

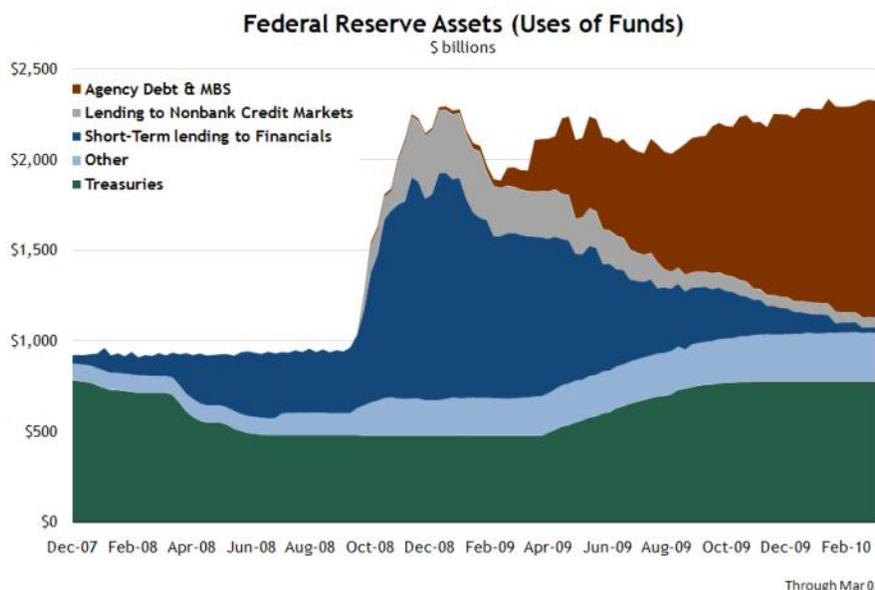
Financial Highlights

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Federal Reserve

Summary

The balance sheet contracted \$6.9 billion for the week ended March 3.

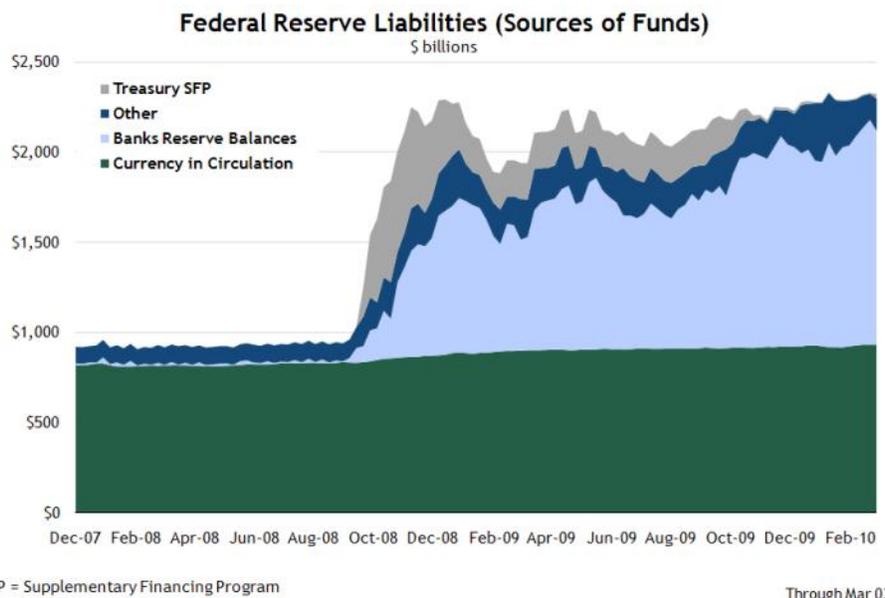


Source: Federal Reserve Board

- Holdings of agency debt and mortgage backed securities shrank \$4.7 billion, and other assets declined by \$2.2 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.

Bank reserve balances declined \$63 billion to \$1.2 trillion while Treasury deposits with Federal Reserve Banks (part of other liabilities) increased \$40 billion.

The Treasury SFP increased by \$20 billion following a Treasury announcement in late February indicating it would begin to rebuild the balance in that account.



