

## Financial Highlights

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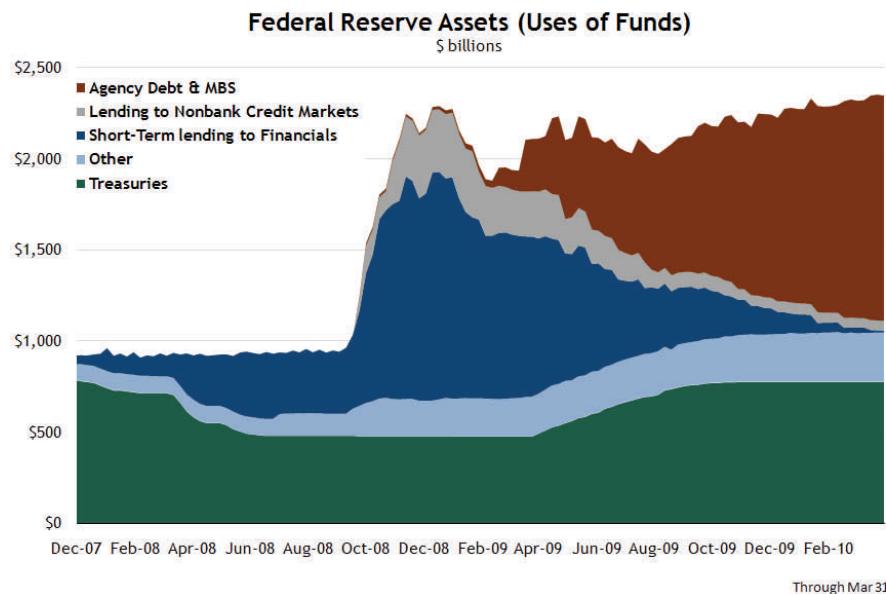
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# Federal Reserve

## Summary

The balance sheet contracted \$6 billion, to \$2.3 trillion for the week ended March 31.

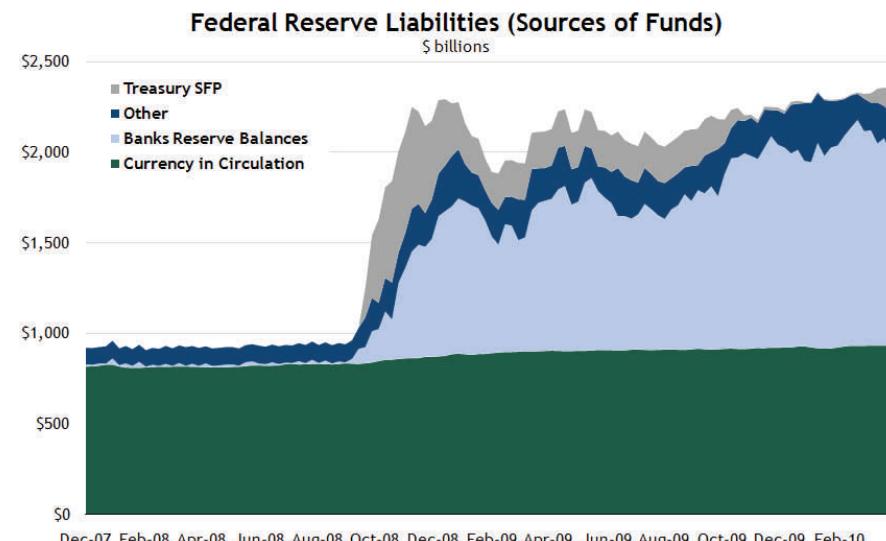


Source: Federal Reserve Board

- Holdings of agency debt and mortgage backed securities decreased by \$3.6 billion and short-term lending to financials declined \$1.5 billion.
- The MBS purchases program ended in March, but the balance sheet is expected to continue to grow until the MBS purchases settle on the balance sheet.

Bank reserve balances declined by \$94 billion.

The Treasury's general account with the Fed, part of "other," increased by \$41 billion, and the Treasury's supplementary financing account increased by \$25 billion for the fourth consecutive week.



