

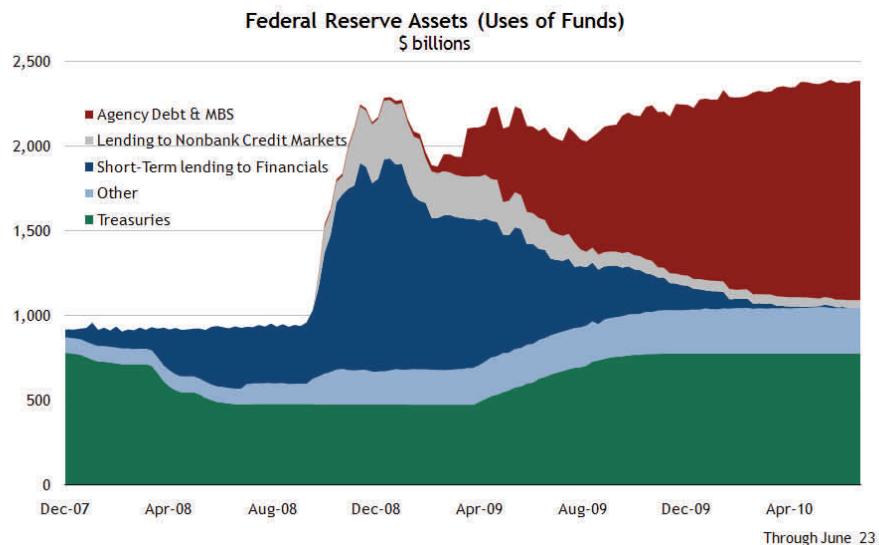
Financial Highlights

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Federal Reserve

Summary

The balance sheet remained relatively flat, increasing by only \$0.93 billion for the week ended June 23.

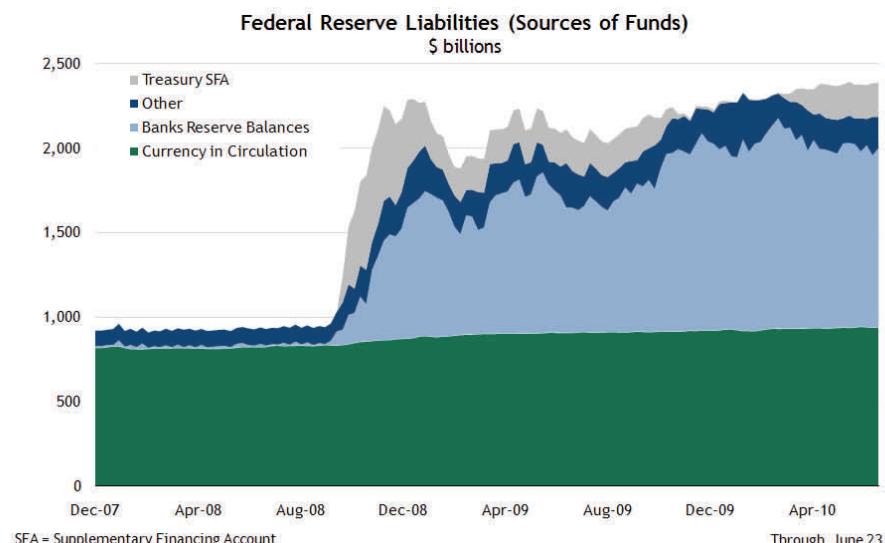


Source: Federal Reserve Board

- There were no significant changes to the asset side of the Fed's balance sheet.
- MBS grew by \$1 billion as previous purchases continue to settle.

Bank reserve balances increased by \$42 billion while Treasury deposits with Federal Reserve banks (part of "Other") decreased by \$39 billion.

Term deposits, a potential reserve-draining tool, increased by \$1 billion as a test auction conducted June 14 settled. Another test auction is set for June 28.