SFP = Supplementary Financing Program

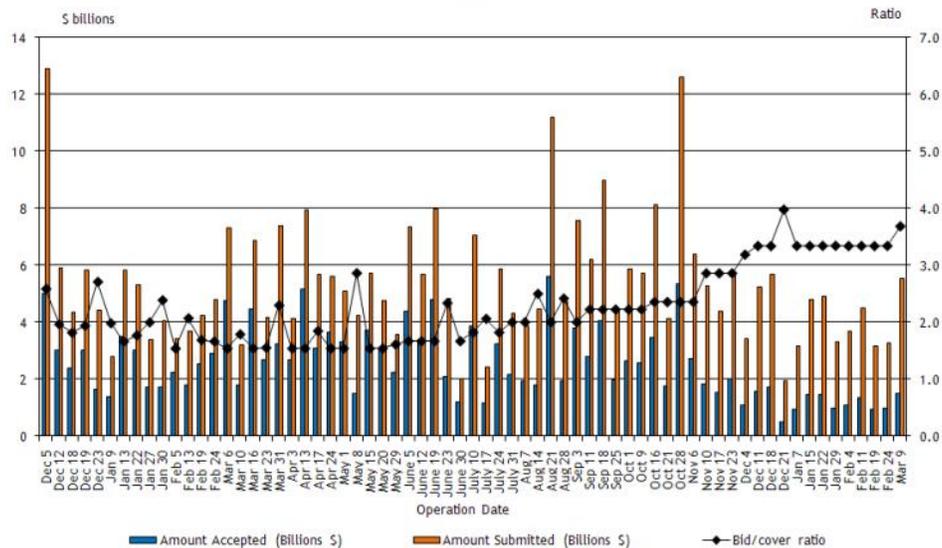
Source: Federal Reserve Board

Assets: Lending to nonbanks—TALF, CPFF, AMLF, and MMLFF; 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

The Fed is 97% complete with its agency debt purchase program, which is scheduled to end this month.

Fed's Agency Coupon Purchases



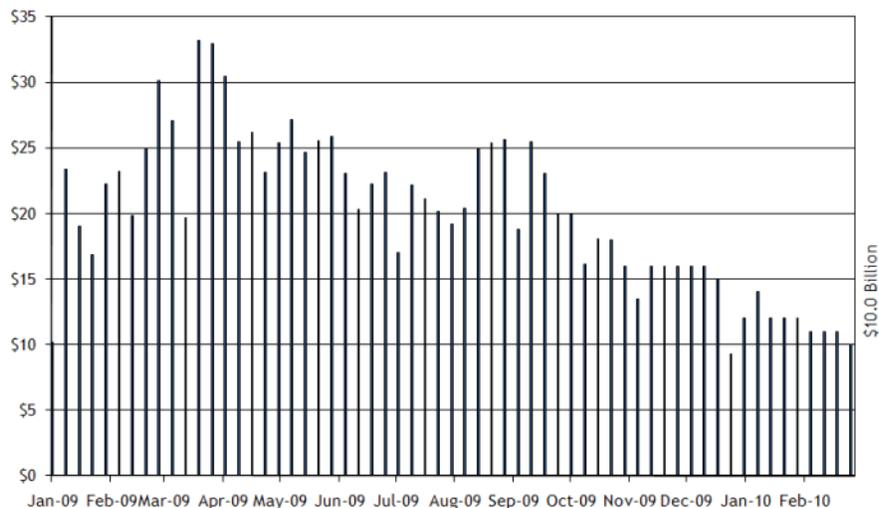
Source: NY Fed

- The Fed has completed \$170.6 billion of its \$175 billion agency debt purchase program through March 10 (making it 97% complete). The last purchase, on March 9, was made for \$1.5 billion and had a bid-to-cover (B/C) ratio of 3.68.

Similarly, the agency MBS program is 98% complete.

