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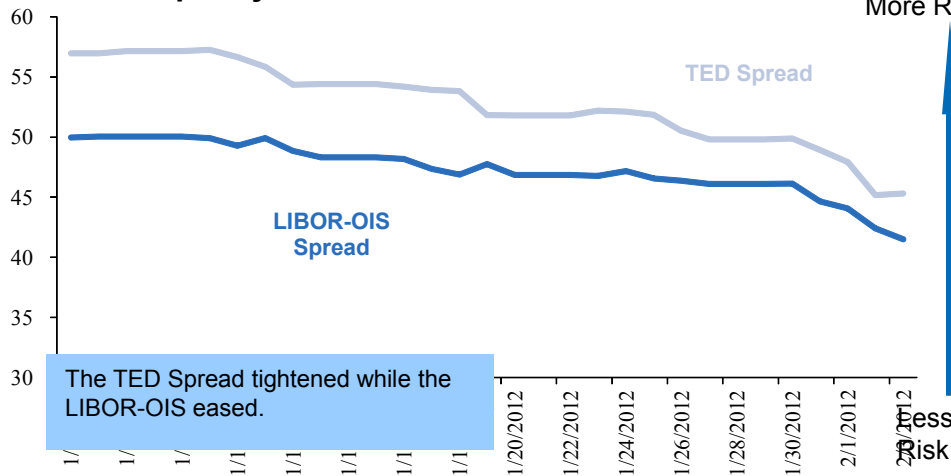
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Capital Markets Highlights

- The Dow closed 157 points higher at 12,862 and the S&P 500 closed 19 points higher at 1,345. The FTSE 100 closed 105 points higher at 5,901.
- The TED Spread increased, while the LIBOR-OIS decreased.
- Market perception of bank credit risk decreased.
- Country risks were mostly lower, led by Israel.
- Equity markets were mostly higher, except for the Nikkei.
- Commodity prices were mixed.
- The Dollar increased against the Euro and Yen.

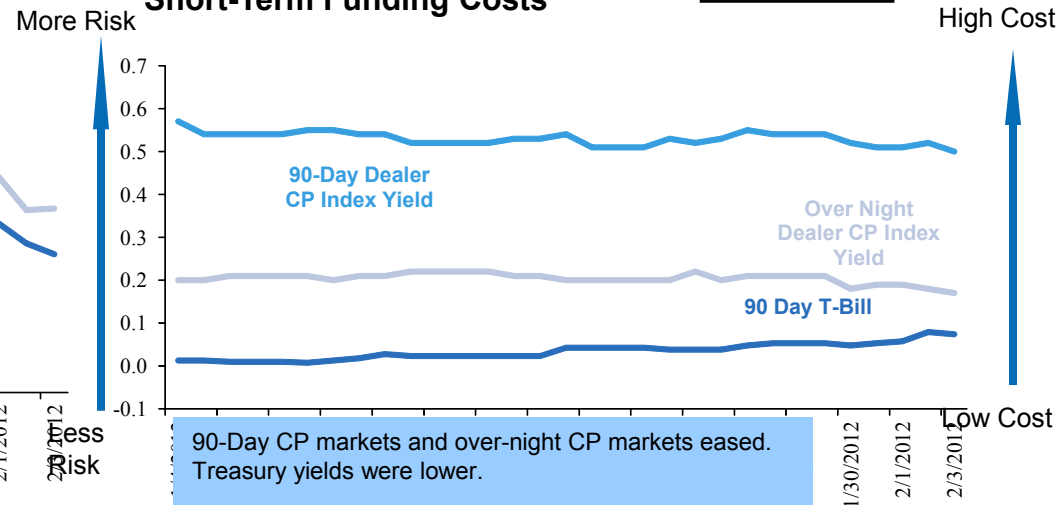
Bank Liquidity Risk Indicators*

[Explain This Graph](#)



Short-Term Funding Costs

[Explain This Graph](#)



Bank Credit Risk

Market perception of bank credit risk decreased, while stock prices rose.

	Par Credit Default Swap Spread - Senior 5 Year Maturity					Stock Prices**				
	Today (bps)	Chg from Yesterday (bps)	Chg from 1/1/2009 (bps)	Chg from 1/1/2008 (bps)	Chg from 1/1/2007 (bps)	Today's Price	% Chg from Yesterday	Low	52 Week Range Close (?)	High
ABN Amro Holdings	233	(4)	164	185	227					
AIG, Inc	304	(16)	(231)	235	295	27.17	3.3%	19.18		43.20
Bank of America Corp	255	(12)	135	207	246	7.84	5.2%	4.92		14.95
Bank of Montreal						59.11	1.2%	51.83		66.64
Bank of New York Mellon Corp						21.94	3.1%	17.10		32.32
Barclays Plc	148	(8)	(16)	103	143	15.10	4.7%	8.38		21.69
BBVA	245	(8)	148	206	237	9.44	0.0%	6.93		12.83
BNP Paribas	194	(9)	122	166	188	23.08	1.9%	15.26		41.03
CIBC						76.81	0.5%	64.92		88.76
CIT Group						40.35	3.0%	27.68		48.55
Citigroup Inc.	213	(6)	19	140	205	33.54	4.8%	21.40		49.60
Credit Suisse Group	125	(4)	(60)	80	115	27.96	3.0%	21.18		47.63
Deutsche Bank AG	137	(5)	4	93	125	44.99	1.6%	28.57		66.00
Fifth Third Bank						13.59	2.7%	9.13		15.75
GE Capital/GE	174	(5)	(204)	108	162	19.02	1.4%	14.02		21.65
Goldman Sachs Group Inc.	232	(8)	(58)	165	211	117.53	3.7%	84.27		169.90
HSBC Holdings	110	(4)	8	74	105	44.34	2.7%	35.72		59.14
JP Morgan Chase & Co	120	(3)	(2)	71	104	38.28	1.9%	27.85		48.36
KeyCorp						8.24	3.8%	5.59		9.77
Morgan Stanley	271	(12)	(141)	171	249	20.31	4.0%	11.58		31.04
National Bank of Canada						76.20	0.9%	60.00		85.00
Northern Trust						44.09	4.0%	33.20		54.90
PNC Financial Services Group						62.20	4.0%	42.70		65.19
Rabobank Group	106	(2)	(43)	80	103					
Royal Bank of Canada						53.64	1.5%	41.40		63.59
Royal Bank of Scotland	237	(4)	99	184	233	9.09	1.8%	5.36		15.83
Bank of Nova Scotia						51.95	1.0%	45.79		62.33
Banco Santander	240	(7)	135	195	231	8.42	0.0%	6.77		12.70
Societe Generale	238	(23)	129	208	232	6.38	7.6%	3.76		14.27
Suntrust Banks Inc.						22.28	4.6%	15.79		33.14
Toronto Dominion Bank						79.32	2.0%	64.56		89.80
UBS AG	150	(5)	(53)	106	145	14.67	4.0%	10.41		20.08
US Bancorp						29.20	2.2%	20.10		29.42
Wells Fargo & Co	109	(2)	(10)	50	103	30.63	2.4%	22.58		34.17
Average	192	(7)	7	141	183	35.52	2.8%	26.50		45.91

