

Financial Highlights

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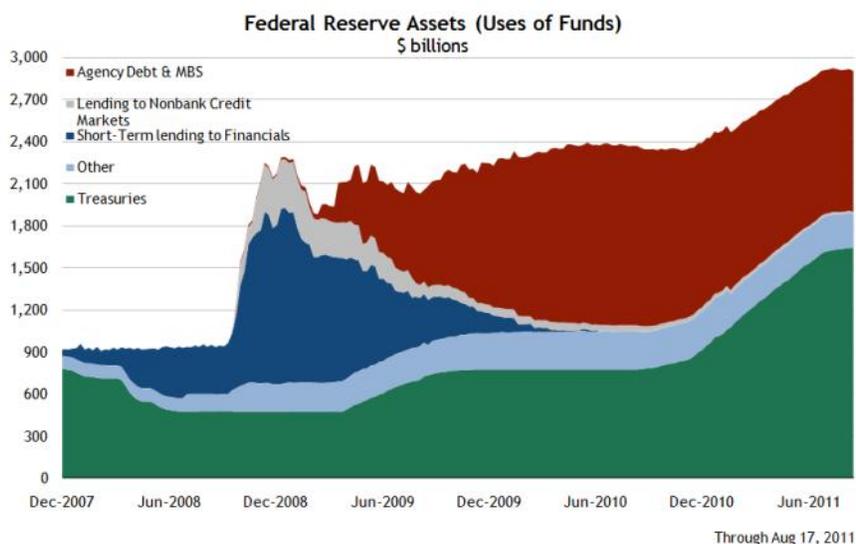
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Federal Reserve

Summary

The balance sheet decreased by \$14.4 billion for the week ended August 17.

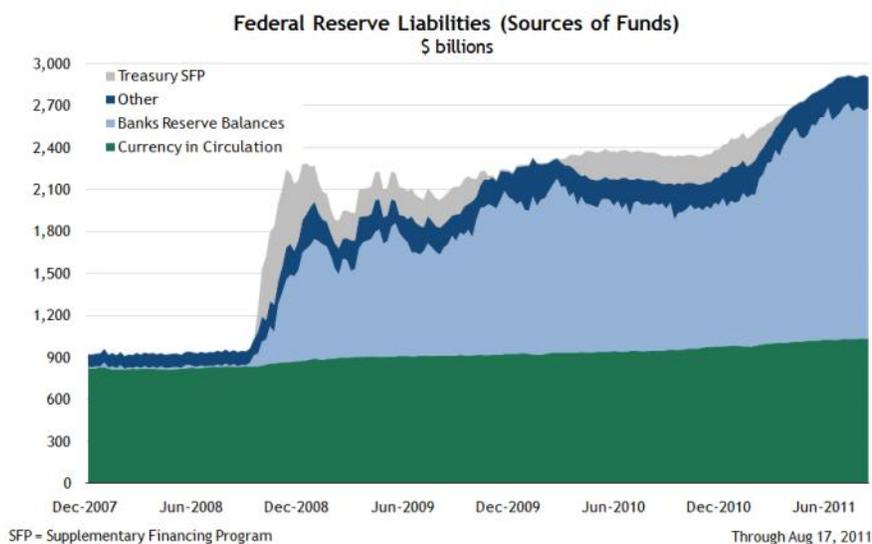


Source: Federal Reserve Board

- Treasuries increased by \$2.9 billion while agency debt and MBS decreased \$6.5 billion.
- According to the [New York Fed's tentative outright Treasury operation schedule](#), the desk plans to purchase approximately \$14 billion between mid-August and mid-September. This amount represents how much is needed to replace the expected principal payments from agency debt and agency MBS over this time period.

Bank reserve balances with the Federal Reserve increased \$19 billion while Treasury's general account and non-reserve deposits (both part of "Other") decreased \$5.7 billion and \$29.9 billion respectively.

As of August 17, 2011, bank reserves balances are \$1.6 trillion.



