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Capital Market Issuance of $1.7 Trillion in Fourth Quarter 2009, $6.9 Trillion For Full Year 2009

Securities issuance totaled $1.7 trillion in 4Q'09, up slightly from $1.6 trillion in 3Q'09. The fourth quarter continued to bring financial regulation under the scrutiny of reform.

Municipal issuance totaled $409.7 billion in 2009, the second highest issuance historically. The Build America Bond (BAB) program was very successful, with $64.1 billion issued, introducing new investors to the municipal market.

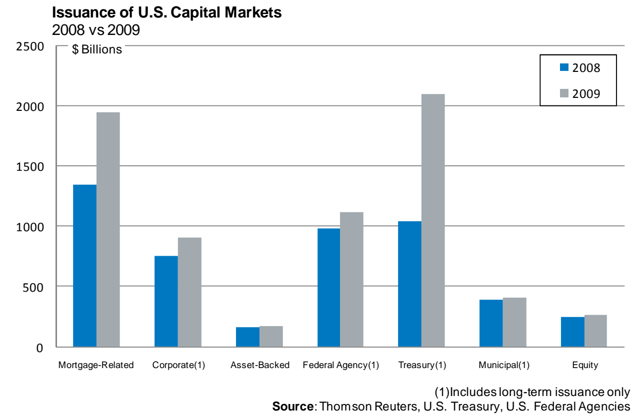
Federal agency debt issuance in 2009 totaled $1.12 trillion, $209 billion during the fourth quarter. At the end of the fourth quarter, preferred stock purchase agreements were amended for Fannie Mae and Freddie Mac in order to continue supporting the two agencies under U.S. government conservatorship.

Mortgage-related issuance continued to be supported by the agencies Fannie Mae, Freddie Mac, and Ginnie Mae; $397.9 billion was issued in 4Q'09, and $1.9 trillion issued for 2009. Asset-backed securities (ABS) issuance during 4Q'09 totaled $28.9 billion, $168.3 billion for 2009. The market continues to be supported, in part, by the Term Asset-Backed Securities Facility (TALF), which is scheduled to end at the wind down of Q1'10 for the ABS asset class. Global collateralized debt obligations (CDO) issuance continues to remain moribund, with $1.0 billion for 4Q'09 and $4.2 billion in full year 2009.

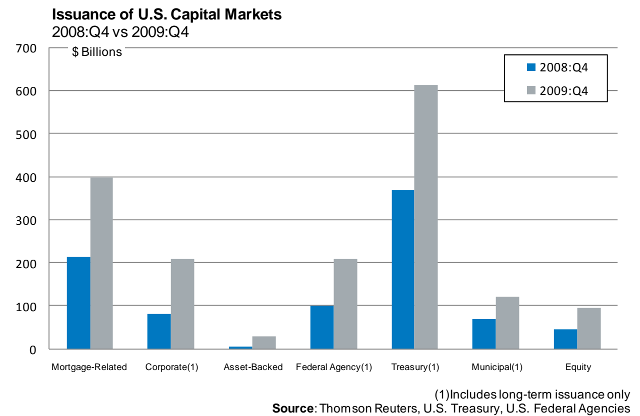
Corporate bonds ended with $207.9 billion issued in 4Q'09, $907.9 billion for the full year; while rating downgrades and defaults have begun to slow down, the refinancing pipeline continues to be a concern.

Equity markets rose again in the fourth quarter. Total equity underwriting increased in volume by 5.7 percent in 2009 to $256 billion for 912 deals. Secondary offerings reached a ten-year high, primarily due to issuance by the financial sector.

Preliminary real GDP figures have been reported at 5.7 percent in 4Q'09 and for negative 2.4 percent for full-year 2009. While the 4Q'09 GDP growth is a positive sign of preliminary stabilization, future policy measures remain a concern.



(1)Includes long-term issuance only
Source: Thomson Reuters, U.S. Treasury, U.S. Federal Agencies

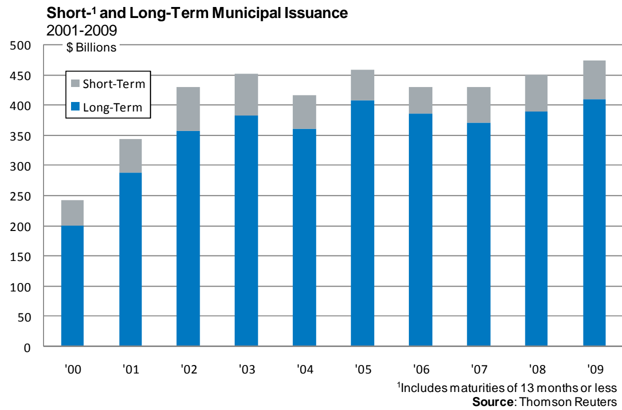


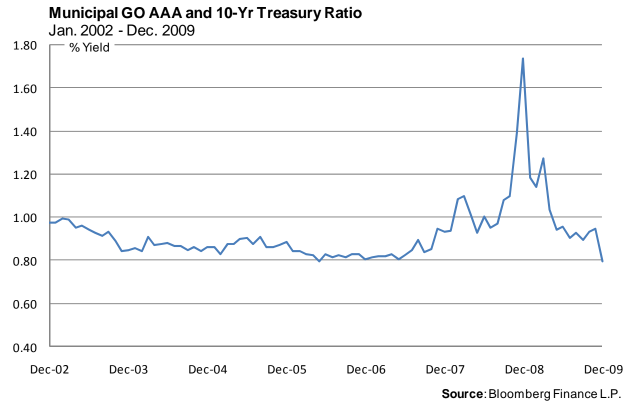
(1)Includes long-term issuance only
Source: Thomson Reuters, U.S. Treasury, U.S. Federal Agencies

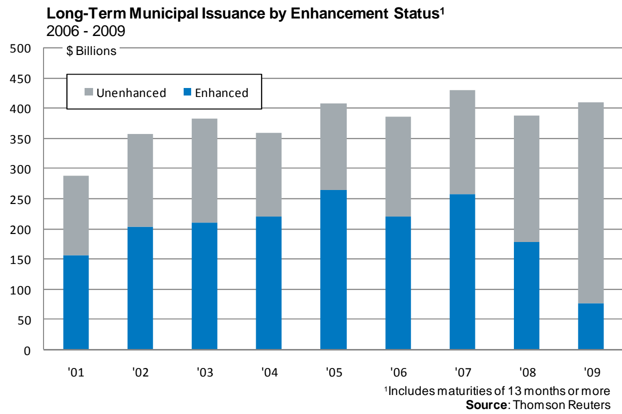
Issuance Highlights

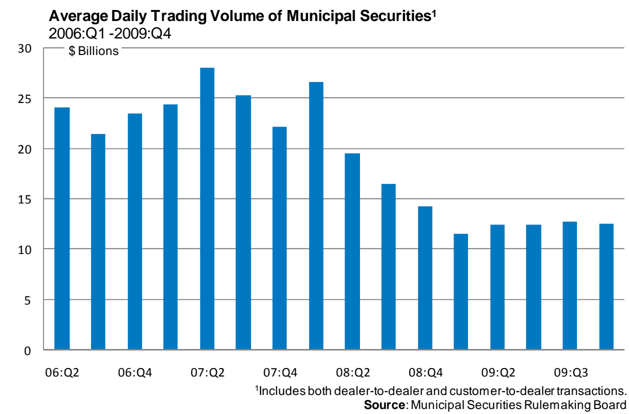
$ Billions	2009:Q4 only	2008	2009	Y-o-Y % Change
Municipal (1)	120.6	389.6	409.6	5.1%
Treasury (1)	613.0	1037.3	2,097.7	102.2%
Federal Agency (1)	209.0	984.4	1,117.0	13.5%
Mortgage-Related	397.9	1344.2	1,949.2	45.0%
Asset-Backed	28.9	163.3	168.3	3.1%
Global CDO	1.0	61.9	4.2	-93.2%
Corporate (1)	207.9	749.1	907.9	21.2%
Equity	95.2	242.3	266.3	9.9%

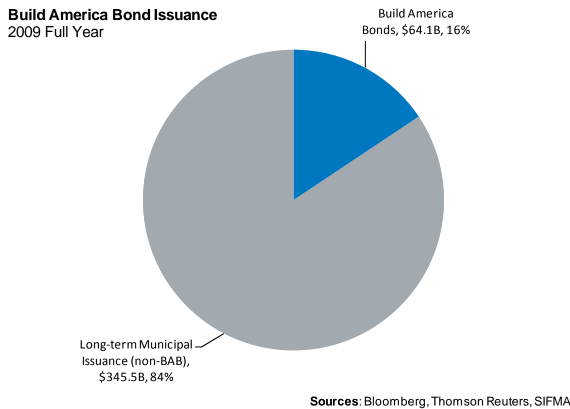
* Percent change between 2009 and 2008
(1) Includes long-term issuance only