Explain This Table

*Spreads based on senior 5-year instruments denoted in functional currency. Quotes are sourced from Bloomberg Generic Intra-day Price (CBIN)

** Stock quotes in US Dollars (ADR prices used for non US exchange stocks).

Additional Indicators of Bank Credit Quality* (wider spreads indicate higher risk)


Bank Name	Par Credit Default Swap Spread (Senior 5 Year Maturity)*	Asset Swap Spread (on 3-6 Year Senior Bonds)			Z Spread (on 3-6 Year Senior Bonds)		
	Today (bps)	Last Available Price	Weekly Average (Last Wk)	Weekly Average (2 Wks Ago)	Last Available Price	Weekly Average (Last Wk)	Weekly Average (2 Wks Ago)
ABN Amro Holdings	233	34	41	52	33	41	52
AIG, Inc.	304	379	397	434	397	418	462
Bank of America Corp	255	334	342	343	313	321	338
Bank of Montreal		105	110	115			
Bank of New York Mellon Corp		39	36	25	44	37	27
Barclays Plc	148	227	234	257	221	229	237
BBVA	245	206	215	244	209	218	250
BNP Paribas	194	555	555	555			
CIBC		54	60	64	53	59	63
CIT							
Citigroup Inc.	213	232	241	275	204	235	260
Credit Suisse Group	125	90	94	109	86	90	104
Deutsche Bank AG	137	171	190	207	149	158	188
Fifth Third Bank					211	223	227
GE Capital/GE	174	95	97	100	84	85	88
Goldman Sachs Group Inc.	232	209	239	273	235	235	264
HSBC Holdings	110	232	253	268	221	248	255
JP Morgan Chase & Co	120	100	125	151	109	109	142
KeyCorp		164	166	181	222	180	163
Morgan Stanley	271	324	354	377	309	333	372
Northern Trust		38	38	38			
PNC Financial Services Group		86	86	87	100	80	79
Rabobank Group	106						
Royal Bank of Canada		48	55	60	47	54	58
Royal Bank of Scotland	237	606	628	757	711	658	732
Bank of Nova Scotia		55	58	62	54	57	61
Banco Santander	240	199	207	233	203	213	241
Societe Generale	238	139	151	177	138	150	178
Suntrust Banks Inc.		266	266	266	257	264	302
Toronto Dominion Bank		58	60	65	56	57	61
UBS AG	150	24	27	32	24	27	32
US Bancorp		42	33	38	41	33	38
Wells Fargo & Co	109	171	178	195	192	176	182
Average	192	176	185	201	176	178	195

* Many members expressed interest in sizing default risks of banks when there is no available CDS information. We have collected data on Asset Swap Spreads and Z Spreads as proxies to CDS spread. Please refer to the glossary for detailed explanations.

Country Risks - Par Credit Default Swap Spread on Sovereign Debt

Country risks were mostly lower, led by Israel.

5 Year CDS Spreads (Wider spreads indicate more risk)							
Country	Today (bps)	Yesterday (bps)	1-Month Ago (bps)	1-Year Ago (bps)	% Change from Yesterday	% Change from 1-Month Ago	% Change from 1-Year Ago
Latin America							
Argentina	742	757	891	586	-2%	-17%	27%
Venezuela	808	843	909	990	-4%	-11%	-18%
Mexico	137	138	149	117	-1%	-9%	17%
Peru	158	161	170	108	-2%	-7%	47%
Brazil	140	142	158	114	-2%	-11%	22%
Eastern Europe, the Middle East and Africa (EMEA)							
Ukraine	820	815	849	454	1%	-3%	81%
Russia	215	220	270	147	-2%	-20%	46%
Latvia	307	315	357	262	-2%	-14%	17%
Romania	372	385	446	288	-3%	-17%	29%
Turkey	255	263	290	161	-3%	-12%	58%
South Africa	175	180	200	135	-3%	-13%	30%
Hungary	554	572	648	300	-3%	-14%	85%
Poland	232	233	274	145	0%	-15%	60%
Israel	177	184	182	146	-4%	-3%	21%
Asia							
Indonesia	167	168	208	153	-1%	-20%	9%
Philippines	163	164	193	137	-1%	-16%	18%
South Korea	157		170	98		-8%	59%
Malaysia	129	130	147	80	-1%	-12%	61%
China	140		142	77		-1%	82%
Developed Nations							
Australia	74	74	78	54	-1%	-6%	36%
Japan	130	133	142	79	-3%	-9%	64%
UK	74	77	99	62	-4%	-25%	20%
France	167	168	218	90	-1%	-24%	86%
Germany	85	85	102	56	0%	-16%	53%
Portugal	1,290	1,320	1,085	398	-2%	19%	224%
Italy	394	394	492	167	0%	-20%	135%
Ireland	578	585	711	568	-1%	-19%	2%
Greece	5,500		5,500	798		0%	590%
Spain	355	354	401	227	0%	-11%	56%