Source: Federal Reserve Board

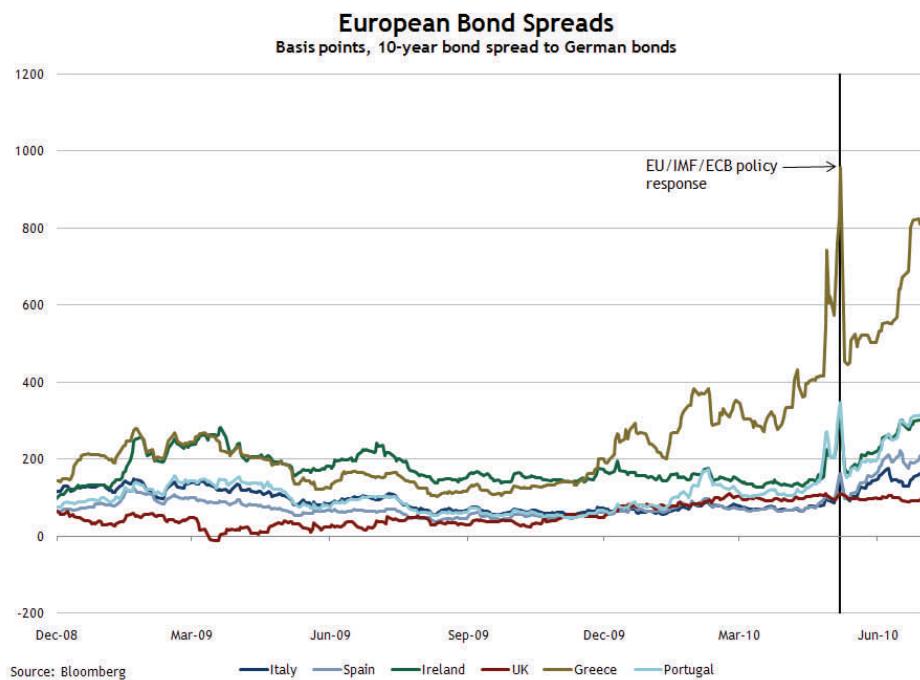
Assets: Lending to nonbanks—TALF, CPFF, AMLF, and MMIF; Short-term lending to financials—discount window, TAF, currency swaps, PDCF, and repos; Misc.—Maiden Lanes I, II, and III, credit to AIG, and other Fed assets. **Liabilities:** Other—Reverse repos, Treasury cash holdings, and deposits with Federal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

European Debt

Summary

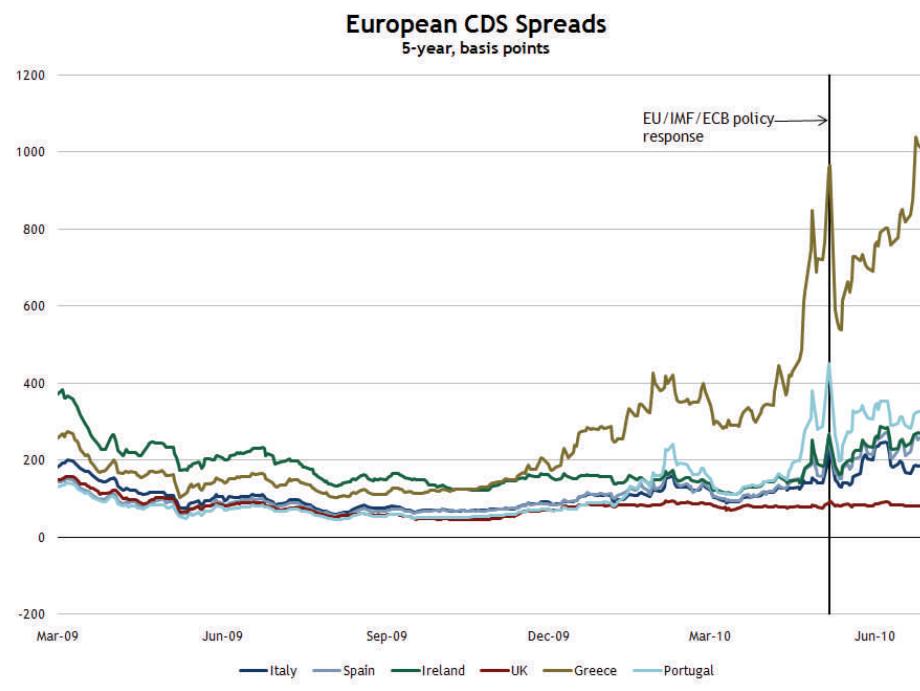
Greek bond spreads (over German bonds) have widened further recently, near the highs seen before the European policy package was announced in early May.

