

Current Rate Environment

Short Term Rates	Friday	Prior Week	Change
1-Month LIBOR	0.44%	0.44%	0.00% ○
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	0.72%	0.87%	(0.15%) ↓
5-year Treasury	1.22%	1.38%	(0.16%) ↓
10-year Treasury	1.77%	1.90%	(0.13%) ↓

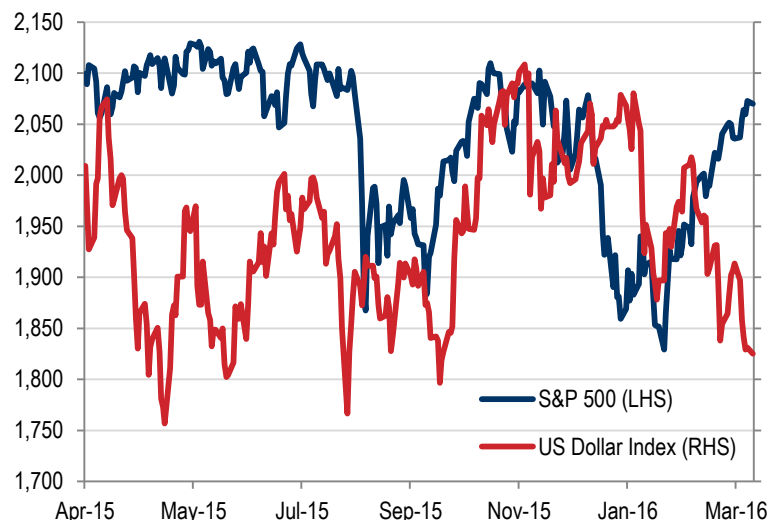
Swaps vs. 3M LIBOR

2-year	0.92%	1.02%	(0.10%) ↓
5-year	1.25%	1.39%	(0.14%) ↓
10-year	1.70%	1.81%	(0.11%) ↓

Fedspeak & Economic News:

- Based on the market's reaction last week, it is clear that Federal Reserve Chair Janet Yellen holds the most sway in influencing monetary policy. In her scheduled speaking engagement on Tuesday, she laid out her current stance on monetary policy that effectively caged the hawks, i.e. the Fed presidents who in the previous week started sounding the alarm bells of imminent policy tightening. Chair Yellen told the Economic Club of New York that while the economy "had proved remarkably resilient," there was room for further improvement. Her comments suggested that a rate hike in April is largely off the table, and eyes have now shifted to the June meeting. She struck some majorly dovish tones in later comments that she "consider(s) it appropriate for the committee to proceed cautiously in adjusting policy". There was also some doubt on Ms. Yellen's part that the recent uptick in her preferred inflation measure will be long-lasting. Market reaction to the overall tone of the speech was instant as equity prices jumped and bond yields fell precipitously with the indication that monetary policy will remain accommodative for longer.
- On Friday, a better than expected jobs report and manufacturing data helped prop up US Treasury yields after the battering earlier in the week. Nonfarm payrolls came in ahead of expectations at +215k vs. consensus of +205k. The rest of the report was also positive as a more attractive and tighter labor market drew in more workers, bumping up the labor force participation rate to 63.0 percent, though it did have the effect of increasing the unemployment rate by 0.1 percent to 5.0 percent. Average hourly earnings also moved into positive territory to a gain of 0.3 percent MoM. Largely as expected, the manufacturing sector moved into expansion territory for the first time in seven months. As the US dollar gained additional relief from Chair Yellen's comments last week, the hope is that exports continue to lift the manufacturing sector.
- On Friday, a widely cited Bloomberg interview with Saudi Prince Mohammed Bin Salman shook confidence in oil markets as the chances for success at the April 17th producer meeting fell. The prince stated that Saudi Arabia would only freeze output if "Iran, Russia, Venezuela, OPEC countries, and all main producers" agreed to freeze production as well. The prince managed to snap markets back to the reality of oversupply from the past few weeks of what some have considered overdone optimism.

Weaker Dollar Lifts All Markets



As domestic economic fundamentals continue to be strong, the unexpectedly dovish stance taken by Chair Yellen puts it closer to the reality of becoming the default global central bank. The comments helped push the dollar to its worst quarterly performance since 2010, a move that few investors expected going into 2016. A weaker dollar benefits not only commodities but also a broad swath of emerging markets, including China, who have sizeable dollar denominated debt issuances.

The Week Ahead

- The **Federal Reserve** will release the minutes from its March 15-16 FOMC meeting on Wednesday
- We will see a decent amount of **Fedspeak** this week, including talks from Chicago Fed President Charles Evans (Tuesday), Fed Chair Janet Yellen (Thursday) and Kansas City Fed President Esther George (Thursday).
- The **ECB** will publish the minutes to its March 10 monetary policy meeting on Thursday
- The **IMF** will release the analytical chapters of its World Economic Outlook on Thursday.

Date	Indicator	For	Forecast	Last
4-Apr	Durable Goods Orders	Feb F	(3.0%)	(2.8%)
4-Apr	Factory Orders	Feb	(1.7%)	1.2%
5-Apr	Trade Balance	Feb	-\$46.2b	-\$45.7b
8-Apr	Wholesale Inventories MoM	Feb	(0.2%)	0.2%

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