

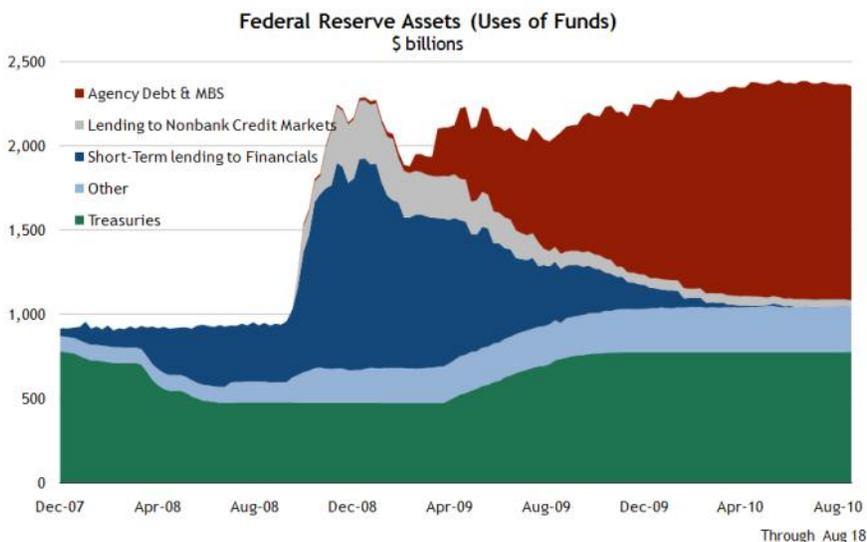
Financial Highlights

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Federal Reserve

Summary

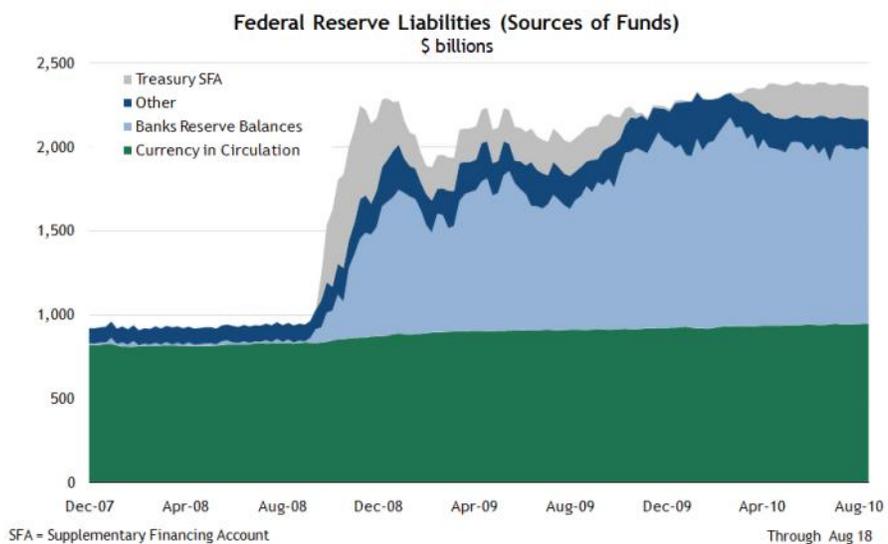
The balance sheet declined by \$14 billion for the week ended August 18. The FOMC has indicated that it will now reinvest MBS paydowns into Treasuries instead of letting them roll off the balance sheet.



Source: Federal Reserve Board

- The biggest changes on the balance sheet came from MBS and Agency Securities, which together declined \$8.6 billion. Other assets fell \$6.7 billion
- Treasuries increased by \$2.5 billion.

Bank reserve balances declined by \$16 billion.



