

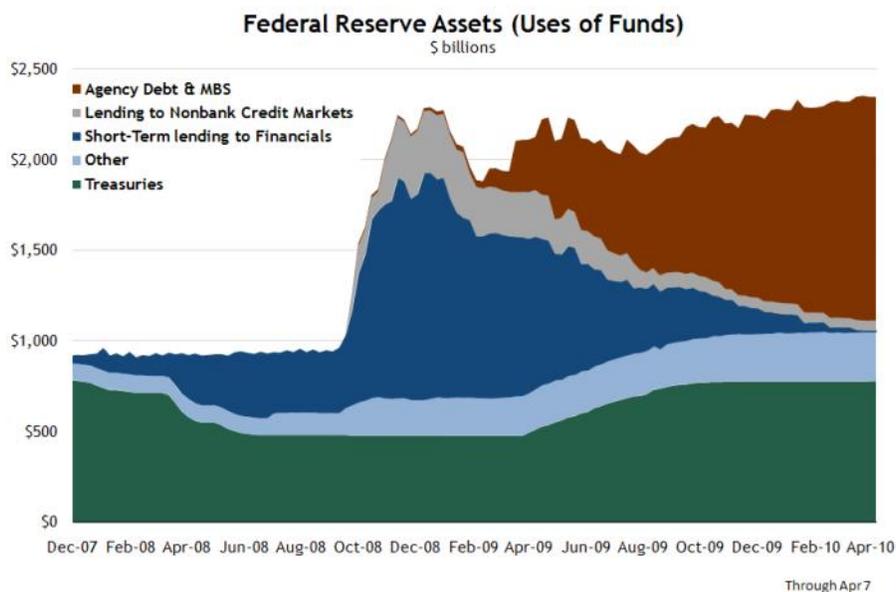
Financial Highlights

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Federal Reserve

Summary

The balance sheet remained essentially flat at \$2.3 trillion for the week ended April 7.

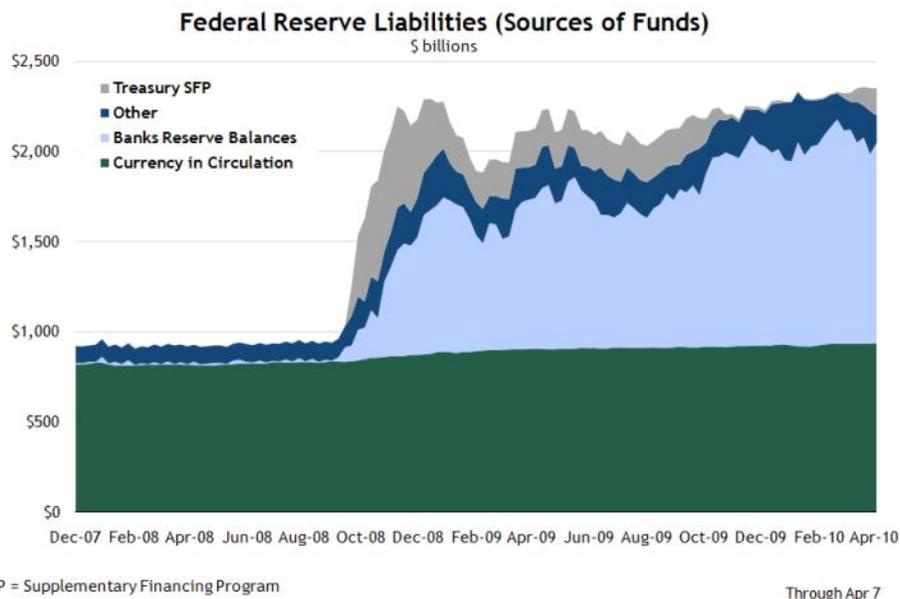


Source: Federal Reserve Board

- Holdings of agency debt and mortgage backed securities increased by \$39 billion and short-term lending to financials declined \$343 billion. The “other” category increased by \$459 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 rose by \$60 billion.

