

## Financial Highlights

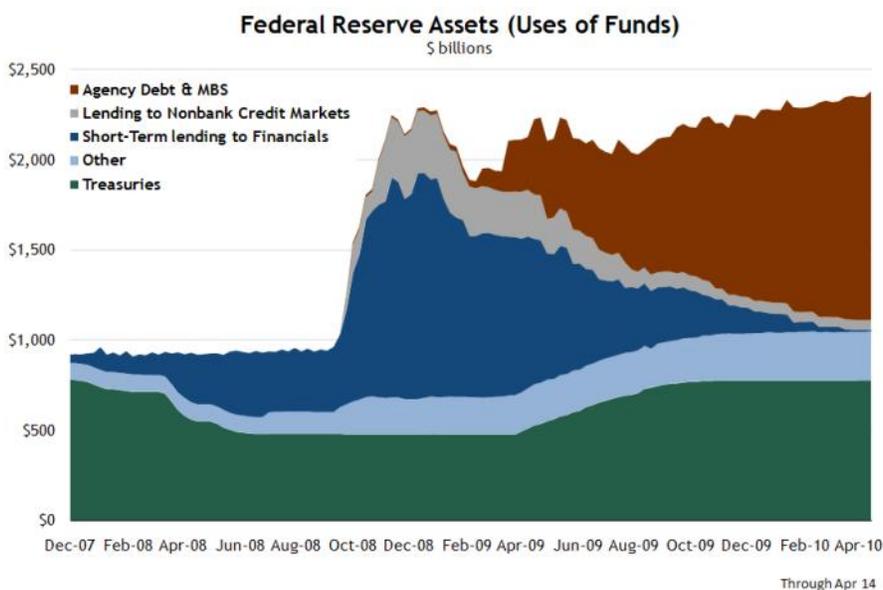
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# Federal Reserve

## Summary

The balance sheet expanded \$32 billion, to \$2.4 trillion, for the week ended April 14.

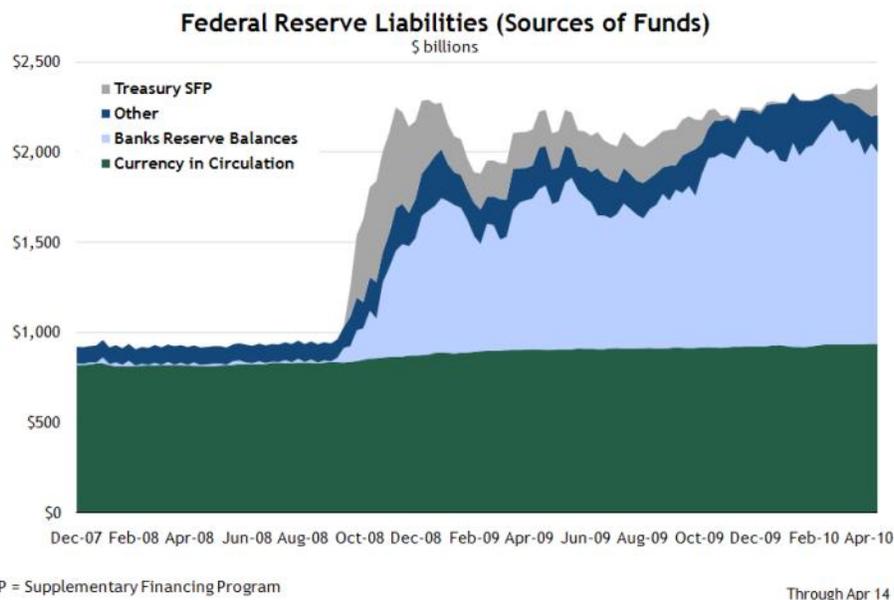


Source: Federal Reserve Board

- Holdings of agency debt and mortgage backed securities increased by \$33 billion, and short-term lending to financials declined \$4.2 billion.

Bank reserve balances declined by \$50 billion.

Other liabilities increased by \$58 billion, and the U.S. Treasury's supplementary financing account increased by \$25 billion for the sixth consecutive week.



