INTEREST RATE SWAP POLICY

I. INTRODUCTION

The purpose of this Interest Rate Swap Policy (Policy) of the Riverside County Transportation Commission (RCTC) is to establish guidelines for the use and management of all interest rate management agreements, including, but not limited to, interest rate swaps, swaptions, caps, collars and floors (collectively Swaps or Agreements) incurred in connection with the issuance of bonds, notes and other obligations (collectively, the Bonds).

This Policy sets forth the manner of execution of swaps, provides for security and payment provisions, risk considerations and certain other relevant provisions in the context of being responsive to the 2003 Recommended Practices of the Government Finance Officers Association (GFOA) regarding the contents of an interest rate swap policy. The failure by RCTC to comply with any provision of this Policy shall not invalidate or impair any Agreement.

II. AUTHORITY

RCTC is authorized to issue Bonds and to enter into Swaps from time to time to better manage assets and liabilities and take advantage of market conditions to lower overall costs and reduce interest rate risk.

RCTC has issued this Policy to provide guidance as to how RCTC intends to use and manage Swaps. While it is the intention of RCTC to adhere to this Policy in applicable circumstances, RCTC recognizes that changes in the capital markets and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy which will require modifications or exceptions to achieve policy goals.

The Executive Director and Chief Financial Officer and their authorized designee(s) (the Authorized Representative) are the designated administrators of this Policy. The Governing Board of RCTC (the Board) shall have “oversight” on the approval of each Agreement. However, the Authorized Representative, subject to Board approval, shall have the authority to enter into each Swap. Each Agreement shall be structured by staff and members of the financing team. The Authorized Representative shall have the day-to-day responsibility for implementing and managing the Agreements.

RCTC shall be authorized to enter into Swaps only with qualified counterparties (each a Counterparty). Counterparties shall be selected pursuant to the criteria set forth in this Policy.

This Policy shall be reviewed on an annual basis by the Authorized Representative. Any recommended changes shall be presented to the Governing Board/Budget and Implementation Committee for their consideration.

III. PURPOSE

The issuance of Bonds involves a variety of interest payment obligations and risks that a variety of financial instruments are available to reduce, offset, or hedge. The structure of RCTC's debt is often designed to manage the assets and liabilities on its balance sheet. It is the policy of RCTC to also consider the use of Swaps and other financial instruments to better manage its assets and liabilities. RCTC may execute a Swap if the transaction can be expected to result in one or more of the following or any similar type of benefit:

- Reduce exposure to changes in interest rates on a particular financial transaction or in the context of the management of interest rate risk derived from RCTC's overall asset/liability balance;
- Result in a lower net expected cost of borrowing with respect to the Bonds;
- Manage variable interest rate exposure consistent with prudent debt practices;
- Manage exposure to changing market conditions in advance of anticipated issuance of Bonds (through the use of anticipatory hedging instruments);
- Achieve more flexibility in meeting overall financial objectives that cannot be achieved in conventional markets. For example, entering into a swaption with an upfront payment;
- Provide customized cash flows to match required payment obligations or revenue projections.

RCTC will not use Agreements that:

- Are speculative or create extraordinary leverage;
- Lack adequate liquidity to terminate without incurring a significant bid/ask spread;
- Provide insufficient price transparency to allow reasonable valuation; or
- Provide exposure to currency risk, sovereignty risk, commodity risk or the use of credit—unless directly linked to RCTC's or the Counterparty's credit.

IV. ASPECTS OF RISK EXPOSURE ASSOCIATED WITH SWAPS

Before entering into a Swap, RCTC shall evaluate all the risks inherent in the Agreement. These risks to be evaluated should include basis risk, yield curve/maturity mismatch, tax risk, Counterparty risk, termination risk, rollover risk, liquidity risk and credit risk.

TYPE OF RISK	DESCRIPTION	EVALUATION METHODOLOGY
Basis risk	The mismatch between actual variable rate debt service and variable rate indices used to determine Swap payments. Defines the risk that the normal relationship between indices or prices might change.	RCTC will review and consider based on the historical trading differentials between the indices relevant to the Swap agreement.
Yield Curve/ Maturity Mismatch	This type of position is typically a deliberate arbitrage play or to take advantage of the shape of the yield curve. The risk created when swap payments are based on indices that lie along different parts of the yield curve (e.g. 7-day rates vs. 30-year rates).	RCTC will evaluate historical trading relationships, and make sure to have adequate reserves or a hedging mechanism to offset unexpected movements.

