



WEEK ENDING

21 APR

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Global Market Review

Liquidity

US Taxable

Economic data were more mixed this week. Although it remained positive, the Philadelphia Fed Index fell well below consensus estimates, slowing to 18.5 from 43.4 in March. Initial jobless claims last week decreased by a less-than-expected 13,000, to reach 403,000. The four-week moving average remained just below 400,000 but has been trending higher, further demonstrating the slow recovery in the labor markets. March housing data have been better than expected. Building permits rose a healthy 11.2%, with increases in both single and multifamily units. Housing starts and existing-home sales also posted gains over the prior month.

The Federal Open Market Committee (FOMC) meets again next week on Wednesday. No significant changes are anticipated in the committee's statement following the meeting. Following the meeting and for the first time in history, the US Federal Reserve (Fed) chairman will conduct a press conference to provide additional insight into the Fed's policy decisions.

Benchmark money market yields were little changed on this holiday-shortened week. Three-month LIBOR held at 0.27%, while six-month LIBOR rounded down 1 basis point to 0.43%. Recent volatility in overnight funding levels subsided, with repurchase agreement levels climbing back into the high single digits. The ongoing challenge to find yield continued to push investors to reexamine new issuers or extend existing credit lines. Floating-rate notes remain popular, as rates continue to be at LIBOR + levels.

US Tax Exempt

Tax-exempt money fund assets were down \$4.70 billion, bringing total assets to \$312.10 billion. The Securities Industry and Financial Markets Association (SIFMA) Index rose 2 basis points (bps), checking in at 0.27%. Income tax payments continued to drain our market of cash. Subsequently, dealers saw a flurry of Variable Rate Demand Notes (VRDN) put back to them by money funds raising capital. This prompted many dealers to price their

weekly floaters cheap to SIFMA in an effort to get them off the dealers books. There continued to be significant interest from taxable money market funds for municipal VRDN and certain municipal note deals at current levels. The holiday-shortened week saw a quiet new-issue note calendar, with just over \$200 million for sale. The largest deal of the week was Essex County, NJ (MIG1) selling \$40 million, due August 25, 2011, and priced to yield 0.28%. The Municipal Market Data AAA One-Year Index was unchanged at 0.32% in very light secondary trading.

Eurozone

Eurozone		Change (bps)	21 Apr 11	15 Apr 11
LIBOR:	1 Month	4	1.14	1.10
	3 Month	4	1.32	1.28
	12 Month	2	2.08	2.06
	Slope (1-12 Month)	-1	94	96
OIS/LIBOR Spread:	3 Month	-1	16	17
Swap Spread:	2 Year	0	57	56
	5 Year	-1	41	43
Govt Bonds:	2 Year	-6	1.79	1.84
	10 Year	-10	3.28	3.38
	Slope (2-10 Year)	-4	149	153

Current Market Pricing for Key Policy Rate: Market consensus rate increase in 3Q11

Source: Bloomberg

In Europe, the eurozone flash Markit Purchasing Managers Index (PMI) composite rose to 57.8 in April from 57.6 in March. The PMI manufacturing rose to 57.7 from 57.5, and PMI services dropped to 56.9 from 57.2 over the same period. The PMI readings from France were surprising, as both the manufacturing and services PMI rose more than expected. In April, the eurozone flash consumer confidence indicator reported another decrease, falling to -11.4 from -10.6 the previous month, with details of the survey expected to be published on April 29. The European Central Bank (ECB) also reported that the current-account deficit widened to €7.2 billion in February from €5.6 billion (revised) in January.

In Germany, the PPI rose by 0.4% MoM in March after rising 0.7% MoM in February; the PPI fell to 6.2% year-over-year (YoY) from its recent peak of 6.4% YoY in February. The latest German IFO Institute Business

Climate Index for April dropped to 110.4 from 111.1 in March, while the current assessment indicator rose to 116.3 from 115.8 over the same period. The forward-looking expectations balance dropped to 104.7 from 106.5 over the same period. Finally, Sweden's Riksbank tightened policy rates by 25 basis points (bps) to 1.75%, a figure that was in line with market expectations.

UK

United Kingdom		Change (bps)	21 Apr 11	15 Apr 11
LIBOR:	1 Month	0	0.62	0.62
	3 Month	0	0.82	0.82
	12 Month	0	1.59	1.59
	Slope (1-12 Month)	0	97	97
OIS/LIBOR Spread:	3 Month	2	28	26
Swap Spread:	2 Year	0	53	53
	5 Year	2	57	54
Govt Bonds:	2 Year	-6	1.14	1.20
	10 Year	-5	3.55	3.60
	Slope (2-10 Year)	1	241	240
Current Market Pricing for Key Policy Rate:		Market consensus rate increase in 2Q11		

Source: Bloomberg

The minutes of the Monetary Policy Committee (MPC) meeting held in April were released over the week, revealing a 6-3 vote split for base rates to remain stable; the vote breakdown was unchanged from March. The minutes highlighted the upside inflationary risks in the

near term (despite the lower CPI reading in March), given the recent developments in the prices of energy, imported commodities and other goods. There was a marginal shift toward a more dovish stance, as recent data regarding overall private final demand, as well as manufacturing and services activity, were weaker than the MPC expected.

The latest public finance data for March revealed that public borrowing was broadly in line with consensus. Public Sector Net Borrowing (PSNB) was reported at £16.4 billion in March (consensus: £18.7 billion), with February's PSNB revised downward to £7.9 billion from £10.3 billion.

Retail sales activity surprised to the upside, increasing by 0.2% MoM in March after falling sharply in February by 0.9% MoM. The market consensus was for a 0.5% MoM decline in March. Core retail sales increased by 0.2% MoM in March after declining by 1.0% MoM in February.

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