The U.S. Treasury’s general account with the Fed, part of “other,” decreased by \$71 billion, and the Treasury’s supplementary financing account increased by \$25 billion for the fifth consecutive week.



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.

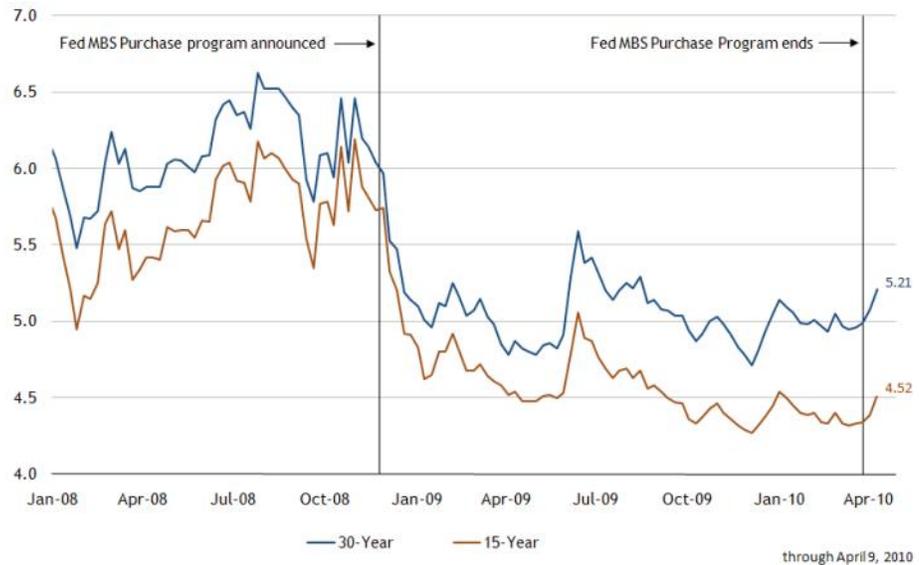
Mortgage Market

Summary

Mortgage rates edged up in the latest Primary Mortgage Market Survey. Both the 30- and 15-year fixed rates increased each of the past four weeks.

The 30-year fixed rate mortgage is at its highest level since August 13, 2009, when it averaged 5.29%; the 15-year fixed rate mortgage is at its highest point since December 31, 2009, when it averaged 4.54%.

Freddie Mac Primary Mortgage Market Weekly Survey
fixed-rate mortgage rates, percent



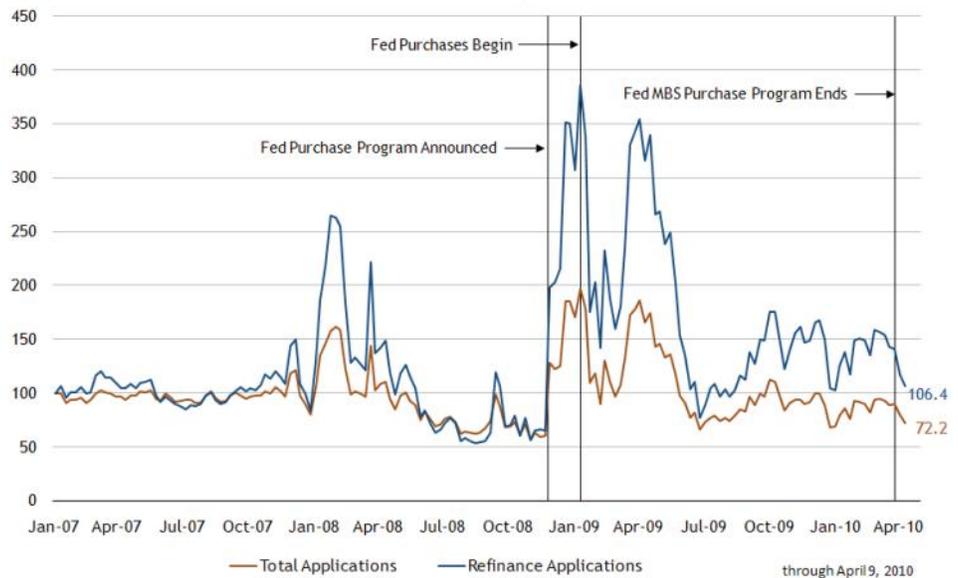
Source: Federal Home Loan Mortgage Corporation/Haver Analytics