TYPE OF RISK	DESCRIPTION	EVALUATION METHODOLOGY
Tax risk	The risk created by potential tax events that could affect Swap payments.	RCTC will review the tax events in proposed agreements. RCTC will evaluate the impact of potential changes in tax law on LIBOR indexed Swaps.
Counterparty risk	The failure of the Counterparty to make required payments.	RCTC will monitor exposure levels, ratings thresholds, and collateralization requirements.
Termination risk	The need to terminate the Agreement in a market that dictates a termination payment by the issuer.	RCTC will compute its termination exposure for all existing and proposed Swaps at market value and under a worst-case scenario.
Rollover/ Mismatch risk	The mismatch of the maturity of the Swap and the maturity of the underlying Bonds.	RCTC will determine its capacity to issue variable rate bonds that may be outstanding after the maturity of the Swap.
Liquidity risk	The inability to continue or renew a liquidity facility.	RCTC will evaluate the expected availability of liquidity support for swapped and unhedged variable rate debt.
Credit risk	The occurrence of an event modifying the credit rating of the Issuer or its Counterparty.	RCTC will monitor the ratings of its Counterparties and guarantors.

Risk exposure should not be measured solely in terms of notional amount, but rather how changes in interest rates would affect RCTC's exposure on all of its Swaps (as measured by mark-to-market and termination risk exposure).

The **mark-to-market** and **termination value** of the entire swap portfolio should be measured at least **semi-annually** by an independent third party. In addition, RCTC should measure the termination risk for the respective Counterparty each time it enters into a new Agreement.

Termination Value Risk Limit

The aggregate termination payment risk for all existing and projected Swaps shall equal that amount that would be paid by an individual Counterparty based on the reasonably expected termination payment of the proposed Counterparty for the existing swaps and the proposed swap.

The method of such analysis may provide a worst-case termination value, using a methodology such as a (Value At Risk) VAR Analysis or a parallel yield curve sensitivity analysis PV(01) method.

Maximum Counterparty Termination Value

RCTC shall endeavor to diversify its exposure to Counterparties. To that end, before entering into an Agreement, it should determine its exposure to the relevant Counterparty and determine how the proposed Agreement would affect RCTC's additional risk to termination.

Maximum Counterparty Termination Exposure refers to the aggregate mark-to-market exposure to a counterparty net of the mark-to-market value of any collateral pledged to RCTC by such counterparty.

RCTC's goal is to limit its Maximum Counterparty Termination Exposure attributable to a single swap counterparty, as set forth below.

Counterparty Long-Term Rating (lower prevailing)	Maximum Termination Value Exposure*
AAA	$75 Million
AA	$50 Million
A	$25 Million

* The table above provides general exposure guidelines with respect to whether RCTC should enter into an additional agreement with an existing Counterparty. RCTC may make exceptions to the guidelines at any time to the extent that the execution of a Swap achieves one or more of the outlined benefits in this Policy or provides other benefits to RCTC. These limits shall only apply as of the time a Swap or related transaction, such as a cap, collar, etc. is entered into, and thus may be exceeded during the term of a Swap or Swaps with the same Counterparty.

Additional limits may be established for each Counterparty as well as the relative level of risk associated with each existing and projected Swap.

Case-by-Case Analysis

RCTC should also take into account RCTC's financial position and overall asset/liability management strategy when evaluating its termination exposure for each transaction.

The Authorized Representative shall determine the appropriate term for a Swap on a case-by-case basis. The slope of the swap curve, the marginal change in swap rates from year to year along the swap curve, and the impact that the term of the swap has on the overall exposure of RCTC in connection with its Bonds shall be considered in determining the appropriate term of any Swap. In connection with the issuance of Bonds, the term of a Swap shall not extend beyond the final maturity date of the applicable issue of Bonds, or in the case of a refunding transaction, beyond the final maturity date of the refunding Bonds.

The total net notional amount of all Swaps related to an issue of Bonds should not exceed the amount of the related outstanding Bonds. For purposes of calculating the net notional amount, credit shall be given to any Swaps that offset for a specific bond transaction.

