

## Financial Highlights

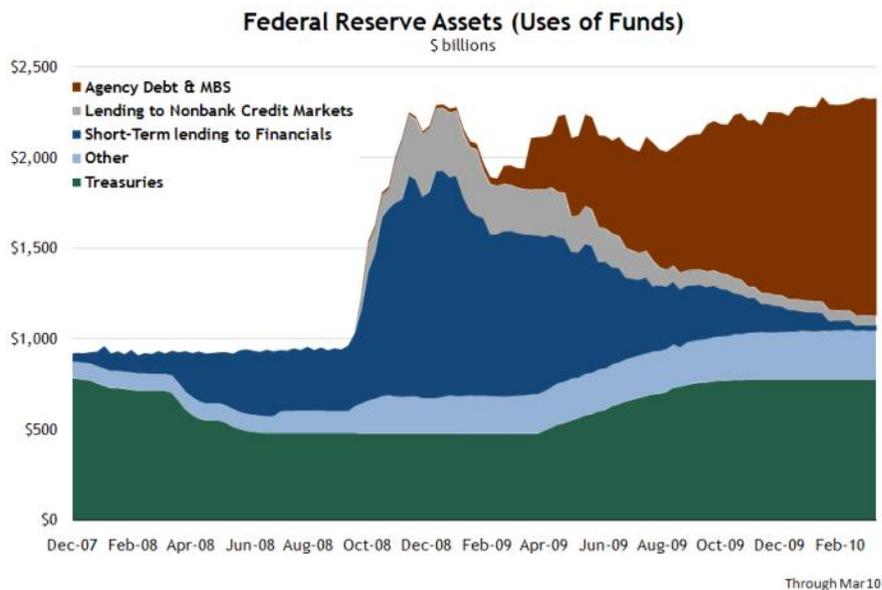
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# Federal Reserve

## Summary

The balance sheet expanded \$2.8 billion for the week ended March 10.

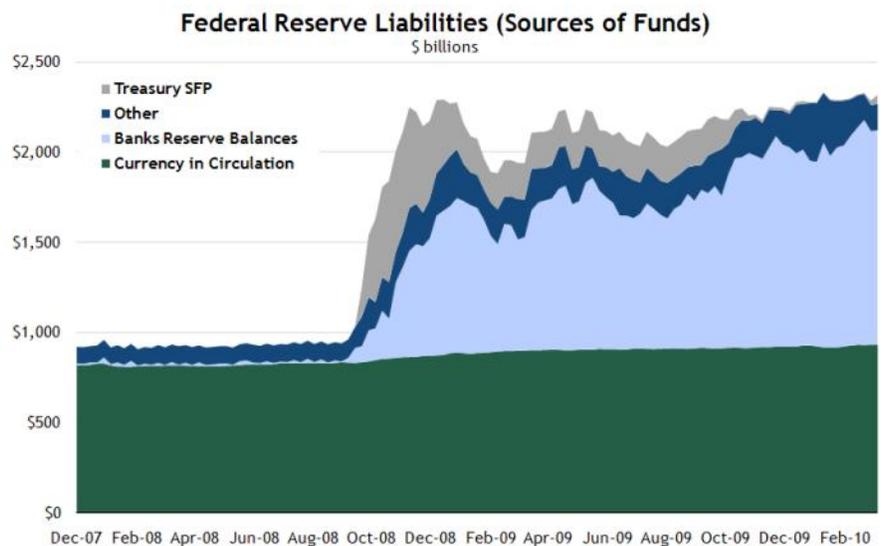


Source: Federal Reserve Board

- Holdings of agency debt and mortgage-backed securities increased by \$3.8 billion while TALF holdings declined by \$1.9 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.

The Treasury SFP increased by \$25 billion, following a \$20 billion increase the previous week. The U.S. Treasury indicated in late February that it would begin to rebuild the balance in that account.

The Treasury's general account with the Fed, part of "other," decreased by \$30 billion.



