

Financial Highlights

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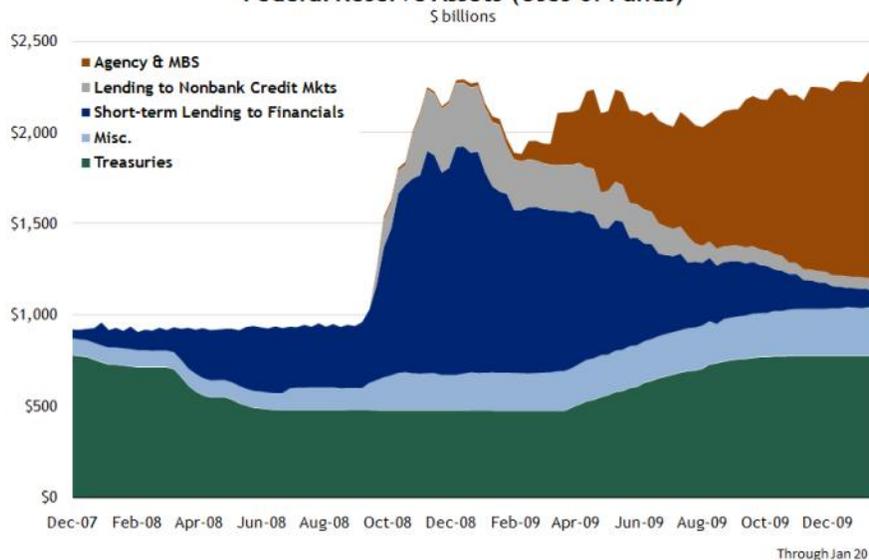
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Federal Reserve

Summary

The balance sheet decreased by \$41 billion, to \$2.3 trillion, for the week ended January 20.

Federal Reserve Assets (Uses of Funds)

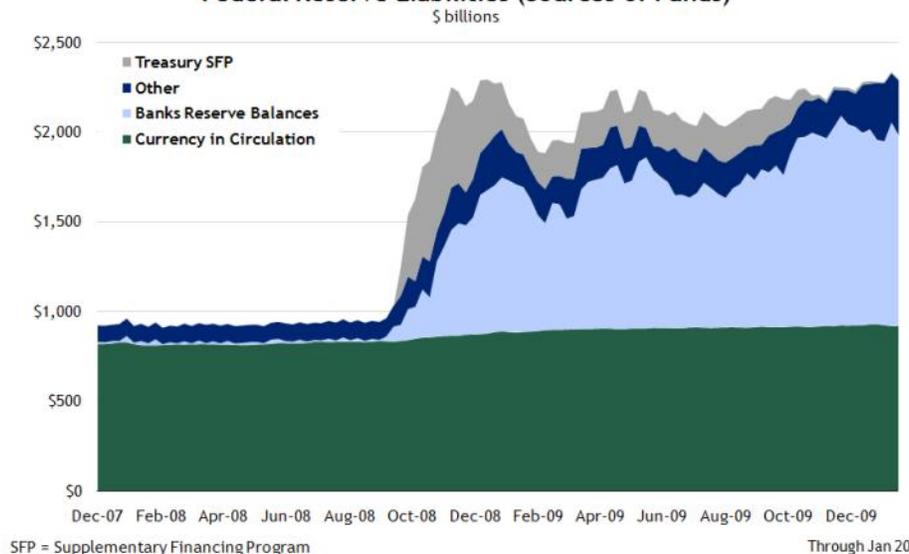


Source: Federal Reserve Board

- The decrease in the balance sheet came almost entirely from short-term lending to financials, specifically the Term Auction Credit facility, which fell by \$37 billion.
- The balance sheet is expected to peak during the first half of this year after the MBS purchase program is completed and purchases settle on the balance sheet.

On the liabilities side, banks' reserve balances decreased by \$72 billion while other liabilities increased by \$31 billion.