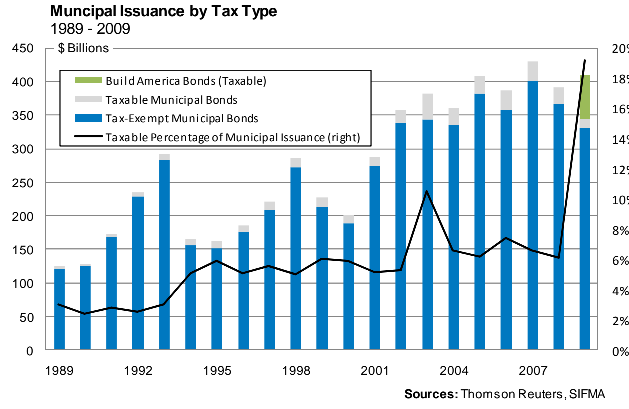












According to Thomson Reuters, long-term municipal issuance volume (including both taxable and tax-exempt issuance) totaled $409.7 billion in 2009, a 5.2 percent increase from 2008 and the second highest issuance historically. 4Q'09 issuance totaled $184.3 billion, comprising approximately 45 percent of full-year activity. Taxable issuance, which historically accounted for 5 percent of the total over the last 20 years, surged to claim a 19.2 percent share of all issuance in 2009. The rise is due to the success of the Build America Bonds (BAB) program; excluding taxable issuance, tax-exempt issuance totaled $331.1 billion, the lowest level since 2002, with BAB issuance serving as a substitute for the tax-exempt product.

For the full year, 83.4 percent of all municipal bonds issued were unenhanced. Bond insurance, which prior to the credit crisis enhanced approximately half of all long-term issuance (2001-2007), was used in only 8.7 percent of all long-term issuance in 2009, continuing the downward trend from the 46.7 percent and 18.5 percent share in 2007 and 2008, respectively, when the downgrade of several major bond insurers began. With only two highly-rated municipal insurers remaining in the market, it is unlikely that bond insurance will return to pre-crisis levels in the near-future.

Issuance of variable rate demand obligations (VRDO), long-term municipal bonds that have a floating interest rate that resets daily or weekly on a short-term basis

and contain a put feature, totaled $34.8 billion in 2009, a 70.0 percent decline from 2008, as well as a decline of 29.4 percent from 2007.

Yields Continue to Remain Low

While Treasury yields, generally, have trended higher in 2009 from 2008 as the flight-to-safety phenomenon subsided and fears of inflation set in, tax-exempt bond yields have continued to trend lower; AAA-rated G.O. 10-year municipal yields ended the year at 3.05 percent, down from 3.65 percent at the beginning of 2009. The yield ratio of AAA-rated G.O. 10-year municipal bonds to 10-year Treasuries ended 4Q'09 at 80.5 percent compared to 89.9 percent at the end of 3Q'09; this was well below the 174 percent high recorded in late 2008 at the height of the crisis and lower than the ten-year historical average of 85 percent.

The SIFMA Municipal Swap Index, comprised of short term tax-exempt VRDOs, remained relatively unchanged throughout the fourth quarter at 0.25 percent at end-December from 0.24 percent at the end-October, bringing the year's average to 0.4 percent.

Credit Quality Trends

According to a Nelson A. Rockefeller Institute of Government report in January 2010, 48 states reported declines in total tax revenue in the third quarter of 2009, with 22 states reporting double-digit losses.[1] Despite the apparent turnaround in U.S. economic growth in 2009, the recovery of employment and wages – the two most important factors for state finances – is projected to lag well into the future.

Budget gaps, projected cash deficiencies, and political stalemates have triggered credit quality concerns. In 2009, Moody's, Fitch Ratings, and Standard and Poor's issued several hundred rating downgrades, including four state G.O. ratings in 2009: Arizona, California, Illinois, and Michigan.

Build America Bonds: The Success Story

Since their creation under the American Reinvestment and Recovery Act of 2009 (ARRA), BABs issuance has grown to $64.1 billion from its launch in April to the end of the 2009. Virtually all BABs were direct pay bonds, in which issuers receive a 35 percent federal subsidy of the interest paid. In 4Q'09, BAB issuance amounted to $28.6 billion, a 43 percent increase from the previous quarter's level. General purpose and public improvement sectors accounted for more than 40 percent ($11.6 billion) of 4Q'09, followed by education at 28 percent ($6.9 billion). For the full year, BAB issuance was led by general purpose ($22.4 billion), education ($14.8 billion), and transportation ($14.5 billion).

As expected, on February 1st, 2010, the U.S. Administration released its Fiscal Year 2011 Budget, which proposed not only to make the BABs program permanent, but also to extend the program to other areas not currently covered. However, the administration does propose to lower the subsidy rate to 28 percent, a rate deemed more "revenue neutral."

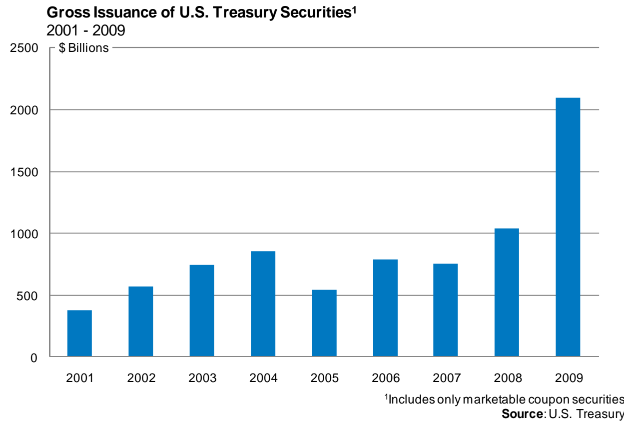
Other Government Efforts Met With Modest Results

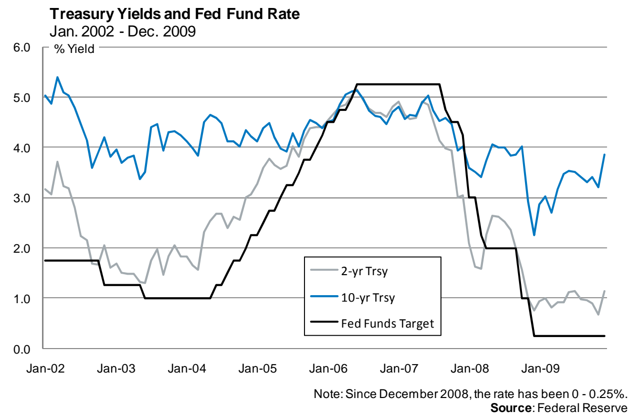
Despite several Administration initiatives promoting tax credit bonds, relatively few tax credit bonds were issued in 2009, reflecting uncertainty over certain aspects of tax credit bonds.

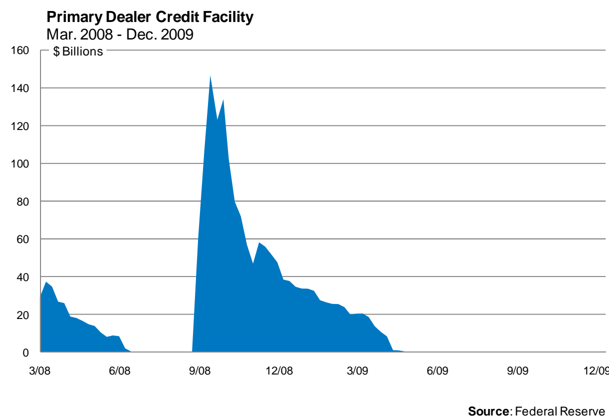
ARRA provisions included changes to bank-qualified bonds to encourage banks to hold certain municipal bonds issued in 2009 and 2010. While $32.7 billion of bank-qualified bonds were issued for full year 2009, banks took up very little of this supply; according to the Federal Reserve, a net $3.2 billion increase was recorded from Q1'09 to Q3'09 in municipal debt holdings by commercial banks, a modest 2.8 percent increase on an annualized basis.

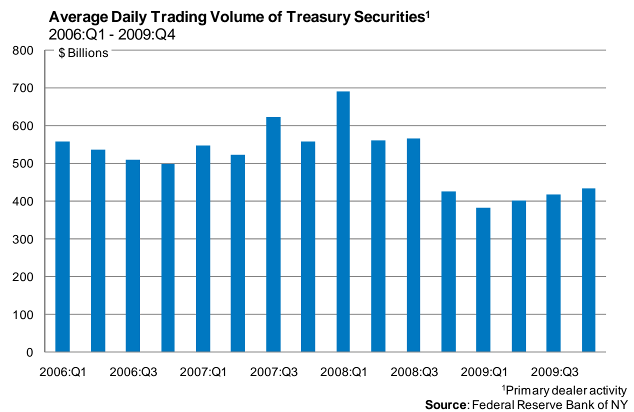
Generally, government policies will continue to be a major influence on the markets through 2010.