SFP = Supplementary Financing Program

Through Mar 10

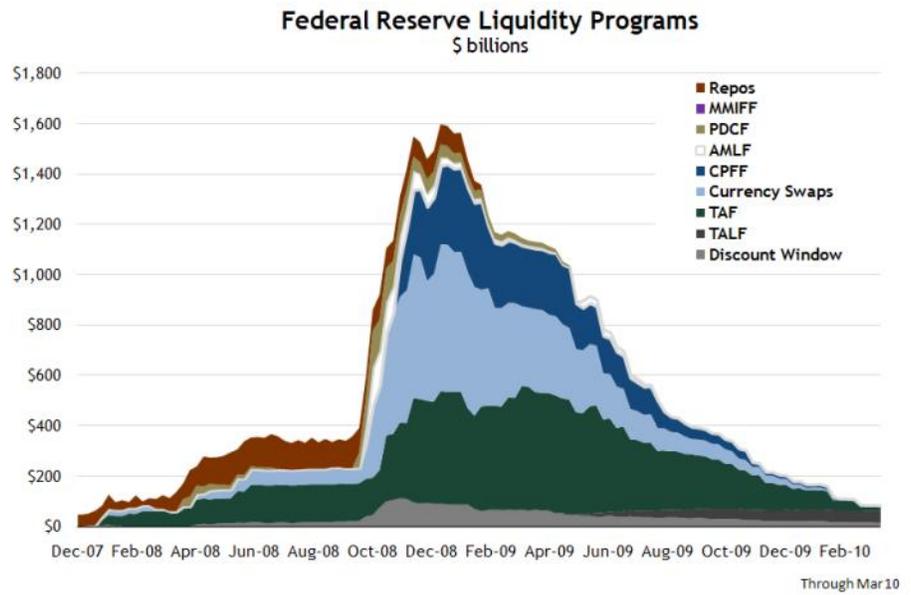
Source: Federal Reserve Board

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

# Federal Reserve

## Summary

Liquidity programs on the Federal Reserve's balance sheet have declined significantly since December 2008.



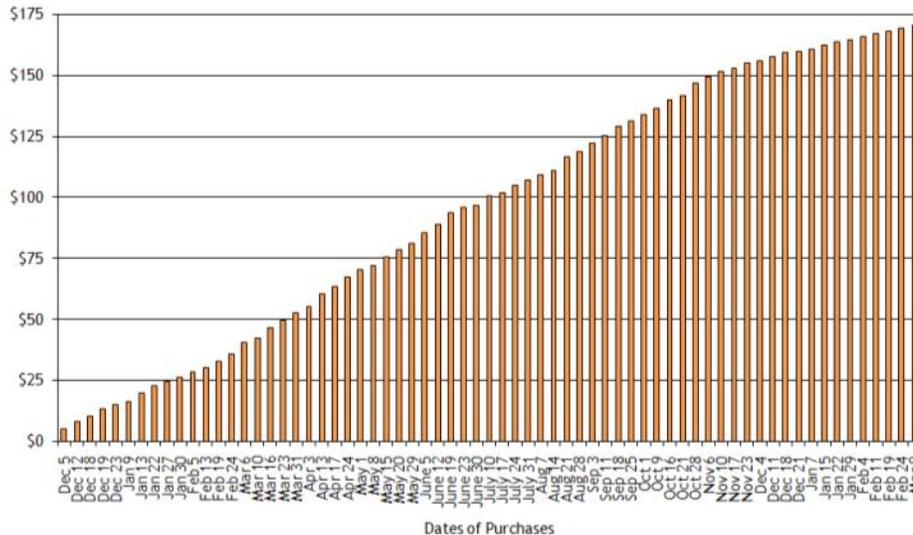
Source: Federal Reserve Board

- Most liquidity programs are now closed, and many expired in January.
- The TAF was the most recent to expire on March 8, leaving only two facilities. The expiration dates for the remaining facilities are TALF-new CMBS (June 30, 2010) and TALF-ABS and old CMBS (March 31, 2010).