 Explain This Table

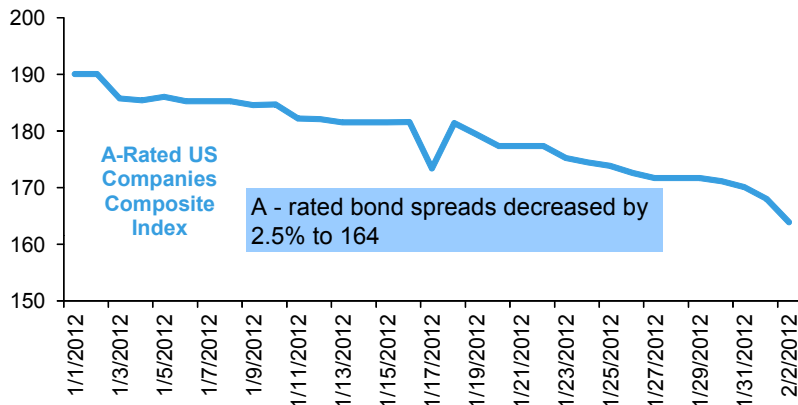
*Quotes are sourced from Bloomberg Generic Intra-day Price (CBIN)

Source: Bloomberg; Corporate Executive Board research.

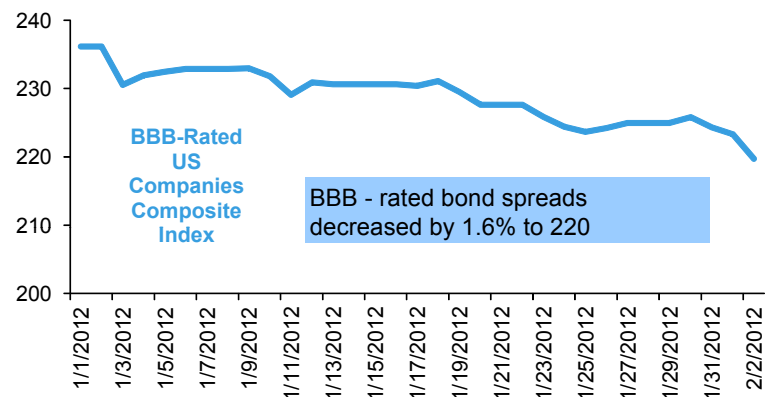
Bond Spreads

Corporate bond spreads decreased, while appetite for new corporate debt is higher than last month.

A Rated Bond Spreads to 5-Year Treasuries (bps)

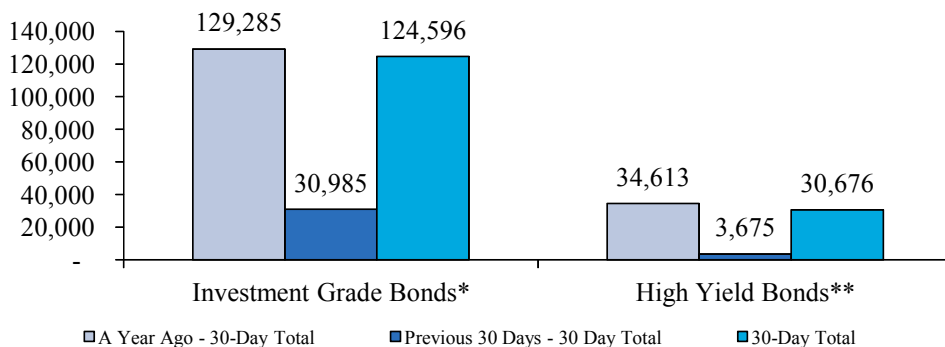


BBB Rated Bond Spreads to 5-Year Treasuries (bps)

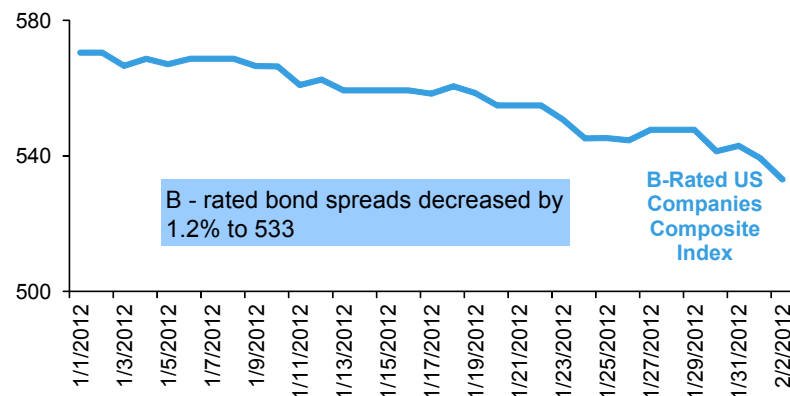


Total Value of New to Market Bonds

Values in \$USD Millions



B Rated Bond Spreads to 5-Year Treasuries (bps)



