

Financial Highlights

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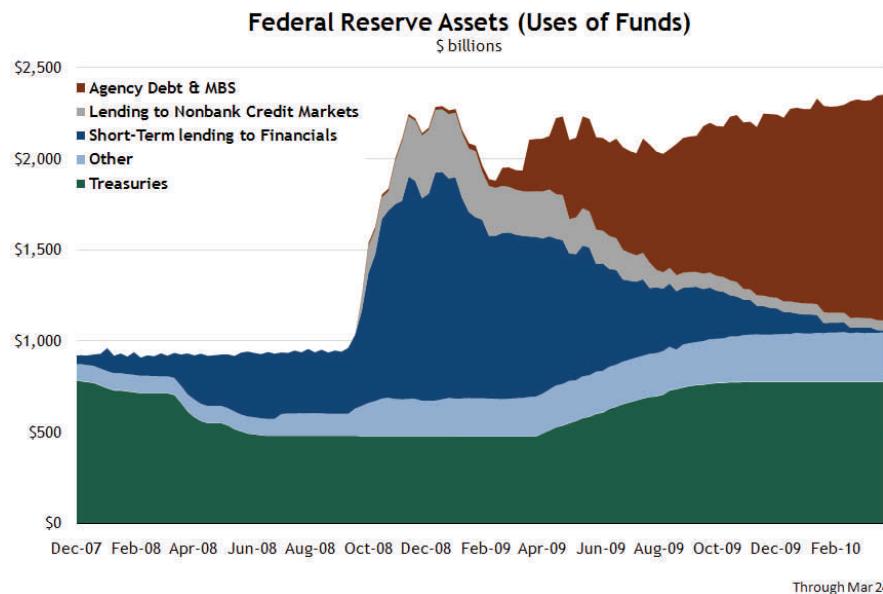
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Federal Reserve

Summary

The balance sheet expanded \$5 billion, to \$2.4 trillion for the week ended March 24.

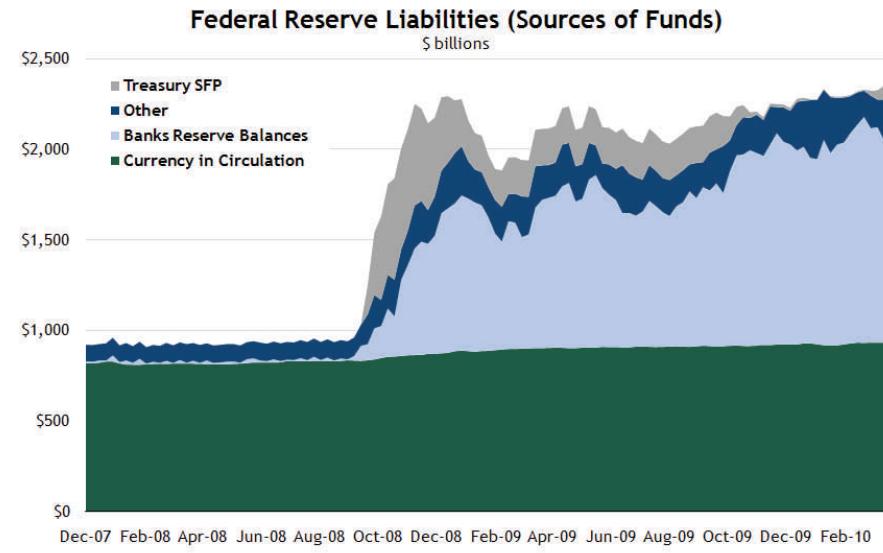


Source: Federal Reserve Board

- Holdings of agency debt and mortgage backed securities increased by \$7.3 billion while short-term lending to financials declined \$2.4 billion.
- The MBS purchases program is now complete, but the balance sheet is expected to continue to grow until the MBS purchases settle on the balance sheet.

Bank reserve balances and the Treasury's supplementary financing account increased by \$30 billion and \$25 billion, respectively.

The Treasury's general account with the Fed, part of "other," decreased by \$47 billion.