Federal Reserve Liabilities (Sources of Funds)



SFP = Supplementary Financing Program

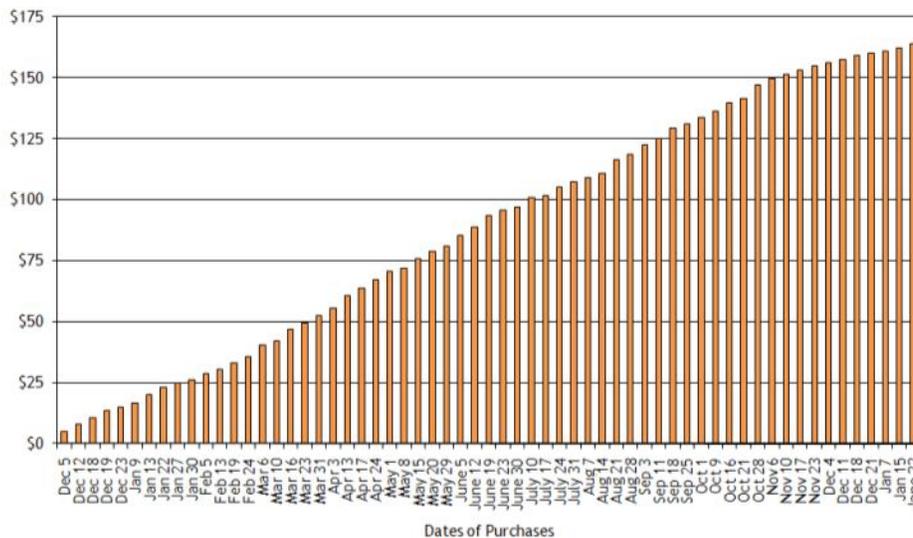
Source: Federal Reserve Board

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.

Summary

With its most recent agency debt purchase on January 22, the Fed is 94% of the way to its goal of \$175 billion.

Fed's Agency Coupon Purchases
Cumulative Total, \$ billions

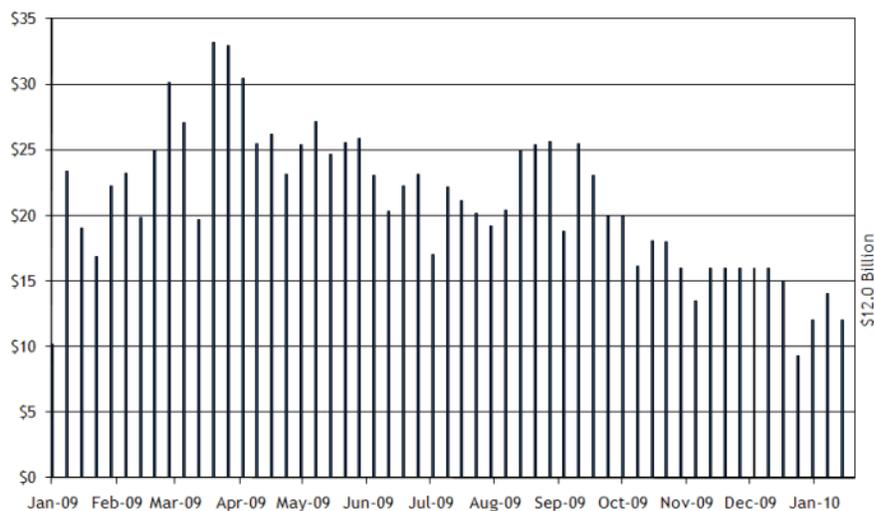


Source: NY Fed

- The Fed has completed \$163.7 billion of its \$175 billion agency debt purchase program through January 20 (making it 94% complete).
- The last purchase, on January 22, was made for \$1.47 billion and had a bid-to-cover ratio of 3.34.

Similarly, the agency MBS purchase program nears its goal of \$1.25 trillion.