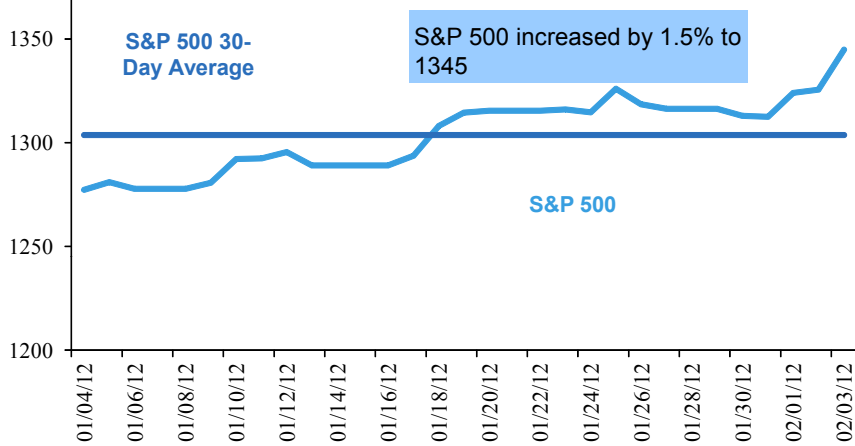
* Includes all investment grade U.S. domestic public and 144A bonds sold in both U.S. domestic and global markets

** Includes all high yield U.S. dollar denominated public and 144A corporate bonds sold in both U.S. domestic and global markets.

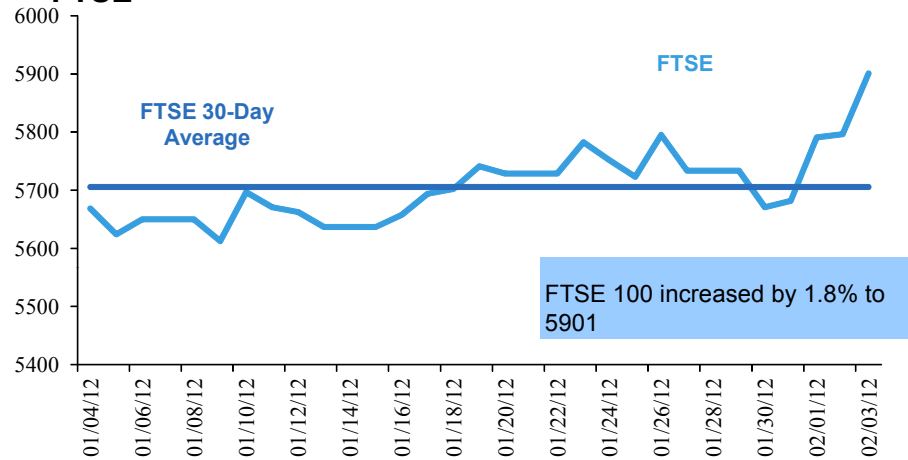
Equity Markets

Equity markets were mostly higher, except for Nikkei.

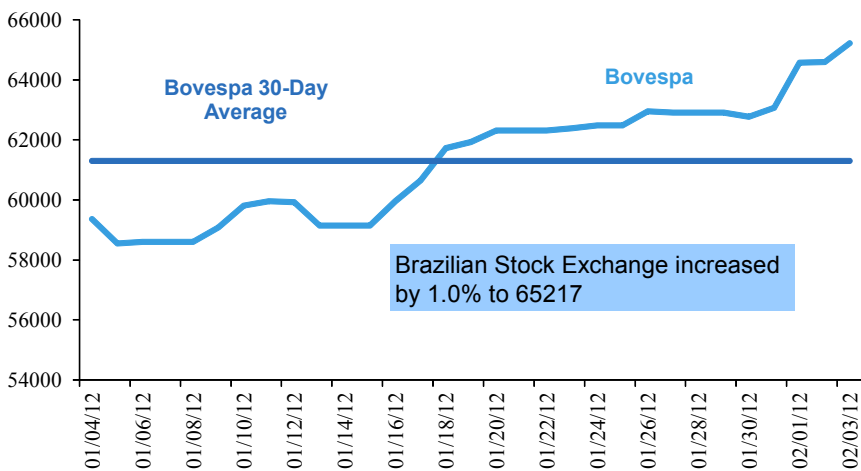
S&P 500



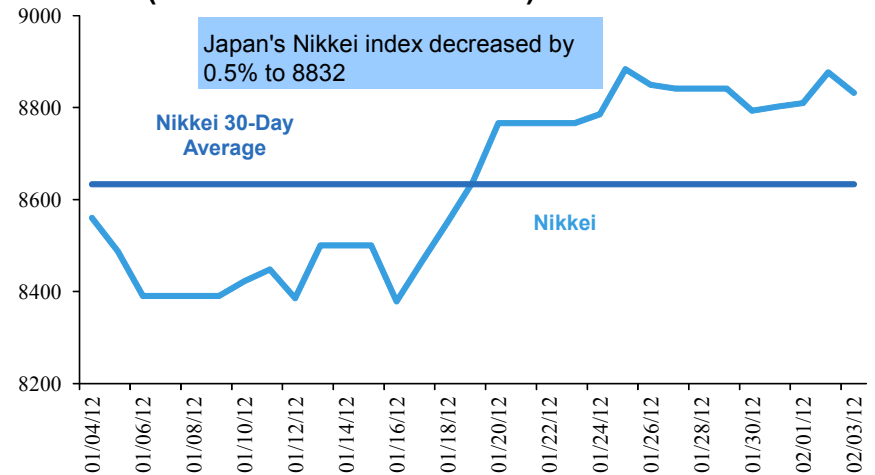
FTSE



Bovespa



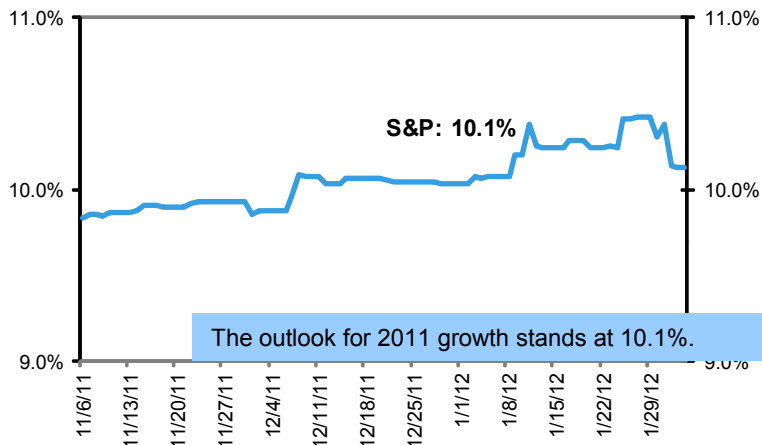
Nikkei (26-Hour Time Difference)



