

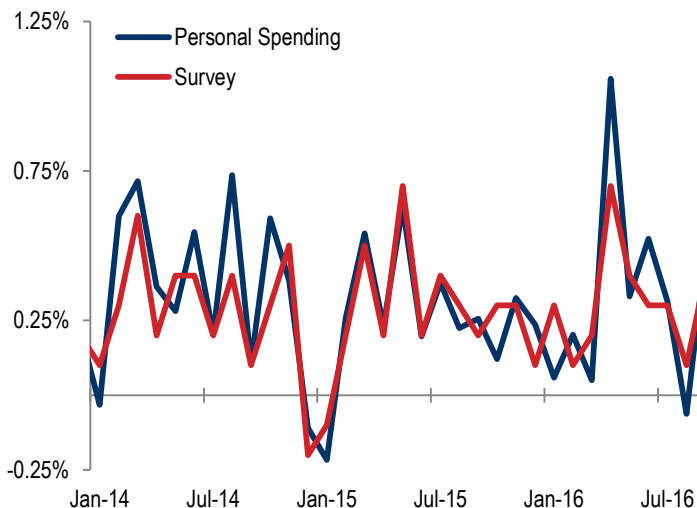
Current Rate Environment

Short Term Rates	Friday	Prior Week	Today's Change
1-Month LIBOR	0.53%	0.53%	0.00% ○
3-Month LIBOR	0.89%	0.88%	0.01% ↑
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	0.86%	0.83%	0.03% ↑
5-year Treasury	1.33%	1.24%	0.09% ↑
10-year Treasury	1.85%	1.74%	0.11% ↑
Swaps vs. 3M LIBOR			
2-year	1.14%	1.11%	0.03% ↑
5-year	1.40%	1.31%	0.09% ↑
10-year	1.76%	1.63%	0.13% ↑

Fedspeak & Economic News:

- US treasury yields and swap rates across the term spectrum continued their steady march higher this past week. Since the beginning of July, the two-year treasury has climbed more than 30 bps to just under 0.85 percent and the ten-year treasury has moved nearly 50 bps to 1.85 percent at Friday's close. On the short end, 1-month and 3-month LIBOR have been impacted by technical changes in the money market mutual fund industry, pushing these benchmark rates to their highest levels since mid-2009.
- The global economy has continued to show positive signs as employment and inflation data show significant progress. Central bankers are optimistic and investors foresee economic gains allowing the major central banks to continue easing the monetary stimulus gas pedal. Additionally, the fallout thus far from Brexit has proved more benign than initially anticipated, though there will certainly be a prolonged period of uncertainty.
- In the US, advance measures of GDP growth for the third quarter came in higher than expected at an annualized rate of 2.9 percent vs. consensus estimates of 2.6 percent. This is a strong rebound from the second quarter growth number of 1.4 percent. The November 1-2 FOMC meeting this week is likely to conclude with no policy action, largely due to a desire on the part of the Fed not to take action so close to the presidential election, and is therefore a point of market interest rather than the focal point of the week. Fedspeak from both dovish and hawkish members of the Fed in the last month point to a hike in December and the statement following the meeting this week may continue preparing markets for that event.
- The Bank of Japan concludes its policy meeting early this week and will be closely watched by market participants. A delay in the Bank's timeline for hitting its two percent inflation goal could be interpreted as signaling the BoJ is done with additional easing measures. No other changes to the current program are expected. In Europe, third quarter GDP and inflation numbers will be reported this week and will hold investor's attention as potentially decisive data points for the ECB's December meeting and the timeline for future QE purchases. Lastly, the Bank of England's Monetary Policy committee meets for the first time since September and will release updated growth and inflation projections. No changes to policy are expected.

Consumer Spending Momentum Climbs



With stellar performance in last week's GDP report, it is no surprise that consumer spending increased 0.5 percent, a solid rebound since August's negative reading. This comes on the heels of rising income, often seen as one of the biggest signs of momentum in the US economy. Accounting for nearly 70 percent of US economic activity, strong consumer spending is a top driver of the overall growth. Going into the last quarter of 2016, the increase bodes well as the holiday spending season gets underway. Signs of increased pressure on wages in Friday's labor market report would serve as a positive precursor for a strong fourth quarter.

The Week Ahead

- The **FOMC** concludes its November meeting on Wednesday; no changes are expected
- The **BoJ** meets this week; the timeline for QE purchases may be updated
- The **BoE** meets for the first time since September; updated growth and inflation projections will be released on Thursday
- Fedspeak** resumes this week following the unofficial "blackout period" with Atl. Fed Lockhart, Governor Brainard, Dallas Fed Harker, and Fed VC Fischer

Date	Indicator	For	Forecast	Last
31-Oct	Personal Income	Sep	0.4%	0.2%
31-Oct	Personal Spending	Sep	0.4%	(0.1%)
1-Nov	Construction Spending MoM	Sep	0.5%	(0.7%)
1-Nov	ISM Manufacturing	Oct	51.7	51.5
3-Nov	Factory Orders	Sep	0.2%	0.2%
3-Nov	Durable Goods Orders	Sep F	(0.1%)	(0.1%)
4-Nov	Change in Nonfarm Payrolls	Oct	175K	156K
4-Nov	Unemployment Rate	Oct	4.9%	5.0%

Source: Bloomberg



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