Source: Federal Reserve Board

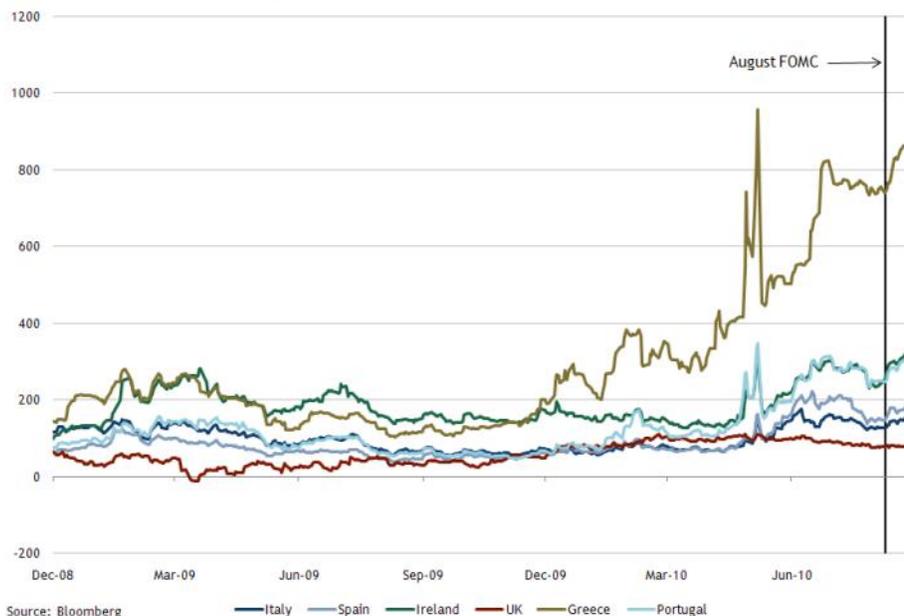
Assets: Lending to nonbanks—TALF, CPFF, AMLF, and MMIFF; Short-term lending to financials—discount window, TAF, currency swaps, PDCF, and repos; Misc.—Maiden Lanes I, II, and III, credit to AIG, and other Fed assets. **Liabilities:** Other—Reverse repos, Treasury cash holdings, and deposits with Federal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

European Debt

Summary

Peripheral European bond spreads (over German bonds) have risen since the August FOMC meeting.

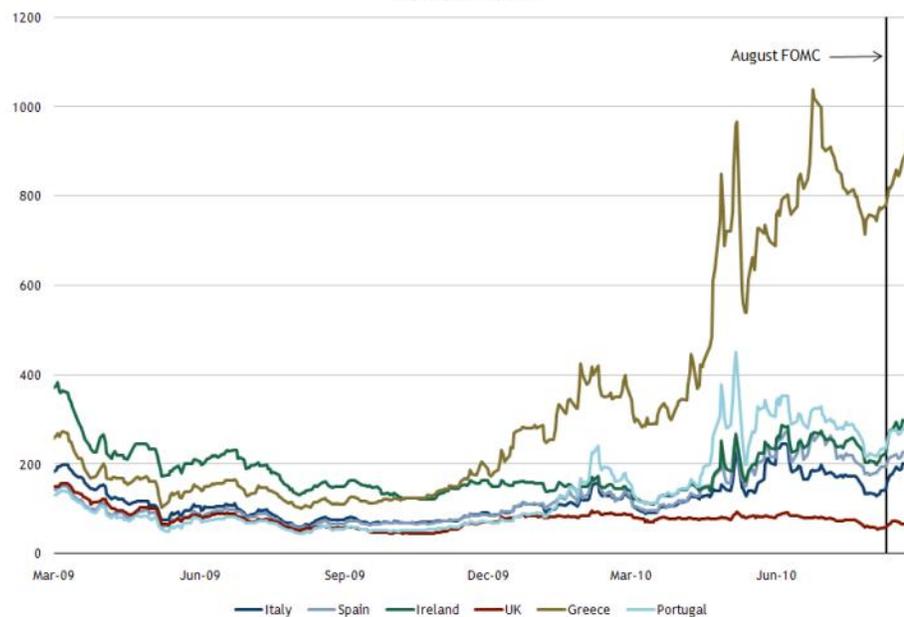
European Bond Spreads
Basis points, 10-year bond spread to German bonds



- Since the August FOMC meeting, the 10-year Greece-to-German bond spread has risen by 113 basis points (bps) (from 8.64% to 7.52%) through August 24. Similarly, with other European peripherals' spreads, Portugal's is higher by 52 bps over the period, and Spain's is higher by 24 bps.

