

## Financial Highlights

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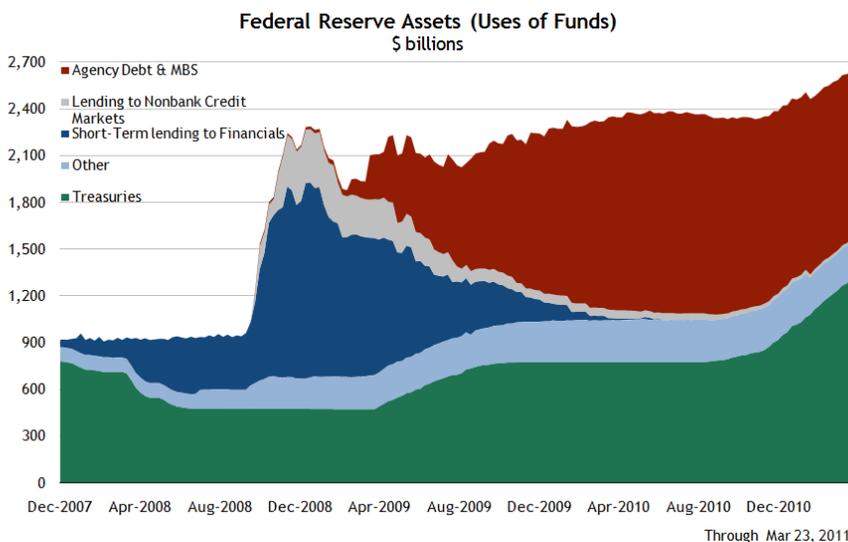
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# Federal Reserve

## Summary

The balance sheet increased by \$18.5 billion for the week ended March 23.

Since November 10, the balance sheet has increased \$290 billion.



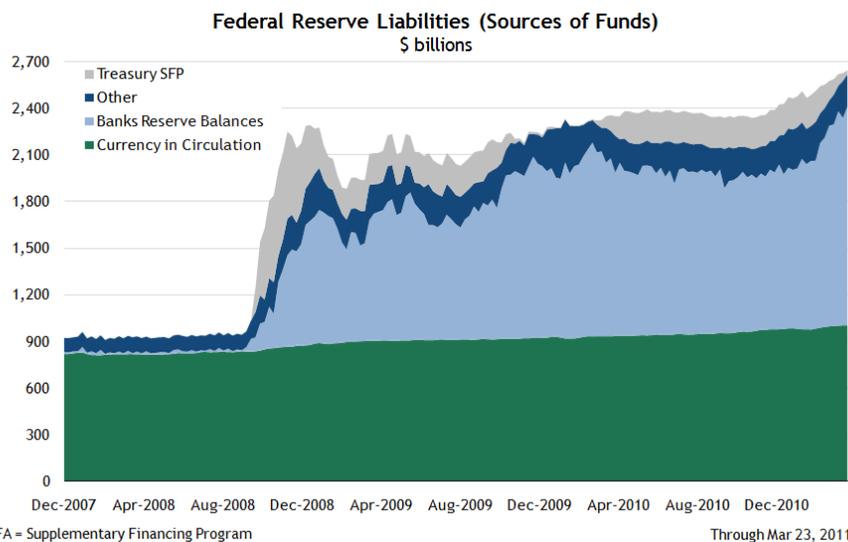
Source: Federal Reserve Board

- Treasuries increased by \$25 billion while agency debt and MBS declined \$8 billion. Since November 10, Treasury securities have grown by \$452 billion while agency debt and MBS have shrunk by \$124 billion.
- According to the [New York Fed's tentative outright Treasury operation schedule](#), the desk plans to purchase approximately \$102 billion between mid-March and mid-April.
- Growth in the balance sheet will fluctuate from week to week as a result of the volatility of MBS prepayments.

Bank reserve balances with the Federal Reserve declined \$73.6 billion while Treasury deposits with Federal Reserve Banks (part of "Other") increased \$29.7 billion.

The [Treasury Supplemental Financing](#) account declined by \$25 billion for the seventh consecutive week.

As of March 23, 2011, bank reserve balances are \$1.4 trillion.