V. LONG-TERM IMPLICATIONS

In evaluating a particular transaction involving the use of swaps, RCTC shall review long-term implications associated with entering into each agreement, including costs of borrowing, historical interest rate trends, variable rate capacity, credit enhancement capacity, liquidity capacity, opportunities to refund related debt obligations and other similar considerations.

IMPACT OF USE OF LIQUIDITY

RCTC shall consider the impact of any variable rate bonds issued in combination with a Swap on the availability and cost of liquidity support.

CALL OPTION VALUE CONSIDERATIONS

When considering the relative advantage of variable rate bonds issued in combination with a Swap versus fixed rate Bonds, RCTC will take into consideration the value of any call option on fixed rate Bonds. When comparing potential cost savings by utilizing a swap, RCTC should take into consideration that a synthetic fixed-rate swap does not usually have an optional call provision; and therefore, should evaluate the potential impact on future cost savings and flexibility.

QUALIFIED HEDGES

RCTC understands that, (1) if payments on and receipts from the Agreement are to be taken into account in computing the yield on the related Bonds, the Agreement must meet the requirements for a "qualified hedge" under federal tax law (sometimes referred to as an "integrated" Swap); and (2) if one of the goals of entering into the Agreement is to convert variable yield bonds into fixed yield bonds (sometimes referred to as a "super integrated swap"), then certain additional requirements must be met. In both of these situations, the terms of the Agreement and the process for entering into the Agreement must be reviewed and approved in advance by tax counsel.

VI. QUALIFIED SWAP COUNTERPARTIES

Unless approved by the Board, RCTC will work with qualified Swap Counterparties that have a general credit rating of: (i) at least "Aa3" or "AA-" by two of the nationally recognized rating agencies and not rated lower than "Aa3" or "AA-" by any nationally recognized rating agency, or (ii) at least "A1" or "A+" by two of the nationally recognized rating agencies and has a continuing "AAA" subsidiary as rated by at least two nationally recognized credit rating agencies. The nationally recognized rating agencies are Moody's Investors Services, Inc., Standard and Poor's Rating Services and Fitch Ratings.

Swap Counterparties must have a demonstrated record of successfully executing Swap agreements as well as minimum capitalization of at least $500 million.

Swap Counterparties should serve as principal on each transaction not as "agent" in order to assure most efficient pricing and direct responsibility.

In addition to the rating criteria specified herein, RCTC will seek additional credit enhancement and safeguards in the form of:

Contingent credit support or enhancement;
Collateral consistent with the policies contained herein;
Ratings downgrade triggers;
Guaranty of parent, if any; and/or
Replacement Swap Agreements.

VII. FORM OF SWAP AGREEMENTS

It is RCTC's intention to have a form of Swap Agreement to be used in all Swap Agreements, modified as necessary to meet the needs of a particular transaction. The form of the Agreement executed by RCTC shall contain terms and conditions as set forth in the International Swap and Derivatives Association, Inc. (ISDA) Master Agreement, including any schedules, and confirmations. All Agreements shall be subject to the approval of the Authorized Representative The Agreements shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions and provisions as the Authorized Representative deems necessary or desirable.

RCTC may use legal counsel and/or outside professional advisors to assist in preparation of the swap documents.

VIII. TERMINATION PROVISIONS

RCTC shall consider including in all Agreements provisions granting RCTC the right to optionally terminate an Agreement at any time over the term of the Agreement. Any termination of an Agreement shall be made by the Authorized Representative.

A termination event is deemed to occur should the Swap Counterparty (or its credit support provider) fail to maintain the ratings below and the Swap Counterparty has not delivered any collateral as required under the Credit Support Annex with RCTC:

1. Credit Rating of at least “Baa1” from Moody's; or
2. Credit Rating of at least “BBB+” from S&P; or,
3. Credit Rating of at least “BBB+” from Fitch
4. An equivalent rating determined by a nationally recognized ratings service acceptable to both parties.

Furthermore, an additional termination event is deemed to occur should the Swap Counterparty (or its credit support providers) have one or more outstanding issues of rated unsecured, unenhanced senior debt and none of such issues has a rating of at least (i) Baa2 or higher as determined by Moody’s Investors Service, Inc., or (ii) BBB or higher as determined by Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc. or (iii) an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties.