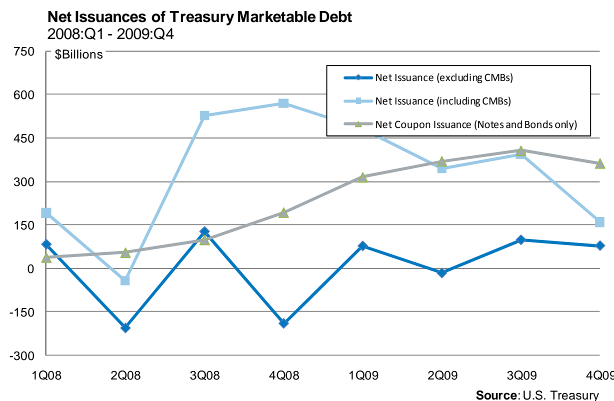
[1] Individual state data, analysis by Rockefeller Institute











Net Treasury Issuance Decreased; Monetary Policy and Timely Exit Strategy Continue to be Top Priorities

Total fourth quarter net issuance of U.S. Treasury securities (including bills, coupons, and accounting for redemptions) was $159.5 billion, down nearly 60 percent from the previous quarter's $392.5 billion. Excluding cash management bills, total net issuance totaled $77.5 billion, compared to the $97.5 billion recorded in the third quarter. In total, nearly $2 trillion Treasury securities were issued in full-year 2009, more than double that in full-year 2008.

Net coupon issuance for the fourth quarter was $362.5 billion, 10.8 percent below the $406.5 billion issued in the third quarter but significantly (88.4 percent) greater than the $192.5 billion issued in the same year-earlier period. SIFMA's recently completed 1Q'10 Government Forecast survey of the primary dealers[2] projected total net issuance (bills and coupons) of $417.0 billion for the first quarter of 2010, 13.4 percent below the net $481.3 billion issued in the same year-earlier period. Net coupon (notes and bonds) issuance, however, is projected to be $460.0 billion in the first quarter, 46.3 percent above the $314.4 billion net issued in 1Q'09.

Total 4Q'09 net issuance of $159.5 billion came in be-

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[2] SIFMA Government Forecast, January 28, 2010

low Treasury's November marketable borrowing estimate of $276 billion, which is partly due to the decrease in the Supplementary Financing Program (SFP), to $15 billion from $200 billion (announced in September). Treasury had also estimated an end-of-December 2009 cash balance of $85 billion, which included $15 billion for the SFP. This was in-line with the actual ending cash balance of $82 billion for the fourth quarter. Looking forward, Treasury's estimates for 1Q'10 include $478 billion in net issuance of all marketable debt and an end-March 2010 cash balance of $45 billion (again including $15 billion for the SFP). This is comparable with SIFMA's Government Forecast survey results, which projected total net issuance of $417.0 billion and $50.0 billion in remaining cash at the end of March.

Fourth quarter gross coupon issuance volume, which is typically affected by expected refunding of maturing and callable debt as well as Treasury's new cash needs, increased 36.1 percent year-over-year (y/y) between 4Q'08's $361.0 billion and 4Q'09's $491.4 billion. Gross redemption of coupons fell slightly to $128.9 billion in 4Q'09 from $168.6 billion in 4Q'08. Gross issuance of bills fell 30.6 percent to $1.36 trillion in 4Q'09, from $1.96 trillion in 4Q'08 when including cash management balances. However, gross redemption of bills stayed relatively flat y/y from $1.59 trillion in 4Q'08 to $1.56 trillion in 4Q'09.

Daily trading volume of Treasury securities by primary dealers averaged $434.4 billion in the fourth quarter, 4.0 percent higher than the $417.8 billion recorded in the third quarter and 2.2 percent greater than the $425.1 billion daily average volume in the fourth quarter of 2008.

The number of primary dealers has stayed constant at 18 since July of 2009, and the Federal Reserve's Primary Dealer Credit Facility (PDCF) continued to remain unused since May of 2009. Going forward, the Federal Reserve Bank of New York's recently revised policy (last updated in 1992) regarding "the administration of relationships with primary dealers" aims to promote greater transparency regarding business expectations for primary dealers and to clarify guidelines on how to become a primary dealer in today's considerably different marketplace.

The issue of the debt ceiling has also been another area of concern for the Fed, Treasury and the primary dealers. In December, Congress passed a temporary increase of the debt limit: the $290 billion increase set the new debt ceiling at $12.4 trillion temporarily, but any decision on a permanent debt ceiling raise will most likely be delayed until February of 2010.

Overall, the fourth quarter focus was on effective monetary policy by the Federal Reserve and discussions of potential exit strategies from extraordinary support programs. Three have been widely discussed as ways to drain the approximately $1 trillion excess reserves in the system: reverse repos (Fed began preliminary testing in 4Q'09), term deposits and asset sales. In addition, the Fed's Tri-party Repo Infrastructure Reform Task Force (formed in September 2009) continued to work on evaluating the tri-party repo market and how to reduce any weaknesses in the current infrastructure (i.e., systems, operations) that may lead to systemic risk.

In the midst of intense financial regulatory reform activity in the fourth quarter: the Senate Banking Committee released its draft reform proposal on December 10 and the House passed their reform proposal on December 11, while the Fed's independence also become a popular topic of concern. There is debate by some in Congress over potentially stripping the Fed of some of its powers, especially bank oversight responsibilities, as well as whether to require auditing of the Fed's monetary policy decisions by the U.S. Government Accounting Office (GAO). There has also been lively debate over whether the housing asset bubble was the result of the Fed keeping rates "too low" for "too long" after the last recession, and many questions remain over when and how quickly rates should be raised this time around. Globally, Australia, Israel and most recently China were the first countries to begin raising rates.

Overall, SIFMA's 1Q'10 Government Forecast Survey predicts that the U.S. Treasury yield curve will flatten in 1Q'10 before rates rise again across the board in 2Q'10. The 2- to 10-year Treasury yield spreads hit its 2009 high of 270 bps at the end of December (average spread for the entire year was 233 bps), and, according to the survey respondents, will fall back to 260 bps and stay there for the first half of the year. Although the spread will stay the same for both quarters, this is the result of an expected parallel raising of both the 2- and 10-year yields in the second quarter, follow the flattening to the curve (the 10-year yield is expected to drop more than the 2-year yield in the first quarter).

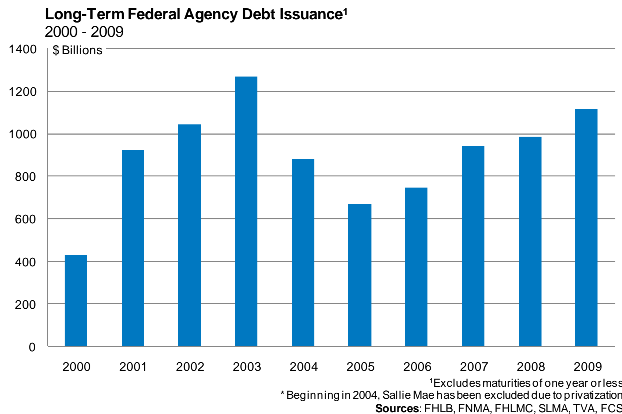
Due to improving economic conditions, several federal lending programs are set to expire on February 1, 2010: the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF), the Commercial Paper Funding Facility (CPFF), the PDCF, and the Term Securities Lending Facility (TSLF). The Fed also disclosed that it will be working to close its temporary liquidity swap arrangements by February 1 as well. The Term Auction Facility (TAF) is set to wind-down in early 2010, and TALF is set to expire on March 31, 2010 for loans backed by ABS and legacy CMBS and on June 30, 2010 for loans backed by new-issue CMBS. The Fed also reiterated its intent to slow down

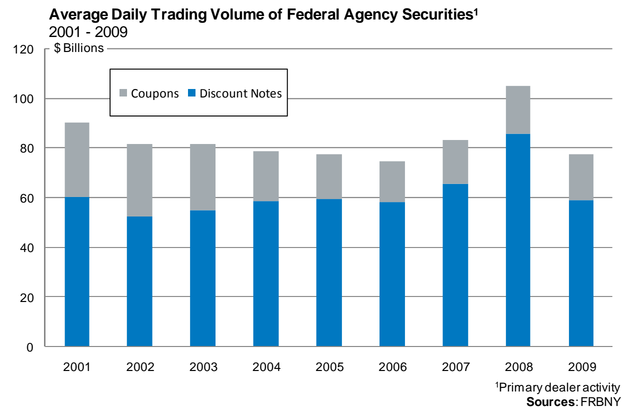
purchases of agency MBS and agency debt, and to complete all such purchases by the end of 1Q'2010, which may in turn drive demand for Treasuries in the near-term downward and drive rates upward.

Concerns remain around the economic recovery and pace of inflation. However, observers believe that inflation will remain contained in the near-term, especially given the challenging housing market, constrained bank lending, decreased capital investment, long-term unemployment, and depressed consumer credit conditions as well as consumer spending.[3] The economic recovery continues to be rocky and a sharp rebound to pre-crisis levels is not expected anytime in the near future.