SFA = Supplementary Financing Program

Source: Federal Reserve Board

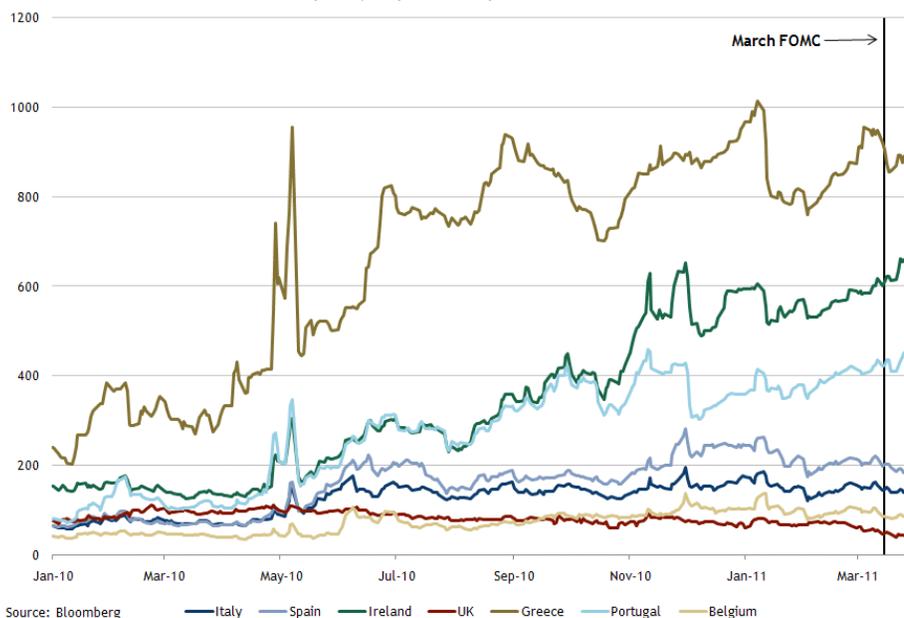
- The Treasury has announced that the Supplemental Financing Program (SFP) will be [reduced to \\$5 billion](#) to "[provide flexibility](#)" and delay the national debt from hitting the current ceiling of \$14.29 trillion.
- The Treasury SFP was also reduced from \$200 billion to \$5 billion over the period September 23, 2009, to December 30, 2009, for the same reason.

**Assets:** Lending to nonbanks—TALF, CPFF, AMLF, and MMIFF; Short-term lending to financials—discount window, TAF, currency swaps, PDCF, and repos; Misc.—Maiden Lanes I, II, and III, credit to AIG, and other Fed assets. **Liabilities:** Other—Reverse repos, Treasury cash holdings, and deposits with Federal Reserve Banks other than reserve balances and excluding the Supplementary Financing Program.

## Summary

Most peripheral European bond spreads (over German bonds) continue to be elevated, particularly those of Greece, Ireland, and Portugal, with the latter two countries seeing their financial situations worsening.

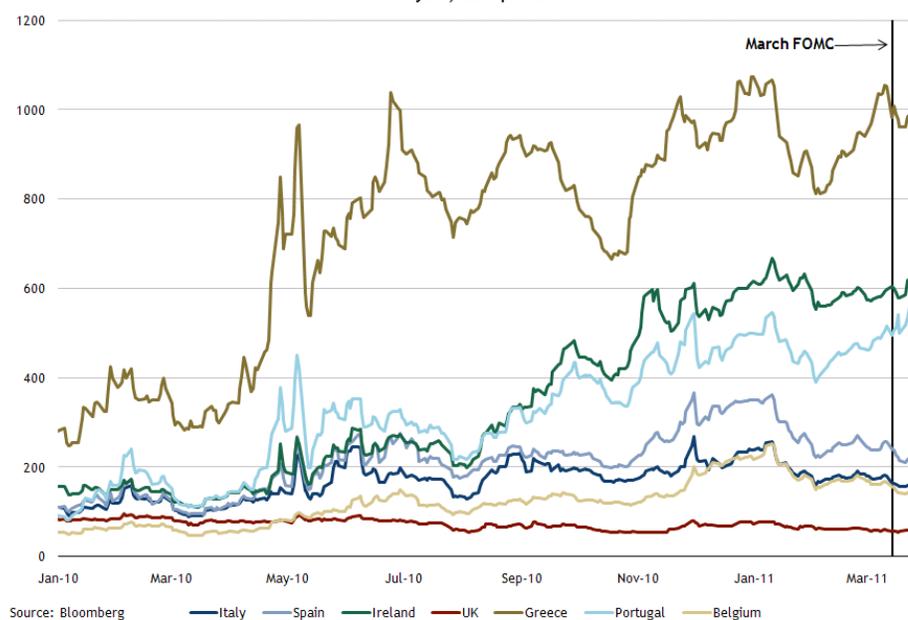
**European Bond Spreads**  
Basis points, 10-year bond spread to German bonds