## Summary

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

Fed's Agency Coupon Purchases  
Cumulative Total, \$ billions

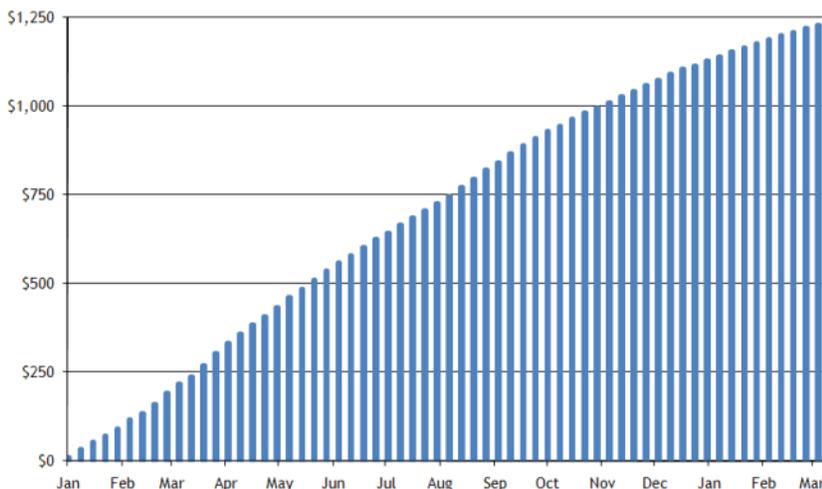


Source: NY Fed

- 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 more than 98% complete.

Fed's Agency MBS Purchases  
Cumulative Total, \$ billions, weekly



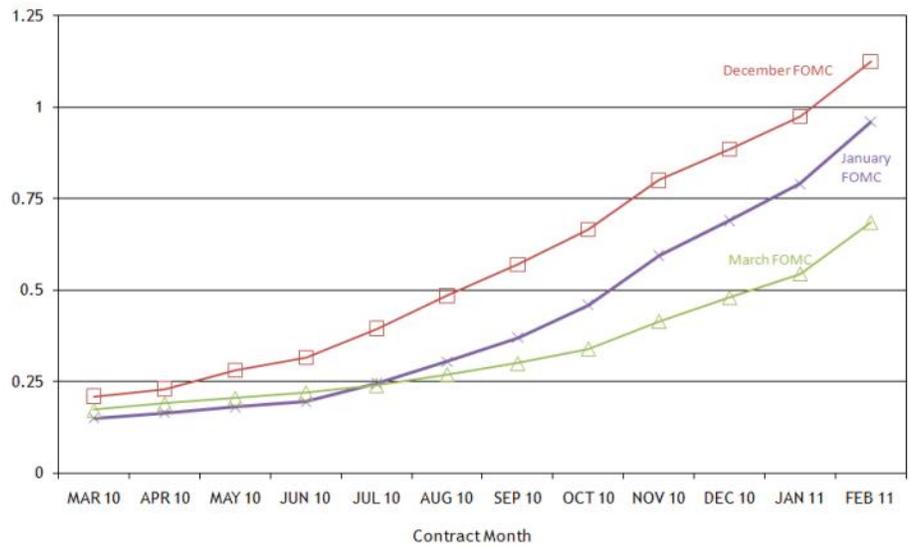
Source: NY Fed

- The Fed purchased a net total of \$10 billion of agency-backed MBS through the week of March 10. This purchase brings its total purchases up to \$1.23 trillion, and by the end of the first quarter 2010 the Fed will have purchased \$1.25 trillion (thus, it is 98% complete).

## Summary

Following the release of the FOMC's statement on March 17, the federal funds futures market pushed the possibility of a rate hike later into 2010, if not into early 2011.

### Fed Funds Futures Rates percent



Source: Bloomberg

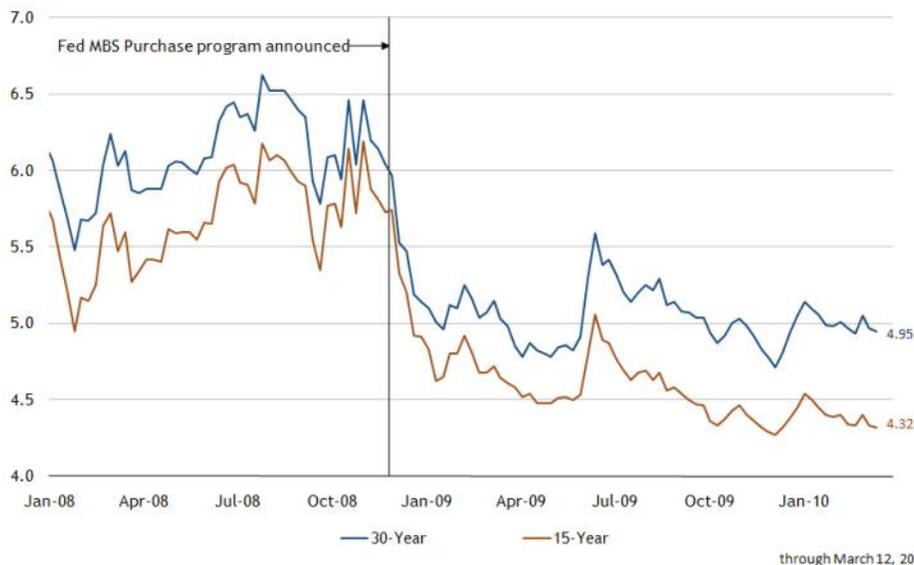
# Mortgage Market

## Summary

Mortgage rates fell slightly in the latest Primary Mortgage Market Survey.