- The 30-year fixed rate averaged 5.21%, up from 5.08% a week ago; the 15-year fixed rate averaged 4.52%, up from 4.39% a week ago.
- At this time last year, the 30-year fixed rate averaged 4.87%; the 15-year fixed rate averaged 4.54%.

Total mortgage loan application volume and refinance application volume remain well below the peaks set in January and April 2009.

The refinance index declined for the sixth consecutive week and is at its lowest point since the end of 2009.

Market Volume Index: Mortgage Loan Applications
Indexed to January 2007 = 100



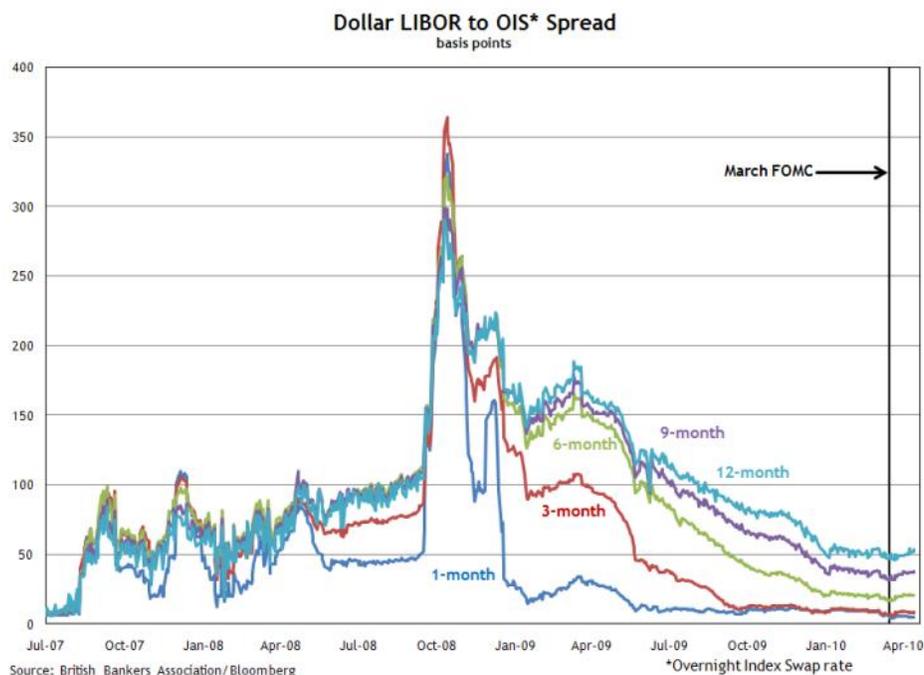
Source: Mortgage Bankers Association/Haver Analytics

- For the week ending April 9, total mortgage application volume and total refinance application volume decreased from the previous week. Total mortgage application volume decreased 9.6% from the previous week; total refinance application volume decreased 9% from one week earlier.
- The refinance share of mortgage activity represented 58.9% of total applications.