Other euro zone countries' bond spreads are also elevated during the same period.



- Since tightening in early May, the 10-year Greece-to-German bond spread has risen to nearly 360 basis points (bps) (from 4.48% to 7.09%), through June 29. Other European peripherals' spreads are elevated, with Portugal up 162 bps during the period, Ireland up 135 bps, and Spain 108 bps higher.

Similarly, CDS spreads have widened for Greece (to record high levels) and remain elevated for other peripheral euro-area countries.

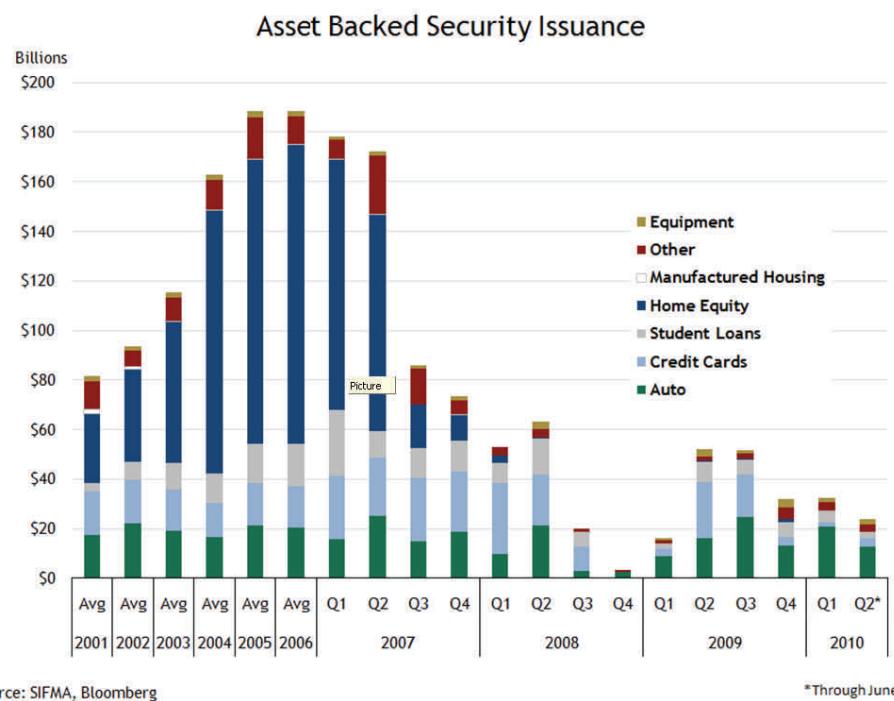


Consumer Credit

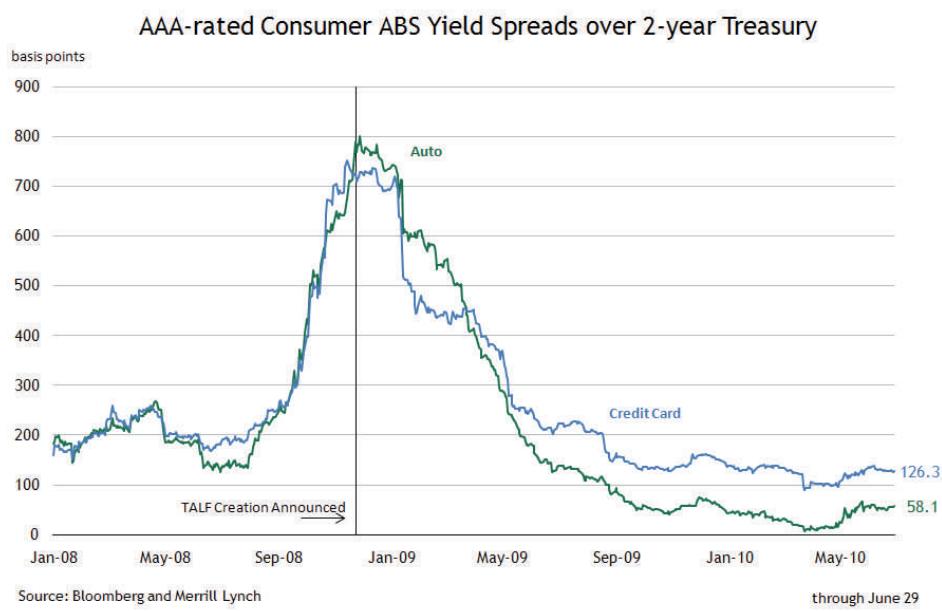
Summary

Issuance of asset-backed securities remains depressed compared with levels seen in the years before the financial crisis.

While securitized auto loans have recovered well, securitized home equity loans have been almost nonexistent.



Top rated ABS spreads backed by autos and credit cards rose between mid-April and mid-May but have been flat ever since.