Fed's Agency MBS Purchases

Net purchases, \$ billions, weekly



Source: NY Fed

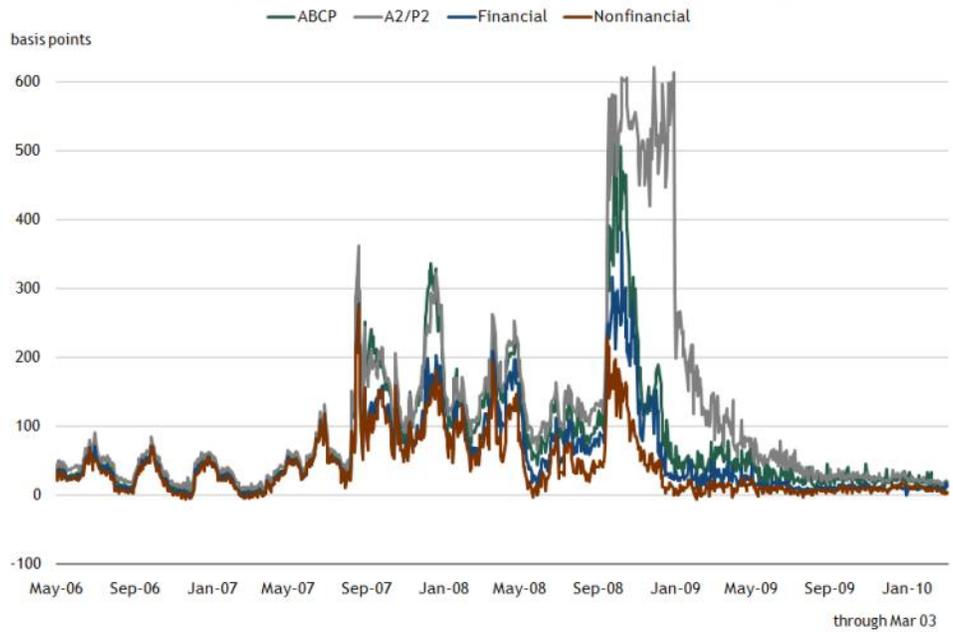
- The Fed purchased a net total of \$10 billion of agency-backed MBS through the week of March 3. This purchase brings its total purchases up to \$1.22 trillion, and by the end of the first quarter 2010 the Fed will have purchased \$1.25 trillion (thus, it is 98% complete).

Commercial Paper

Summary

Thirty-day commercial paper spreads over Treasuries remain at low, precrisis levels.

30-Day Commercial Paper Spreads over Treasury

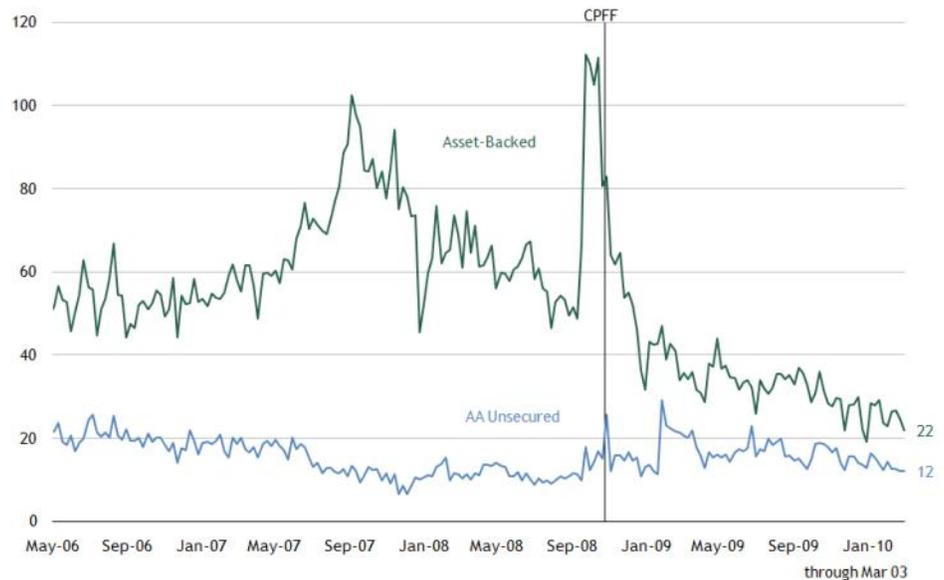


Source: Federal Reserve Board

New issues of commercial paper have stabilized for unsecured paper but continue to steadily decline for asset-backed paper.