Source: Federal Reserve Board

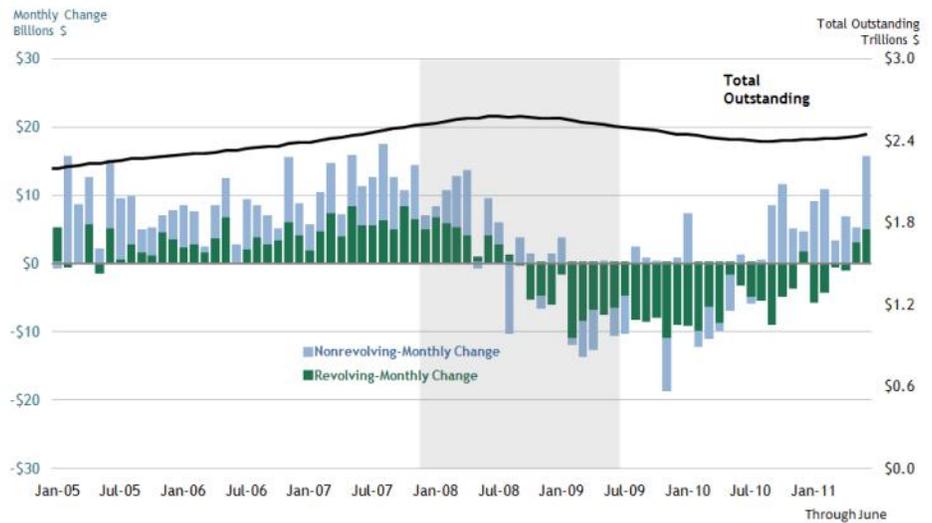
Assets: Lending to nonbanks—TALF, CPFF, AMLF, and MMIFF; Short-term lending to financials—discount window, TAF, currency swaps, PDCF, and repos; Misc.—Maiden Lanes I, II, and III, credit to AIG, and other Fed assets. **Liabilities:** Other—Reverse repos, Treasury cash holdings, and deposits with Federal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

Consumer Credit

Summary

Consumer credit outstanding increased \$15.5 billion in June, the largest increase since August 2007.

SA Consumer Credit
Monthly Change & Total Outstanding

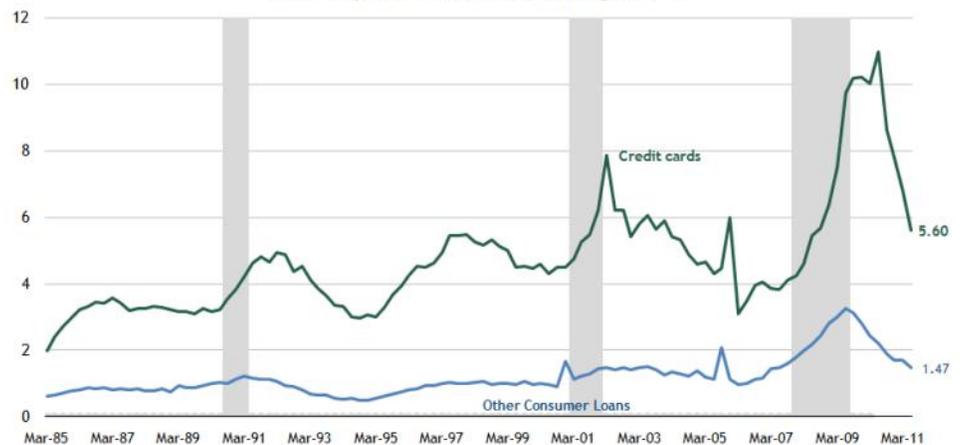


Source: Federal Reserve Board

- Nonrevolving increased \$10.3 billion, and revolving increased \$5.2 billion.
- Revolving consumer credit outstanding is 18 percent lower than it was in July 2008.
- Non-revolving credit outstanding, however, is now 2 percent higher than the level in July 2008.

Charge-off rates on consumer credit card cards and other consumer loans continue to decline.

