

## Current Rate Environment

Short Term Rates	Friday	Prior Week	Today's Change
1-Month LIBOR	0.54%	0.54%	0.00% ○
3-Month LIBOR	0.91%	0.88%	0.03% ↑
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	0.92%	0.79%	0.13% ↑
5-year Treasury	1.56%	1.23%	0.33% ↑
10-year Treasury	2.15%	1.78%	0.37% ↑
Swaps vs. 3M LIBOR			
2-year	1.24%	1.08%	0.16% ↑
5-year	1.63%	1.32%	0.31% ↑
10-year	2.07%	1.69%	0.38% ↑

## Fedspeak & Economic News:

- Despite what pundits and those in the research community expected, market participants spoke loudly with their actions regarding their view of future economic progress under a Trump administration. In the late hours of Tuesday night as the election results were increasingly pointing to a victory for the Republican candidate, Dow Jones futures sold off sharply then reversed course and moved into the green, representing a more than 1,000 point swing. Equities across most sectors continued to soar higher and the Dow Jones and S&P 500 touched record levels by the end of the week. A profound sell-off in Treasuries, especially in longer-dated bonds, resulted in quite a bit of steepening in the yield curve.
- The moves were a result of a combination of factors. While there is still a considerable amount of uncertainty surrounding a Trump presidency, early signs point to a business-friendly, higher growth environment and added pressure on interest rates. Additionally, the Republican Party sweep of the elections by taking control of the House and Senate is seen as a mandate to push through change with limited obstruction. The long-promised infrastructure stimulus package now seems like a real possibility. The heavy spending would provide employment, boost the construction and building sectors, and lead to an increased supply of 10- and 30-year Treasury issuances. This possible large spending program also lifted inflation expectations even more so than the pressure that has already been building on higher prices. Rhetoric during Trump's campaign suggested notable dove Chair Janet Yellen's control of the Federal Reserve may be drawing to an end at her term's expiry in 2018 and replaced with someone more willing to normalize rates. This, combined with language of cutting 'stifling' regulation, provided a boost for the financial sector. Expectations of economic expansion from fiscal spending have also been a boon for the US dollar, strengthening against a basket of major currencies.
- As the pressure against the political establishment continues, uncertainty in the Eurozone's upcoming elections grows. The December 4th referendum to change the constitution in Italy could signify another blow to the European Union, increasing the possibility of a breakup of the entity. Amid the uncertainty, it is doubtful that ECB President Mario Draghi would take any significant action in tightening monetary policy and, if anything, may extend and expand the asset purchases beyond March.

## Ten-Year Treasury Yield Soars



Immediately following the presidential election, US economic growth prospects improved drastically according to investors. Optimism in the new administration has resulted in a complete reallocation across all asset classes, with some of the largest moves occurring in the bond market as it lost an estimated \$1 trillion in value. Term premia increased significantly as investors sold Treasuries and last week's auction series for 10- and 30-year bonds saw weak demand. Markets will keep a close eye on any shift in tone by President-elect Trump as he makes administrative appointments.

## The Week Ahead

- A host of **Fed officials** are scheduled to speak this week, the most notable speech coming from Fed Chair Janet Yellen as she meets with the Joint Economic Committee of Congress on Thursday
- Numerous important **economic data** points will be released this week, with extra attention on Retail Sales and Inflation metrics

Date	Indicator	For	Forecast	Last
15-Nov	Import Price Index MoM	Oct	0.4%	0.1%
15-Nov	Empire Manufacturing	Nov	-2.5	-6.8
15-Nov	Retail Sales Advance MoM	Oct	0.6%	0.6%
16-Nov	PPI Final Demand MoM	Oct	0.3%	0.3%
16-Nov	Industrial Production MoM	Oct	0.2%	0.1%
16-Nov	Capacity Utilization	Oct	75.5%	75.4%
17-Nov	Housing Starts	Oct	1160k	1047k
17-Nov	CPI MoM	Oct	0.4%	0.3%
18-Nov	Leading Index	Oct	0.1%	0.2%

Source: Bloomberg



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