Broad Financial Market Indicators

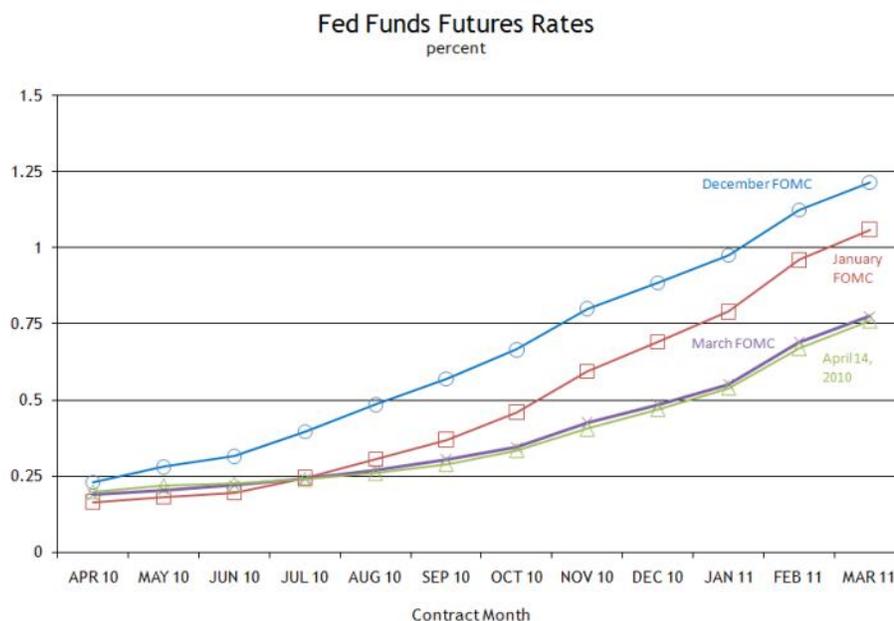
Summary

As has been the pattern in recent weeks, LIBOR to OIS spreads have stabilized on the short end while widening on the long end since the March FOMC meeting.



- Since the March 16 FOMC meeting, longer-dated dollar LIBOR to OIS spreads have risen slightly. While the one-month spread is flat at 4.8 basis points (bps), the three-month spread is up about 2 bps to 8 bps. The six- and nine-month spreads are higher by 3.8 and 3.4 bps, respectively, to 21.5 and 38.2 bps, and the 12-month spread has risen 3.1 bps to 53.4 bps.

The fed funds futures market has priced in a 25-basis-point rate hike by late 2010 or early 2011.

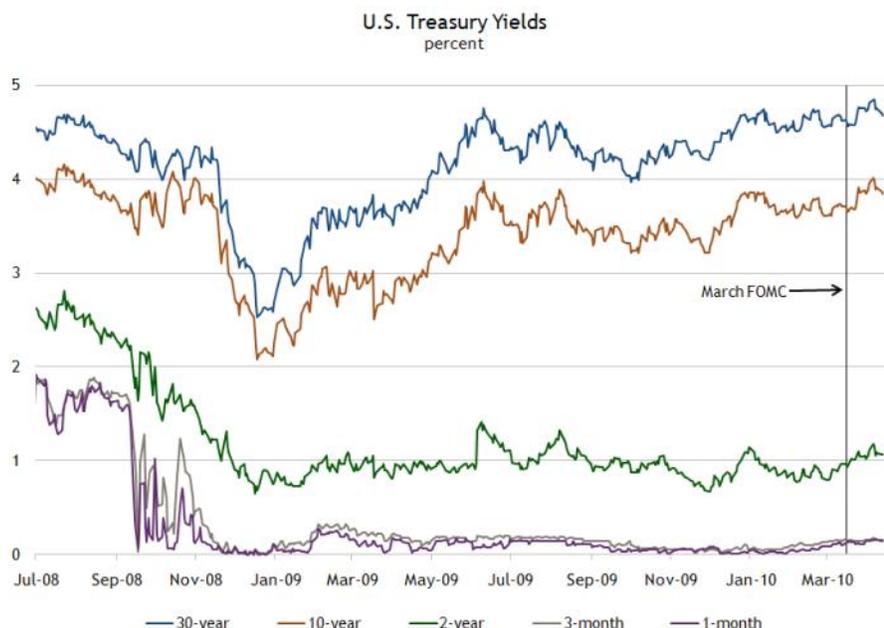


- As of April 14, the futures market for fed funds indicates an implied rate of about 47 bps for the December 2010 contract and 54 bps for the January 2011 contract.