Similarly, CDS spreads have widened recently after a period of stabilization of several weeks.

European CDS Spreads
5-year, basis points

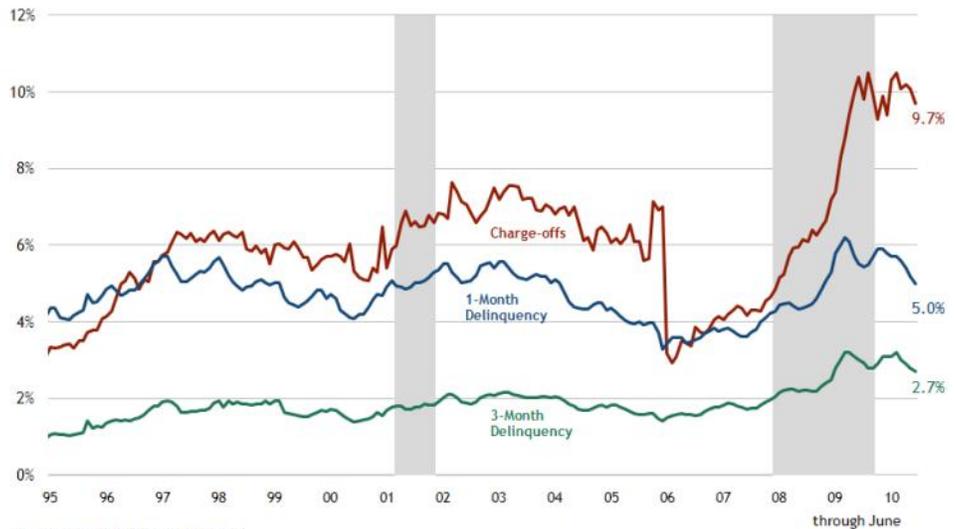


Consumer Credit

Summary

Delinquency rates continue to steadily decline while charge-off rates remain high and volatile.

Credit Card Charge-off & Delinquency Rates

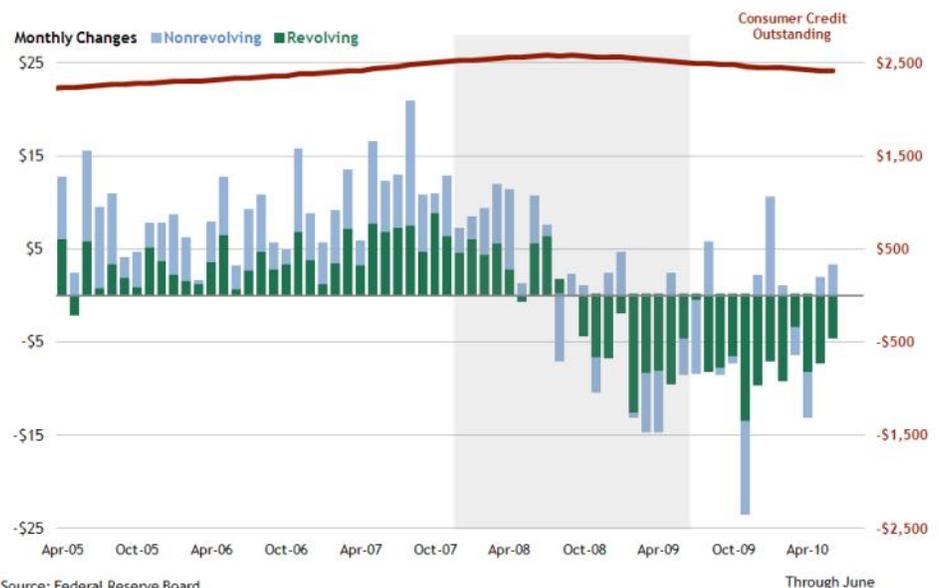


- The charge-off rate was 9.7% in June, according Standard and Poor’s Credit Card Quality Index.