The 2-year Treasury yield was 1.14 percent at the end of the fourth quarter, up from 0.95 percent at the end of the third quarter and 0.76 percent at year-end 2008. The 10-year Treasury yield increased to 3.84 percent at the end of the fourth quarter from 3.31 percent at the end of the previous quarter and 2.25 percent at year-end 2008. The 2-year to 10-year Treasury yield spread increased to a 2009 high of 270 basis points (bps) at the end of the fourth quarter from 236 bps at the end of the third quarter, and remained well above the 149 bps at the end of December 2008. As a reminder, the *spread*, or difference, in yield between the 2–year and 10–year U.S. Treasury notes represents expectations about the direction of the U.S. Treasury yield curve and thus inflation and potential monetary policy.

[3] SIFMA U.S. Economic Outlook End-Year 2009, December 16, 2009





Agency Long-Term Debt Issuance Rose Year over Year; Unlimited Treasury Funding for Fannie and Freddie Through 2012

Federal agency long-term debt (LTD) issuance was $1.12 trillion in full-year 2009, an increase of 13.5 percent from the $984.4 billion issued in 2008. As of December 31, overall average daily trading volume of agency securities (coupons and discount notes) was approximately $77.4 billion for the year, 26.2 percent below the prior year's level.

The Federal Home Loan Banks (FHLBs) continued to act as a reliable and lower-cost source of liquidity for home mortgage and other community lending needs during 4Q'09, as credit conditions remained depressed and the economy continued its gradual recovery. FHLB global debt issuance for full year 2009 totaled $209.2 billion, a decrease of 10.9 percent over the previous year's $234.7 billion issuance. Total bond issuance was $506.4 billion in full year 2009, 8.7 percent below the prior year's $554.7 billion. Total global debt outstanding was $340.2 billion at end-December, 10.8 percent below the $381.4 billion outstanding at end-December 2008. Total bonds outstanding were $732.0 billion for end-December 2009, 9.7 percent below the $810.4 billion outstanding for end-December 2008. On December 31, the U.S. Treasury terminated its short-term credit facility for the FHLBs that had originally been created under the Housing and Economic Recovery Act (HERA). This facility had also been made available to Fannie Mae and Freddie Mac, but was never used by any party.

In December of 2009, the U.S. Treasury announced modified the preferred stock purchase agreements of the GSEs, lifting of the original $200 billion caps set on their funding to each of the GSEs, allowing for unlimited funding through 2012. As of the end of the third quarter 2009, the most recent data available, approximately $111 billion of that funding had been used by the two GSEs combined ($51 billion to Freddie and $60 billion to Fannie). Treasury also relaxed requirements for the wind-down of the GSEs' mortgage portfolios. In addition, Treasury ended its program to purchase GSE-guaranteed MBS on December 31. Proposed reform for the GSEs from the Administration is expected shortly.

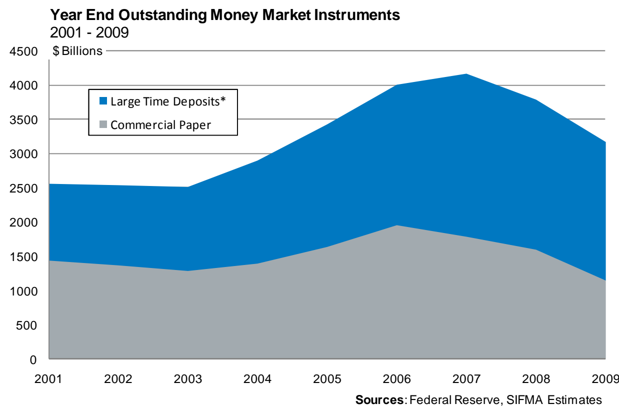
Gross, debt, both long- and short-term, was short-term debt (STD) issued by Fannie Mae for 2009 was $1.7, of which $295.3 billion was long-term (LTD). Gross LTD issued in the fourth quarter was $57.0 billion, a 24.5 percent increase from the $45.8 billion issued in the third quarter. Fannie Mae also reported net LTD issuance, or LTD issued less LTD repaid, of $34.5 billion for all of 2009, higher than full-year 2008's net LTD redemption of $(18.4) billion. As of end-December LTD outstanding was $585.2 billion, 6.3 percent higher than the $550.6 billion outstanding at year-end 2008, and also 1.9 percent higher than the $574.5 billion reported at end-September.

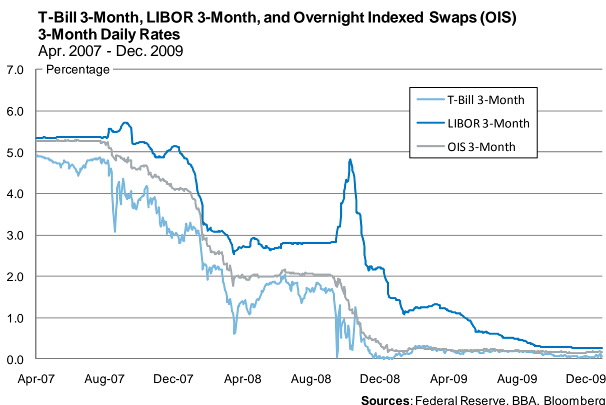
Freddie Mac reported gross issuance of $181.1 billion in the fourth quarter, a 6.6% decrease from the $193.8 billion issued in the third quarter. Gross debt issuance for full-year 2009 totaled $962.3 billion, 11 percent below the $1.1 trillion issued in the previous year. Net issuance in the fourth quarter was $(21.8) billion, compared with $(29.0) billion in the third quarter. Total debt outstanding rested at $807.3 billion at the end of the fourth quarter, 2.6 percent below the previous quarter's debt outstanding of $829.2 billion and 6.2 percent below the $861.0 billion outstanding at end-December 2008.

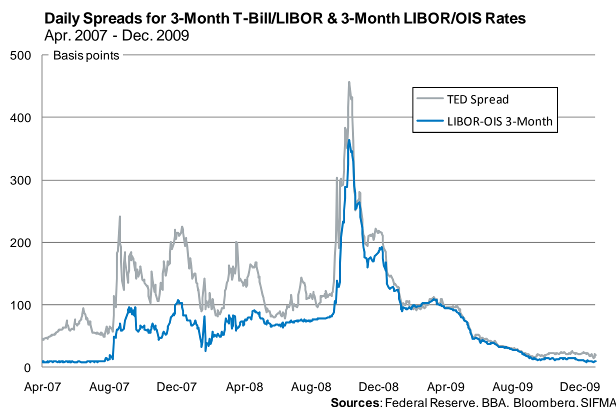
Total bond issuance by the Farm Credit System, the oldest GSE created to fund loans to farming and agricultural businesses, totaled $27.7 billion in the 4Q'09, 21.5 percent above 3Q'09's $22.8 billion. Full year 2009 issuance was $107.2 billion, as compared to the $100.5 billion recorded for all of 2008.

The Tennessee Valley Authority (TVA) issued $2.4 billion in long-term bonds in 2009; net issuance of short-term debt was $659 million, compared to the $1.2 billion of short-term debt net redeemed in 2008. TVA cannot maintain more than $30 billion in outstanding bonds at any time, and as of September 30, 2009, had an outstanding value of $22.8 billion. Since TVA relies heavily on debt financing, approaching the $30 billion debt ceiling could affect company infrastructure and operations.

Funding and Money Market Instruments







Repo and Reverse Repo: Up Since 3Q'09 But Decreased Year Over Year

The average daily amount of total outstanding repurchase (repo) and reverse repo agreement contracts totaled $4.4 trillion for full-year 2009, an increase of 15.8 percent since the end of the third quarter, but a 32.3 percent decrease from the $6.5 trillion daily average outstanding in the previous year. Daily average outstanding repo totaled $2.6 trillion for full-year 2009, and reverse repo agreements were $1.8 trillion for the same period. These data represent financing activities of the primary dealers reporting to the Federal Reserve Bank of New York, which includes repurchase and reverse repurchase agreements involving U.S. government, federal agency, agency mortgage-backed, and corporate securities.

Rates continue to stay at record lows and spreads continue to remain tight, given the highly liquid money markets and thus availability of funds for lending needs. The London interbank offered rate, or LIBOR, is the main interbank lending interest rate, and the 3-month LIBOR rate reflects consensus over where banks' lending rate will be in three months. 3-month LIBOR rates have been falling since mid-2007 and rested at 25.1 basis points as of December 31, 2009 (with a low of 24.9 basis points on December 21 and 22). The overnight indexed swaps (OIS) rate, which is used as a measure of marketplace liquidity and stress, has likewise been falling since the height of the financial crisis that began in 2007, and as of December 31, 2009 was at 16.2 basis points (with a low of 12.9 basis points on November 20). Following in these trends, the 3-month Treasury bill yield continues to remain at record lows as demand for relatively low-risk, short-term Treasury debt stays high. Since its low of 0 basis points in late 2008 when the financial markets were in greatest turmoil, the 3-month T-bill yield has risen as high as 32 basis points in February 2009, and as of December 31 was at 6 basis points.