Consumer Credit Charge Off Rates
Quarterly, SA Annual Rate, through Q2 11



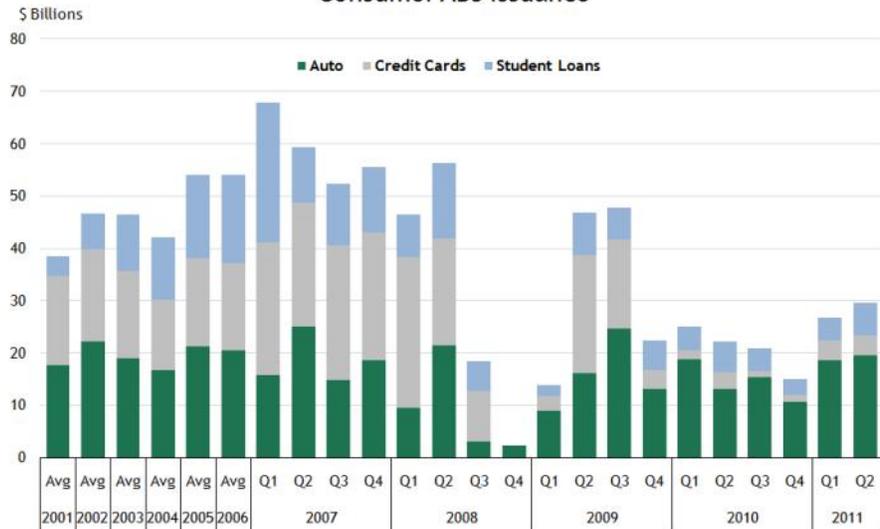
Source: Federal Reserve Board

Consumer Credit

Summary

Consumer asset-backed security issuance increased in the second quarter.

Consumer ABS Issuance

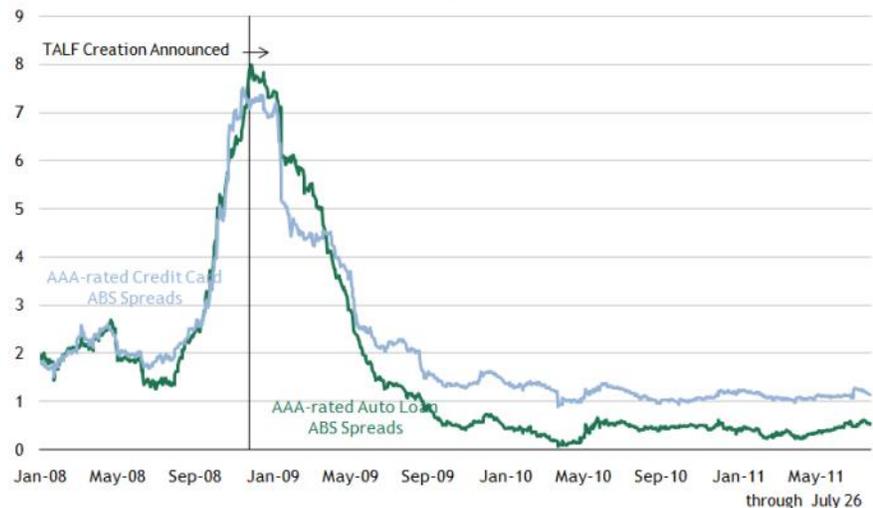


Source: SIFMA, Bloomberg

- Debt secured by auto loans is on par with prerecession averages, while debt backed by consumer credit cards and student loans is still lower than average issuance between 2001 and 2006.

Yield spreads on top-rated securitized debt backed by auto loans and credit cards remain stable.