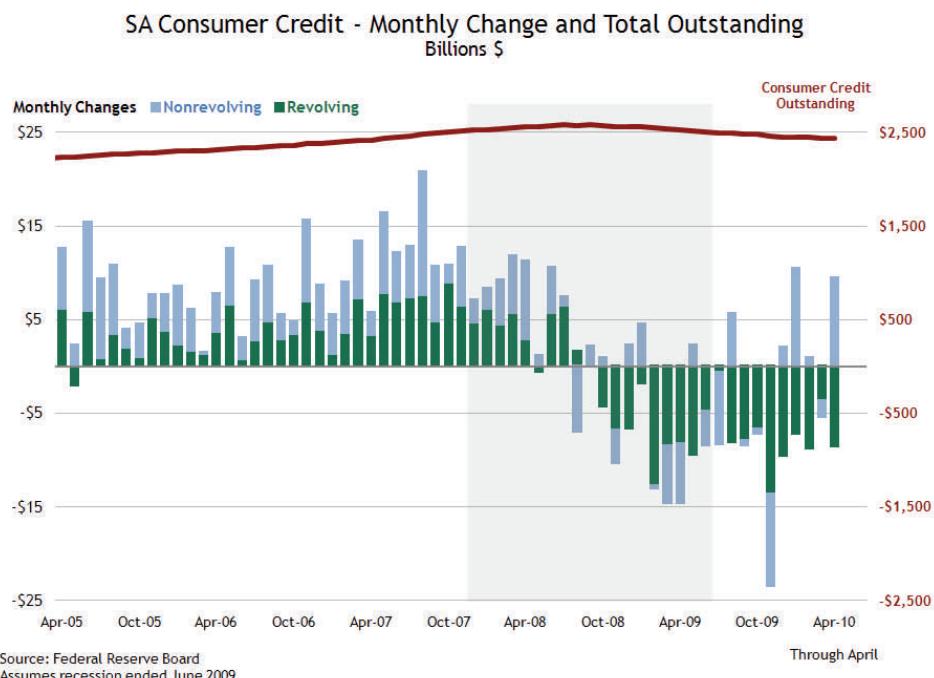


Consumer Credit

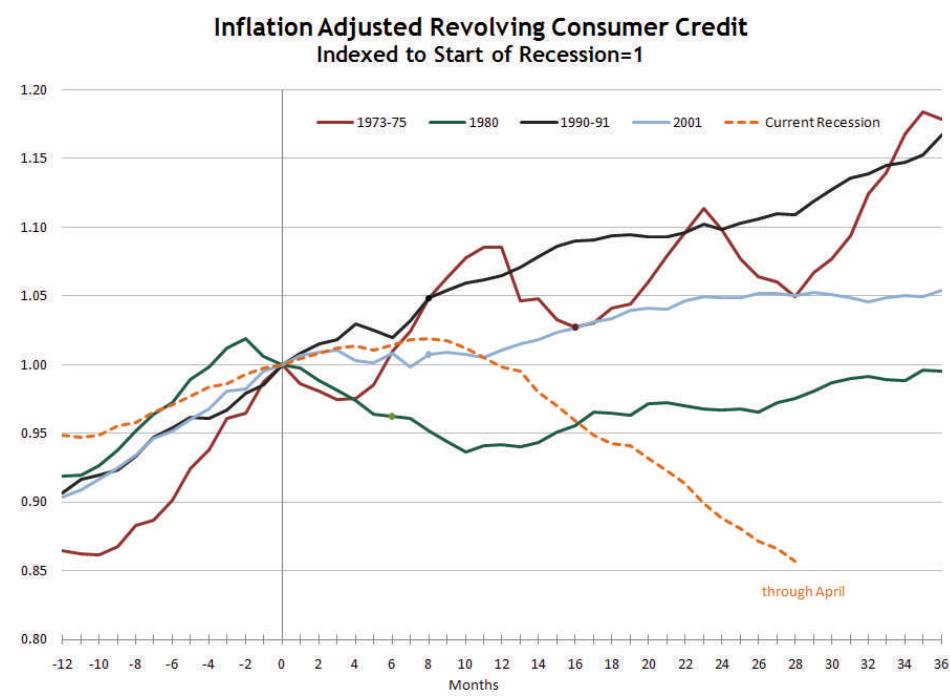
Summary

Consumer credit outstanding remained essentially flat in April, increasing by \$1 billion.

Revolving credit declined for the 19th consecutive month, falling by \$8.5 billion while nonrevolving, which increased \$9.7 billion in the first quarter of 2010, increased by \$9.5 billion in April.



