

• The relatively slow data week did not stop markets from producing some volatility and ensuing consolidations in equities and bonds. Peripheral Euro-zone countries are back in the news, as Ireland, Portugal, Spain, and Italy continue to grapple with the issues that have hurt Greece this year. Ireland in particular has seen its CDS spreads and bond yield spreads over German bunds explode to record levels, and preliminary talks with Germany have already commenced over the weekend to find a suitable 'backstop' solution to the Irish debt crisis. The Treasury curve seems little affected by the EU concerns, however, as the belly of the curve rocketed higher by 20+ bps on the week from 3- to 10-year maturities, with the largest and most volatile moves coming Friday as rumors of a Chinese rate hike spooked their equities markets and consumer confidence came in stronger than expected. The Federal Reserve purchased a shade over \$7 billion in Treasuries, mostly in the 5-7 year maturity range, and the market sold off those maturities and continues to do so this morning. The move lower for Treasury bonds came with a bounce in the dollar, a quick shift from the falling trend we have seen in the greenback this year. The much ballyhooed G-20 summit in South Korea left onlookers dissatisfied, with the US and China complaining about each other's current currency policy (US printing too much to devalue and China artificially suppressing its currency's value), and the US was unable to finalize a new trade agreement with South Korea. As the bond market took the day off Thursday in their honor, CP would also like to thank all of our veterans past, present, and future for their courageous service in defending this great Republic.

• Retail sales data is the first big news of the week (UPDATE: up 1.2% MoM vs. 0.7% expectations) and should drive the trading this morning. Manufacturing then takes center stage with the Empire State survey, Business Inventories, and Industrial Production. We get an update on inflation data mid-week in the form of the consumer and producer price indices, which are expected to show slight upticks for inflation on the month, even excluding the recent rise in energy prices. Wednesday will give us some housing data in the form of mortgage applications and housing starts, and Thursday we will see the Leading Indicators report and the Philly Fed Survey, both closely followed gauges of broad economic activity. The Fed will restart its purchasing of Treasuries via its Permanent Open Market Operations (POMO) every day this week, which should influence yield shifts.

Index Rates	Last	Week Ago	Month Ago	Year Ago
1-mo LIBOR	0.25%	0.25%	0.26%	0.24%
3-mo LIBOR	0.28%	0.29%	0.29%	0.27%
6-mo LIBOR	0.44%	0.44%	0.46%	0.52%
12-mo LIBOR	0.76%	0.76%	0.77%	1.09%
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	Call	0.26%	0.27%	0.26%

Treasury Rates	Last	Week Ago	Month Ago	Year Ago
2-yr Treasury	0.51%	0.37%	0.37%	0.81%
3-yr Treasury	0.74%	0.51%	0.56%	1.35%
5-yr Treasury	1.37%	1.09%	1.14%	2.26%
7-yr Treasury	2.00%	1.76%	1.77%	2.95%
10-yr Treasury	2.79%	2.53%	2.43%	3.42%
30-yr Treasury	4.29%	4.12%	3.82%	4.36%

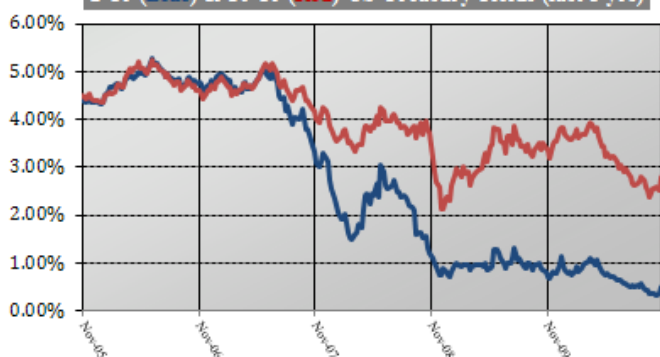
Taxable Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr LIBOR	0.64%	0.45%	0.45%	1.05%
3-yr LIBOR	0.91%	0.65%	0.69%	1.64%
5-yr LIBOR	1.56%	1.27%	1.31%	2.45%
7-yr LIBOR	2.18%	1.91%	1.86%	2.97%
10-yr LIBOR	2.81%	2.56%	2.43%	3.42%

Tax-Exempt Swap Rates	Last	Week Ago	Month Ago	Year Ago
2-yr SIFMA	0.68%	0.50%	0.50%	0.98%
3-yr SIFMA	0.89%	0.66%	0.70%	1.44%
5-yr SIFMA	1.42%	1.17%	1.21%	2.06%
7-yr SIFMA	1.94%	1.69%	1.69%	2.47%
10-yr SIFMA	2.47%	2.25%	2.16%	2.84%

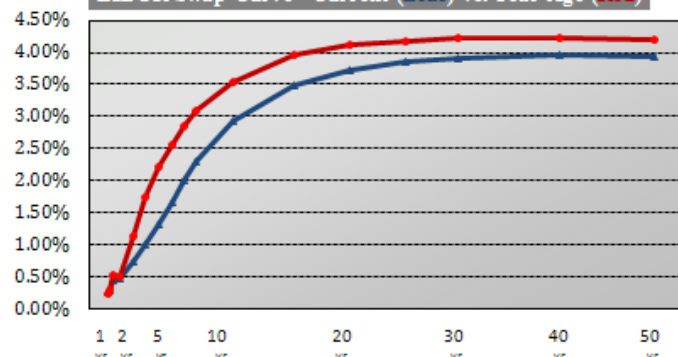
Rate Caps (cost in bps)	Strike = 4.00%	Strike = 5.00%
3-yr LIBOR Cap	39	25
5-yr LIBOR Cap	126	89
7-yr LIBOR Cap	320	221
10-yr LIBOR Cap	682	485

Fwd Implied 3mL Rate	Last	Conventions
Dec. 10	0.33%	LIBOR swaps use 1-month LIBOR, 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	0.81%	
Dec. 12	1.38%	
Dec. 13	2.08%	

2 Yr (Blue) & 10 Yr (Red) US Treasury Yields (last 5 yrs)



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



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Warm regards,

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