SFP = Supplementary Financing Program

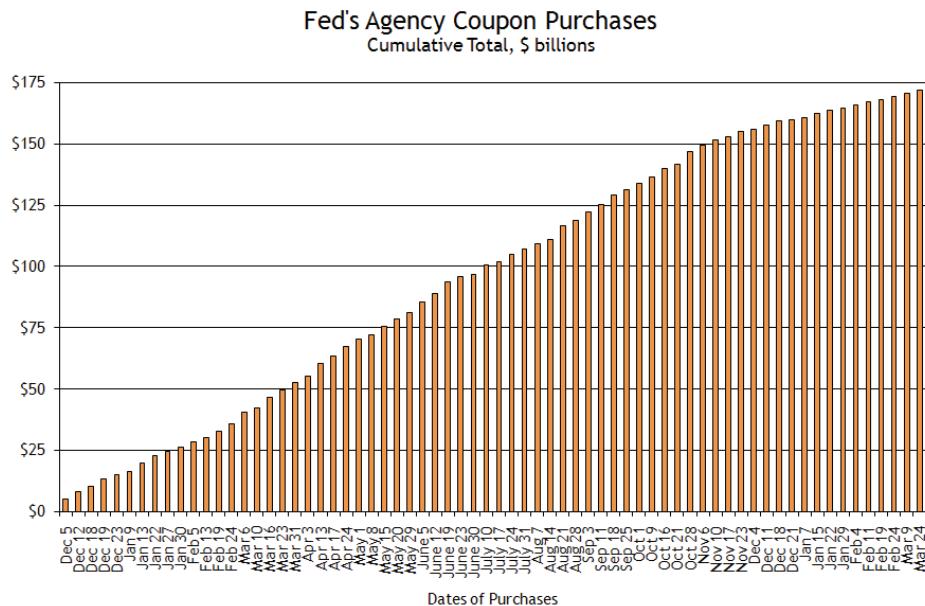
Through Mar 31

Source: Federal Reserve Board

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

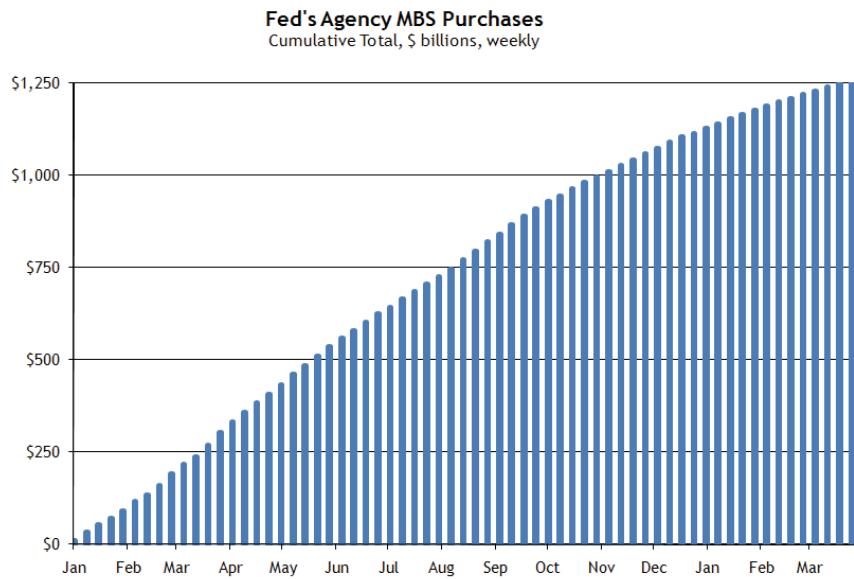
**As of the end of March, the Fed has completed its purchases of \$175 billion agency debt...**



Source: NY Fed

- The Fed has completed \$172.13 billion of its agency debt purchase program through the end of March 2010.