Revolving consumer credit outstanding declined in June for the 21st consecutive month. The last month seeing an increase was September 2008.

SA Consumer Credit - Monthly Change and Total Outstanding

Billions \$



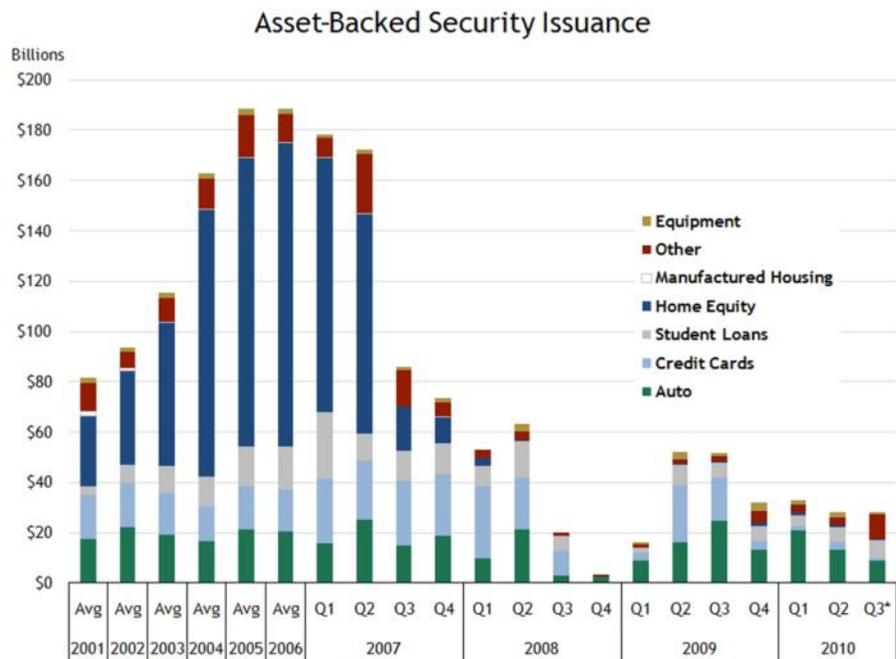
- Seasonally adjusted revolving consumer credit fell \$4.5 billion in June while nonrevolving consumer credit increased \$3.2 billion.

Asset-Backed Securities

Summary

Issuance of asset-backed securities in the second quarter was lower than the first quarter, but not by much.

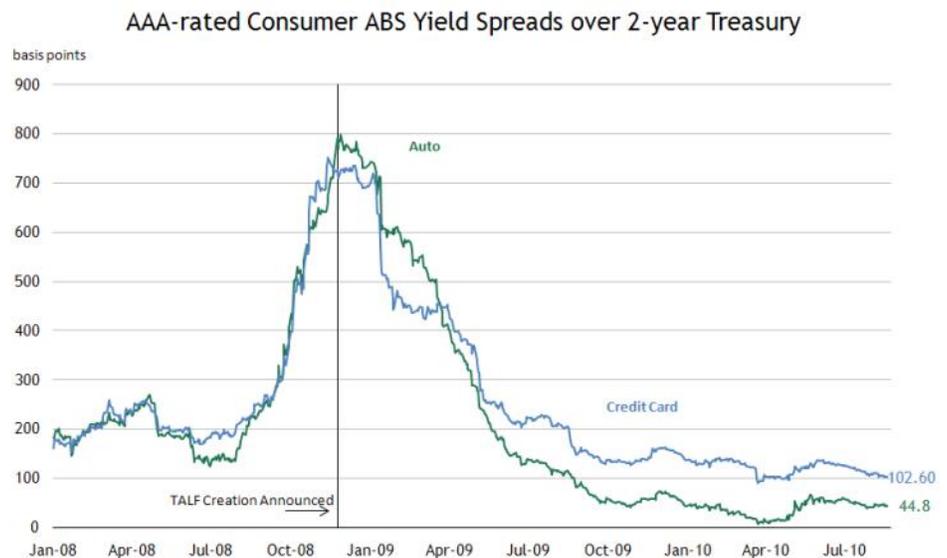
So far, the third quarter is on track to exceed the amount issued in the second quarter.