The LIBOR-OIS 3-month spread, which is commonly used also as an indicator of liquidity and lending risk in the markets, has stayed at record lows since its spike of 364.4 basis points in October 2008, reflecting when lending was tightest. As of December 31, the LIBOR-OIS 3-month spread was 8.9 basis points. The spread between the 3-month T-bill and LIBOR rates, or the TED spread, is another measure for liquidity and credit risk in the marketplace, and more specifically reflects how likely banks may default on loans. Since hitting a high of 457.8 basis points in October 2008, the spread has fallen back down to 19.1 basis points as of December 31.

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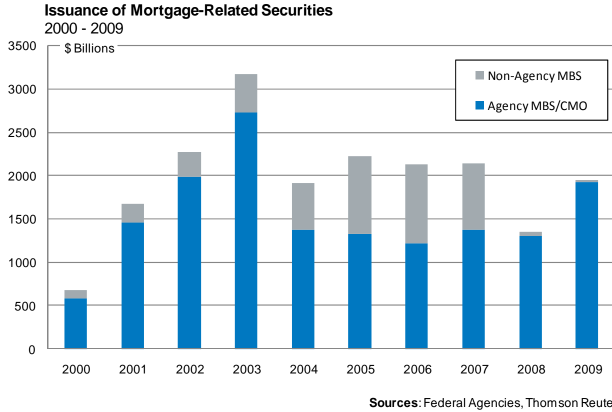
Money markets have been increasingly focused on the Fed's exit strategies and how/when they will be deployed. The Federal Bank of New York began preliminary testing of reverse repos as a potential monetary policy tool to drain reserves from the U.S. banking system when it becomes necessary. Other strategies that have risen to the forefront include term deposits and Fed asset sales. Other strategies previously suggested by Chairman Bernanke include paying interest on excess bank reserves held at the Fed, issuance of new Treasury debt and depositing the proceeds with the Fed, and the Supplementary Financing Program (predicted to cost $15 billion in 1Q'10 by Treasury).

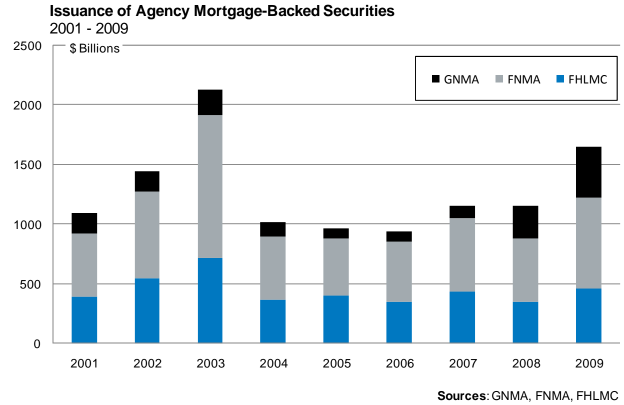
CP Outstanding Continues to Fall at an Increasing Pace

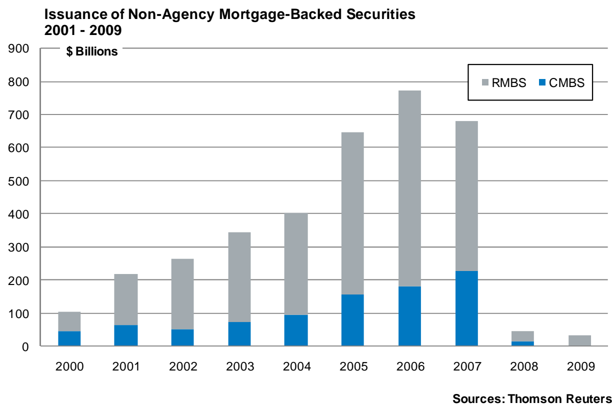
The outstanding volume of total money market instruments (MMI), including commercial paper (CP) and large time deposits, totaled $3.2 trillion as of the end of the fourth quarter of 2009, approximately 15.8 percent lower than the $3.8 trillion recorded in the same year-earlier period. The decline in MMI is mainly attributed to decreases in CP outstanding, which has been falling since its peak of $1.96 trillion reached in 2006, followed by annual drops of 8.7 percent in 2007, 10.6 percent in 2008, and 28.2 percent in 2009.

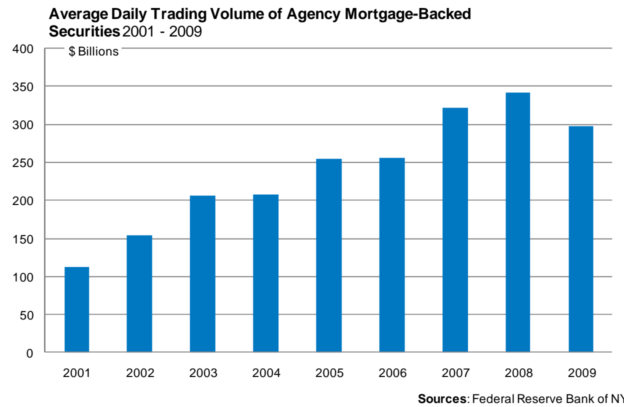
CP outstanding totaled $1.14 trillion at the end of fourth quarter, down 2.7 percent from the end of the third quarter. Financial CP outstanding decreased 5.4 percent to $590.1 billion at the end of the fourth quarter, from $560.0 billion at the end of the third quarter. Non-financial CP outstanding fell to $93.1 billion, a 14.4 percent decline from the $108.9 billion recorded at the end of the third quarter 2009.

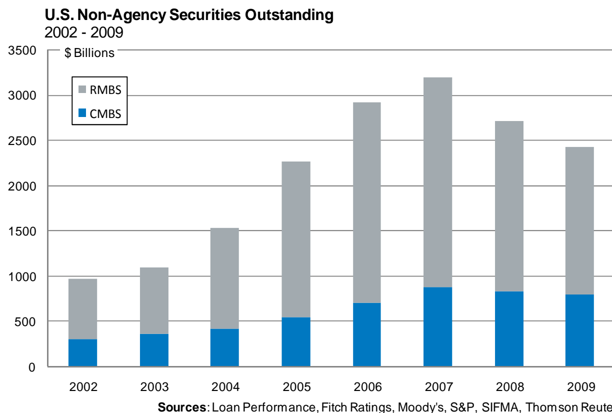
Concerns over daily settlement of money market instruments and specifically commercial paper continue to persist, increasingly so as daily maturity presentments do not align with daily issuances, thus creating sometimes substantial credit risk exposures for certain parties involved.

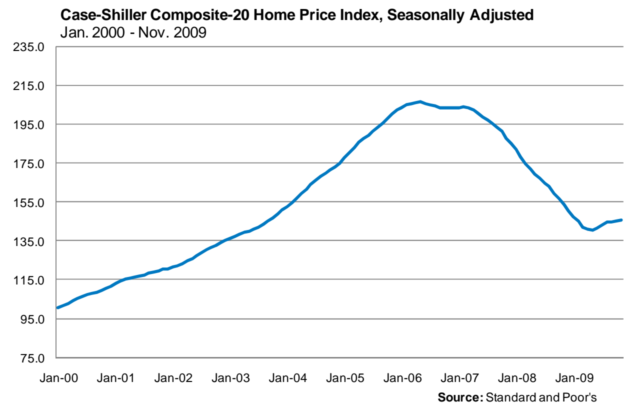












Mortgage-Related Market

Issuance of mortgage-related securities, including agency and non-agency pass-throughs and collateralized mortgage obligations (CMOs), totaled $397.9 billion in the fourth quarter of 2009 for a total of $2.0 trillion in 2009. Full-year issuance for 2009 increased 45 percent from 2008, reflecting both a large increase of agency issuance in the mortgage market (48.2 percent) as well as the continued dormancy of the non-agency market.

Agency Issuance Remains Dominant

The dominance of agency issuance persisted in the fourth quarter, with $394.8 billion of agency pass-throughs and CMOs issued, comprising 99.2 percent of all mortgage-related issuance for the quarter. Agency mortgage-related issuance totaled $1.9 trillion for full year 2009. Reflecting the trend of substantial governmental assistance in the housing market during the economic crisis, Ginnie Mae's share of issuance ($116.7 billion for full-year 2009) comprised 23.6 percent of the total, versus 9 and 8 percent respectively in the pre-crisis years 2006 and 2007.

Recent changes in Fannie Mae's and Freddie Mac's preferred stock purchase agreements have given the GSEs some flexibility at meeting their mandates (e.g., ultimately reducing their mortgage portfolio), accommodating for new accounting rules, and easing execu-

tion of Homeowner Affordable Modification Program (HAMP) schemes.