The CPFF, which expired February 1, currently holds \$8 billion in commercial paper.

Commercial Paper New Issuance Avg Weekly, Billions \$

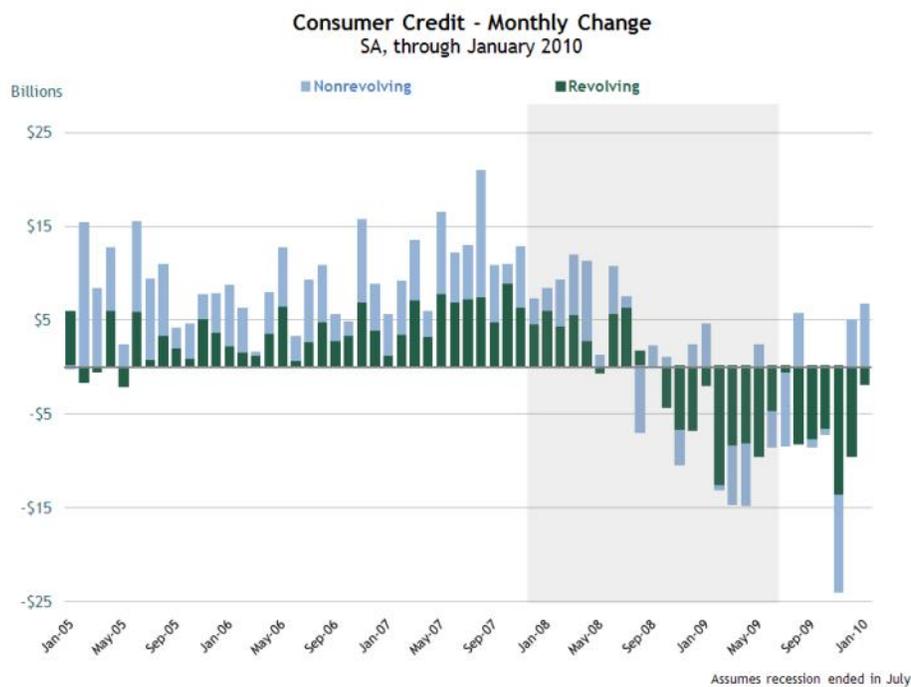


Source: Federal Reserve Board

Consumer Credit

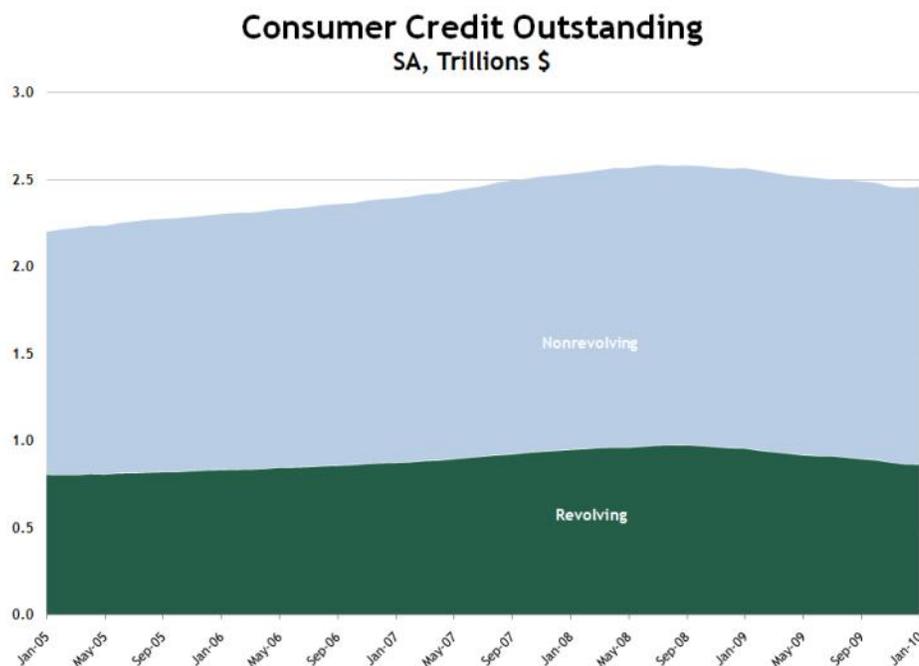
Summary

Revolving consumer credit contracted \$1.7 billion in January, marking the sixteenth straight month of declines. Nonrevolving consumer credit expanded \$6.6 billion, at an annualized rate of 5.1%, after expanding at a 3.8% annualized rate in December.