Rates on 15-year fixed rate mortgages remained below 4.5% for the ninth consecutive week; 30-year fixed rate mortgages stayed below 5% for the sixth week this year.

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

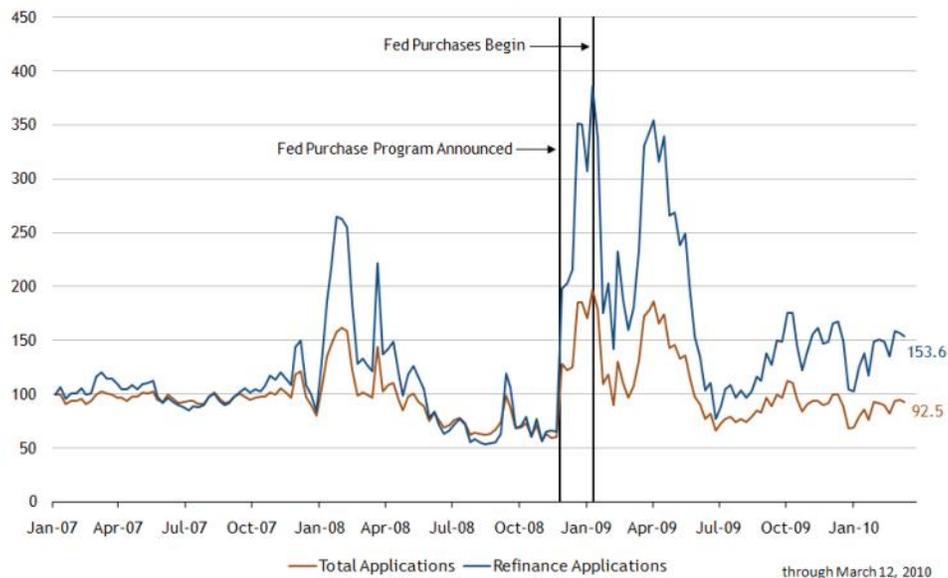


Source: Federal Home Loan Mortgage Corporation/Haver Analytics

- The 30-year fixed rate averaged 4.95%, down from 4.97% a week ago; the 15-year fixed rate averaged 4.32%, down from 4.33% a week ago.
- At this time last year, the 30-year fixed rate averaged 5.03%; the 15-year fixed rate averaged 4.64%.

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

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



Source: Mortgage Bankers Association/Haver Analytics

- For the week ending March 12, total mortgage application volume and total refinance application volume decreased from the previous week. Total mortgage application volume decreased 1.9% from the previous week; total refinance application volume decreased 1.7% from one week earlier.
- The refinance share of mortgage activity represented 67.3% of total applications.

# Credit Cards

## Summary

Charge-off and delinquency rates declined in December.

Many provisions from the credit card act enacted in May 2009 went into effect February 22.