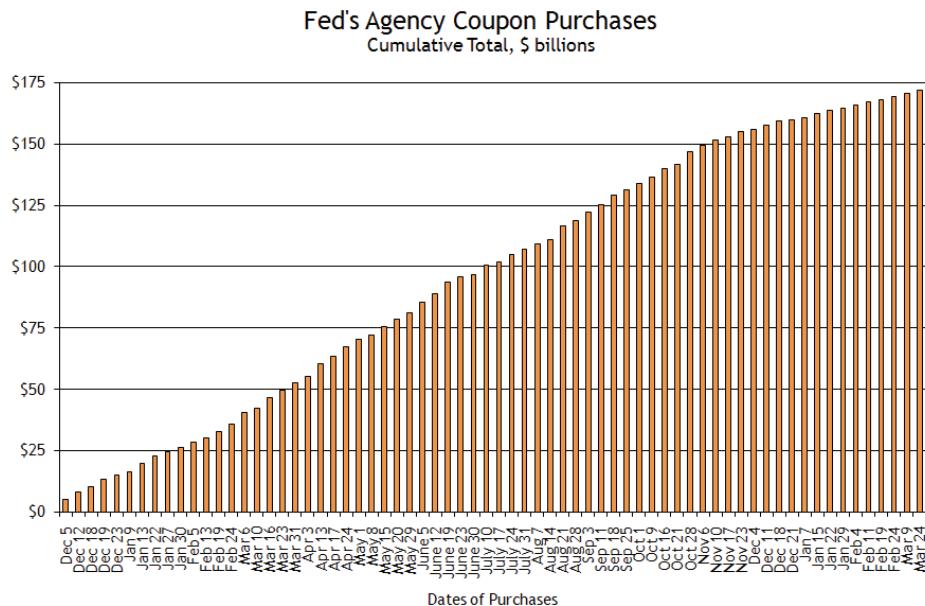


Source: Federal Reserve Board

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

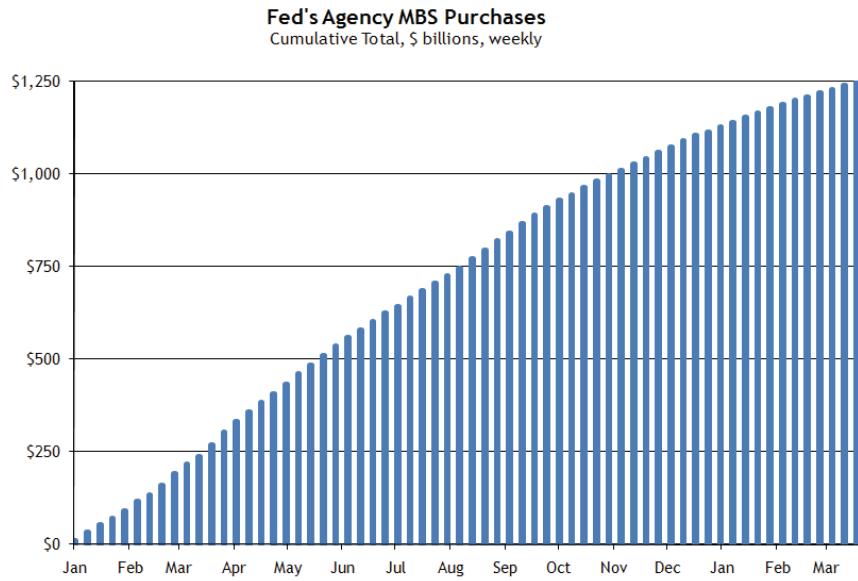
The Fed is nearing the completion of its agency debt purchase program, scheduled to conclude by the end of March 2010.



Source: NY Fed

- The Fed has completed \$172.13 billion of its \$175 billion agency debt purchase program through March 30 (making it 98% complete). The last purchase, on March 24, was made for \$1.5 billion.

And the agency-backed MBS purchase program is also on nearing completion, with a net \$8 billion purchased recently.