Source: SIFMA & Bloomberg

*Q3 not complete, data through 08/25

Consumer ABS yield spreads to two-year Treasuries have remained relatively stable in recent months.



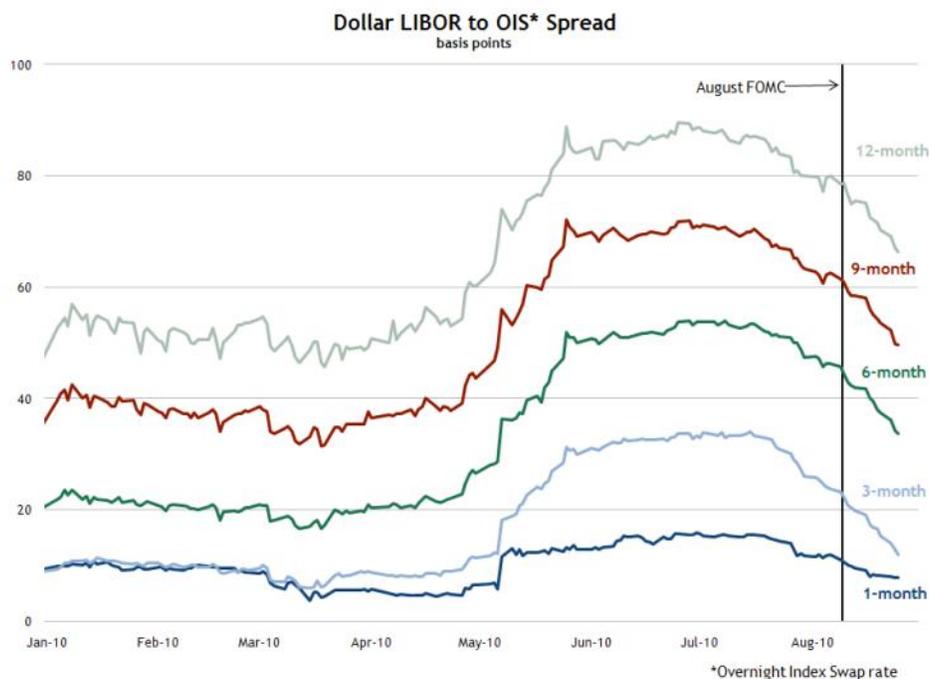
Source: Bloomberg and Merrill Lynch

through Aug 24

Broad Financial Market Indicators

Summary

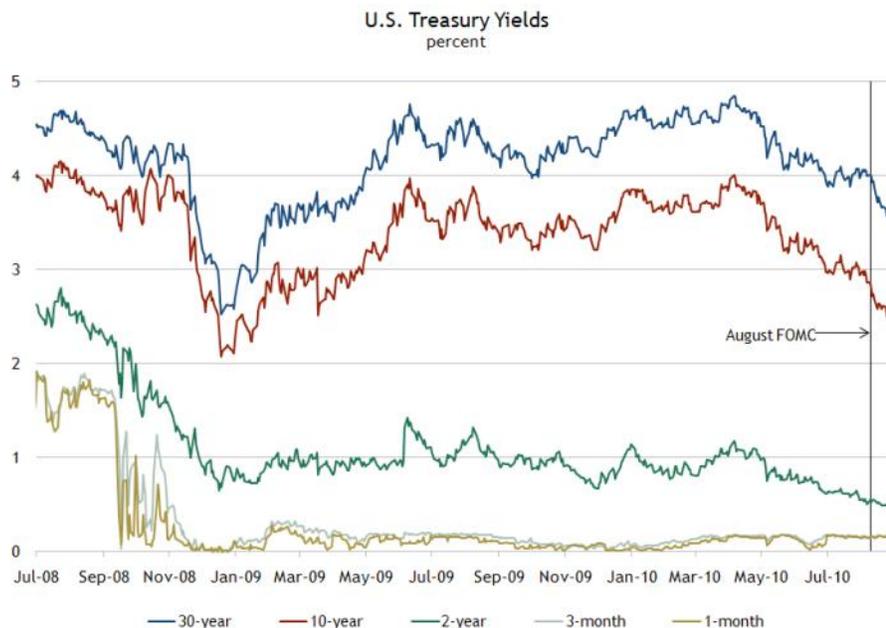
Amid broader stabilization in credit markets, LIBOR to OIS spreads have narrowed further since the August FOMC meeting.



Source: Bloomberg/British Bankers' Association

- Since the August FOMC meeting, dollar LIBOR to OIS spreads have narrowed across all tenors, but more so further out on the curve. While the one-month spread declined by 3 bps, the three-, six-, nine-, and 12-month spreads are lower by 11 bps to 12 bps.

Longer-dated Treasury yields declined sharply during the past two weeks.



Source: Federal Reserve Board