- Since the March FOMC meeting, the 10-year Greece-to-German bond spread has declined by 38 basis points (bps), through March 29. Also, the Spanish spread has declined by 17 bps.
- However, the spread for Ireland and Portugal has risen by 49 bps and 44 bps, respectively.

The CDS spread on Portuguese debt has widened some 70 basis points (bps) since the March FOMC meeting, while those on Greece and Irish debt continue to be high.

**European CDS Spreads**  
5-year, basis points



# Consumer Credit

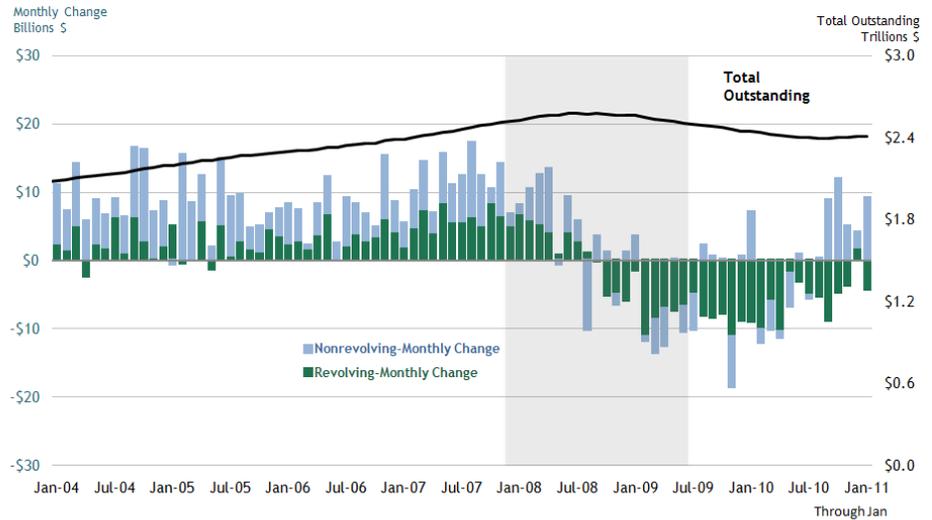
## Summary

Consumer credit outstanding increased \$5 billion in January.

Nonrevolving credit increased \$9.2 billion while revolving credit decreased \$4.2 billion.

Revolving credit has declined 18% since its peak in August 2008. Nonrevolving credit outstanding on the other reached an all time high in January, at \$1.616.8 trillion.

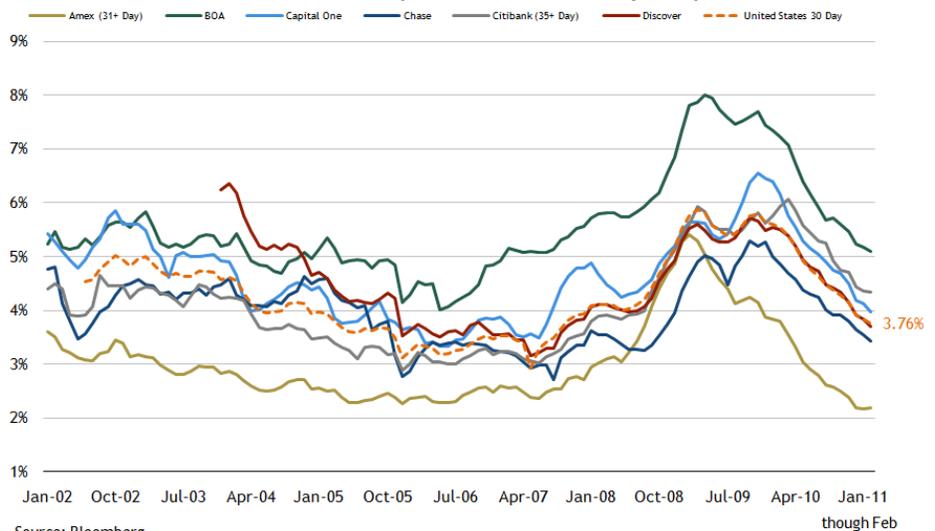
SA Consumer Credit  
Monthly Change & Total Outstanding