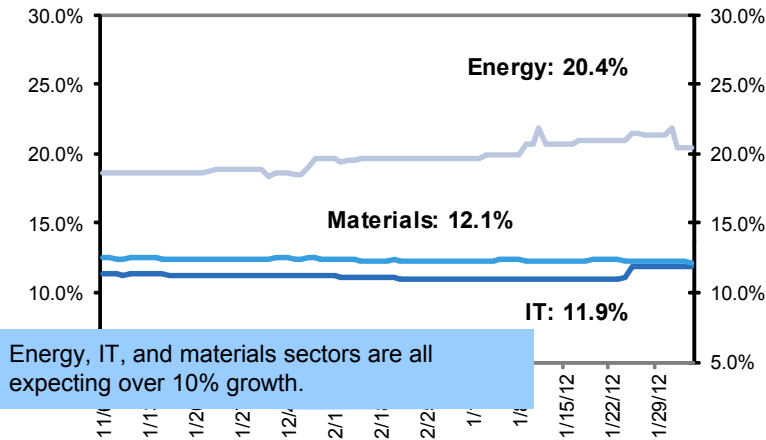
Industry Growth Forecasts

Analysts expect revenue for U.S. non-financial companies to increase by 10.1%.

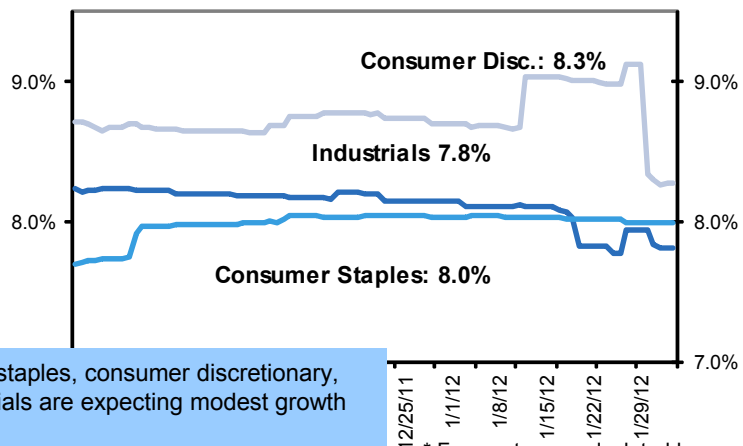
Estimated 2011 Revenue Growth YoY%
S&P 500 Excluding Financial Sector



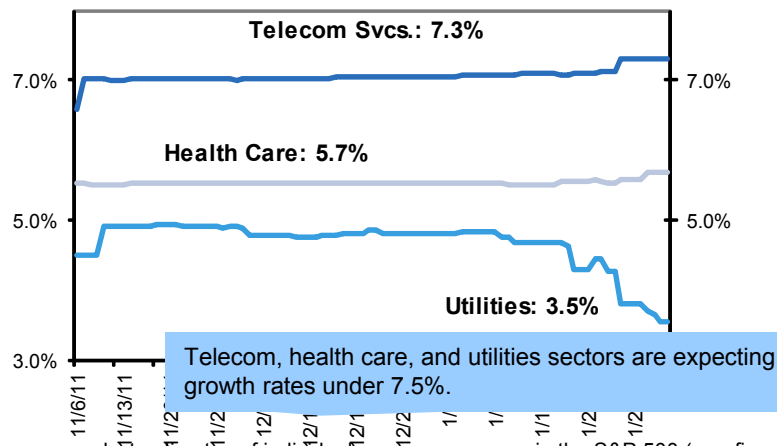
Estimated 2011 Revenue Growth YoY%
IT, Materials, and Energy



Estimated 2011 Revenue Growth YoY%
Consumer Discretionary, Staples, and Industrials



Estimated 2011 Revenue Growth YoY%
Health Care, Telecom Svcs, and Utilities

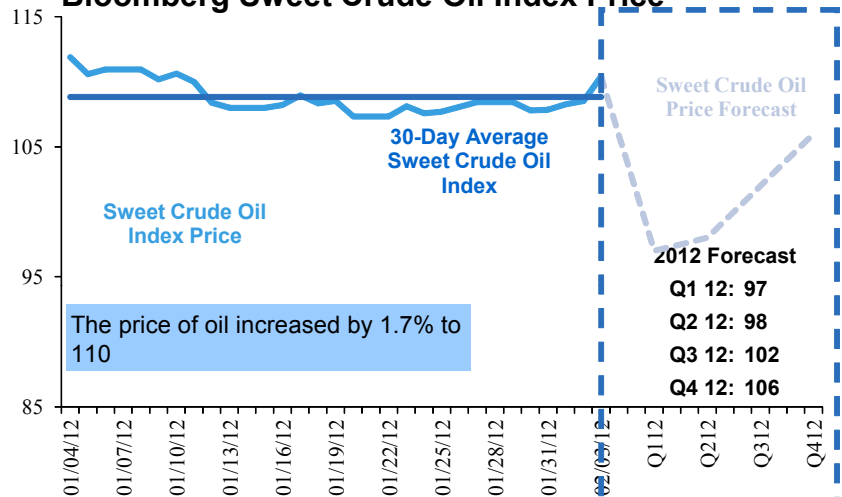


* Forecasts are calculated by summing average analyst estimates of individual company revenue in the S&P 500 (non-financial) universe.