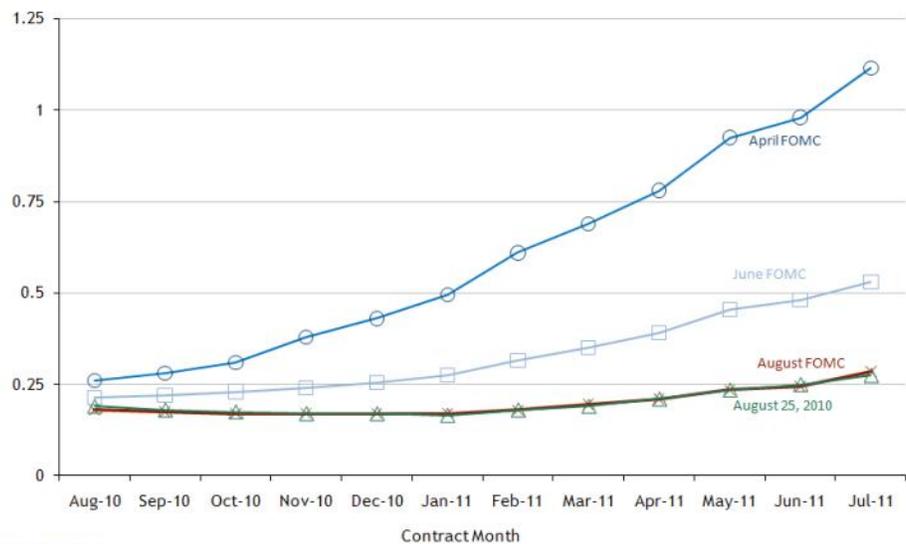
- Since the August FOMC, the two-to-30-year curve of Treasury yields has steepened further: The 30-year bond is 43 bps lower at 3.57%, the 10-year bond is 29 bps lower at 2.50% lower, while the two-year note has fallen by only 2 bps, to 0.50%.
- T-bill rates have been stable, with the three- and one-month bills at 0.16% and 0.17%, respectively, through August 24.

Broad Financial Market Indicators

Summary

The curve of expected rates from the fed funds futures market is relatively unchanged since the August 10 FOMC meeting.

Fed Funds Futures Rates percent



Source: Bloomberg

- Holding steady since the August 10 FOMC meeting, the fed funds futures markets show an expectation of a rate increase in late 2011, if not early 2012.
- As of August 24, the futures market for fed funds indicates an implied rate of about 28 bps for the July 2011 contract.