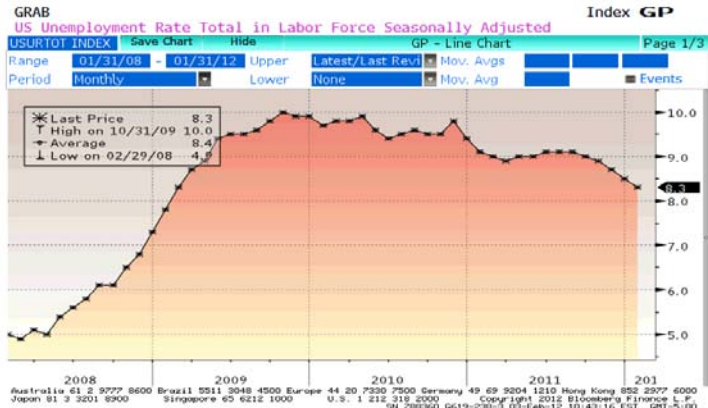


MORNING MARKET COMMENTARY

Friday, February 03, 2012

	Last end of day	Previous end of day
Fed Funds (open)	0.11%	0.10%
3- Month T-Bill	0.081%	0.056%
6-Month T-Bill	0.091%	0.086%
1-Year T-Bill	0.120%	0.117%
2-Year T-Note	0.218%	0.223%
10-Year T-Note	1.819%	1.826%
30-Year T-Bond	3.002%	2.992%
1-Month LIBOR	0.2605%	0.2625%
DJIA ↓ 11.05	12,705.41	12,716.46
Japanese Yen/USD	76.23	76.20
Canadian Dollar/USD	0.999	0.999
USD/Euro	1.315	1.316
Gold-London Fix	1,759.50	1,743.40
Crude Oil	96.36	97.61



February 3, 2012: U.S. 10-Year Yield Rises Most in 6 Weeks as Jobs Exceed Forecast (Bloomberg)

Treasuries fell, pushing 10-Year note yields up the most in six weeks, as the economy added more jobs in January than forecast, boosting speculation the

recovery is gaining traction even as Europe's debt crisis weighs on growth. U.S. 10-year notes erased a weekly gain as employers added 243,000 jobs in January after an increase of 203,000 positions in the previous month, the Labor Department reported today in Washington. The median forecast of 89 economists in a Bloomberg News survey was for an increase of 140,000 jobs. The jobless rate fell to 8.3 percent, the lowest in three years.

"If you are getting this type of data and you're keeping the fed funds rate at zero, you are looking at much higher inflation," said Charles Comiskey, head of Treasury trading at Bank of Nova Scotia in New York, one of 21 firms that trade Treasuries with the Fed. "A falling unemployment rate would make you believe a 3.11 percent bond is extremely expensive. The economy is showing signs of decent improvement and you are clearly seeing better jobs numbers."

The benchmark 10-year note yield rose eight basis points to 1.90 percent. The 2 percent securities maturing in November 2021 fell 22/32, or \$6.88 per \$1,000 face amount, to 100 29/32. The yield is little changed for the week. The yield on the 30-year bond increased 11 basis points to 3.11 percent.

Since Nov. 1, the yield on the 10-year note has been in a range from 1.79 percent to 2.16 percent, even as the unemployment rate has declined for four consecutive months to 8.5 percent in December from 9.1 percent in August. The graph above shows the jobless rate for the past four years.

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