**...as well as \$1.25 trillion of agency mortgage-backed securities (MBS).**



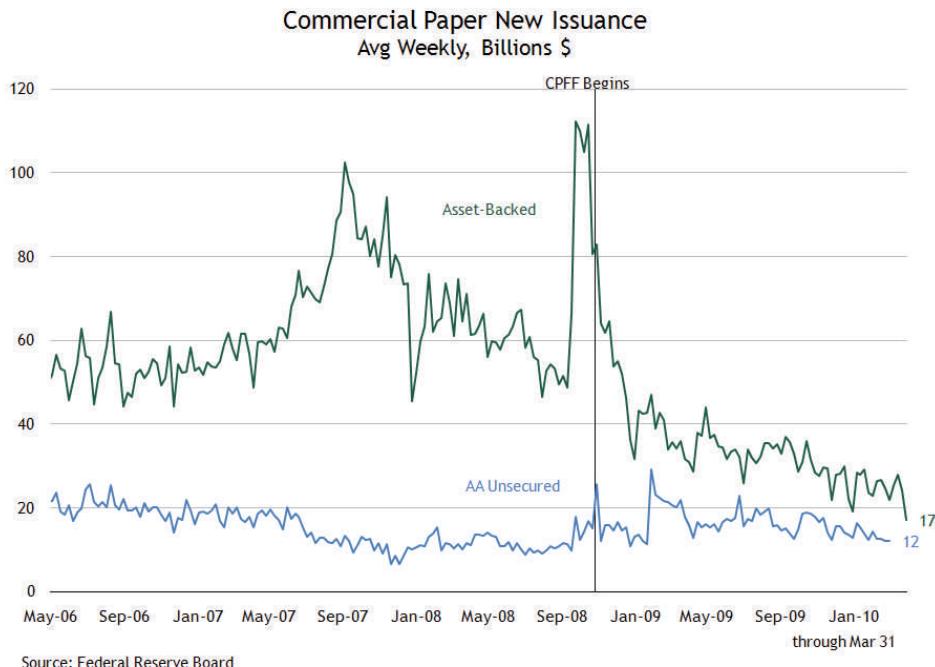
Source: NY Fed

- The Fed purchased a net total of \$6.1 billion of agency-backed MBS during the week of March 31, bringing its total purchases to \$1.254 trillion.