Source: Federal Reserve Board

Consumer credit outstanding increased in January after declining 15 of the previous 17 months.



Source: Federal Reserve Board

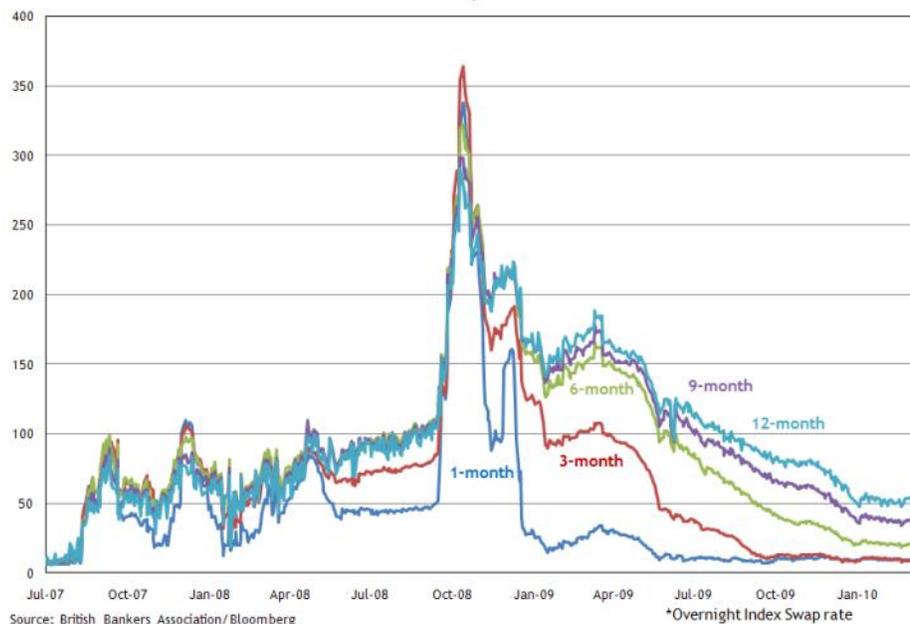
- Total consumer credit outstanding increased by \$5 billion; nonrevolving increased \$6.6 billion, outweighing a \$1.7 billion decrease in revolving.

Broad Financial Market Indicators

Summary

LIBOR to OIS spreads have declined slightly during the intermeeting period.

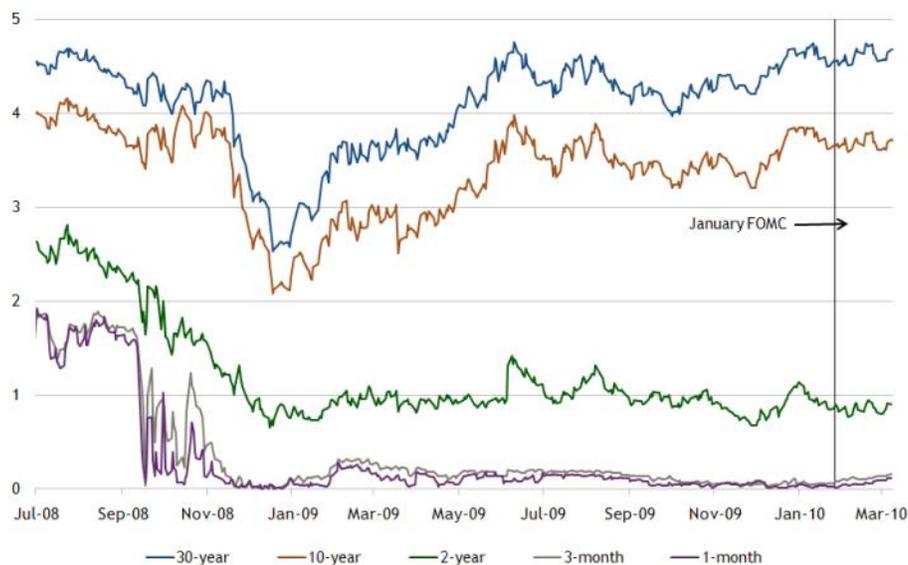
Dollar LIBOR to OIS* Spread
basis points