Fed's Agency MBS Purchases
Net purchases, \$ billions, weekly



Source: NY Fed

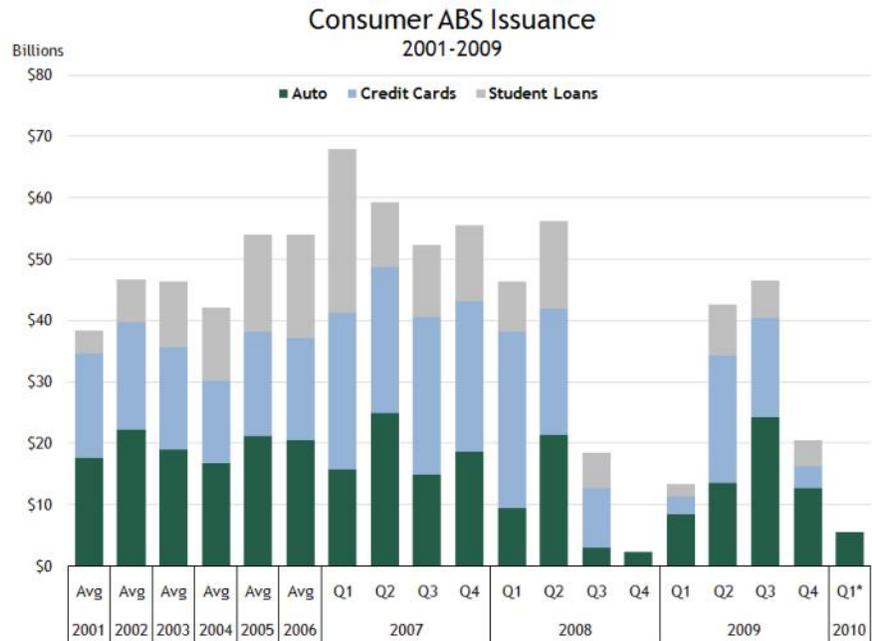
- The Fed purchased a net total of \$12 billion of agency-backed MBS through the week of January 20. This purchase brings its total purchases up to \$1.152 trillion, and by the end of the first quarter 2010 the Fed will have purchased \$1.25 trillion (thus, it is 92% complete).

Asset-Backed Securities

Summary

Consumer ABS issuance was weak in the fourth quarter compared with the second and third quarters of 2009.

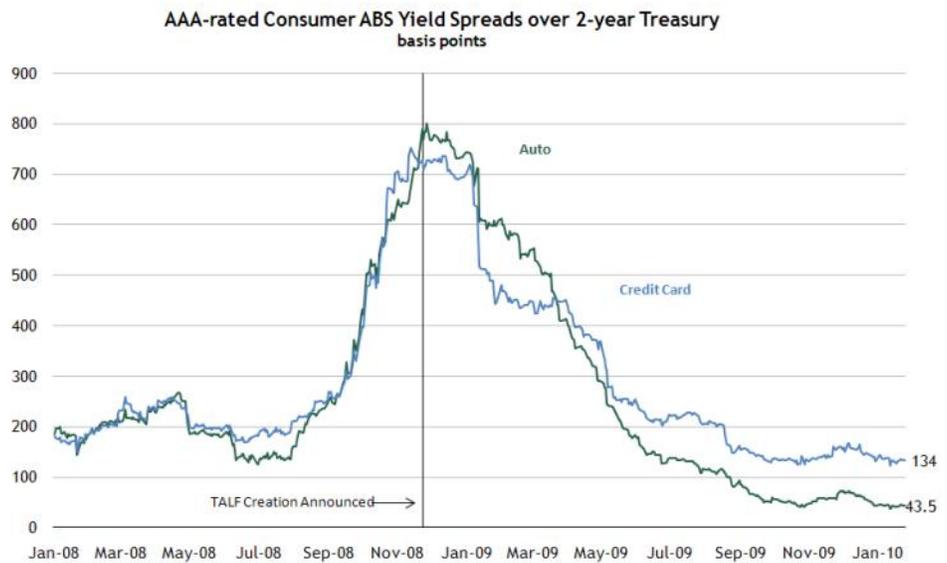
Compared with 2007 and the first half of 2008, issuance of securities backed by credit cards and student loans were especially weak in the fourth quarter of 2009. Issuance of securities backed by auto loans, however, remained comparable to precrisis levels.