Commercial Real Estate

The drought in commercial mortgage-backed security (CMBS) issuance ended with the $400 million Term Asset-Backed Securities Loan Facility (TALF)-eligible issuance of Developers Diversified Realty in November[4], of which $72.4 million was financed by TALF. Two additional, similarly-sized non-TALF-eligible CMBS deals were issued shortly after in December. For the fourth quarter of 2009, $4.9 billion of both legacy and new-issue CMBS were financed by TALF, nearly all for legacy CMBS; of the legacy CMBS CUSIPs submitted, 178 legacy CUSIPs were accepted and 11 rejected.

Despite the slight thaw in CMBS issuance, the commercial real estate market continues to remain moribund; to date, the November 2009 TALF auction remains the only auction to finance newly issued CMBS. According to the Federal Reserve Beige book, the market was reported to be "grim," with deterioration reported in all districts, with low transaction activity and high vacancy rates. According to Trepp, loans continue to be transferred into special servicing at a rapid rate; as of the end of December, 6.3 percent of all commercial real estate loans were classified as delinquent (30+ day delinquency).

Continued Government Assistance to the Housing Market in 2010

The U.S. government continued to provide assistance to the housing market in 4Q'09. In October, the Administration announced an initiative to support state and local housing finance agencies (HFAs) through a simultaneous rollout of the New Issue Bond Program (NIBP) and creation of a Temporary Credit and Liquidity Program (TCLP), administered by Fannie Mae and Freddie Mac.

On November 26, President Obama signed The Worker, Homeownership and Business Act of 2009 into law, which extended the $8,000 homebuyer tax credit created in the American Recovery and Reinvestment Act to April 30, 2010, and created a new credit of $6,500 in certain circumstances for non-first time buyers. According to the Joint Committee of Taxation, the tax credit for homebuyers is estimated to cost $9.6 billion for the years 2009-2010.[5]

The Federal Housing Administration (FHA), continued to support the housing market; in its year-end report FHA noted that the agency had claimed a 25 percent share of the market. However, delinquency rates of FHA loans which underlie Ginnie Mae securities show a very different profile compared to Fannie Mae and Freddie Mac: delinquency rates for FHA mortgages (90+ day delinquency) were 9.1 percent as of the end of December, at or more than double the rate of Fannie Mae (5.3 percent, 60+ day delinquency, November 2009) or Freddie Mac (3.9 percent, 90+ day delinquency, December 2009). That comparatively high delinquency rate, and the publication of FHA's 2009 actuarial report that indicated FHA's mortgage insurance fund's capital reserve ratio had fallen below its congressionally mandated threshold has prompted concerns. In January 2010 FHA announced plans to modify its policies to strengthen its reserves and improve risk management practices, including raising mortgage insurance premiums, modifying FICO score/down payment requirements, and launching investigations into several mortgage companies with comparatively high claim rates.

Servicers participating in HAMP continued their modification efforts throughout the fourth quarter, producing relatively modest results: with 1.2 million trial plan offers extended at the end of December, only 66,000 trials were converted to permanent modifications (with an additional 40,000 pending); most of the permanent conversions were executed in the month of December through HAMP's December Conversion Campaign.

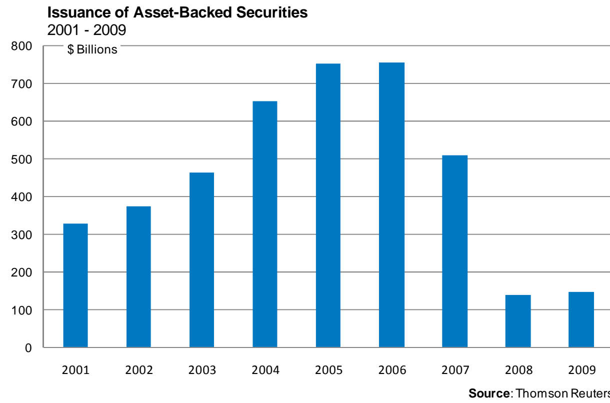
The Federal Reserve continued its agency debt and MBS purchase program, purchasing gross $307.3 billion ($204.2 billion net) in agency MBS; at the end of 2009, $1.1 trillion net of agency MBS had been purchased. While the agency debt and MBS program is expected to end by the end of 1Q'10, the Federal Reserve reduced agency debt purchases to $175 billion from $200 billion in November, stating that the reduction was consistent with its "recent path of purchases and reflect[ed] the limited availability of agency debt."

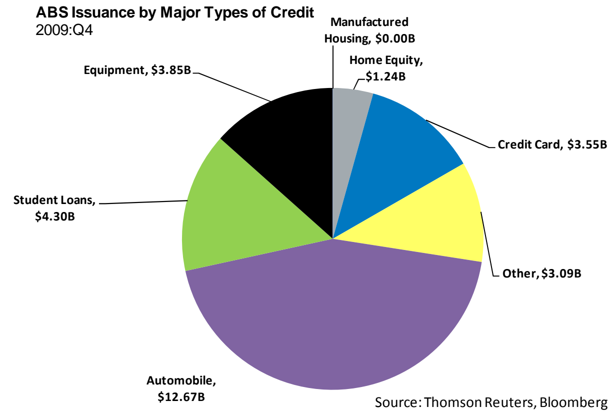
In December, the U.S. Treasury announced several amendments to the terms of Preferred Stock Purchase Agreements of Fannie Mae and Freddie Mac, notably removing the $400 billion aid cap on its funding commitment to the two GSEs as well as adjusting the terms of the mandatory portfolio reduction (e.g., applying the reduction mandate to GSE portfolio cap, rather than existing portfolio), in addition to other amendments to account for impending accounting changes in 2010 (e.g., FAS 166/167).

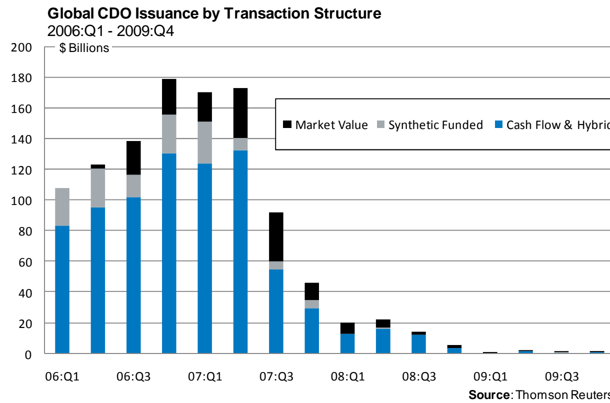
[4] "Developers Diversified Announces Closing of $400 Million Securitization," http://ir.ddr.com/releasedetail.cfm?ReleaseID=426795
[5] "Estimates of Federal Tax Expenditures for Fiscal Years 2009-2013", Joint Committee of Taxation, 2010 January 11.

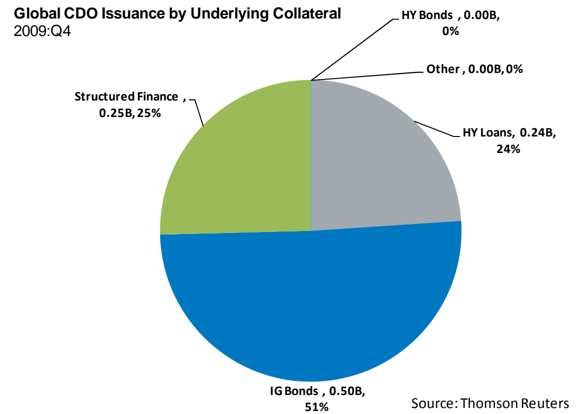
U.S. Government Measures to Assist U.S. Housing in 2009	
February 14	American Recovery and Reinvestment Act of 2009 (ARRA) - provides for affordable housing modification program, $8,000 housing tax credit, HAMP)
February 18	U.S. Treasury Unveils Homeowner Affordability and Stability Plan
March 18	Federal Reserve Increases Agency MBS Purchase to $1.25 Trillion, Agency Debt to $200 billion, & $300 Billion of Treasuries
April 28	Making Home Affordable Program Announces 2nd Lien Program
May 1	Federal Reserve Extends TALF to Newly Issued Commercial Mortgage Backed Securities
May 4	U.S. Treasury, HUD Announce Housing Grants In Low Income Housing Tax Credit (Treasury), Tax Credit Assistance Program (HUD)
May 14	Making Home Affordable Program Introduces Home Price Decline Program, Foreclosure Alternatives
May 28	Federal Reserve Expands TALF to Legacy Commercial Mortgage-Backed Securities
May 20	Helping Families Save Their Homes Act of 2009 Signed Into Law
October 19	Administration Support Housing Finance Agencies through New Issue Bond Program (NIBP) and Temporary Credit and Liquidity Program through GSEs
October 30	Federal Reserve & Financial Regulators Adopt Policy Statement on Prudent Commercial Real Estate Workouts
November 6	Worker, Homeownership, and Business Assistance Act of 2009 (Extends Housing Tax Credit to April 2009, additional $6,500 Tax Credit)
November 30	U.S Treasury and HUD Start Mortgage Modification Drive
December 24	U.S. Treasury Amends Preferred Stock Purchase Agreements for GSEs, Lifts $400 Billion Funding Cap