Revolving consumer credit outstanding continues to fare worse compared with the past four recessions.



- After adjusting for inflation, revolving consumer credit outstanding in April was 14% below its level at the start of the recession and 16% below its peak in August 2008.

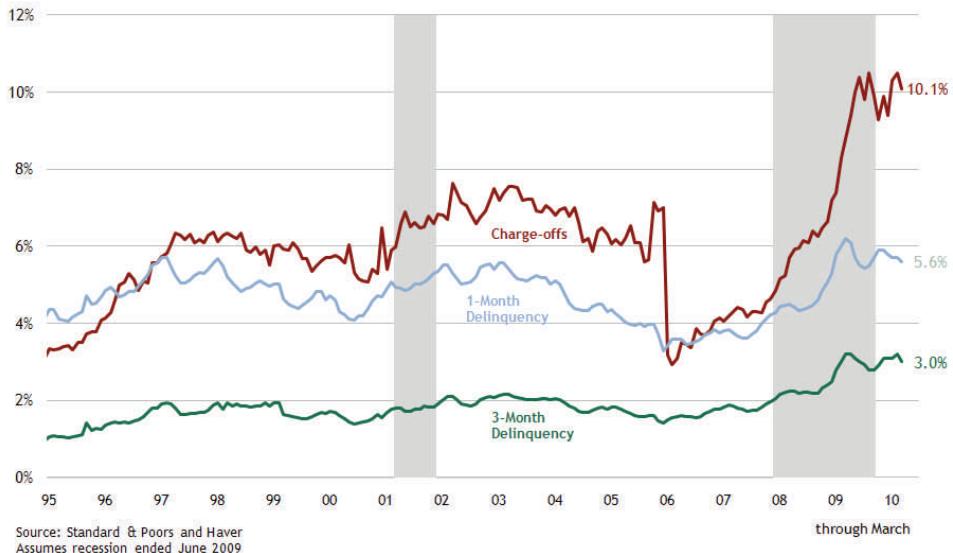
Consumer Credit

Summary

Credit card charge-off rates declined slightly in March from 10.5% to 10.1%.