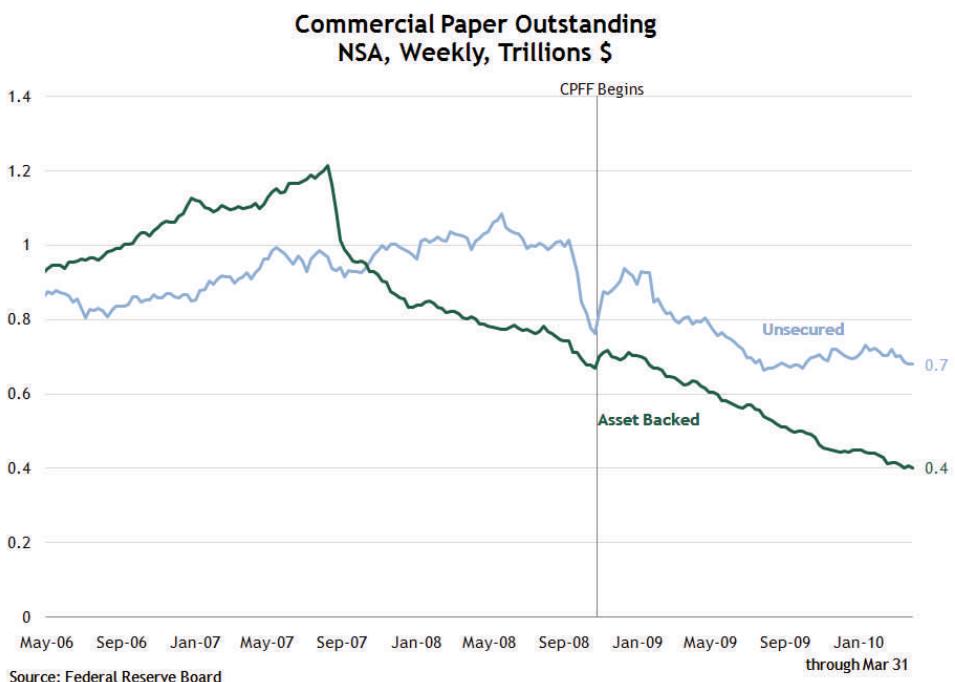
## Commercial Paper

### Summary

**Issuance of asset-backed commercial paper continues to decline while unsecured issuance remains relatively stable.**



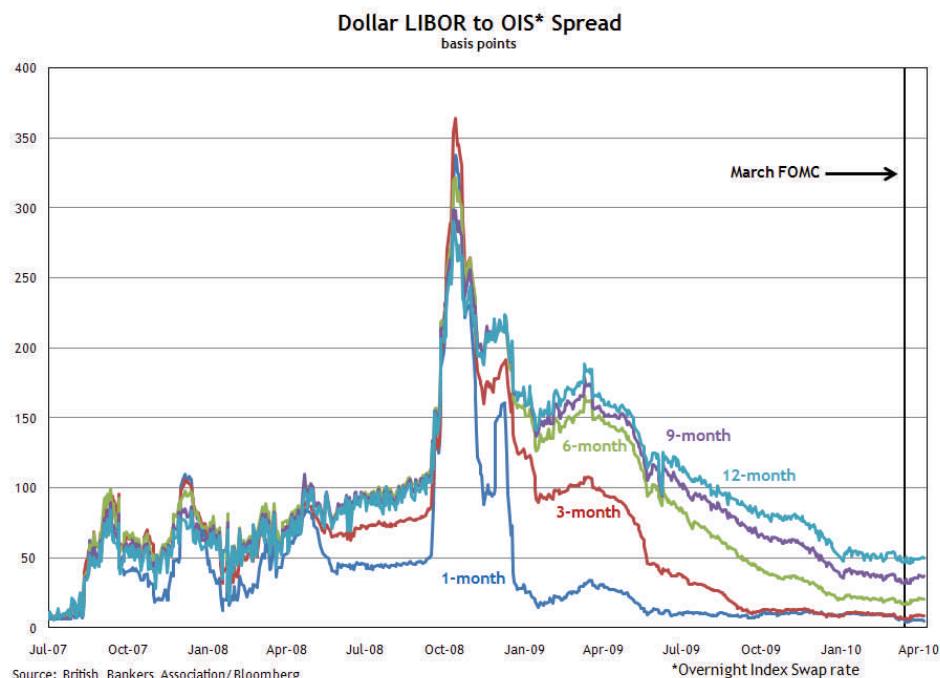
**As a result of issuance trends, unsecured commercial paper outstanding has remained stable while asset-backed continues to fall. It has fallen from its peak of \$1.2 trillion in August 2007 to \$0.4 trillion in March 2010.**