### Credit Card Charge-off & Delinquency Rates



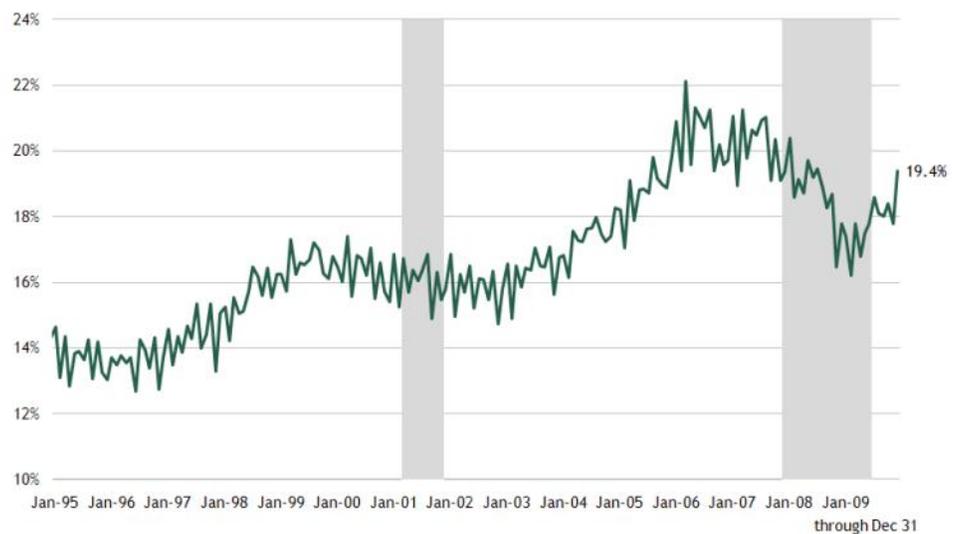
Source: Standard & Poors and Haver

\*Assumes recession ended July 09

- The charge-off rate fell 50 basis points (bps), the one-month delinquency rate fell 10 bps, and the three-month delinquency rate remained the same in December.

The payment rate, which is monthly collections as a percentage of total credit card debt outstanding, has trended up since February 2009 and jumped 160 basis points in December.

### Payment Rate (%)



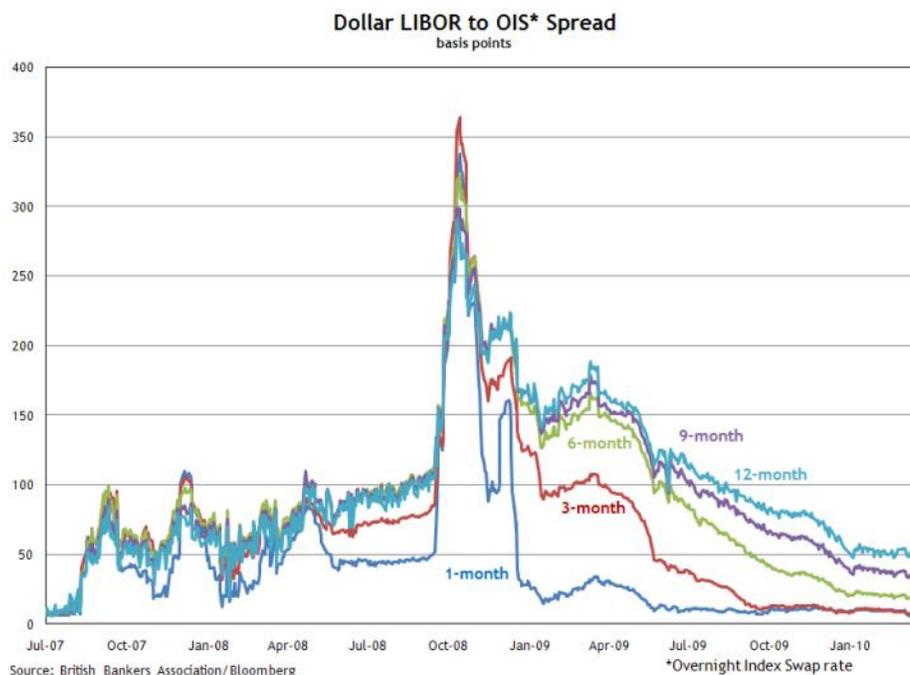
Source: Standard & Poors and Haver

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# Broad Financial Market Indicators