SFP = Supplementary Financing Program

Source: Federal Reserve Board

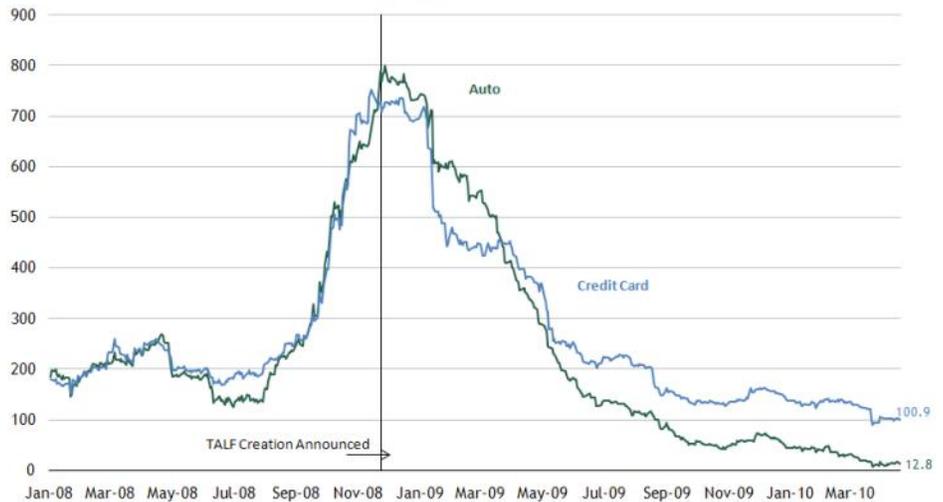
**Assets:** Lending to nonbanks—TALF, CPFF, AMLF, and MMLF; Short-term lending to financials—discount window, TAF, currency swaps, PDCF, and repos; Misc.—Maiden Lanes I, II, and III, credit to AIG, and other Fed assets. **Liabilities:** Other—Reverse repos, Treasury cash holdings, and deposits with Federal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

# Asset Backed Securities

## Summary

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

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



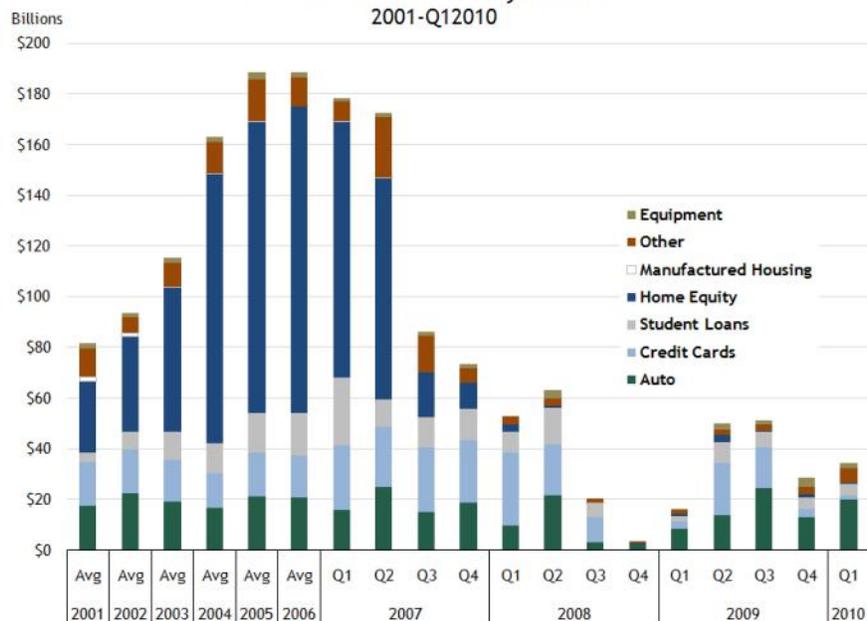
Source: Bloomberg and Merrill Lynch

- As of April 20, ABS backed by credit cards were 101 basis points (bps) higher than two-year Treasuries, while ABS backed by autos were 13 bps higher.

Consumer ABS issuance for the first quarter of 2010 has surpassed that of the fourth quarter of 2009.

Issuance backed by autos was comparable to averages in previous years while everything else was relatively weak in the fourth quarter of 2009 and the first quarter of 2010.