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

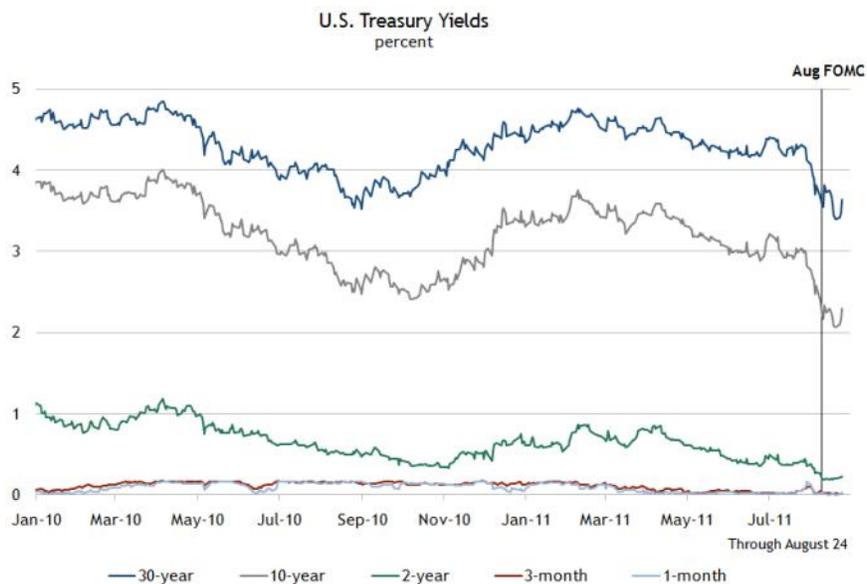


Source: Bloomberg and Merrill Lynch

Broad Financial Market Indicators

Summary

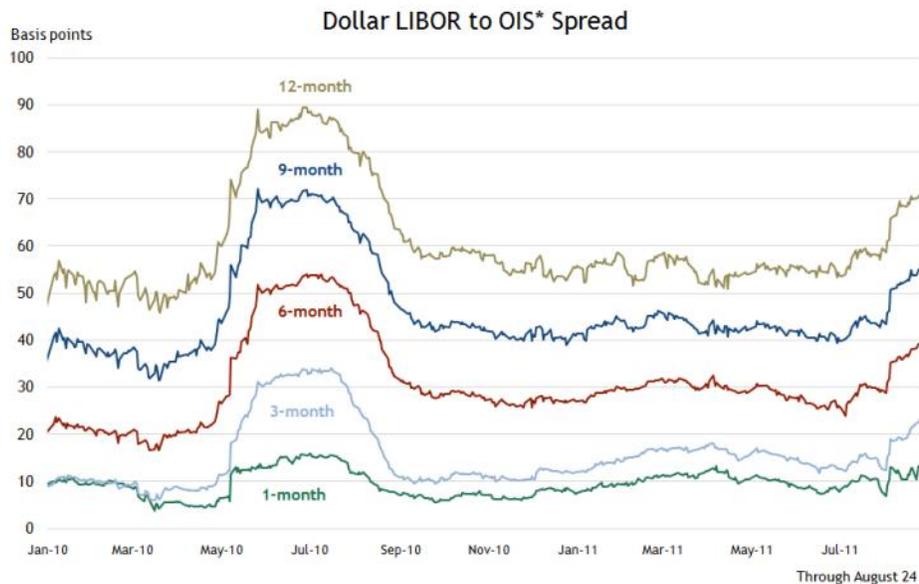
After plummeting just after to the August FOMC meeting, Treasury yields have risen in recent days, though by historical standards yields remain extremely low.



Source: Federal Reserve Board/Haver Analytics

- Since August 9, the 30-year Treasury bond yield is up 7 basis points (bps) to 3.63 percent, the 10-year yield is up 9 bps to 2.29 percent, and the two-year yield is up 4 bps to 0.23 percent. The three- and one-month T-bill rates are both at 2 bps, respectively.

LIBOR to OIS spreads for all tenors except the one-month have widened since the August FOMC meeting. Since August 9, spreads are about 3 basis points (bps) higher for the three-to-12-month tenors.



