



*European credit fears exploded last week as ratings agencies warned of a Greek contagion in the likes of Portugal, Spain, Italy, and Ireland. The markets started the week with some bounce-back, with Treasuries falling and equities ticking higher, but that move proved short-lived as Thursday brought a tremendous selloff. The Dow plummeted nearly 10% in 15 minutes as a series of massive sell orders in Proctor & Gamble led to panic selling. The market recovered much of the losses as the apparent error came to light, but remained shaken for the rest of the week as hard assets, equities, and non-US currencies took it on the chin through Friday. News late Sunday of a nearly \$1-trillion support package from the EU and IMF to its members may settle markets in the near term.

*The Nonfarm Payroll Report in the US on Friday showed a gain of nearly 300,000 jobs, an improvement on a continuing trend of modest job growth. This positive figure was not enough to take market makers' minds off of Europe and the prior day's trading volatility--the VIX rose more than 25% to 40% volatility in the S&P 500, nearly double the level from two weeks prior. US Treasuries could be under pressure this week as the hysteria in the market may abate with the potentially dramatic steps from the EU to stabilize the region's credit woes with government debt purchases and loans to ailing EU nations. Coordinated with the massive bailout is a reopening of the Federal Reserve's dollar swap lines to the central banks of England and Canada, the EU, and Switzerland to improve liquidity. LIBOR continues higher in light of the uncertainty with European sovereigns.

Index Rates	Last	Week Ago	Month Ago	Year Ago
1-mo LIBOR	0.34%	0.28%	0.25%	0.35%
3-mo LIBOR	0.42%	0.35%	0.30%	0.92%
6-mo LIBOR	0.62%	0.55%	0.46%	1.44%
12-mo LIBOR	1.10%	1.04%	0.94%	1.76%
Fed Funds Target	0.25%	0.25%	0.25%	0.25%
Prime Rate	3.25%	3.25%	3.25%	3.25%
SIFMA Muni Swap Index	0.25%	0.30%	0.24%	0.44%

Treasury Rates	Last	Week Ago	Month Ago	Year Ago
2-yr Treasury	0.91%	1.00%	1.04%	0.90%
3-yr Treasury	1.41%	1.52%	1.65%	1.35%
5-yr Treasury	2.30%	2.46%	2.59%	2.02%
7-yr Treasury	3.00%	3.15%	3.29%	2.66%
10-yr Treasury	3.57%	3.68%	3.84%	3.17%
30-yr Treasury	4.44%	4.53%	4.70%	4.19%

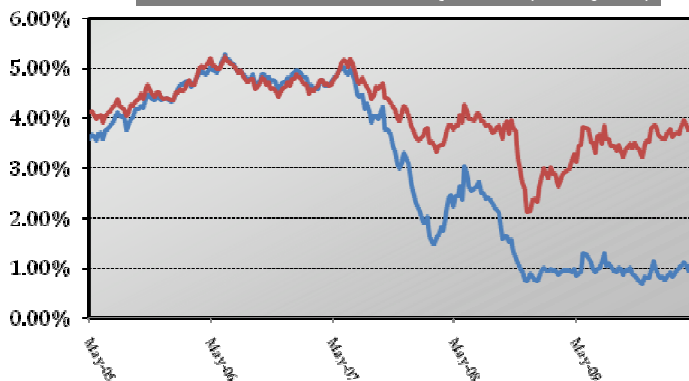
Taxable Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr LIBOR	1.07%	1.15%	1.10%	1.13%
3-yr LIBOR	1.56%	1.69%	1.70%	1.66%
5-yr LIBOR	2.42%	2.55%	2.62%	2.40%
7-yr LIBOR	2.99%	3.11%	3.20%	2.84%
10-yr LIBOR	3.49%	3.59%	3.70%	3.21%

Tax-Exempt Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr SIFMA	0.93%	0.99%	0.95%	1.04%
3-yr SIFMA	1.26%	1.38%	1.36%	1.43%
5-yr SIFMA	1.92%	2.06%	2.06%	2.06%
7-yr SIFMA	2.38%	2.50%	2.52%	2.43%
10-yr SIFMA	2.79%	2.91%	2.93%	2.76%

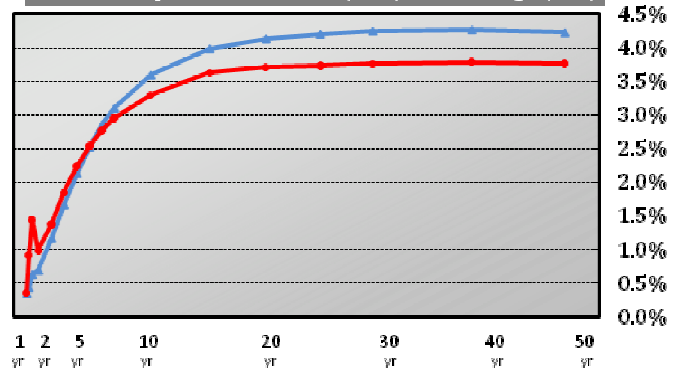
Rate Caps (cost in bps)	Strike = 4.0%	Strike = 5.0%
3-yr LIBOR Cap	58	38
5-yr LIBOR Cap	232	146
7-yr LIBOR Cap	493	320
10-yr LIBOR Cap	897	607

Fwd Implied 3mL Rate	Last	Conventions
Dec. 10	0.81%	LIBOR swaps use 1-month LIBOR mid market, monthly payments, act/360 day count. SIFMA swaps reset weekly and pay monthly, act/act day count. All else equal, amortizing swaps will have lower rates. For % of LIBOR swaps, multiply the % used by the taxable swap rate.
Dec. 11	1.88%	
Dec. 12	2.95%	
Dec. 13	3.83%	

2 Year & 10 Year US Treasury Yields (last 5 years)



LIBOR Swap Curve - Current (Blue) vs. Year Ago (Red)



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Derivative and Debt Advisory Services

Warm regards,

Ryan Kozak, Christopher Hunt, Joseph Momich, and Rex Evans

Cleveland, OH (440-892-8000)

Walnut Creek, CA (925-988-0703)

Miami, FL (954-642-1270)

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