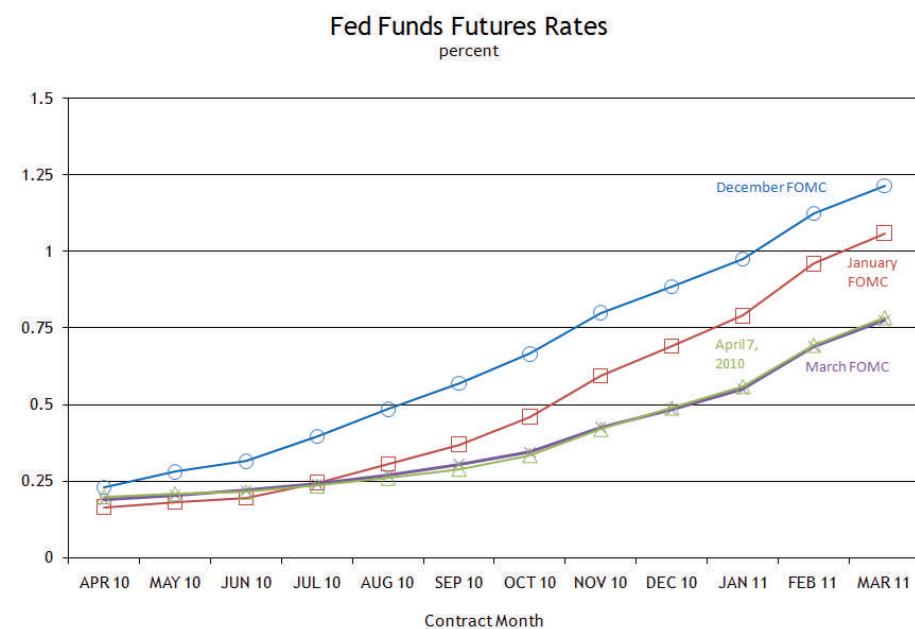
## Broad Financial Market Indicators

### Summary

Longer-dated LIBOR to OIS spreads have risen slightly since the March FOMC meeting.



The fed funds futures market has priced in a 25-basis-point rate hike by late 2010.



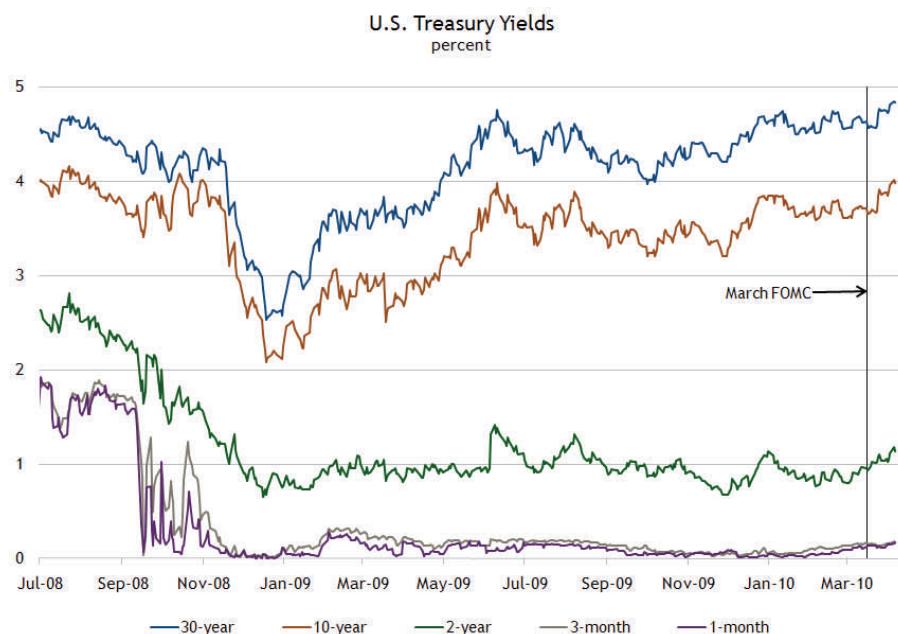
Source: Bloomberg

- As of April 7, the futures market for fed funds indicates an implied rate of about 50 bps for the December 2010 contract.