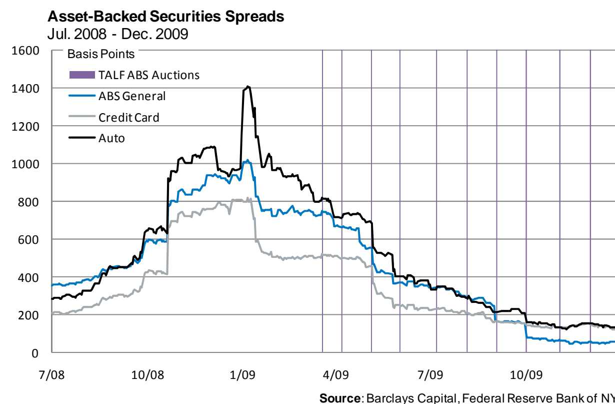
Source: Federal Reserve Bank of NY, HUD, U.S. Treasury

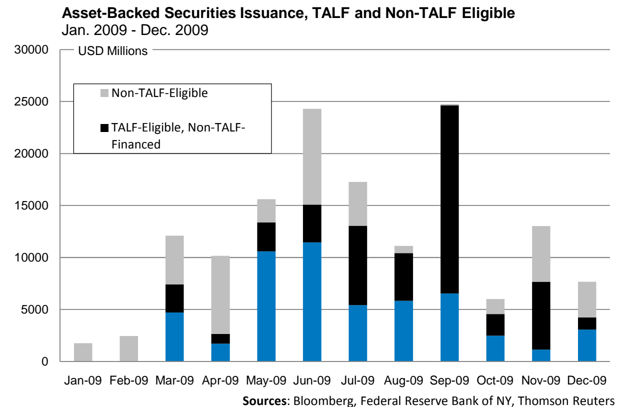












Asset-Backed Market

Asset-backed securities (ABS) issuance in the fourth quarter of 2009 totaled $28.7 billion, a decrease of 44 percent from the prior quarter revised issuance total of $51.1 billion. Issuance predominantly came from auto and student loans, followed by credit card and equipment. Spreads continued to tighten through the fourth quarter, reaching levels exhibited prior to September 2008. Three TALF auctions were held in the fourth quarter of 2009 for $6.7 billion, financing 40.8 percent of all TALF-eligible securities issued in the same quarter. Bids for credit card, auto floorplan, small business, and student loans dominated TALF auctions in 4Q'09. Total issuance for full-year 2009 was $146.2 billion, an improvement of 4.8 percent from 2008.

Auto ABS Lead Issuance Totals

As in prior quarters, auto ABS issuance ($12.7 billion) continue to lead totals, while credit card issuance ($3.5 billion) dropped sharply in the fourth quarter, in part due to both new credit card regulations as well as the uncertainty around its treatment in a bank conservatorship or receivership. However, credit card and auto ABS issuance continued to remain in the lead for full year 2009, reaching $58.8 billion and $43.5 billion respectively.

Home equity-backed issuance saw a small uptick in the fourth quarter ($1.4 billion) compared to the prior

quarter level of $600 million as servicing advance receivable ABS was issued and financed by TALF, but overall issuance in this, as well as the other housing-related sector, manufactured housing, remained weak to and/or nonexistent. Full year issuance for home equity totaled $5.8 billion, with nothing recorded for manufacturing.

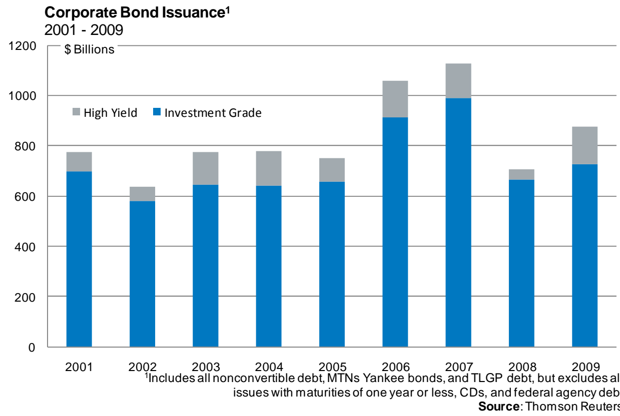
While consumer ABS has been the “success” story in 2009 for securitization on a relative basis, TALF for consumer ABS is expected to end in March 2010. It remains uncertain how certain non-mainstream asset markets such as floorplan ABS, which continue to rely heavily TALF for support, will perform afterward.

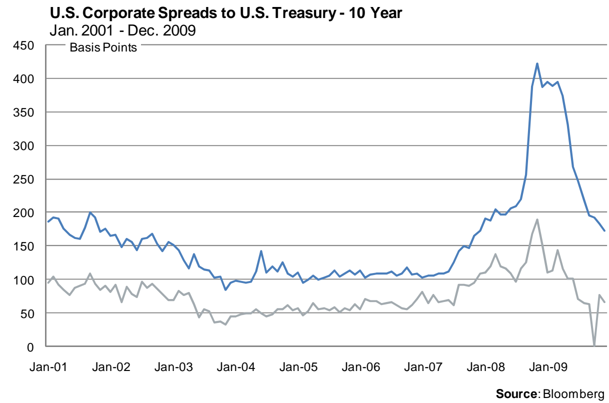
Regulatory Actions Caused Concern

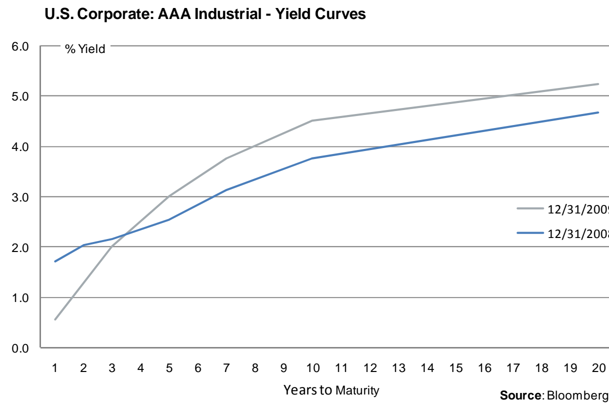
The publication of FAS 166/167 in June 2009, which affect the accounting treatment of variable interest entities and more specifically, most securitizations, prompted concern over the safe-harbor treatment of assets connected to a securitization or participation when held by FDIC in the role of a conservator or receiver (e.g., credit card assets in revolving securitization trusts that are issued by insured depository institutions). In November the FDIC granted a temporary safe harbor protection until March 2010, and released for comment a proposed set of criteria that would determine future safe-harbor treatment of securitizations.

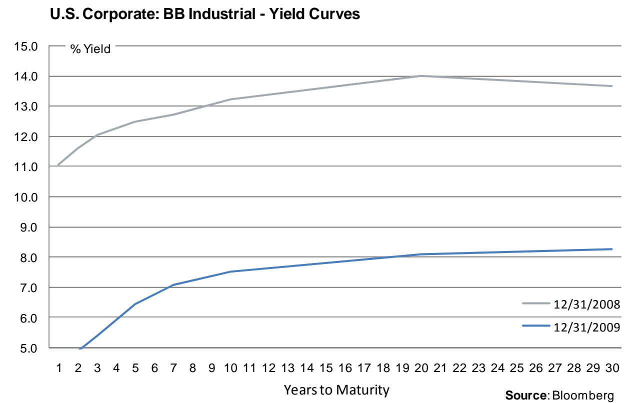
Global CDOs

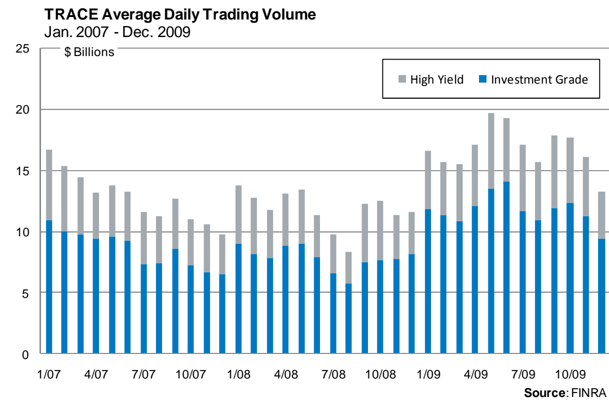
Global collateralized debt obligation (CDO) issuance totaled $987.6 million in the fourth quarter, an increase of 42 percent from the prior quarter’s revised issuance of 572.2 million, for a total of $4.2 billion issued in full year 2009, predominantly backed by corporate loans and bonds. While CDOs generally remain a moribund class, the return of certain areas such as the leveraged loan markets, may signal a return of some CDO market, particularly CLOs.