Source: SIFMA, Bloomberg

*Quarter to date

Consistent with the ongoing improvement in the ABS market, risk spreads on consumer ABS have continued to edge lower.



Source: Bloomberg and Merrill Lynch

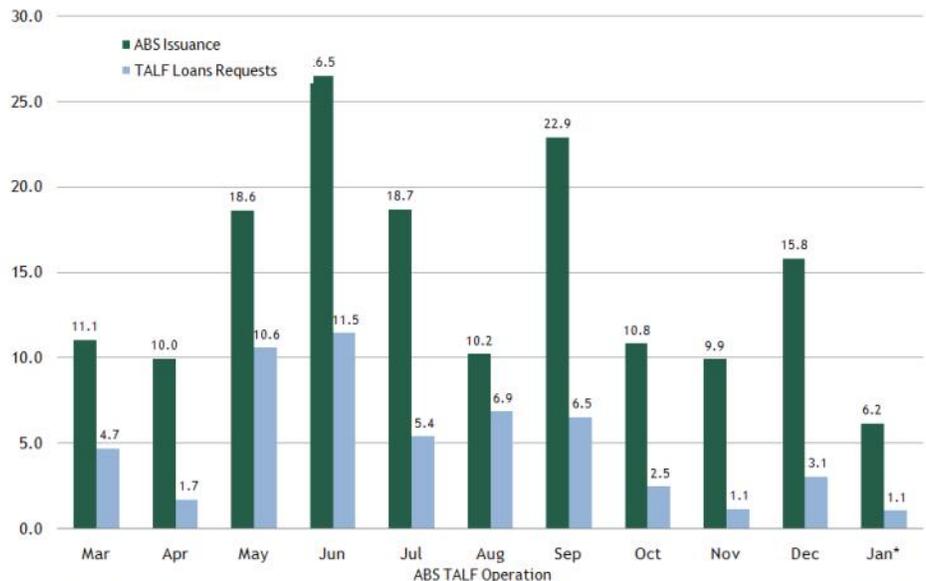
Asset-Backed Securities

Summary

Since the TALF program began, \$55 billion in financing has been requested through it. At the December operation, \$3.1 billion was requested, and \$1.1 billion was requested at the January operation.

The amount of TALF loan requests relative to ABS issuance continues to decline as market conditions improve.

