



Index Strategy Market Commentary

Provided by Senior Portfolio Manager

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The Treasury bond market traded higher during the month of December as yields fell one to nineteen basis points across the curve. The yield curve became slightly flatter as the spread between the two-year note and thirty-year bond declined by 14 basis points to 2.66%.

The labor market showed signs of improvement in the second half of 2011 as payrolls added an average of 132,000 jobs per month from July through November. The unemployment rate fell slightly to 8.6% in November. The markets continue to focus on the credit crisis in Europe and the effect it will have on the global economy.

There was no change in monetary policy at the December 13 FOMC meeting. In the minutes for the meeting the Fed said that it will begin to publish its own interest rate forecasts. The target Fed Funds rate has been unchanged since December of 2008. The next FOMC meeting is scheduled for January 25.

The credit sector ended December eight basis points tighter and outperformed duration-matched Treasuries by 83 basis points. Fixed-rate, investment-grade supply for December was \$29.4 billion. Mortgage-backed securities and CMBS also outperformed Treasuries.

Past performance is no guarantee of future results.

Ms. Rogers' comments are provided as a general market overview and should not be considered investment advice or predictive of any future market performance.

Ms. Rogers' views are current as of the date of this communication and are subject to change rapidly as economic and market conditions dictate. Contact BNY Mellon Cash Investment Strategies or your advisor for current information about Ms. Rogers' views of the economy and the markets.

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