Asset Backed Security Issuance  
2001-Q12010

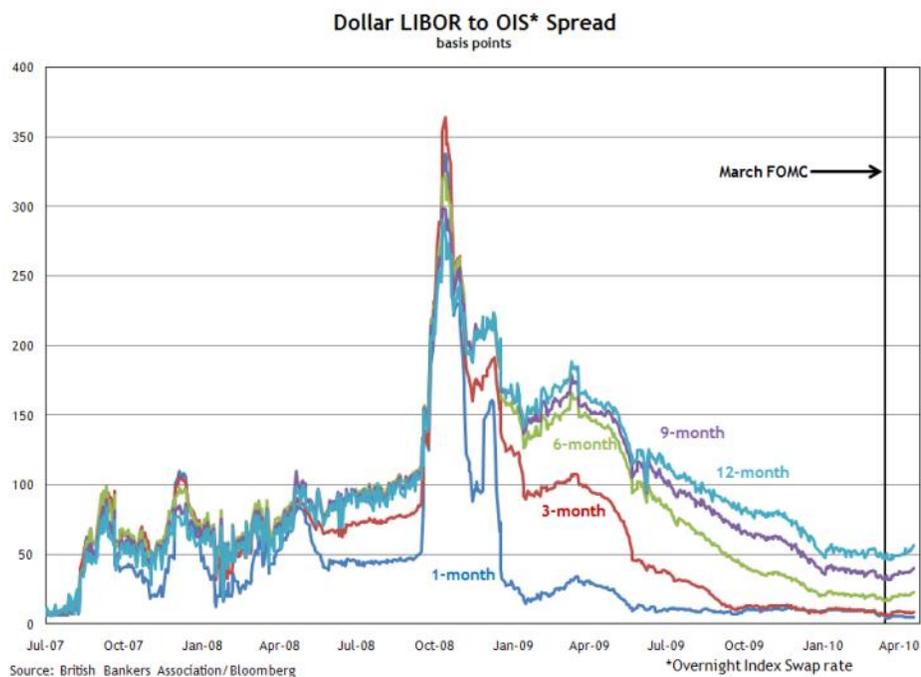


Source: SIFMA

# Broad Financial Market Indicators

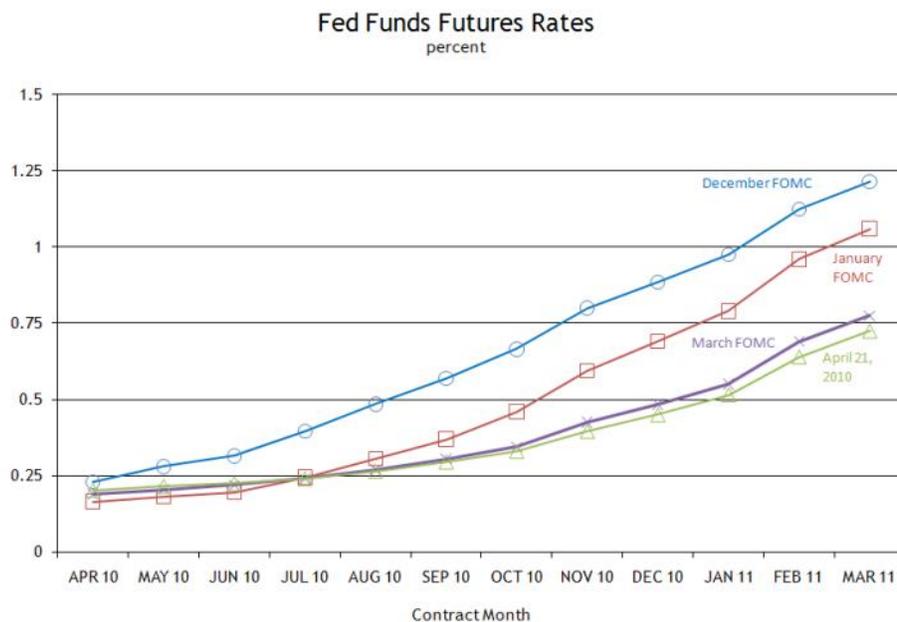
## Summary

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



- Since the March 16 FOMC meeting, while the one-month spread is flat at 4.8 bps, longer-dated dollar LIBOR to OIS spreads have risen slightly. The three-month spread is up about 2 bps to 8.5 bps. The six- and nine-month spreads are higher by 3.9 and 4.4 bps, respectively, to 21.7 and 39.3 bps, and the 12-month spread has risen 3.7 bps to 54 bps.