A termination payment to or from RCTC may be required in the event of termination of an Agreement due to a default or a decrease in credit rating of either RCTC or the Swap Counterparty.

It is the intent of RCTC to avoid making a termination payment out of available RCTC funds to a Counterparty that does not meet its contractual obligations. Prior to making any such termination payment, the Authorized Representative shall evaluate whether it is financially advantageous for RCTC to obtain a replacement Counterparty to avoid making such termination payment or finance the termination payment through a long-term financing product.

For payments on early termination and optional termination, Market Quotation and the Second Method, as defined in the 1992 Form of the ISDA will apply.

IX. SECURITY AND SOURCE OF REPAYMENT

While RCTC has a preference to subordinate swap payments to debt service payments, RCTC may use the same security and source of repayment (*pari pasu*) for the Swap as is used for the underlying Bonds. RCTC shall subordinate the termination payment under the swap to the debt service on the underlying bonds. RCTC shall consult with Bond Counsel regarding the legal requirements and compliance with RCTC’s legal documentation associated with making the payments under the Swap on a parity or non-parity basis with the applicable outstanding Bonds.

X. SPECIFIED INDEBTEDNESS

The specified indebtedness related to credit events in any Agreement should be narrowly defined and refers only to indebtedness of RCTC that could have a materially adverse effect on RCTC’s ability to perform its obligations under the Swap. Debt should typically only include obligations within the same, or higher, lien as the Swap obligation.

XI. GOVERNING LAW

Governing law for Swaps may be New York or California, except that the capacity, power and authority of RCTC to enter into a Swap shall be governed by and construed in accordance with law of the State of California.

XII. EVENTS OF DEFAULT

Events of default of a Swap Counterparty shall include, but are not limited to the following:

1. Failure to make payments when due;
2. Breach of representations and warranties;
3. Illegality;
4. Failure to comply with downgrade provisions and/or provide collateral as required; and
5. Failure to comply with any other provisions of the Agreement after a specified notice period.

XIII. COLLATERAL REQUIREMENTS

As part of any Agreement, RCTC may require, or be required to post collateral or other credit enhancement to secure any or all Swap payment obligations. As appropriate, the Authorized Representative may require collateral or other credit enhancement to be posted by each Swap Counterparty under the following circumstances:

- Each Swap Counterparty may be required to post collateral if the credit rating of the Swap Counterparty or parent falls below the "A- or A3". Collateral for further decreases in credit ratings of each Swap Counterparty shall be posted by each Swap Counterparty in accordance with the provisions contained in the credit support annex to each Agreement.
- Collateral shall consist of cash, U.S. Treasury Securities, or Agency Securities.
- Collateral shall be deposited with a third party trustee, or as mutually agreed upon between RCTC and each Swap Counterparty.
- A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the Agreement.
- The market value of the collateral shall be determined on at least a monthly basis.
- RCTC will determine reasonable threshold limits for increments of collateral posting based on a sliding scale reflective of credit ratings.
- The Authorized Representative shall determine on a case-by-case basis whether other forms of credit enhancement are more beneficial to RCTC.

XIV. OTHER CRITERIA

RCTC may select a Swap Counterparty through either a competitive or negotiated process. The selection of a Swap Counterparty shall be done on a case-by-case basis. The conditions to be considered in determining the process shall include:

- Traditional swap or financial products such as synthetic fixed-rate swaps, reverse swaps caps, floors, collars, and swaptions are without significant deviations from standard ISDA contract.
- The proposed structure does not require customized features.
- Several counterparties are eligible and willing to provide bid(s).
- Terms of the swap match the underlying bond structure (i.e. same or shorter maturity, payment dates, amortization schedule).

- Marketing of the Swap will require complex explanations about the security for repayment or credit quality.
- Demand is limited among Swap Counterparties.
- Coordination of multiple components of the financing is required.
- The Swap has non-standard features, such as one way collateral.
- Bond insurance is not available or not offered.
- Counterparty risk (termination exposure) to other providers is limited.
- Counterparties are likely to demand individual changes in bid documents.
- A Swap Counterparty has provided a structure or concept that is unique.
- The timing and facilitation benefit to RCTC of using a Swap Counterparty that is also managing an accompanying bond issue.
- The transaction structure or financing structure has been developed for RCTC by a Counterparty, and RCTC has determined that it is in its best interest to proceed with proposed transaction or a similar structure.