The one-month and three-month delinquency rates have been trending lower during the past year.

Credit Card Charge-off & Delinquency Rates

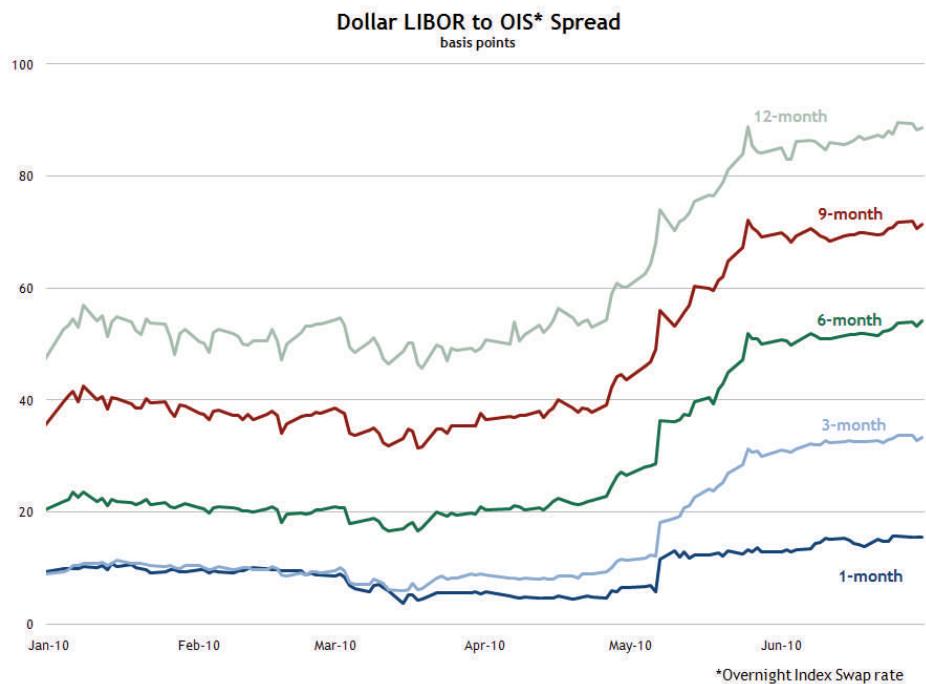


- The one-month delinquency rate has fallen from 6.2% in March 2009 to 5.6% in March 2010, and the three-month delinquency rate has fallen from 4.6% in April 2009 to 4.2% in March 2010.

Broad Financial Market Indicators

Summary

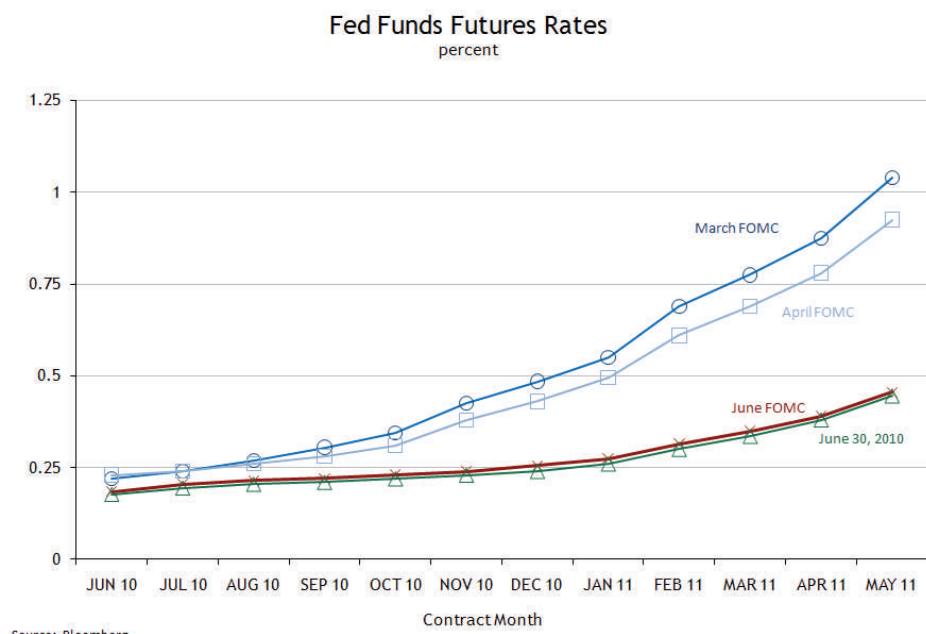
LIBOR to OIS spreads have been relatively stable, rising only a few basis points in the past month.