Source: NY Fed

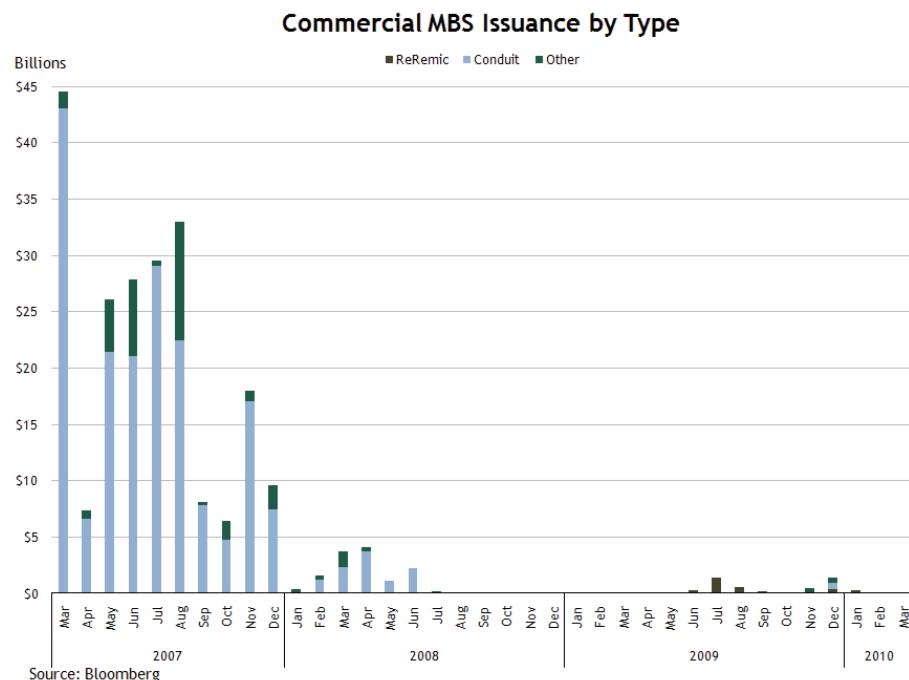
- The Fed purchased a net total of \$8 billion of agency-backed MBS through the week of March 24. This purchase brings its total purchases up to \$1.248 trillion, and by the end of March 2010 the Fed will have purchased \$1.25 trillion (thus, it is 99% complete).

Commercial Mortgage Backed Securities

Summary

No new commercial mortgage backed securities have been issued in 2010.

However, the first new CMBS bond deal of the year is expected to come to market in the coming weeks. The bond deal is expected to consist of refinanced loans.



At the March 19 TALF operation, \$1.26 billion in financing for legacy CMBS was requested; \$857 million settled.

Nothing was requested to finance newly issued CMBS.

The TALF operation on March 19 is the last one for legacy CMBS, which is set to expire on March 31, 2010. However, TALF operations for newly issued CMBS are scheduled to continue until June 30, 2010.

| Subscription Date | TALF Operations | | | | Market Operations | |
|-------------------|------------------|------------------|--------------------------------|--------------------------|--------------------|---------------------------------|
| | 3 year Loan Rate | 5 year Loan Rate | Newly Issued Amount (millions) | Legacy Amount (millions) | 3-5 Year CMBS Rate | *Newly Issued Amount (millions) |
| 6/16/09 | 3.27 | 4.13 | \$0.00 | -- | 8.84 | \$0.00 |
| 7/16/09 | 3.03 | 3.87 | \$0.00 | \$668.94 | 6.48 | \$0.00 |
| 8/20/09 | 3.07 | 3.87 | \$0.00 | \$2,148.31 | 6.08 | \$0.00 |
| 9/17/09 | 2.95 | 3.80 | \$0.00 | \$1,351.10 | 5.84 | \$0.00 |
| 10/21/09 | 2.86 | 3.64 | \$0.00 | \$1,930.57 | 5.31 | \$0.00 |
| 11/17/09 | 2.72 | 3.54 | \$72.25 | \$1,329.53 | 5.26 | \$327.75 |
| 12/14/09 | 2.74 | 3.62 | \$0.00 | \$1,282.44 | 5.34 | \$960.00 |
| 1/20/10 | 2.78 | 3.73 | \$0.00 | \$1,325.98 | 4.93 | \$0.00 |
| 2/17/10 | 2.74 | 3.68 | \$0.00 | \$1,255.72 | 4.79 | \$0.00 |
| 3/19/10 | 2.72 | 3.63 | \$0.00 | \$1,259.67 | 4.452 | \$0.00 |