RCTC shall use outside professional advisors to assist in the price negotiation. RCTC shall obtain an opinion from an independent party that the terms and conditions of any financial product entered into reflect a fair market value as of the execution date.

XV. ONGOING REPORTING REQUIREMENTS

Quarterly the Chief Financial Officer shall report to the Board on all swap and derivative activity taken by RCTC and provide the credit ratings of each swap counterparty. Written records noting the status of all Agreements will be maintained by RCTC and shall include the following information:

- Highlights of all material changes to Agreements or new Agreements entered into by RCTC since the last report, and a summary of any Agreements that were terminated.
- Basic term sheet containing trade date, effective date and termination date of each of the Agreement, as well key terms such as: notional amount, rate paid by each Counterparty, day count basis, payment dates, and amortization/accretion schedules. This term sheet will also contain Counterparty contact information.
- Most recent (at least annually) mark-to-market valuation, performed by an independent third party advisor.
- For each Swap Counterparty, shall provide the total notional amount position, the average life of each Agreement, the available capacity to enter into a Swap, and the remaining term of each Agreement.
- The credit rating of each Swap Counterparty and credit enhancer insuring the Swap payments.
- Actual collateral posting by the Swap Counterparty, if any, per Agreement and in total by Swap Counterparty.
- Information concerning any default by a Swap Counterparty and the results of the default, including but not limited to, the financial impact to RCTC if any.

RCTC shall reflect the use of derivatives on its financial statements in accordance with GASB Technical Bulletin No. 2003-1. The disclosure requirements include: (1) objective of the derivative; (2) significant terms; (3) fair value; (4) associated debt; and (5) risks.

GLOSSARY OF TERMS

Agency Security – Negotiable debt obligations which are issued and/or guaranteed as to both principal and Interest by the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), or the Government National Mortgage Association (GNMA) excluding interest only securities, principal only securities, residual interest, and Collateralized Mortgage Obligations (CMOs).

Amortization Risk - Amortization risk refers to the cost of servicing debt or making swap payments due to a mismatch between the bonds and the notional amount of the related outstanding Swap.

Basis Risk - Basis risk refers to a mismatch between the interest rate received from the swap contract and the interest actually owed on RCTC's bonds. The risk, for example, in a floating to fixed rate swap is that the variable rate interest payments will be less than the variable interest payments actually owed on the associated bonds.

BMA Index - The Bond Market Association Municipal Swap Index, the principal benchmark for short-term, tax-exempt rates among municipal issuers. A market basket index of over 200 actively traded, highly rated, non-AMT tax-exempt variable rate issues that reset their rates every Wednesday.

Confirmation – A form that is executed for a specific swap or financial product transaction and details the specific terms and conditions applicable to that agreement (fixed rate, floating rate index, payment dates, calculation methodology, amortization, maturity date, etc.).

Continuing AAA subsidiary – A wholly owned subsidiary of a Bank or Broker/Dealer organized to transact business as a "AAA" Counterparty to eligible clients. Eligible clients are those clients acceptable to the rating agencies. To the extent a "Trigger Event" occurs, the entity will maintain all of its Agreements to their original maturity with the assistance of an independent derivatives portfolio manager. A Trigger Event is typically a downgrade of the parent company, a bankruptcy of the parent company, failure to make a payment and/or failure to deliver collateral.

Counterparty - A principal to a swap or other derivative agreement, as opposed to an agent such as a broker.

Counterparty Risk - The risk that the swap Counterparty will not fulfill its obligations as specified by the terms of an ISDA Master Agreement or other similar contract. Under a fixed payer swap, for example, if the Counterparty defaults, RCTC would be exposed to an unhedged variable rate bond position. The creditworthiness of the Counterparty is indicated by its credit rating. RCTC has established minimum rating criteria for swap counterparties.

Credit Risk – The occurrence of an event modifying the credit rating of RCTC or its Counterparty. Credit Events can trigger certain termination provisions or collateral provisions as outlined in the Agreements.