Broad Financial Market Indicators

Summary

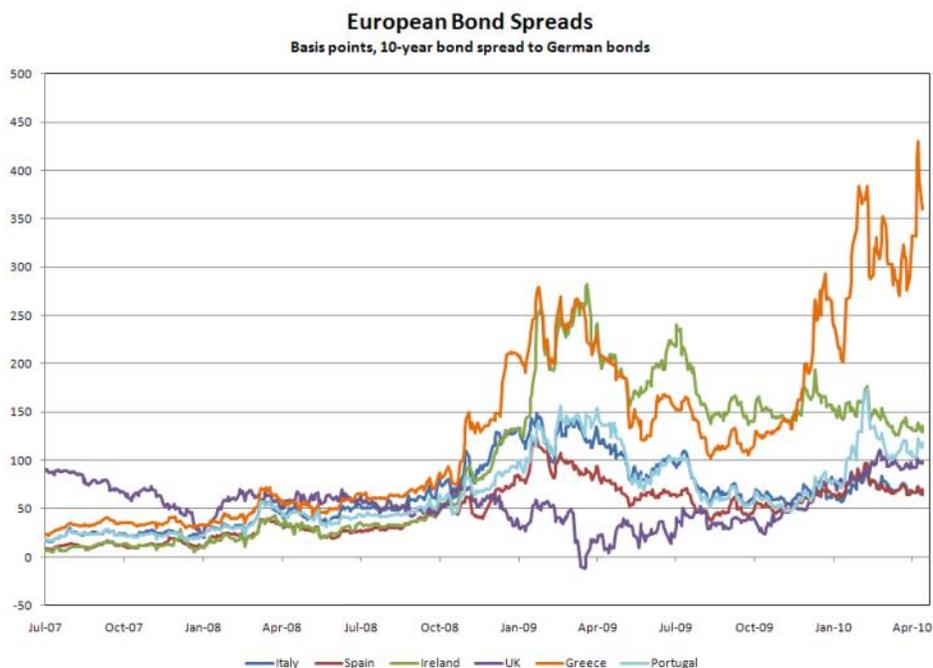
Following the March FOMC meeting, Treasury yields moved higher.



Source: Bloomberg and British Bankers' Association

- Since the March FOMC meeting, longer-dated Treasury yields are as follows: Through April 13, the 30-year bond is up 9 bps to 4.68%, the 10-year bond is 18 bps higher to 3.84%, and the two-year note is up 14 bps to 1.07%.
- The three- and one-month T-bill rates are both at 0.16% and 0.15%, respectively.

European bond spreads (over German bonds) reflect investors' worries about Greece's sovereign credit risk, though spreads have eased from their highs of last week.



Source: Bloomberg

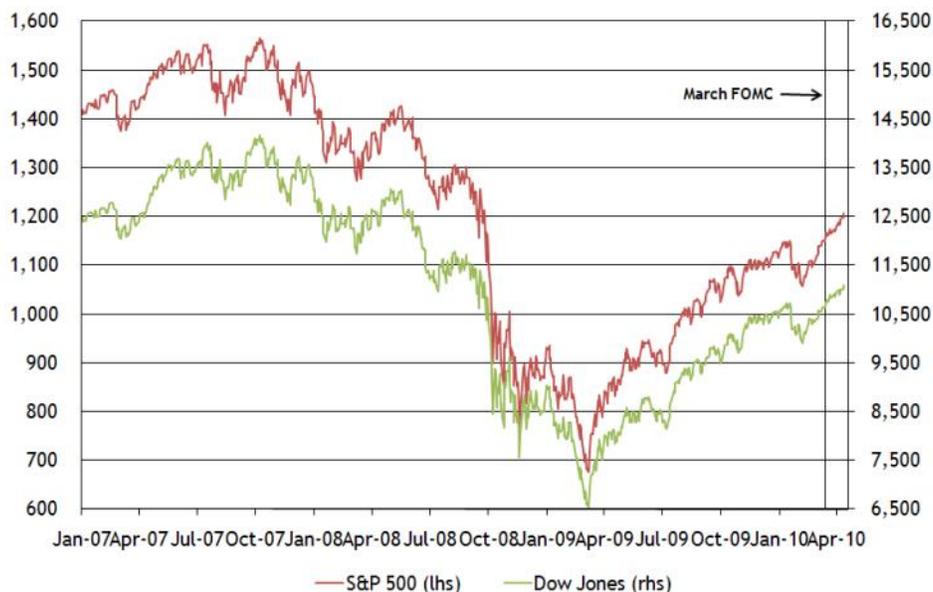
- On April 13, the spread of the 10-year Greek bond over its German counterpart stood at 363 bps, down from a high of 430 bps on April 8.