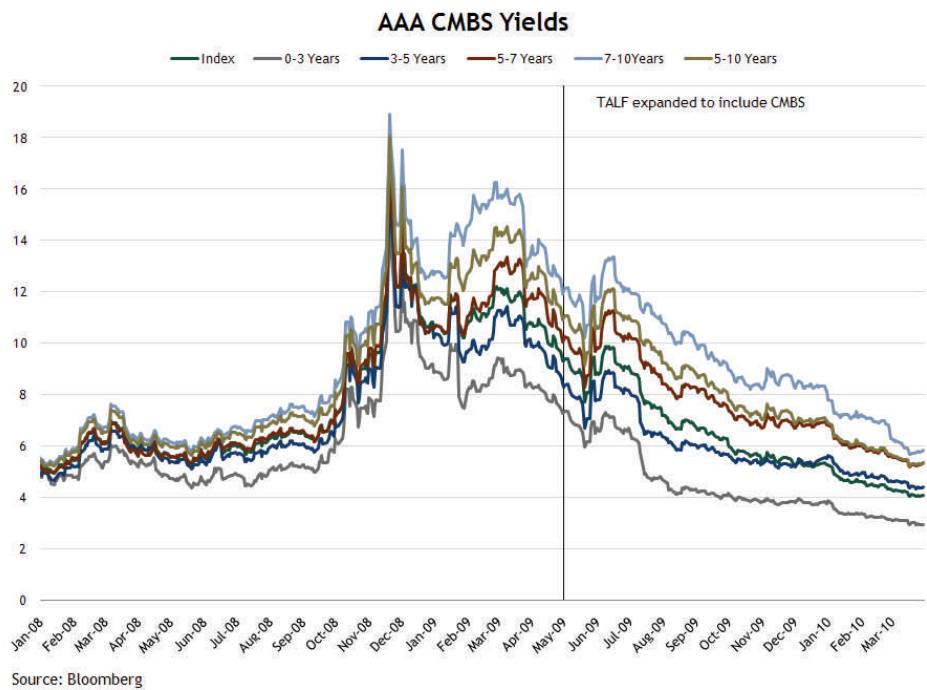
*Amount issued in market between subscription dates

Source: NY Fed

Commercial Mortgage Backed Securities

Summary

Yields on top-rated CMBS continue to decline.



Source: Bloomberg

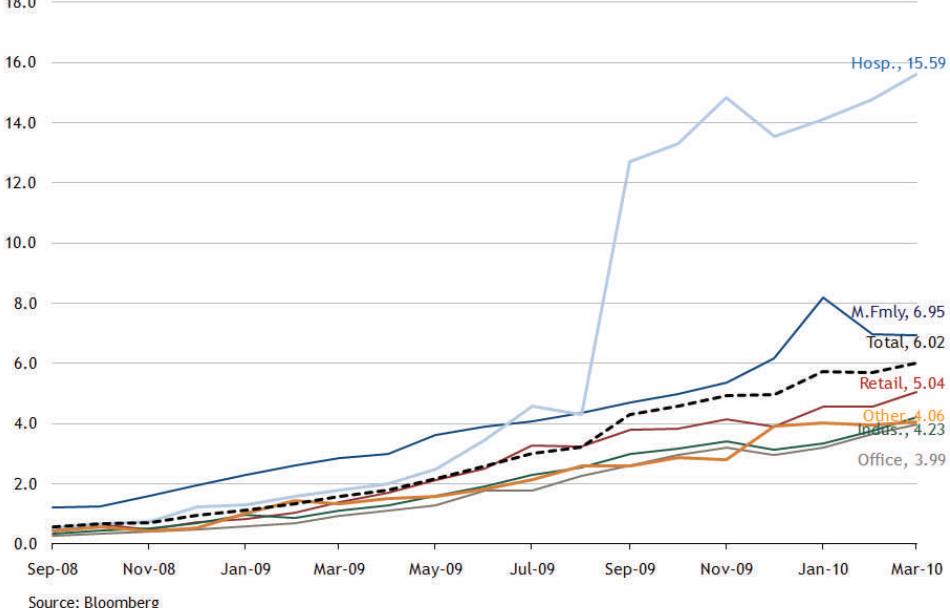
- Yields have declined significantly in the past year. On March 30, 2010 the 0-3 year was 2.95 (compared with 8.49 one year ago), and the 5-10 year was 5.37 (compared with 12.51 one year ago).