Credit Support Annex – An attachment to the ISDA that covers the mutual posting of collateral, if required. This schedule is based on the net mark-to-market values of the cash flows in the swap.

Forward Starting Swap - An interest rate swap in which the "swap coupon" and terms of the agreement are established today, but the start of the swap is delayed until some date in the future.

Hedge - A position taken in order to offset the risk associated with some other position. Most often, the initial position is a cash position and the hedge position involves a risk-management instrument such as a swap.

Interest Rate Cap - An instrument that pays off on each settlement date based on the market value of a reference rate (i.e. BMA or LIBOR) and a specified contract rate; effectively establishing a maximum on a variable rate.

Interest Rate Collar – An instrument that provides protection within a band of interest rates; a combination of purchasing an Interest Rate Cap and selling Interest Rate Floor. Generally, it is structured so that the net cost of the collar is zero or close to zero. This means that the expense for the interest rate cap premium is offset by the credit received for the interest rate floor.

Interest Rate Floor - An instrument that pays off on each settlement date based on the market value of a reference rate (i.e. BMA or LIBOR) and a specified contract rate; effectively establishing a minimum on a variable rate.

Interest Rate Risk - The risk that variable rates will increase and thereby cause an increase in variable rate debt service costs and negatively impact cash flow margins.

Interest Rate Swap - A contract between two parties to exchange cash flows over a predetermined length of time. Cash flows are calculated periodically based on a fixed or variable interest rate against a set notional amount (amount used only for calculation of interest payments). Principal is not exchanged.

ISDA - The International Swap Dealers Association - The global trade association whose members are dealers in the derivatives industry. Most Swaps are executed under standard documentation created by ISDA.

ISDA Master Agreement - The primary document for the terms and conditions governing the swaps market. The ISDA Master Agreement contains the terms for events of default, termination events, representations and covenants, early termination provisions and payment calculations.

LIBOR - The London InterBank Offered Rate. The rate at which banks will lend Eurodollars to each other over various length terms: (e.g., 1-month, 3-month, 6-month, 12-month etc.). The most active dollar-based taxable interest rate benchmark utilized globally.

Notional Amount - The stipulated principal amount for a swap transaction. There is no transfer of ownership in the principal for a swap; but there is an exchange in the cash flows for the designated coupons.

Rollover Risk - The risk that the term of the swap contract does not match the term of the related bonds being hedged. Upon the maturity of the swap, the risk may need to be re-hedged, causing RCTC to incur re-hedging costs.

Schedule to the ISDA Master Agreement – An attachment(s) to the ISDA Master Agreement that specifies what options for the various terms in the Master Agreement have been selected to govern the derivative transactions executed under the agreement.

Swap – A contractual agreement evidenced by a single document in which two or more parties agree to exchange make periodic (net) payments for an agreed period of time based upon a notional amount of principal.

Swaption - An option on a swap. The swaption purchaser has the right to enter a specific swap for a defined period of time. This option can be exercised on a specific exercise date or series of exercise dates.

Tax Risk - All issuers who issue tax-exempt variable rate debt inherently accept risk stemming from changes in marginal income tax rates. This is a result of the tax codes impact on the trading value of tax-exempt bonds. As marginal tax rates decline, the after tax value of tax-exempt income declines, forcing the tax-exempt rates to increase. This risk is also known as a "tax event" risk, a form of basis risk under swap contracts. Percentage of LIBOR swaps and certain BMA swaps with tax event triggers, which can change the basis under the swap to a LIBOR basis from BMA, can expose issuers to tax event risk.

Termination Risk - The risk that the swap could be terminated as a result of any of several events, which may include a ratings downgrade for RCTC or the swap Counterparty, covenant violation by either party, bankruptcy of either party, swap payment default by either party, and default events under a bond indenture. RCTC could owe a termination payment to the Counterparty or receive a termination payment from the Counterparty, depending on how interest rates at the time of termination compare with the fixed rate on the swap.

Yield Curve - Refers to the graphical or tabular representation of interest rates across different maturities. The presentation often starts with the shortest-term rates and extends towards longer maturities. It reflects the market's views about implied inflation/deflation, liquidity, economic and financial activity, and other market forces.