ABS Issuance and TALF Loan Requests by Monthly Operation
\$ billions

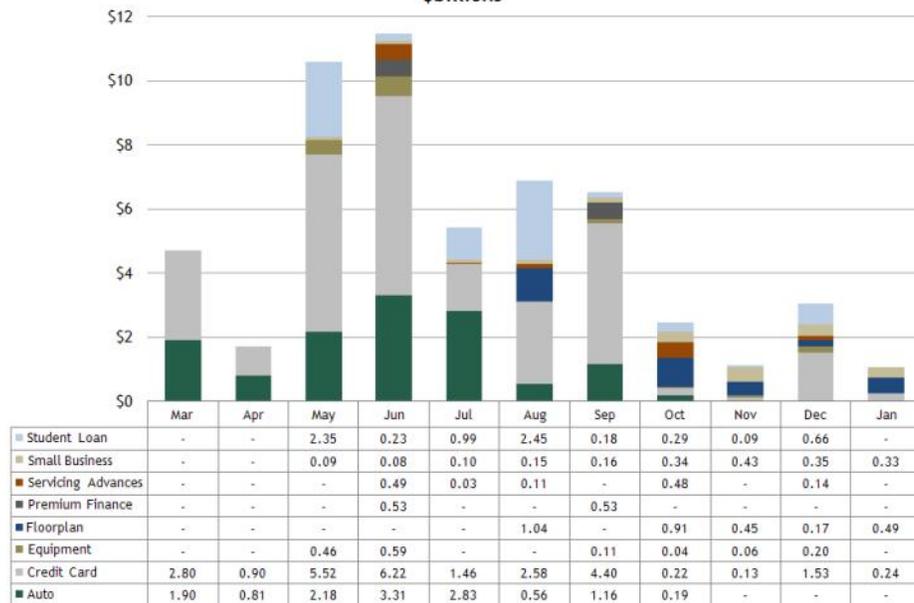


Sources: Bloomberg, NY Fed

*through 01/27

The type of TALF loans has shifted over time. At first requests were dominated by securities backed by autos and credit cards. In more recent months, however, no loans backed by autos have been provided through the TALF, and the mix of loans has become more diverse, with small business and floor plan making up the majority of requests.