Source: British Bankers Association/Bloomberg

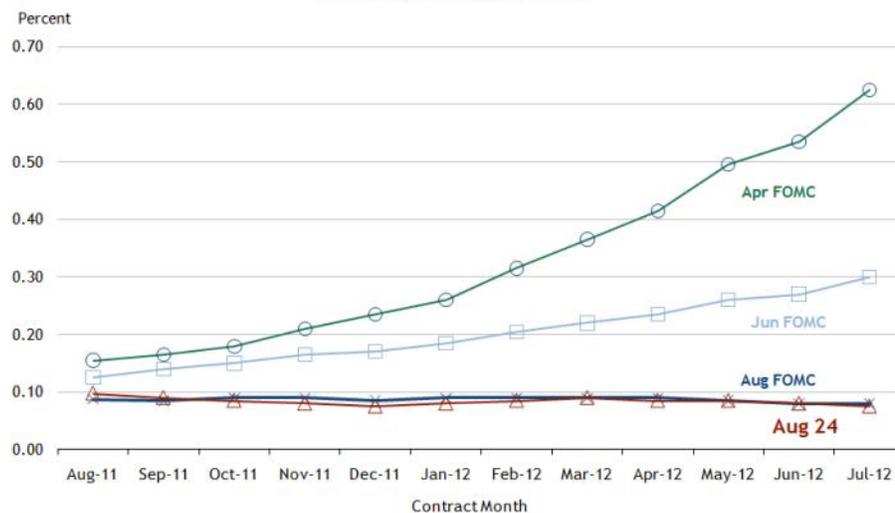
*Overnight Index Swap rate

Broad Financial Market Indicators

Summary

Following the FOMC's announcement of policy guidance to keep rates low through mid-2013, the fed funds futures market continues to price in a flat path through at least July 2012.

Fed Funds Futures Rates

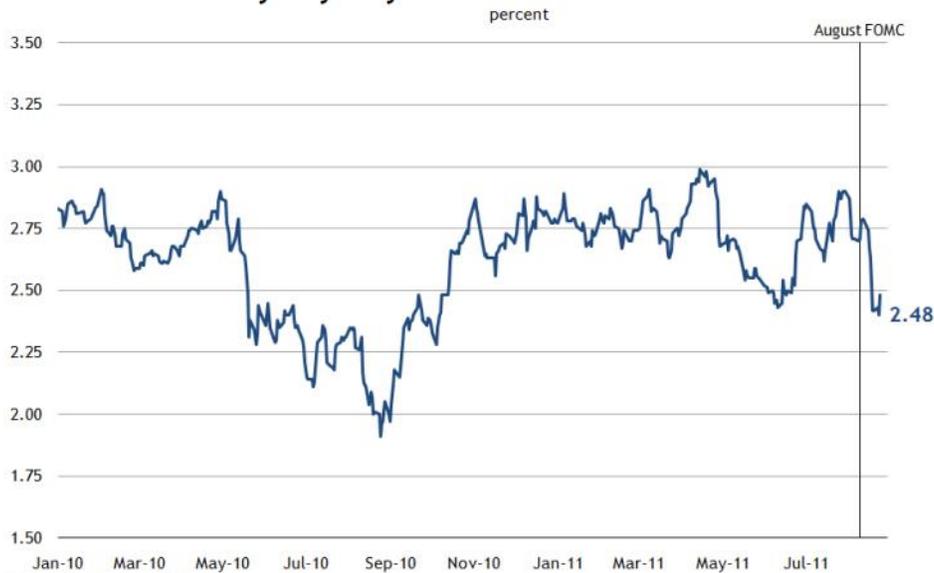


Source: Bloomberg

- As of August 24, 2011, following the FOMC's decisions to maintain current interest rate policy through mid-2013, the futures market for fed funds indicates an implied rate between 7 bps and 10 bps for the *entire* forecast horizon from September 2011 through July 2012. (Contracts further out are less liquidly traded and so are not shown here.)

Breakeven inflation rates have moved sharply lower since the August FOMC meeting.

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



Source: Barclays Capital

- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.48 percent as of August 24, 2011, which is 16 bps lower over the week and 23 bps lower since the August FOMC meeting.