Source: Federal Reserve Board

Thirty-day delinquency rates on credit cards continue to decline among major card issuers in the United States.

United States 30+ Day Credit Card Delinquency Rates



Source: Bloomberg

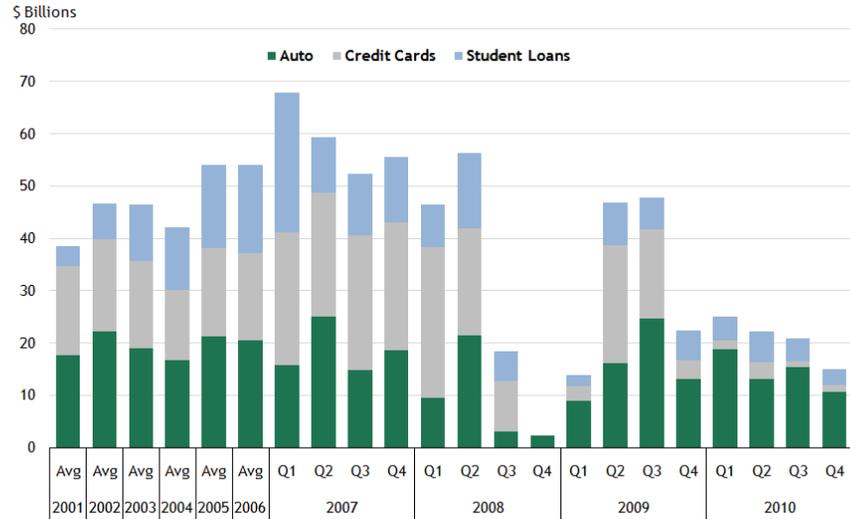
# Consumer Credit

## Summary

Issuance of securitized consumer related debt remains at about half of prerecession levels.

Issuance of securitized credit card debt is especially low when compared to prerecession levels. In 2010, \$7.4 billion was issued compared to an average of \$65.7 billion a year over the 2001-06 period.

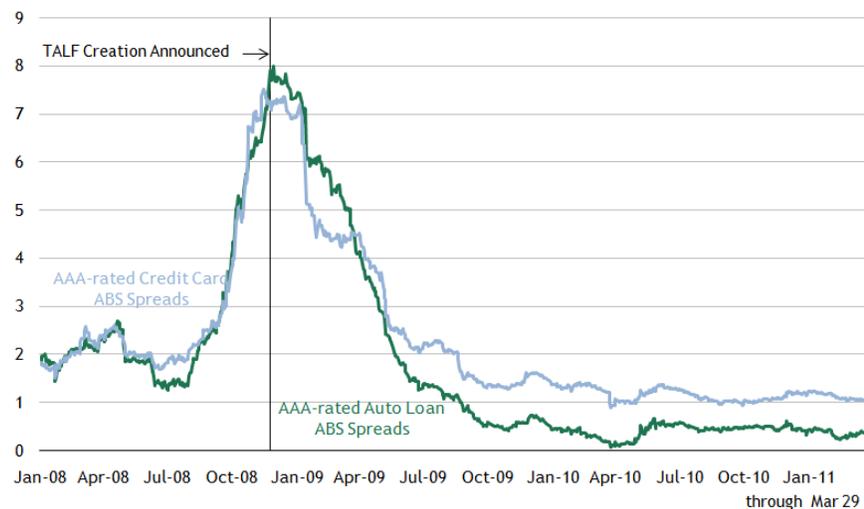
### Consumer ABS Issuance



Source: SIFMA, Bloomberg

Consumer ABS yield spreads over two-year Treasuries have remained relatively stable since June 2010.