Since the March FOMC meeting, the fed funds futures market has pushed back the likelihood of a rate hike to late 2010 or early 2011.



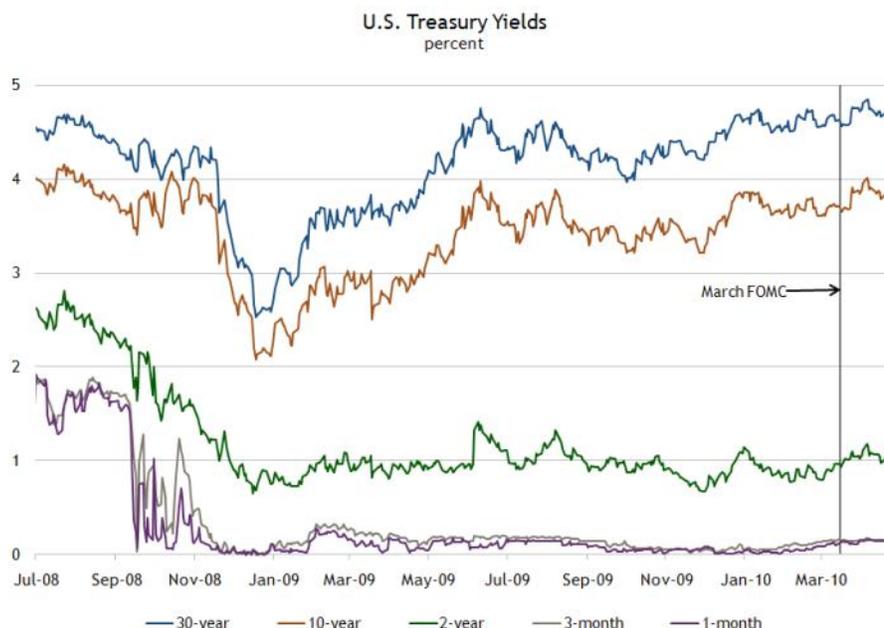
Source: Bloomberg

- As of April 21, the futures market for fed funds indicates an implied rate of about 45 bps for the December 2010 contract and about 52 bps for the January 2011 contract.

# Broad Financial Market Indicators

## Summary

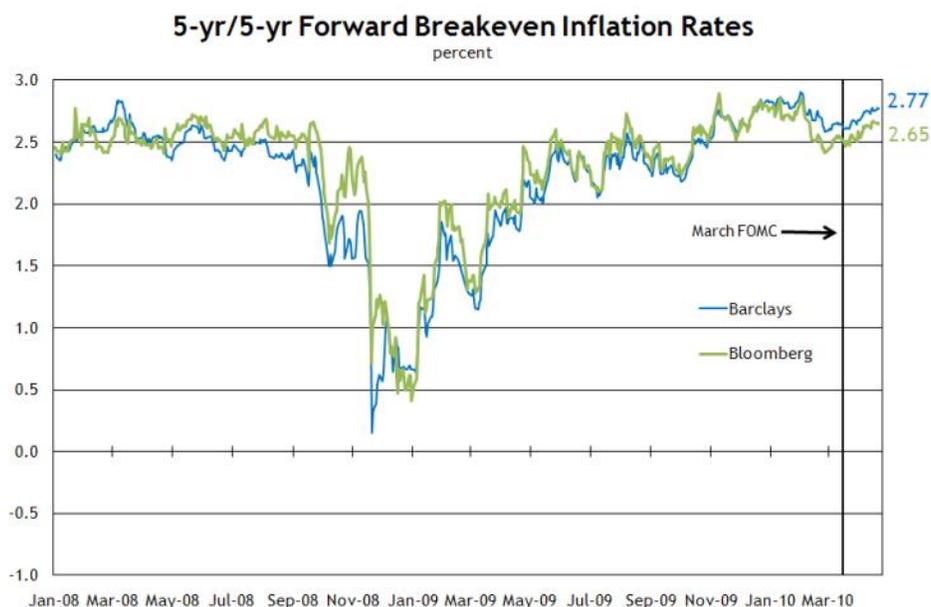
In the first few weeks following the March FOMC meeting, Treasury yields moved higher, only to decline slightly the past two weeks for a net increase during the intermeeting period.



