

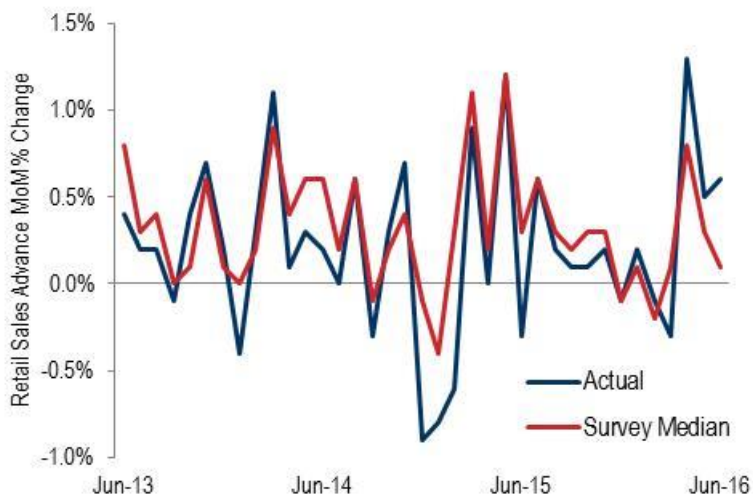
Current Rate Environment

Short Term Rates	Friday	Prior Week	Today's Change
1-Month LIBOR	0.48%	0.48%	0.00% ○
3-Month LIBOR	0.69%	0.67%	0.02% ↑
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	0.67%	0.61%	0.06% ↑
5-year Treasury	1.11%	0.95%	0.16% ↑
10-year Treasury	1.55%	1.36%	0.19% ↑
Swaps vs. 3M LIBOR			
2-year	0.93%	0.82%	0.11% ↑
5-year	1.14%	0.98%	0.16% ↑
10-year	1.46%	1.30%	0.16% ↑

Fedspeak & Economic News:

- Just after market close on Friday, news broke of an attempted coup d'état against the Turkish government. President Recip Tayyip Erdoğan accused the Turkish military of leading the attempt and promised a strong response. After quashing the unrest quickly, more than 7,500 military personnel, civilians, and prosecutors have since been detained. Bruce McCain, chief investment strategist at Key Private Bank said, "The unsuccessful coup means that Erdoğan will make political and economic changes, potentially tighten the grip on sectors of the country's economy, and drop an iron fist on his opponents". President Erdoğan has continued his push for the extradition of former ally-turned-enemy Fethullah Gülen from the U.S., who he has accused of leading the coup attempt. The U.S. is unlikely to honor the request without hard evidence, potentially straining the relationship with Turkey and cutting off key airbases for the bombing campaign against ISIS in Syria and Iraq. Currency markets felt the immediate impact of the overthrow effort as the Turkish lira dropped by as much as 4.8 percent versus the U.S. dollar. It has since recovered more than half of the losses as of Monday morning. Equity and bond markets were more tranquil as participants had the benefit of the weekend to digest the news. Large moves to safe-haven assets did not occur and instead U.S. treasuries sold off this morning, sending yields higher. In the near-term, capital outflows from Turkey are expected to continue, though the Turkish Central Bank's pledge to provide unlimited liquidity has provided some measure of financial stability.
- In the U.K., the political picture cleared a bit as Theresa May was formally declared Prime Minister and Leader of the Conservative Party last week. Markets recovered somewhat as the British pound gained three percent for the week and the FTSE 100 is now above pre-Brexit levels. The calm is not expected to last long, however; ambiguity in British-European trade details loom large; the possibility of another referendum still exists; and constitutional issues argued by top U.K. lawyers claim a referendum must be ratified by a parliamentary vote. The first bits of economic data concerning post-Brexit life will be released this week, shedding light on manufacturing, inflation, and labor market data.
- The Republican National Convention begins today and, though nothing major is expected, markets remain nervous nonetheless. The aftermath of Brexit and the coup attempt in Turkey are stark reminders of how political spillovers can result in financial volatility.

Improved Retail Sales Growth



Retail sales for the month of June saw a strong 0.6 percent increase, far exceeding expectations. This growth follows a 0.2 percent increase in May. Eleven of 13 major retail categories showed stronger gains from the previous month. The figures signal consumer spending has recovered after a disappointing start to 2016, and, coupled with a strong labor market gain for the month, reinvigorates a case for a rate hike this year. Atlanta Fed's GDPNow forecast for the second quarter is currently tracking 2.4 percent, compared to a first quarter print of 1.10 percent, putting the economy on the right trajectory for Fed action.

The Week Ahead

- On Thursday, the **ECB** holds its first scheduled **monetary-policy meeting** since the U.K.'s vote to leave the European Union. No changes are expected at this meeting.
- On Tuesday, the **International Monetary Fund** will release its latest **global macroeconomic forecasts**, followed by a press briefing by Chief Economist Maurice Obstfeld.
- Brazilian central bank policy makers** are projected by analysts to keep the key rate unchanged at 14.25 percent when they gather On Wednesday.

Date	Indicator	For	Forecast	Last
18-Jul	Housing Starts	Jun	1165k	1164k
21-Jul	Chicago Fed Nat Activity Index	Jun	-0.20	-0.51
21-Jul	FHFA House Price Index MoM	May	0.4%	0.2%
21-Jul	Existing Home Sales	Jun	5.48m	5.53m
22-Jul	Markit US Manufacturing PMI	Jul P	51.5	51.3

Source: Bloomberg, Census Bureau



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