## Broad Financial Market Indicators

### Summary

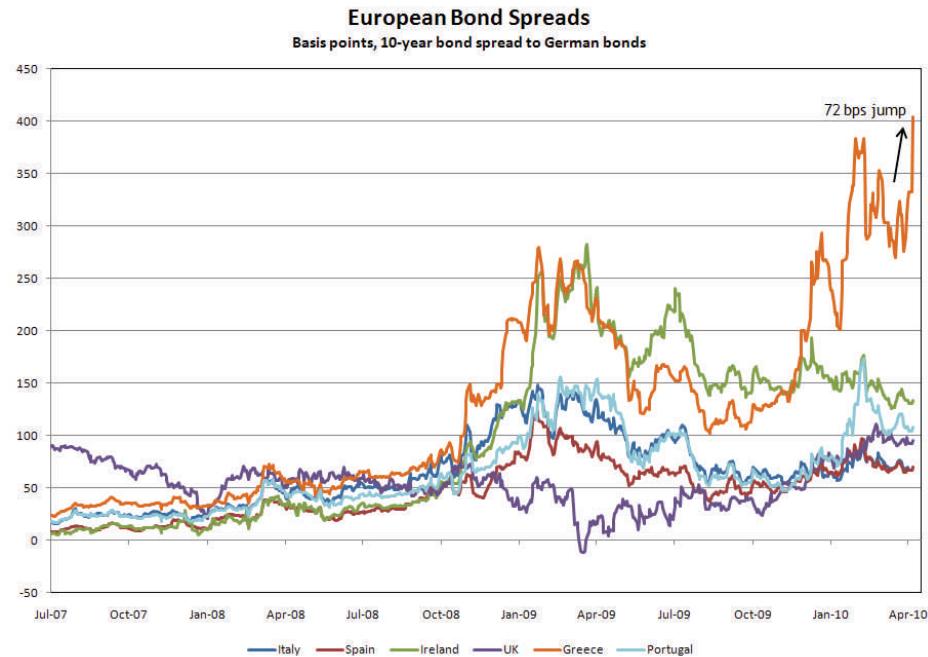
Following the March FOMC meeting, Treasury yields have moved higher, with the 10-year note breaking 4% on April 5.



Source: Bloomberg and British Bankers' Association

- Since the March FOMC, longer-dated Treasury yields are as follows: Through April 6, the 30-year bond is up 25 bps to 4.84%, the 10-year is 32 bps higher, to 3.98%, and the two-year note is up 21 bps, to 1.14%.
- The one- and three-month T-bill rates are both at 0.17%.

European bond spreads (over German bonds) reflect investors' worries about Greece's sovereign credit risk.



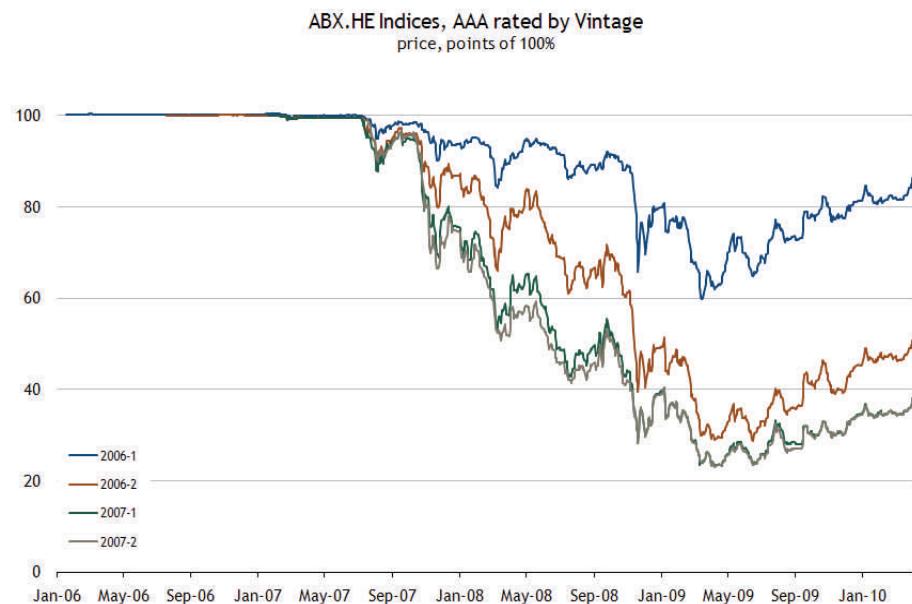
Source: Bloomberg

- On April 6, the spread of the 10-year Greek bond over its German counterpart widened by 72 bps to 404.5 bps, the widest since 1998, according to the *Wall Street Journal*.

## Broad Financial Market Indicators

### Summary

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



The same is true for the index value of commercial MBS credit default swaps. All vintages of the CMBX.NA.AAA continue to rise, indicating a lower cost of insuring against default of commercial MBS.