CMBS delinquency rates on all property types remain elevated.

The average delinquency rate for all properties is currently 6.02% (it was 1.59% this time last year).

Delinquency rates on CMBS backed by hospitality properties is especially high, at 15.6%.

60+ Day CMBS Delinquency Rates by Property Type

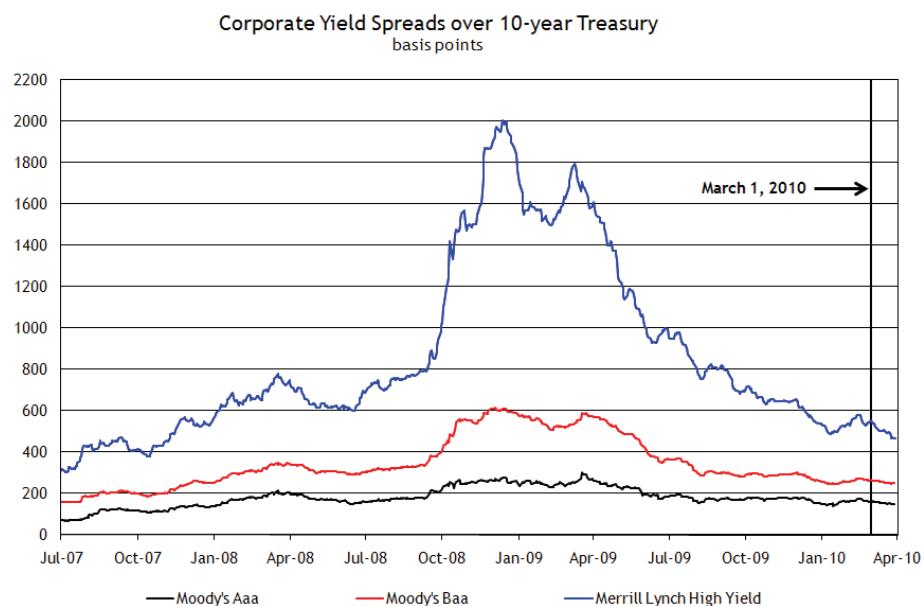


Source: Bloomberg

Corporate Bonds

Summary

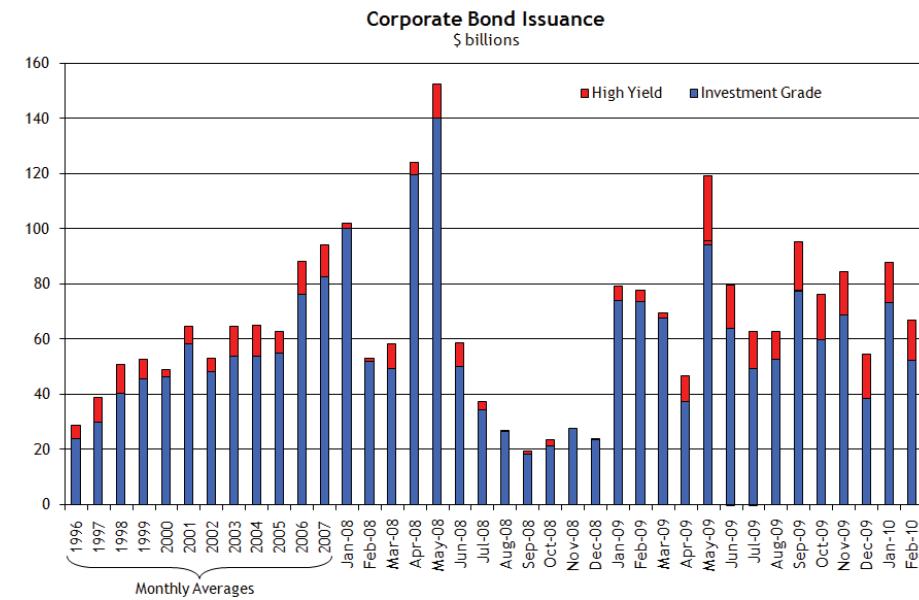
Corporate yield spreads narrowed in March.