Broad Financial Market Indicators

Summary

Since the March FOMC meeting, equity markets have steadily improved. Both the S&P 500 and the Dow Jones average surpassed thresholds of 1,200 and 11,000, respectively.

S&P 500 & Dow Jones Equity Indexes

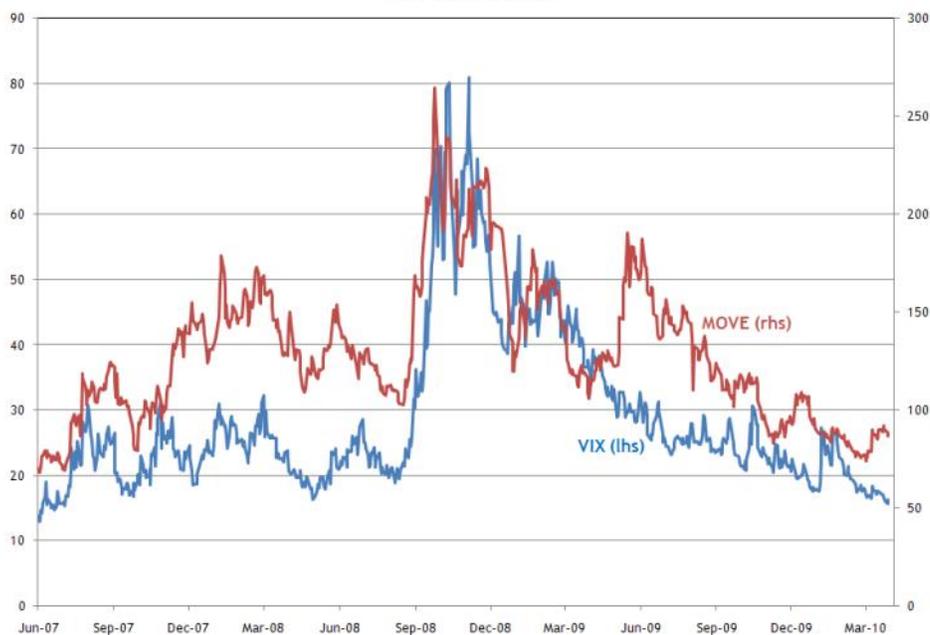


Source: Bloomberg

- Since the March 16 FOMC meeting, the S&P 500 has risen 4% and the Dow Jones 3.8%, as of 3 p.m. EST on April 14.

According to their respective indexes, equity market volatility has declined to precrisis lows, while bond market volatility has risen recently.

VIX and MOVE



Source: Merrill Lynch, CBOE

- The Chicago Board of Exchange's Volatility Index (VIX), measuring the option-implied volatility of the S&P 500 index, has reached its lowest levels since May 2007, with a reading of 16.2 as of April 13, down 8.4% since the last FOMC meeting on March 16.
- The Merrill Lynch Option Volatility Expectations (MOVE), a measure of bond market volatility, has risen to a level of 86.7 as of April 13, up from 76.9 (12.8%) since the last FOMC meeting.