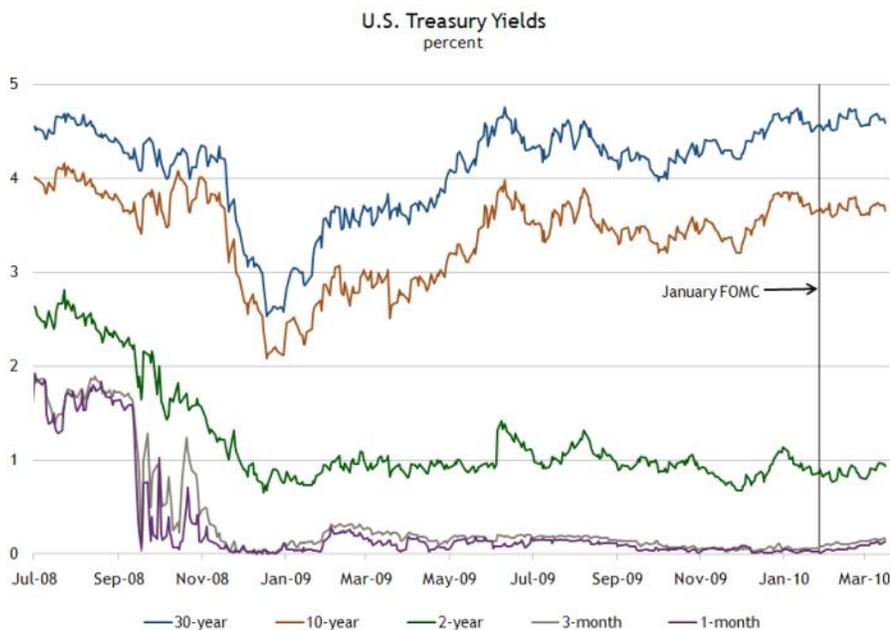
## Summary

During the intermeeting period, LIBOR to OIS spreads declined across the shorter maturities but rose slightly for the 12-month spread.



- Between the January and March FOMC meetings, dollar LIBOR to OIS spreads have declined for most tenors. The one-month and three-month spreads are down 4.5 and 3.3, respectively, to 5.3 and 6.8 bps. The six- and nine-month spreads are lower by 3.3 and 3 bps, respectively, to 17.6 and 34.1 bps. But the 12-month spread has risen 1.9 bps to 50 bps.

Treasury yields were relatively stable during the intermeeting period.

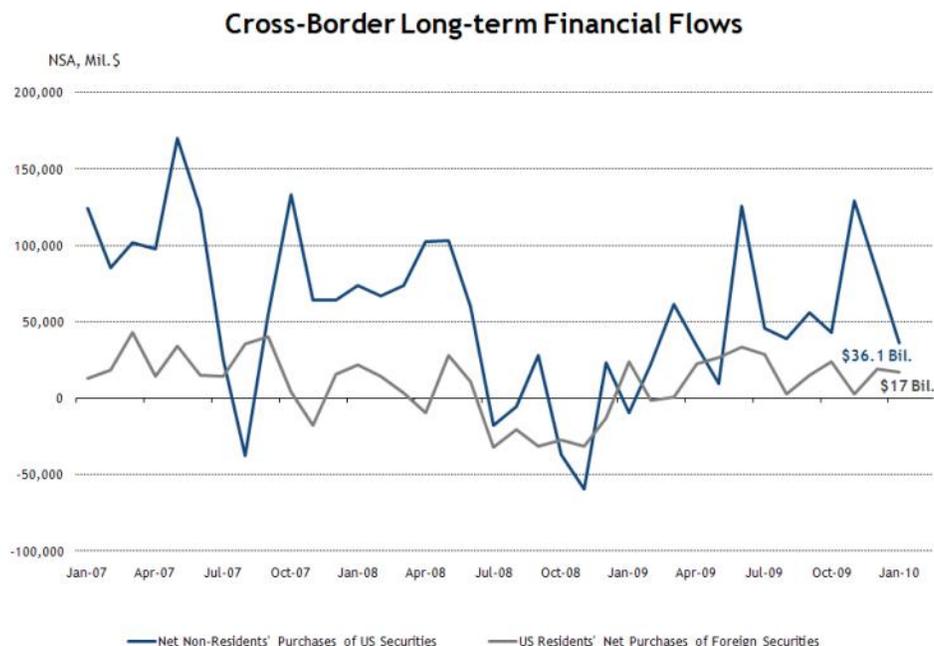


- In the intermeeting period, longer-dated Treasury yields are as follows: Through March 16, the 30-year bond is up 4 bps to 4.59%, the 10-year was flat at 3.66%, and the two-year note is up 2 bps to 0.93%.

# Broad Financial Market Indicators

## Summary

Nonresidents' purchases of long-term U.S. securities slowed in January to a net \$36.1 billion. On net, U.S. residents bought \$17 billion in foreign stocks and bonds.



Source: U.S. Treasury/Haver Analytics

- On net, nonresidents bought \$36.1 billion in long-term U.S. securities. Continued strong demand for U.S. Treasury bonds and notes was in part offset by record net selling of corporate bonds and ongoing net selling of agency securities. All of the foreign capital was provided by the private sector in January.
- In line with continued normalization in financial markets, nonresidents sold, on net, Treasury bills for the third consecutive month in January.
- China's holdings of U.S. Treasury securities fell for the third month in a row to \$889 billion. However, China's holdings were revised up significantly in a benchmark revision earlier this month. Note that some of China's buying of U.S. Treasury securities may not be reflected in the TIC data if the buying is done through private intermediaries.