

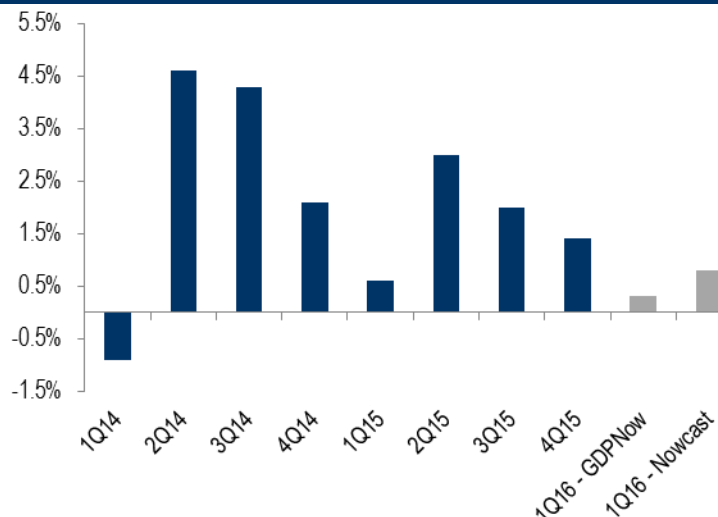
Current Rate Environment

Short Term Rates	Friday	Prior Week	Change
1-Month LIBOR	0.44%	0.43%	0.01% ↑
3-Month LIBOR	0.63%	0.63%	0.00% ○
Fed Funds	0.50%	0.50%	0.00% ○
Fed Discount	0.75%	0.75%	0.00% ○
Prime	3.50%	3.50%	0.00% ○
US Treasury Yields			
2-year Treasury	0.74%	0.70%	0.04% ↑
5-year Treasury	1.21%	1.15%	0.06% ↑
10-year Treasury	1.75%	1.72%	0.03% ↑
Swaps vs. 3M LIBOR			
2-year	0.91%	0.90%	0.01% ↑
5-year	1.22%	1.20%	0.02% ↑
10-year	1.66%	1.65%	0.01% ↑

Fedspeak & Economic News:

- The US Treasury curve finished modestly higher last week, with most of the movement occurring in the belly. The 10-year yield ended up three basis points higher; however, the 10-year swap rate increased slightly less, widening the difference between it and the equivalent Treasury yield to -14.50. It is difficult to tell in real time why spreads move as they do because the data to paint the picture comes out on a lagged basis, but it would be reasonable to believe that the large volume of corporate issuance is partly to blame. We saw a number of tier one economic releases last week: retail sales, PPI and CPI, which all registered below expectations, while the Fed's Beige Book was a nonevent.
- After a week of gains leading up to the Doha meeting this past Sunday that rallied crude oil to \$43, the trend reversed course after hopes for a deal among the world's top oil producers were dashed. Saudi Arabia's demand that all producers, including Iran who has been subject to years of sanctions, sign the deal and agree to production cuts highlighted the tension between the bitter regional rivals. Fears of a price war among major exporters reemerged and will continue to put downward pressure on the price of oil. Interestingly, equity and bond markets finally appear to have dislocated from the highly positive correlation that oil markets presented in the first part of this year.
- The European Central Bank's meeting this week will be closely followed as pressure increases due to a lack of significant progress in the Eurozone economy. The rise of the euro vs. the US dollar since the start of the year only increases the negative headwinds facing exports, as well as suppressing inflation expectations. Speculation has been mounting over so-called 'Helicopter Money', a term coined by economist Milton Friedman whereby "Quantitative Easing for the people" directly injects cash into the public's pockets or the government purse. Nothing of the sort is expected to be announced this early in the year, however, additional prodding is likely during the Q&A session following the meeting.
- The formal campaign for a vote of the UK on whether to leave or stay in the European Union was officially underway last week, and will continue until the official ballot on June 23rd. Many expect a win for the Stay side, but it is hardly guaranteed.

First Quarter Growth Woes



Not to be outdone by the last two years, the first quarter of 2016 is showing similar trend lines to past years. To blame are a significant drop in industrial production, and the drag of tepid retail sales, business spending, trade, and wholesale inventories changes. There is reason to be optimistic, however. Oil prices have recovered somewhat, fears of a hard landing of the Chinese economy have softened, and the robust US dollar has moderated to a degree. Nonetheless, median GDP forecasts range from 0.3 percent on the Atlanta Fed's "GDPNow" to 0.8 percent on the New York Fed's "Nowcast", both of which provide weekly updates to GDP measures.

The Week Ahead

- The **ECB** will conclude its meeting on Thursday, however, it is unlikely there will be any new initiatives after the release of last month's comprehensive package.
- The **US economic calendar** will be fairly light this week, with some housing data being the main feature.
- **New York** will hold its presidential primaries on Tuesday.
- On Monday, we will see **Fedspeak** from New York Fed President Dudley, Minneapolis Fed President Nashkari, and Boston Fed President Rosengren

Date	Indicator	For	Forecast	Last
19-Apr	Housing Starts	Mar	1166k	1178k
20-Apr	Existing Home Sales	Mar	5.28m	5.08m
21-Apr	Leading Index	Mar	0.4%	0.1%
22-Apr	Markit US Manufacturing PMI	Apr P	52.0	51.5

Sources: Bloomberg, Federal Reserve Bank of Atlanta and New York

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