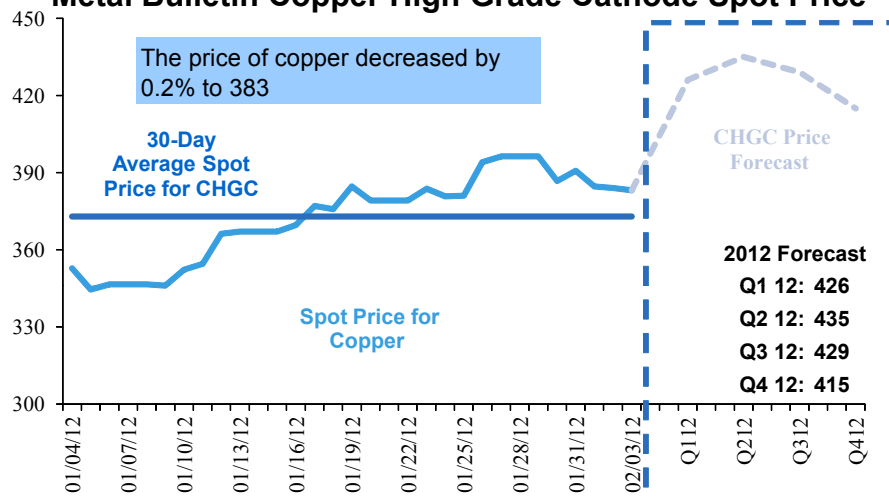
Commodity Prices

Commodity prices were mixed.

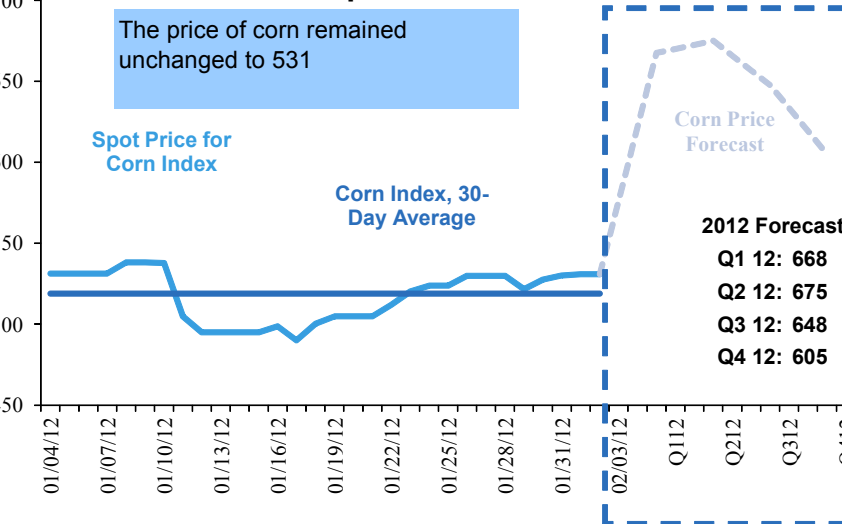
Bloomberg Sweet Crude Oil Index Price



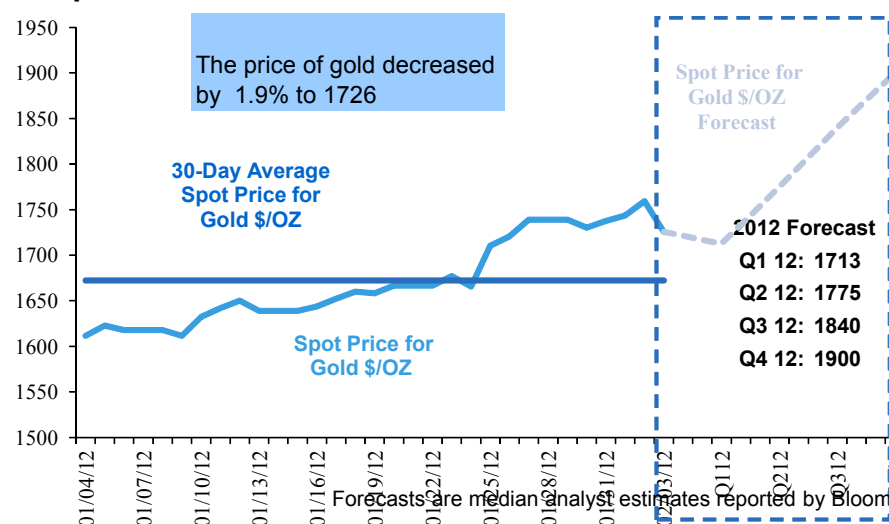
Metal Bulletin Copper High Grade Cathode Spot Price



GSCI Corn Index Spot Price



Spot Price for Gold \$/OZ

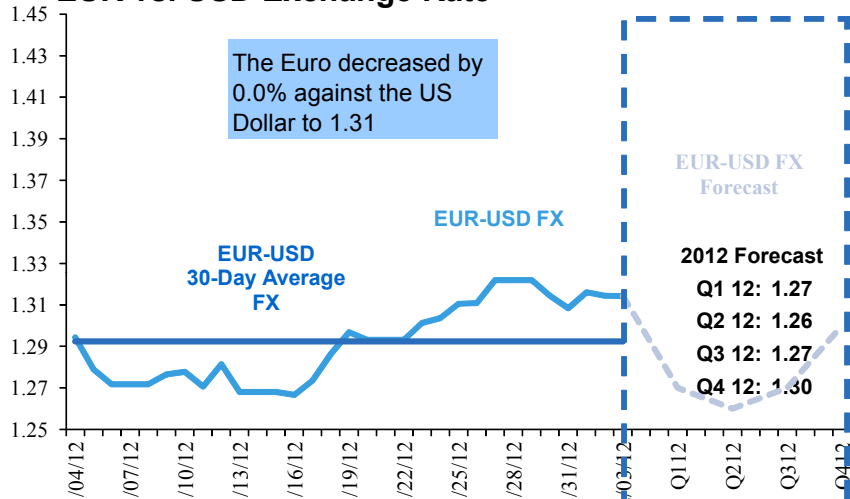


Forecasts are median analyst estimates reported by Bloomberg.