- Since the January 27 FOMC meeting, dollar LIBOR to OIS spreads have declined slightly. The one-month and three-month spreads are down 3.1 and 2.0, respectively, to 6.6 and 8.2 basis points (bps), respectively. The 6- and 9-month spreads are lower by 2.4 and 2.7 bps, respectively, to 18.4 and 34.4 bps. But the 12-month spread has risen 2.4 bps to 50.5 bps.

Following the January FOMC meeting, Treasury yields are also relatively stable, with the two-year seeing a slight decline.

U.S. Treasury Yields
percent



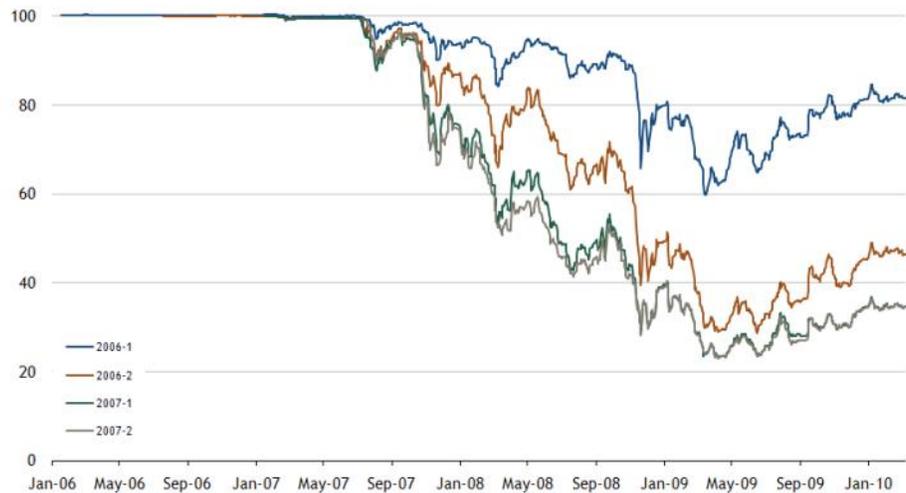
- Since the January FOMC meeting, longer-dated Treasury yields are as follows: As of March 9, the 30-year bond is up 13 bps to 4.68%, the 10-year is up 5 bps to 3.71%, and the two-year note is down 1 bps to 0.89%.

Broad Financial Market Indicators

Summary

The ABX continues to regain value across all vintages, indicating a decline in the cost to insure against default on the underlying home equity loans.

ABX.HE Indices, AAA rated by Vintage
price, points of 100%



Source: Markit Group Limited/Haver Analytics

The same is true for the value of commercial MBS credit default swaps. All vintages of the CMBX.NA.AAA continue to rise.

CMBX.NA.AAA Indices
Composite Price, points of 100%



Source: Markit Group Limited/Haver Analytics

Broad Financial Market Indicators

Summary

Equity markets have slowly gained during March.

Stock Indices, Indexed to 2001=1



Source: Dow Jones, New York Times, Wall Street Journal/Haver Analytics

- Through March 9, each of the major stock indices are higher than where they ended 2009 and are up significantly from a year ago.
- The Wilshire, S&P 500, and NASDAQ are each up 3.4%, 2.3%, and 3.2%, respectively, over the end of 2009.

Both the bond market volatility index and the equity market volatility index have declined to levels below the start of the year.

VIX and MOVE



Source: Merrill Lynch, Wall Street Journal

- The Chicago Board of Exchange's Volatility Index (VIX) measures the option-implied volatility of the S&P 500 index. At 17.92 on March 9, the VIX is down from recent highs set last month.
- The Merrill Lynch Option Volatility Expectations (MOVE) measures bond market volatility. The MOVE index fell to 76.3 on March 9.