### AAA-rated Consumer ABS Yield Spreads over 2-year Treasury basis points

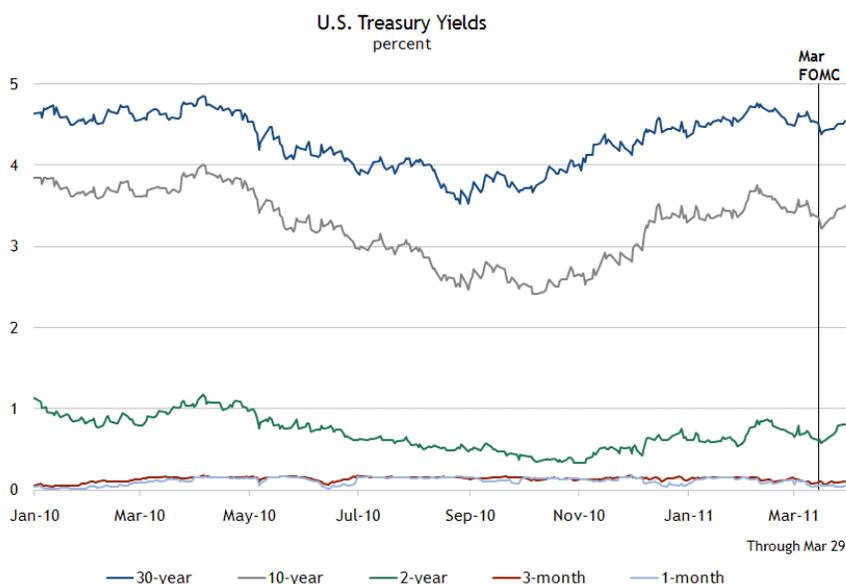


Source: Bloomberg and Merrill Lynch

# Broad Financial Market Indicators

## Summary

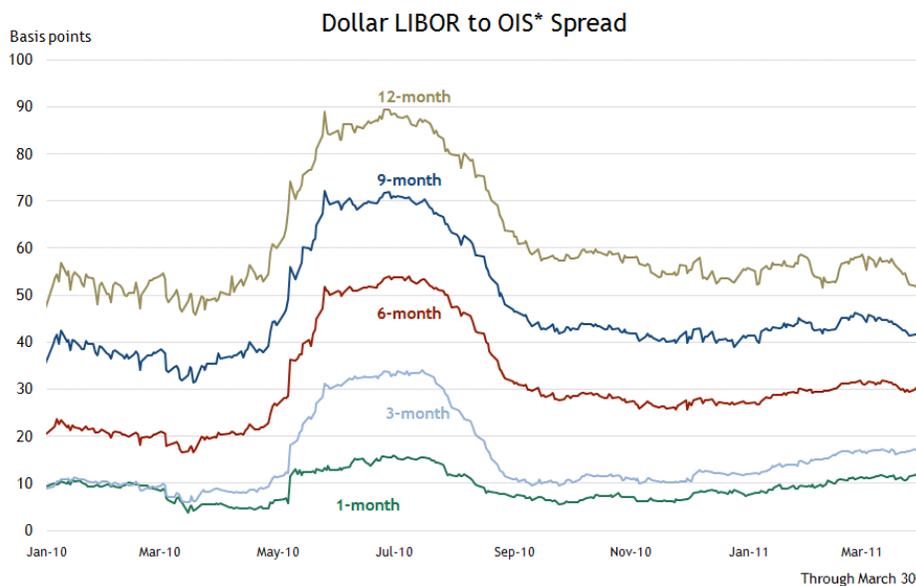
The 10- and two-year note yields have risen strongly since the March FOMC meeting.



Source: Federal Reserve Board/Haver Analytics

- Since the FOMC meeting on March 15, the 30-year Treasury bond yield is up 2 bps to 4.54%, the 10-year note's yield is higher by 14 bps to 3.50%, and the two-year note is up 20 bps, to 0.81%.

LIBOR to OIS spreads are up about a basis point since the March FOMC meeting, with the one- and three-month spreads at 12.2 bps and 17.8 bps, respectively.