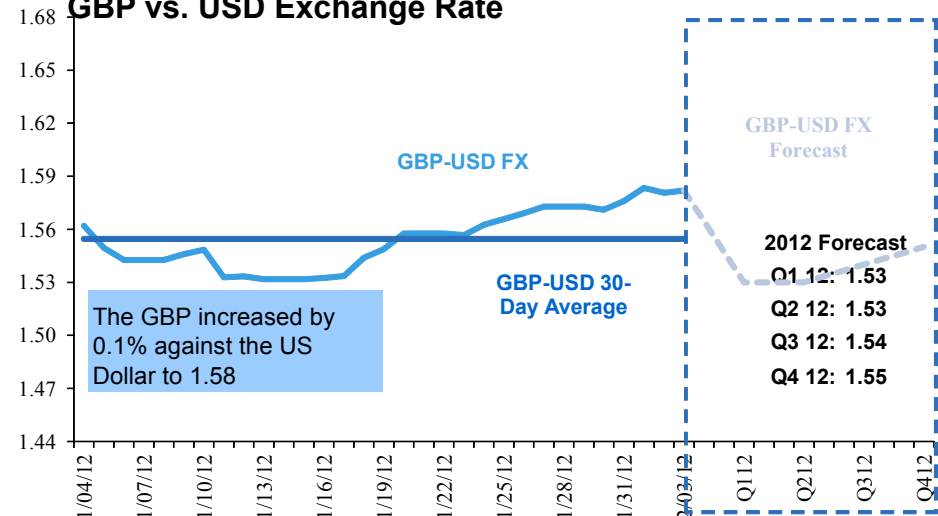
Foreign Currency Exchange Rates

The Dollar increased against the Euro and Yen.

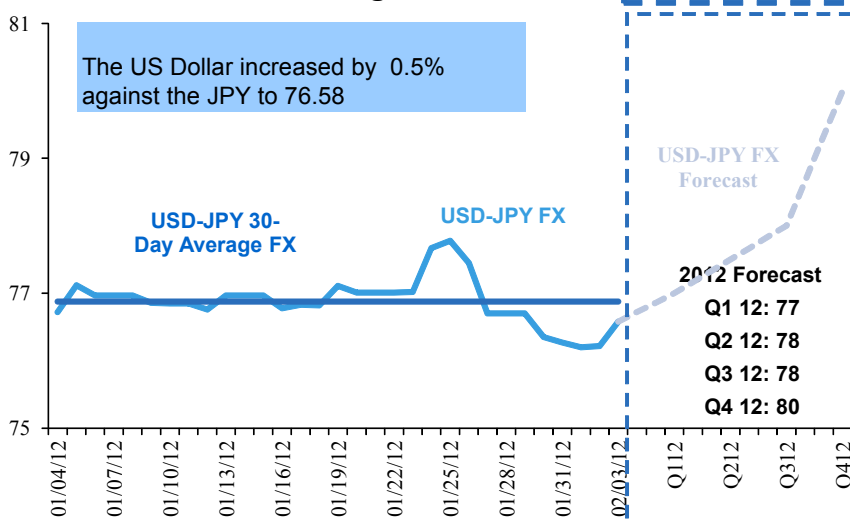
EUR vs. USD Exchange Rate



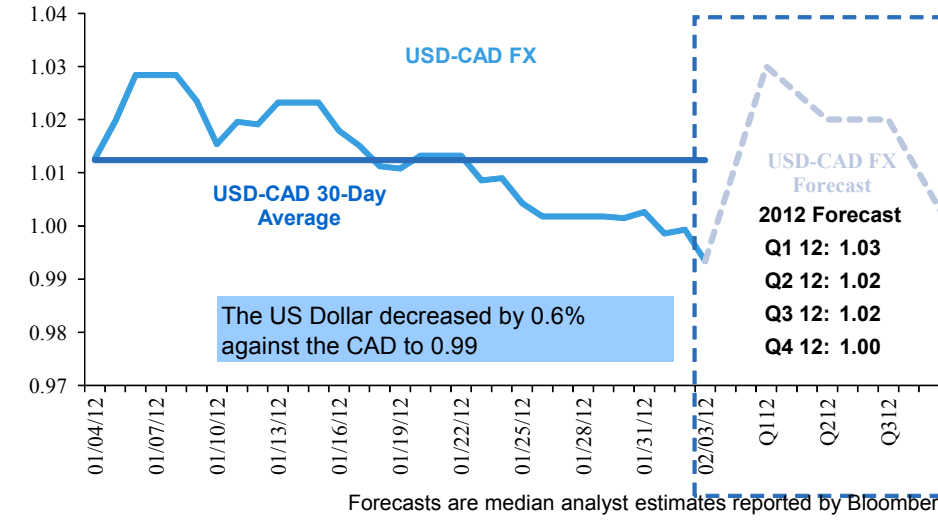
GBP vs. USD Exchange Rate



USD vs. JPY Exchange Rate



USD vs. CAD Exchange Rate



Forecasts are median analyst estimates reported by Bloomberg.

Source: Bloomberg; Corporate Executive Board research.

News Affecting Global Liquidity

[Dow soars after 'monster' jobs report](#)

(CNMoney) – U.S. stocks rallied Friday, as investors cheered a much stronger-than-expected jobs report.

[Jobless rate at three-year low as payrolls surge](#)

(Reuters) - The United States created jobs at the fastest pace in nine months in January and the unemployment rate unexpectedly dropped to a near three-year low, giving a boost to President Barack Obama.