Source: Merrill Lynch, Federal Reserve Board

- Corporate yield spreads narrowed during March: by 79 basis points (bps) for the Merrill Lynch High Yield Index, 11 bps for Moody's Aaa-rated bonds, and 13 bps for Baa-rated bonds.

U.S. corporations accessed the bond market for about \$67 billion in financing during March 2010. Of this, \$14.4 billion was high-yield bonds.



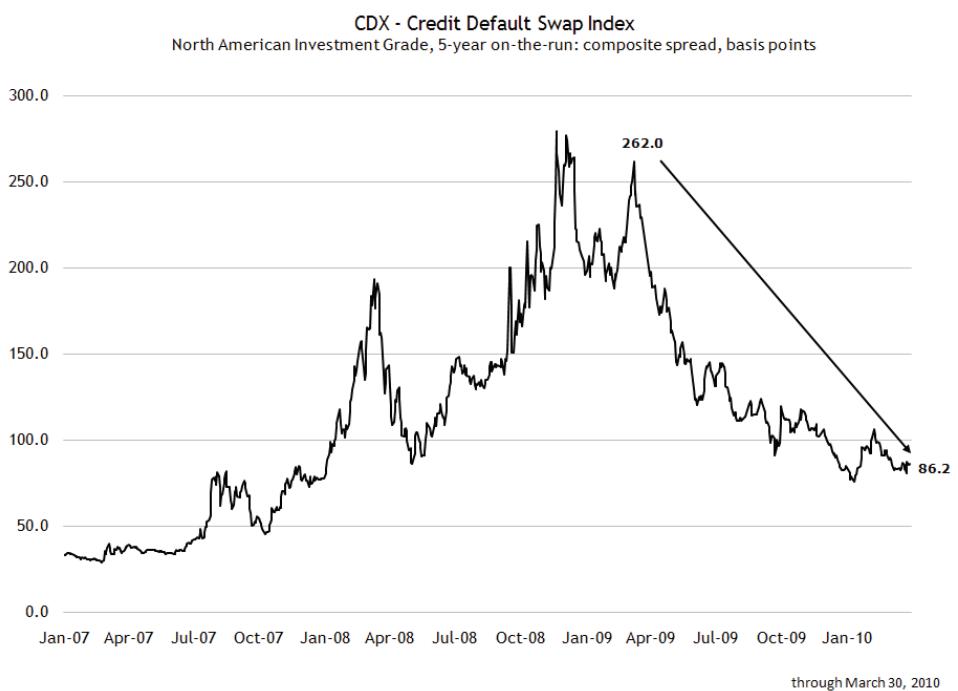
Source: Merrill Lynch, Federal Reserve Board

Corporate Bonds

Summary

The CDX has trended downward during the past year, consistent with improvement in perceived default risk among investment-grade bonds.

Regulators in Europe and the United States are proposing regulations on credit default swaps, particularly related to sovereign debt. For more information see the [Financial Times article](#).