Source: Bloomberg/British Bankers' Association

- In the four weeks through June 30, dollar LIBOR to OIS spreads widened slightly across all tenors. The one- and three-month spreads rose by about 2.5 bps, while the six- and 12-month spreads were higher by 3.4 bps and 5.7 bps, respectively; the nine-month was up only 2.2 bps.

The curve of expected rates from the fed funds futures market flattened considerably between the April and June FOMC meetings, pushing back the first Fed rate increase to mid-2011.

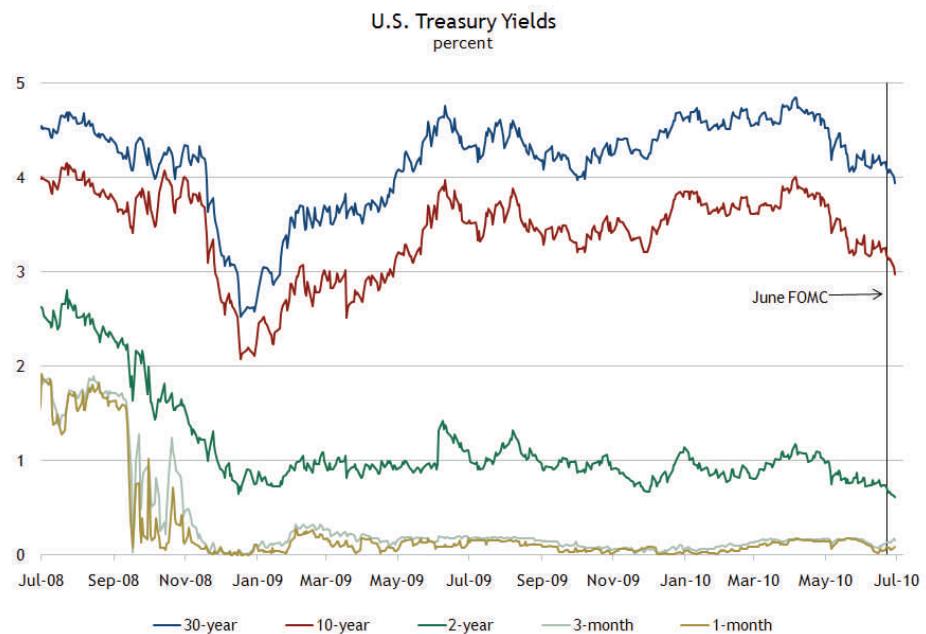


- Between the April and June FOMC meetings, amid broader negative sentiment in financial markets, the fed funds futures market pushed back its expectation of a fed funds rate increase to mid-2011.
- As of June 30, the futures market for fed funds indicates an implied rate of about 44 bps for the May 2011 contract.

Broad Financial Market Indicators

Summary

Longer-dated Treasury yields declined further during the past week, falling to levels not seen since April 2009.



Source: Federal Reserve Board

- Treasury yields continue to experience declines from safe-haven flows coming in light of uncertainty regarding European financial troubles and lower global economic growth.
- In the week since the June FOMC meeting, longer-dated Treasury yields moved lower across the two-to-30 year curve: Through June 29, the 30-year bond is down 11 bps to 3.94%, the 10-year is 16 bps lower at 2.97%, and the two-year note declined 5 bps to 0.61%.