[Euro-Area Manufacturing, Services Expand](#)

(Bloomberg) - European services and factory output strengthened in January, led by growth in Germany and France, as the region's leaders sought a solution to the debt crisis.

[Fed's Bullard Says 'Surprising' U.S. Data Weakens Case for Bond Purchases](#)

(Bloomberg) - Federal Reserve Bank of St. Louis President James Bullard said reports on the U.S. economy such as today's better-than-forecast employment data indicate that more Fed purchases of bonds aren't necessary.

[Canada Unemployment Rises to Nine-Month High as Job Growth Misses Estimate](#)

(Bloomberg) - Canada's unemployment rate rose to a nine-month high in January as the trend of sluggish job creation that began in the second half of last year continued.

Glossary of Terms

❖ **Asset Swap Spread and Z-Spread:** An asset swap allows an investor to swap fixed rate payments on a bond to floating rate, effectively maintaining the original credit exposure to the fixed rate bond while hedging the interest rate risk component. The asset swap spread is the difference between the present value of a bond's cash flows discounted using swap rates, and the market price of the bond, and can be obtained by solving the following equation:

$$ActualBondPrice = \sum_{i=1}^n \frac{(Coupon\ and\ Redemption)_i - AssetSwapRate}{(1 + Swap\ Rate)^i}$$

The Z-Spread is the constant number of basis points added to each swap rate such that the discounted cash flows of the bond will be equal to its current market price and can be obtained by solving the following equation

$$ActualBondPrice = \sum_{i=1}^n \frac{(Coupon\ and\ Redemption)_i}{(1 + Swap\ Rate + Zspread)^i}$$

A higher asset swap spread or Z-spread indicates that the market perceives a higher risk of default on the bond. The difference between asset swap spread and Z-spread results from the asset swap spread being calculated as a constant adjustment to a bond's coupons and Z-spread being an adjustment to the Swap Curve Term Structure. Due to the inherent differences in arriving at these spreads, asset swap spread is rarely the same as Z-spread (They are similar when the spreads are small).

❖ **Credit Default Swap (CDS):** A credit derivative contract between two counterparts, whereby the "buyer" pays periodic payments to the "seller" in exchange for the right to a payoff if there is a default ("credit event") in respect to a third party. The CDS "spread" is basically the premium that the buyer pays for protection against default for a company or financial institution. It is somewhat confusingly called a spread because it is expressed as percentage of the amount of protection that is purchased (e.g., 100 basis point cds spread in a USD contract means that you pay \$1 for \$100 of protection). A higher CDS spread indicates the market perceives a higher risk of default.

❖ **Dealer Commercial Paper (CP):** Commercial Paper is a form of short-term debt (less than 270 days) that some companies sell to investors. Commercial paper can be thought of as an alternative to borrowing from banks through a credit line. That said, most companies issuing commercial paper also maintain back-up lines of credit. Companies typically require a high credit rating to issue commercial paper. The CP index presented in our summary provides an indicator of how expensive it is for companies to borrow short-term in public markets. It represents a composite of rates for highly-rated (A1/P1) US commercial paper programs. Rates are received from broker/dealers and updated daily each morning by Bloomberg. The index excludes commercial paper programs that (1) are issued "direct" by firms to investors (bypassing dealers) or (2) are asset-backed.

❖ **LIBOR:** The London Inter-Bank Offered Rate (LIBOR) is a daily reference rate based on the interest rate that banks charge each other for unsecured loans in the London wholesale money market ("inter-bank market"). LIBOR is compiled by the British Bankers Association (BBA), and is published 11 am (London Time) each day in conjunction with Reuters.

❖ **Overnight Indexed Swap (OIS):** A fixed/floating interest rate swap with the floating leg tied to overnight interest rates. An OIS can be used to hedge cash instruments against movements in overnight interest rates. The swap rate reflects future expectations about overnight interest rates.

❖ **LIBOR-OIS Spread:** The LIBOR-OIS spread measures the difference between LIBOR and the overnight indexed swap (OIS). The spread used in our summary compares 3-month LIBOR with 3-month OIS for comparability with the TED spread. It is a negative indicator of banks' willingness to lend to one another

❖ **TED Spread:** The TED spread measures the difference between 3-month LIBOR and the 3-month Treasury Bill. It is a negative indicator of banks' willingness to lend to one another.

❖ **New to Market Investment Grade Bonds:** The data for this index includes all investment grade U.S. domestic public and 144A bonds sold in both U.S. domestic and global markets, announced and published by Bloomberg on that day, and that have a Moody's rating of Baa3 or higher or an S&P rating of BBB- or higher. Increases and re-openings are counted for the day of the increase.

❖ **New to Market High Yield Bonds:** The data for this index includes all high yield U.S. dollar denominated public and 144A corporate bonds sold in both U.S. domestic and global markets, announced and published by Bloomberg on that day, and have a Moody's rating of Ba1 or lower OR an S&P rating of BB+ or lower. Increases and re-openings are counted for the day of the increase.



Finance, Strategy & Legal

Economic Research & Performance Analytics

Professional Services Note

The Quantitative Research Team has worked to ensure the accuracy of the information it provides to the Corporate Executive Board members. This project relies upon data obtained from many sources, however, and the Quantitative Research Team cannot guarantee the accuracy of the information or its analysis in all cases. Furthermore, the Quantitative Research Team is not engaged in rendering legal, accounting, or other professional services. Its projects should not be construed as professional advice on any particular set of facts or circumstances. Members requiring such services are advised to consult an appropriate professional. Neither Corporate Executive Board nor its programs are responsible for any claims or losses that may arise from any errors or omissions in their reports, whether caused by Corporate Executive Board or its sources.

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Shehryar Ansari	Director
Jian Chen	Director
Oleg Polishchuk	Senior Director
Michael Griffin	Executive Director