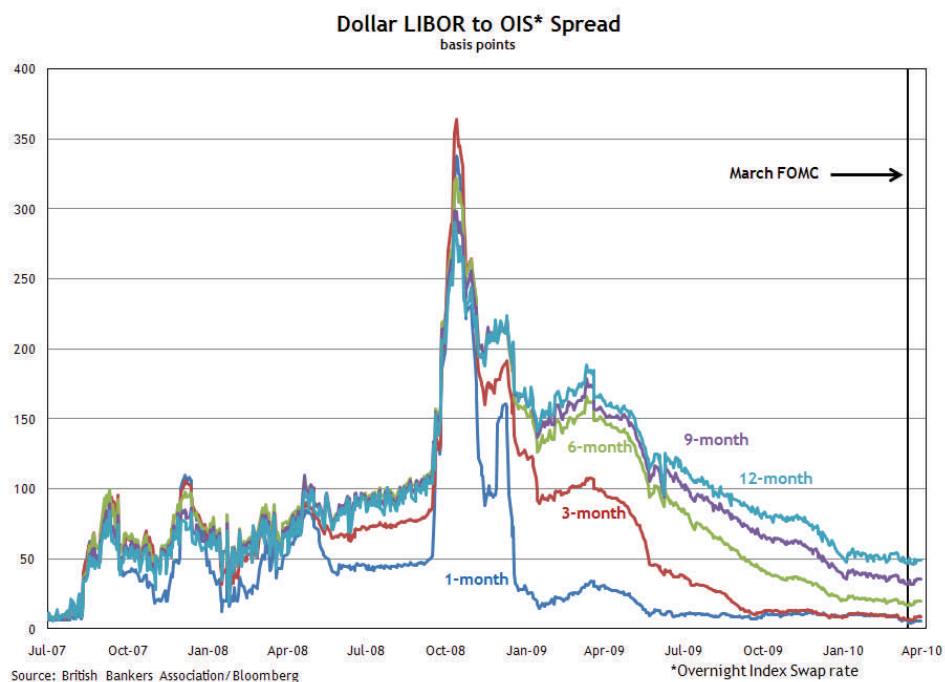


Source: Markit Group Limited/Haver Analytics

Broad Financial Market Indicators

Summary

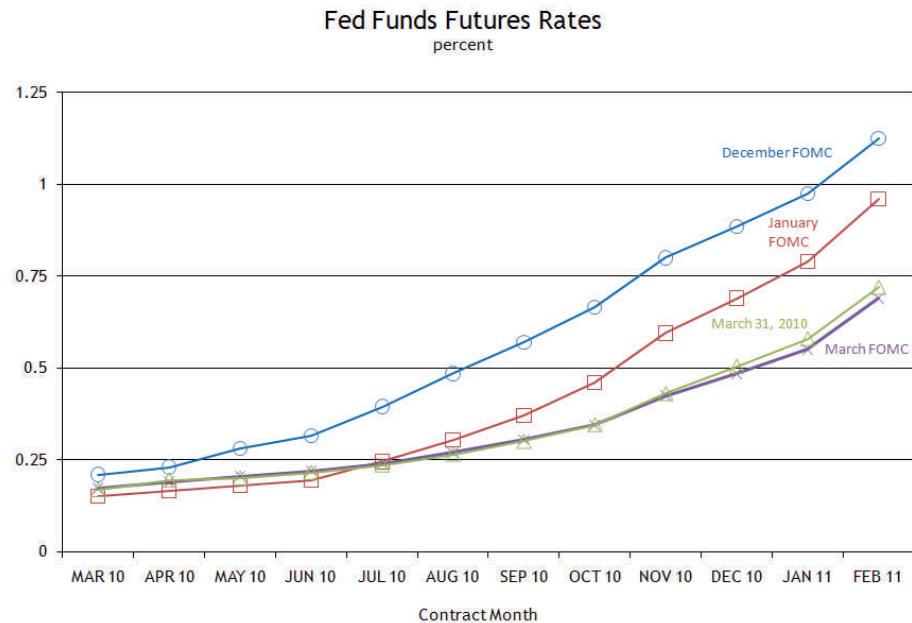
LIBOR to OIS spreads are stable since the last FOMC meeting.



- As of March 30, the one-month and three-month dollar LIBOR to OIS spreads are relatively stable since the last FOMC meeting, currently at 5.4 and 8.9 bps, respectively. The 6-, 9-, and 12-month spreads are at 20.6, 37.1, and 51.8 bps, respectively.

Fed funds futures indicate the market has pushed the likelihood of a Fed rate hike until late 2010 or even early 2011.

There has been no significant change in this estimate of market expectations since the March FOMC meeting.



Source: Bloomberg

Broad Financial Market Indicators

Summary

Longer-term Treasury yields have risen since the March FOMC meeting two weeks ago.