Source: British Bankers Association/Bloomberg

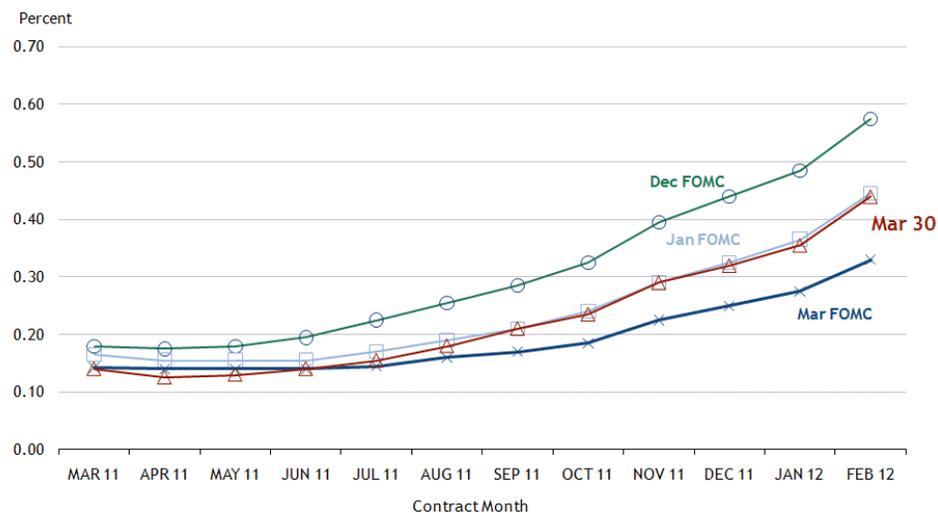
\*Overnight Index Swap rate

# Broad Financial Market Indicators

## Summary

The curve of expected rates has moved higher over the past week and is now closer to what prevailed following the January FOMC meeting.

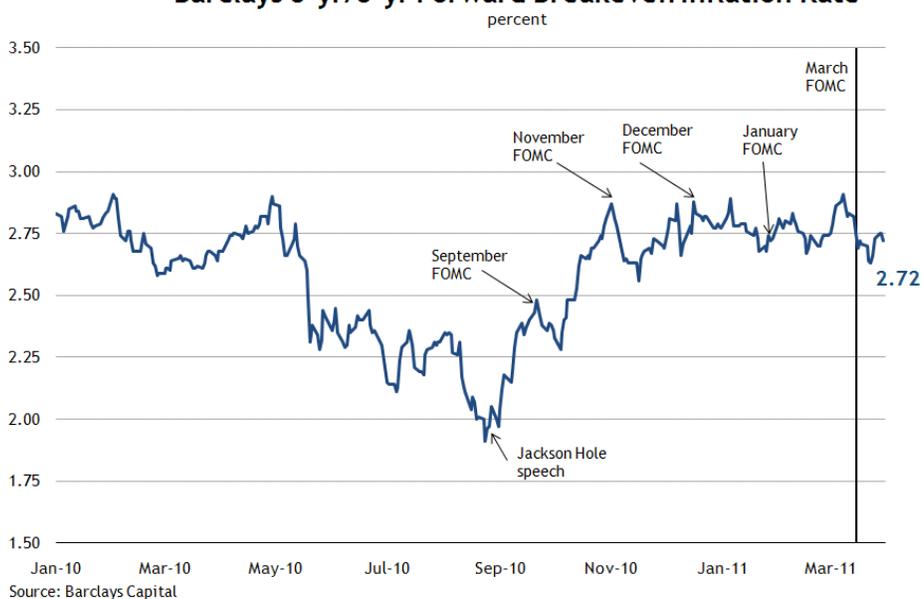
### Fed Funds Futures Rates



- As of March 30, 2011, the futures market for fed funds indicates an implied rate of about 44 bps for the February 2012 contract, up 11 bps from the March FOMC meeting and is tracking almost exactly the curve that followed after the January FOMC meeting.

Breakeven inflation rates have risen over the past week, after dropping significantly beforehand.

### Barclays 5-yr/5-yr Forward Breakeven Inflation Rate



- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.72%, as of March 30, 2011, which is 9 bps higher than last week but lower by 3 bps from the March FOMC meeting.