

• Corporate earnings take center stage in this holiday-shortened trading week, with risk assets holding their uptrend last week ahead of an extremely busy calendar next week. The S&P 500 ended last week at monthly and yearly highs of 1486 even as Friday was an options expiration day, and more than 80 companies in that index will report earnings this week. Bonds reversed their recent losses with a modest shift lower to the curve on the week, pushing the 10-year Treasury yield down to 1.84%. Overseas, the Bank of Japan affirmed its accommodative policy stance that has inflated their markets of late, and German investor confidence jumped to its highest levels in over two years, despite a request from the German regulator to Deutsche Bank for analysis on a potential break-up of the bank weighing on stocks there this morning. The data from last week generally bested expectations (retail sales up +0.5% MoM and +0.3% ex-autos, housing starts up 12% to 954k annualized units, headline inflation for CPI and PPI nonexistent and up only 0.1% on their core readings, and jobless claims falling to 335k, their lowest levels of the recovery), but the Empire State Manufacturing and Philly Fed surveys did unexpectedly drop back into negative territory. Even still, data from last week and the week to come pale in importance compared to next week's blockbuster line-up of financial news and data when we get durable goods orders, the first look at Q4 GDP, the Federal Reserve FOMC meeting, and ADP private payrolls and the Friday employment update for January. Initial economist forecasts put expectations for Q4 GDP at 1.2%, a significant drop-off, hopefully only a result of tax uncertainty over the fiscal cliff and not the reemergence of structural weakness in the economy. The President was inaugurated for his second term on Sunday, and as the government works to manage the deficit ahead of pending sequestration and hitting the debt ceiling limit, House Republicans have proposed a 3-month debt limit extension that would compel both bodies of Congress to pass a budget.

• The light calendar this week includes existing home sales this morning and new home sales on Friday, and jobless claims and leading indicators (+0.4% consensus) slated for Thursday, with earnings releases from Verizon, J&J, Google, McDonald's, 3M, Microsoft, Starbucks, Honeywell, Procter & Gamble, and many more companies released throughout the week. Israeli elections happen today, with Benjamin Netanyahu expected to be elected to a third term as Prime Minister. 11 European states were given approval by EU finance ministers to pursue a financial transactions tax, a move critics say could drive trading business out of Europe, but which could also raise as much as \$35 billion in revenues annually, according to estimates. 2,500 government, finance, and business leaders meet this week for the annual World Economic Forum summit in Davos, Switzerland.

Index Rates	Last	Week Ago	Month Ago	Year Ago
1-month LIBOR	0.20%	0.21%	0.21%	0.28%
3-month LIBOR	0.30%	0.30%	0.31%	0.56%
6-month LIBOR	0.48%	0.50%	0.51%	0.79%
12-month LIBOR	0.81%	0.82%	0.84%	1.11%
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	0.08%	0.13%	0.07%

Treasury Rates	Last	Week Ago	Month Ago	Year Ago
2-yr Treasury	0.25%	0.25%	0.25%	0.23%
3-yr Treasury	0.37%	0.38%	0.36%	0.34%
5-yr Treasury	0.76%	0.78%	0.73%	0.81%
7-yr Treasury	1.25%	1.27%	1.19%	1.33%
10-yr Treasury	1.84%	1.87%	1.77%	1.90%
30-yr Treasury	3.03%	3.05%	2.95%	2.96%
2s-10s Spread	1.59%	1.62%	1.52%	1.67%

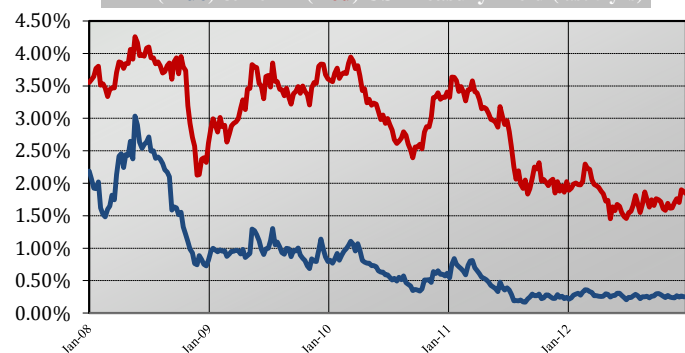
Taxable Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr LIBOR Swap	0.39%	0.37%	0.37%	0.57%
3-yr LIBOR Swap	0.50%	0.49%	0.47%	0.66%
5-yr LIBOR Swap	0.88%	0.88%	0.84%	1.09%
7-yr LIBOR Swap	1.32%	1.33%	1.27%	1.54%
10-yr LIBOR Swap	1.84%	1.85%	1.77%	1.98%

Tax-Exempt Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr SIFMA Swap	0.28%	0.27%	0.28%	0.36%
3-yr SIFMA Swap	0.36%	0.36%	0.36%	0.48%
5-yr SIFMA Swap	0.69%	0.69%	0.67%	0.91%
7-yr SIFMA Swap	1.09%	1.09%	1.06%	1.34%
10-yr SIFMA Swap	1.58%	1.58%	1.53%	1.77%

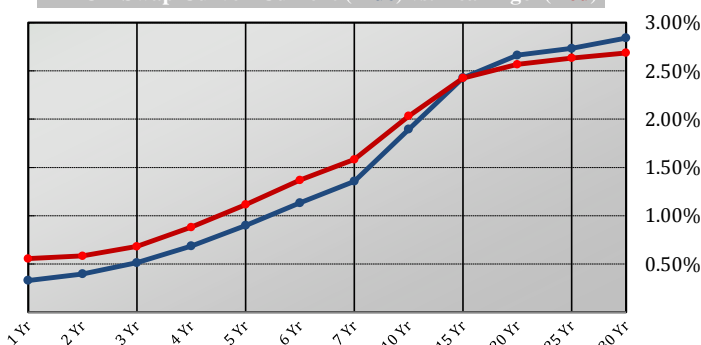
Rate Caps (cost in bps)	Strike = 4.00%	Strike = 5.00%
3-yr LIBOR Cap	12	10
5-yr LIBOR Cap	54	41
7-yr LIBOR Cap	152	112
10-yr LIBOR Cap	384	283

Fwd Implied 3mL Rate	Last	Conventions
Dec. 13	0.38%	LIBOR swaps use 1-month LIBOR, monthly payments, act/360 day count for both legs. 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. No amortization.
Dec. 14	0.59%	
Dec. 15	0.97%	
Dec. 16	1.55%	

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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