Source: Bloomberg and British Bankers' Association

- Since the March FOMC meeting, longer-dated Treasury yields are as follows: Through April 21, the 30-year bond is up 8 bps to 4.67%, the 10-year is 16 bps higher to 3.85%, and the two-year note is up 12 bps to 1.05%.
- The three- and one-month T-bill rates are at 0.16% and 0.14%, respectively.

After narrowing in the weeks approaching the meeting, since the March FOMC meeting breakeven inflation rates have risen about 15 bps.



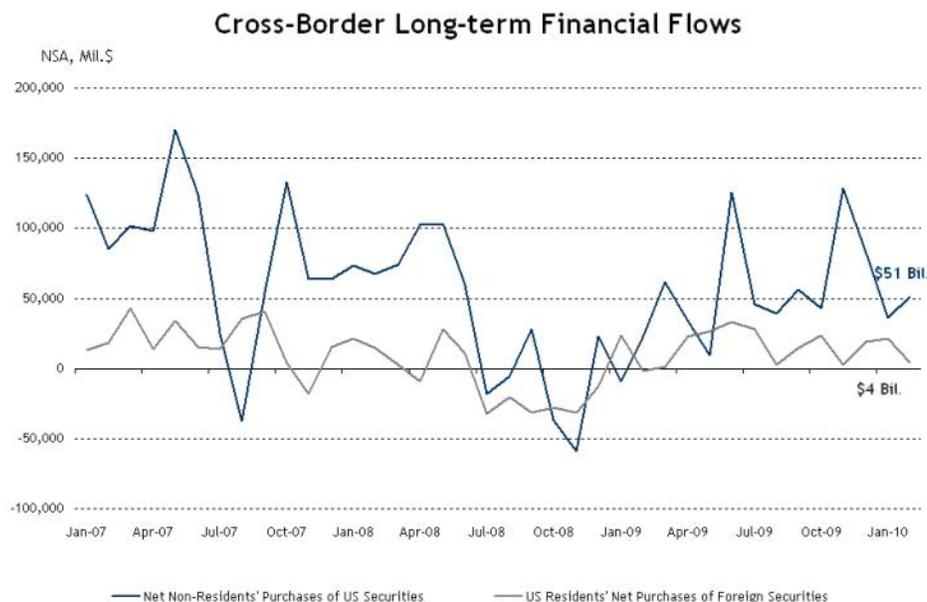
Source: Bloomberg

- Since the March FOMC meeting, the 5-year/5-year forward breakeven inflation rates have risen 15 bps for both the Barclays and Bloomberg measures, which read 2.77% and 2.65%, respectively, as of April 21.

# Broad Financial Market Indicators

## Summary

Nonresidents' purchases of long-term U.S. securities picked up in February to a net \$51 billion. U.S. residents' net buying of foreign stocks and bonds moderated to \$4 billion.



Source: US Treasury/Haver Analytics

- On net, nonresidents bought \$51.4 billion in long-term U.S. securities. Continued strong demand for U.S. Treasury bonds and notes was in part offset by ongoing substantial net selling of corporate bonds and a virtually nonexistent demand, on net, for U.S. agency securities in February.
- In line with continued normalization in financial markets, nonresidents bought U.S. equities in February for the 12th consecutive month. In addition, nonresidents continued to sell short-term Treasury bills, after a spike in buying at the height of the financial crisis.
- China's holdings of U.S. Treasury securities fell for the fourth consecutive month to \$877.5 in February. Note that some of China's buying of U.S. Treasury securities may not be reflected in the Department of the Treasury data if the buying is done through private intermediaries or in foreign markets.