

Current Rate Environment

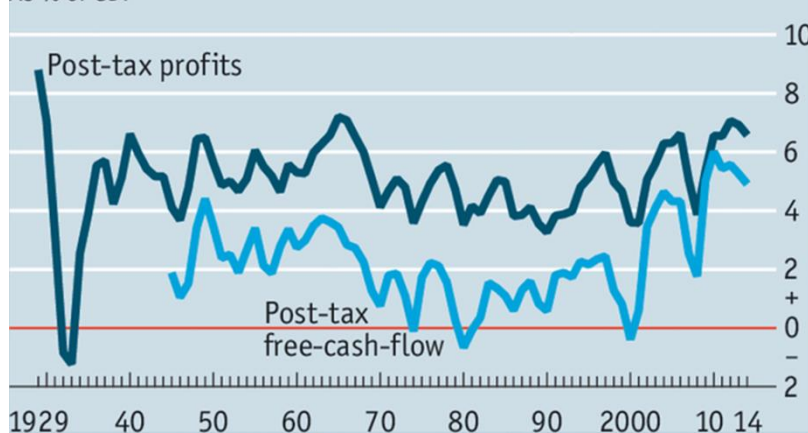
Short Term Rates	Friday	Prior Week	Change
1-Month LIBOR	0.44%	0.44%	0.00% ○
3-Month LIBOR	0.63%	0.64%	(0.01%) ↓
Fed Funds	0.50%	0.50%	0.00% ○
Fed Discount	0.75%	0.75%	0.00% ○
Prime	3.50%	3.50%	0.00% ○
US Treasury Yields			
2-year Treasury	0.87%	0.84%	0.03% ↑
5-year Treasury	1.38%	1.33%	0.05% ↑
10-year Treasury	1.90%	1.87%	0.03% ↑
Swaps vs. 3M LIBOR			
2-year	1.02%	0.97%	0.05% ↑
5-year	1.39%	1.32%	0.07% ↑
10-year	1.81%	1.76%	0.05% ↑

Fedspeak & Economic News:

- As the first quarter of 2016 comes to a close, a thick haze has beset the market as participants attempt to parse through it in search of clarity. Last week's terror attacks in Brussels were an intense reminder of those in Paris last November, putting further pressure on the European Union in the wake of the humanitarian crisis, dim economic growth potential, and will of the EU to battle forces attempting to pull it apart. The impending "Brexit" vote does nothing to alleviate fears of its dissolution. Policy makers from the ECB are also considering possible courses of action to reignite the spark from the recently announced stimulus package that already seems to have faded as inflation expectations and confidence levels fail to show a sustained lift.
- In the United States, a diverse group of hawkish and dovish Federal Reserve governors hit the wire to address the seemingly overly dovish interpretation by the market of the FOMC's March meeting. Comments by influential policy makers such as St. Louis Fed President Bullard and Atlanta Fed President Lockhart sought to prepare markets for a rate hike as soon as April and reiterated that every meeting was "live" regardless of whether there was a scheduled press conference or not. Even Chicago Fed President Evans, arguably the most dovish committee member, commented "currently, given my assessment, two rate increases is not at all unreasonable". Fed Chair Janet Yellen is scheduled to deliver a keynote speech at the Economic Club of New York on Tuesday followed by a Q&A session and will be a focal point for the early part of the week.
- Since the start of the year, the US dollar reversed its trend of strengthening versus the basket of currencies, having now declined by 2.7% since December. The manufacturing sector is poised to benefit on dollar relief, and is already showing signs of improved health. Regional Fed manufacturing reports have thus far been impressive and the ISM Manufacturing survey is expected to indicate an expansion for the first time since September. The mixed signals the Fed has received from the rebound in equities and commodities in March may further cloud its assessment of monetary policy should Friday deliver a pivotal labor market report. The data heavy calendar this week should give us further insight into inflation, consumer confidence, GDP growth, and the housing sector.

Corporate Profits Taper

US domestic corporate profits
As % of GDP



Sources: Bloomberg, The Economist, Bureau of Economic Analysis; Federal Reserve

Though the economy grew more than expected in 4Q2015, at a seasonally adjusted annual rate of 1.4 percent, corporate profits took a hit, slumping 8.1 percent, the most since 2008. Much of the drop was attributed to the stronger dollar affecting manufacturing firms, and lower oil prices that ravaged the energy sector. Also, a large \$20.8 billion penalty payment made by BP for the 2010 Gulf of Mexico oil spill certainly put a significant but no-recurring dent in the numbers. Despite the drop, corporate profits remain near record levels.

The Week Ahead

- Fed Chair Janet Yellen** holds keynote speech on Tuesday at the Economic Club of New York, an event moderated by NY Fed President Dudley. A slew of other Federal Reserve officials are also scheduled to speak throughout the week.
- The **Labor Market Report** for March is released on Friday and could set the tone for monetary policy in 2Q16.

Date	Indicator	For	Forecast	Last
28-Mar	Personal Income	Feb	0.1%	0.5%
28-Mar	Personal Spending	Feb	0.1%	0.1%
28-Mar	PCE Core YoY	Feb	1.8%	1.7%
28-Mar	Pending Home Sales MoM	Feb	1.2%	(3.0%)
29-Mar	Consumer Confidence Index	Mar	94	92.2
1-Apr	Change in Nonfarm Payrolls	Mar	208K	242k
1-Apr	Average Hourly Earnings MoM	Mar	0.2%	(0.1%)
1-Apr	ISM Manufacturing	Mar	50.7	49.5
1-Apr	Construction Spending MoM	Mar	0.1%	1.5%

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