ABS TALF Loan Requests by Collateral Type
\$ billions

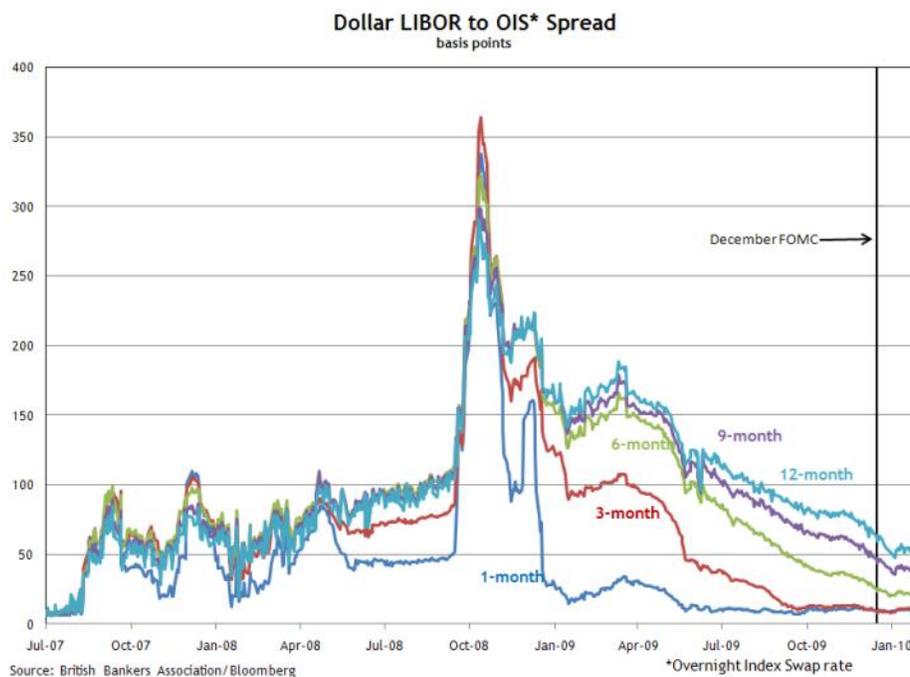


Source: NY Fed

Broad Financial Market Indicators

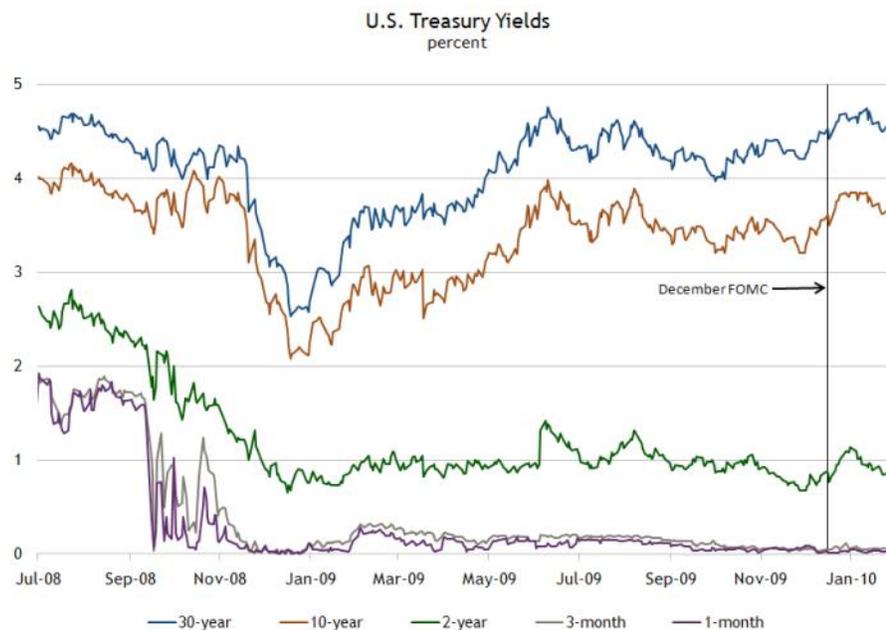
Summary

LIBOR to OIS spreads continue to be stable at shorter horizons but have narrowed further out during the intermeeting period.



- The one-month and three-month dollar LIBOR to OIS spreads are up about 1 basis point to 10.0 and 10.1 basis points (bps), respectively, in the intermeeting period. But the 6-, 9-, and 12-month spreads have decreased 4, 8, and 12 bps, respectively.

Meanwhile, longer-dated Treasury yields have moved slightly higher in the same period.



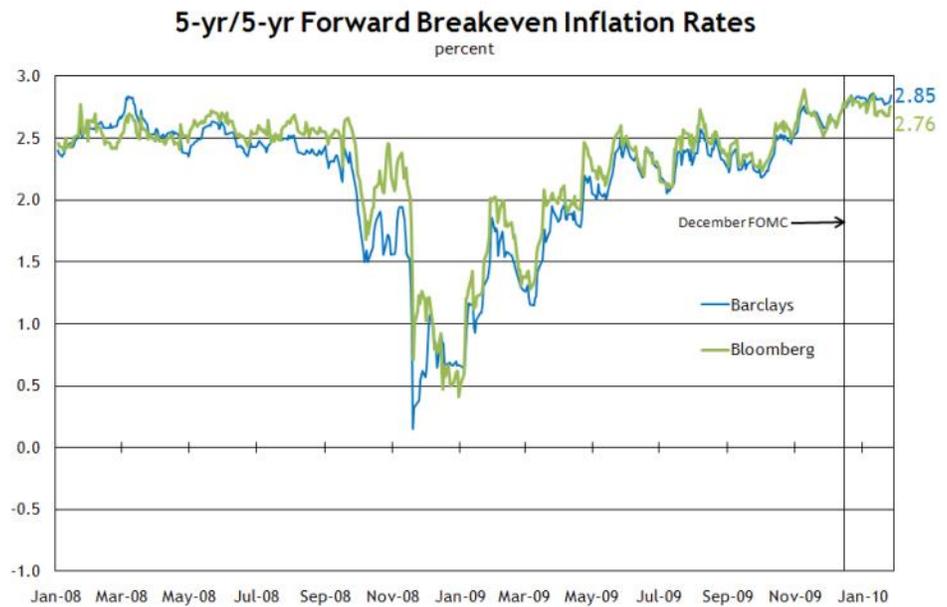
Source: Bloomberg

- Since the December FOMC meeting, longer-dated Treasury yields have moved higher just slightly: Through January 25, the 30-year bond is up 3 bps to 4.55%, the 10-year bond moved 5 bps higher to 3.66%, and the two-year note was up 1 bp to 0.86%.

Broad Financial Market Indicators

Summary

During the intermeeting period, measures of the breakeven inflation rate were relatively stable.



Source: Barclays Capital, Bloomberg

- In the intermeeting period, or since the last FOMC meeting on December 16, the Barclays 5-year/5-year forward breakeven inflation rate has risen 4 bps to 2.85%, as of January 27.
- A more generic market measure from Bloomberg shows no rise during the same period, holding steady at 2.76%.