Home Sales MoM	Sep	2.5%	(2.6%)
26-Oct	GDP QoQ Annualized	3Q A	1.9%	1.3%

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