Corporate Bond Issuance Continues Declines

Corporate bond issuance declined in the fourth quarter, although corporate bond spreads tightened due to continued improvement in credit market conditions as fears of a prolonged global recession subsided. Total corporate bond issuance fell 4.3 percent to $207.9 billion in the 4Q'09 from $217.3 billion in 3Q'09, but was above the $81.1 billion issued in the same year-earlier period. The market is optimistic that downgrades and defaults for non-financials are normalizing to historical levels. Spreads on financial issues may remain volatile as financial firms face uncertainty over loan losses and ability to raise capital persists.

Defaults Exceed 2001 Recession Levels; But Spreads Continue to Tighten

Although corporate credit quality has gradually improved since the beginning of 2009, accelerating speculative-grade defaults kept corporate bond spreads at elevated, though improving, levels. Corporate bond spreads tightened in the fourth quarter despite the high number of defaults, which was largely due to an improved economic outlook and decreased volatility.

S&P reported a U.S. speculative-grade spread of 604 basis points (bps) at the end of December 2009, down from 739 bps at the end of September and from 1628 bps at the start of the year. The Merrill Lynch high

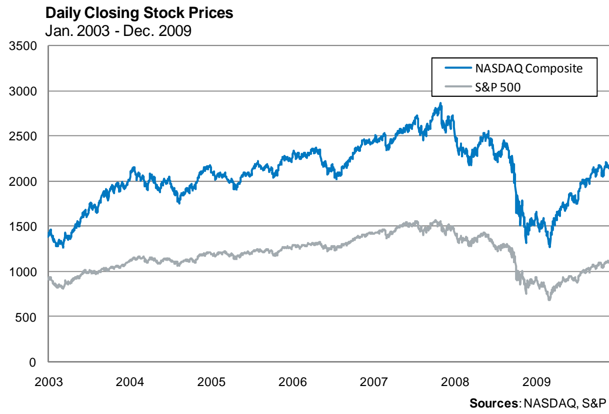
yield index spread tightened to 650 bps at the end of December from 793 bps at the end of September and 1812 bps seen at the end of the fourth quarter of 2008. As of December 30, the JP Morgan U.S. Liquid Index spread, or JULI, was 169 bps, compared to 187 bps in the immediately preceding quarter and 475 basis points at the end of December 2008.

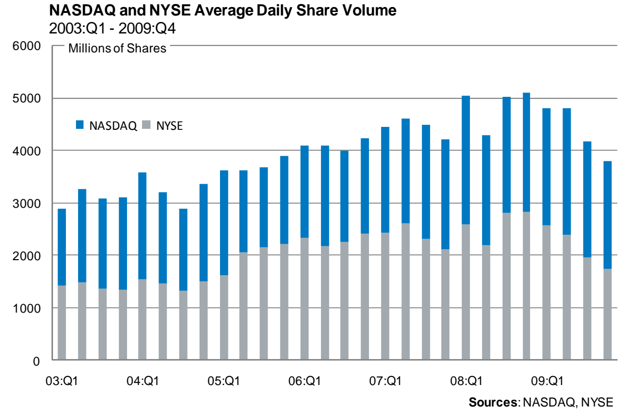
Default rates have continued to rise from historically low rates pre-crisis. According to S&P's Global Fixed Income Research, 193 of the 265 global corporate defaults 2009 were located in the U.S. This exceeds the 134 U.S. out of 229 global defaults in the 2001 recession, and is the record high since S&P began keeping track of global defaults in 1981. In 4Q'09, 75 of 153 downgrades globally were from the U.S.; media and entertainment corporations led 4Q'09 downgrades (18), followed by consumer products (8 downgrades), forest (7), and banks (7).

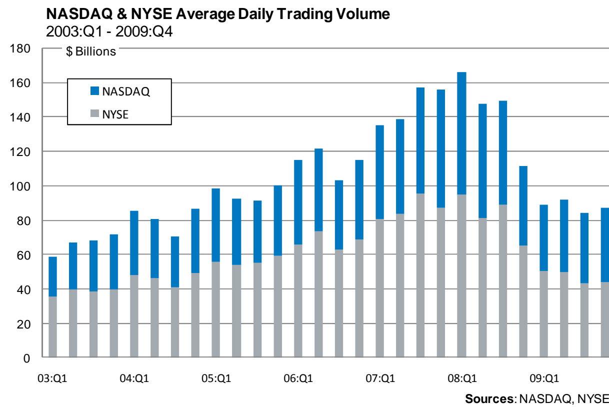
As of the end of December 2009, the S&P U.S. speculative grade default rate was unchanged from the previous quarter at 10.8 percent and is forecast to fall to 9.9 percent in 2010.

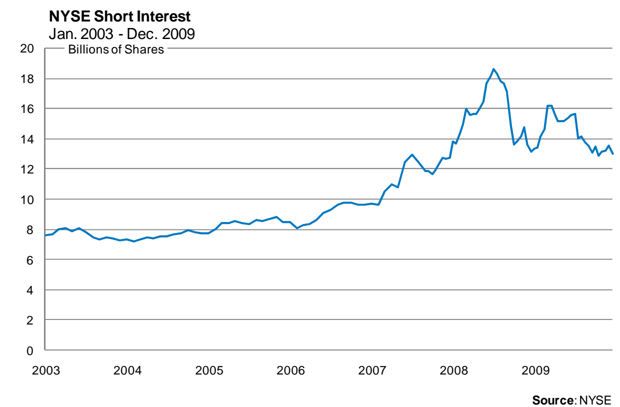
Trading Volume Decreases in 4Q'09 Quarter

According to the NASD's TRACE system, investment grade corporate bond average daily trading volume decreased in 4Q'09 to $11.0 billion, down 4.4 percent from the $11.5 billion average traded in 3Q'09, but 39.6 percent above 4Q'08. The fourth quarter high yield average daily trading volume of $4.7 billion marked a 12.6 percent decline from the previous quarter's $5.4 billion, but was 19.5 percent higher than the average in the same year-earlier period of $3.94 billion.









The equity markets rose again in the fourth quarter, on average, by 6.6 percent: the S&P 500 by 5.5 percent; the NASDAQ by 6.9 percent; and the Dow Jones Industrial Average (DJIA) by 7.4 percent.

Market structure changes have been proposed by regulatory rating agencies in 2009, particularly in regards to flash orders, dark pools, and high frequency trading, with discussion to continue into 2010.

Share Volume Falls while Trading Value Rises Slightly in 4Q, both Share Volume and Trading Value down for the Year

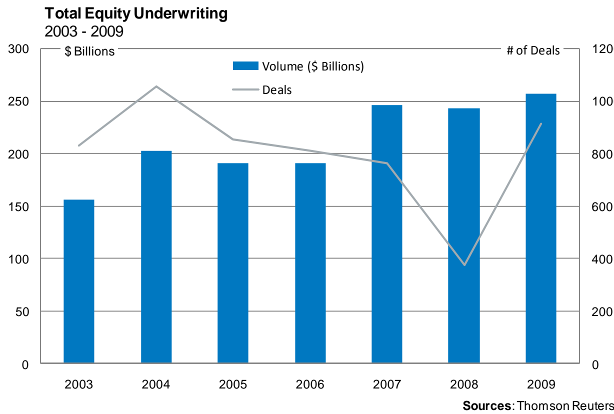
The New York Stock Exchange's (NYSE) fourth quarter average daily trading share volume declined to 1.7 billion shares from 3Q'09's 2.0 billion shares, and was significantly lower than the 2.8 billion shares in 4Q'09. Average daily share volume for 2009 was 2.2 billion compared with 2.6 billion in 2008. By trading volume, the NYSE's average daily dollar trading volume increased slightly in 4Q'09 to $43.6 billion from previous quarter's $43.1 billion, with the average daily dollar trading volume for 2009 falling to 46.8 billion compared to 82.6 billion in 2008.

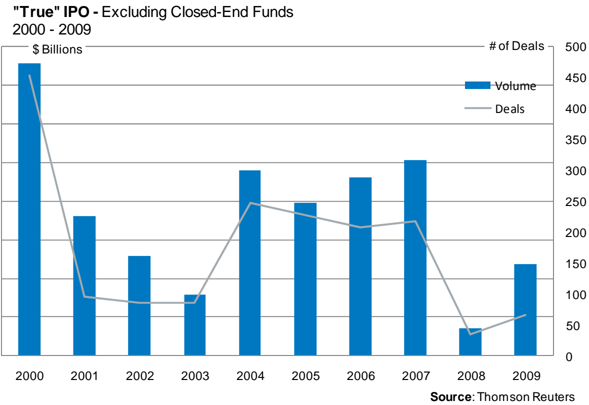
The NASDAQ's average daily share trading volume also declined to 2.1 billion shares from last quarter's average of 2.2 billion. Average daily share for 2009 was 2.2 billion compared with 2.3 billion in 2008. By trading volume, NASDAQ's average daily dollar trading volume, like NYSE, increased slightly, to $43.6 billion from the prior quarter's $41.1 billion. Average daily dollar trading volume fell to 41.5 billion in 2009 from 61.1 billion in 2008.

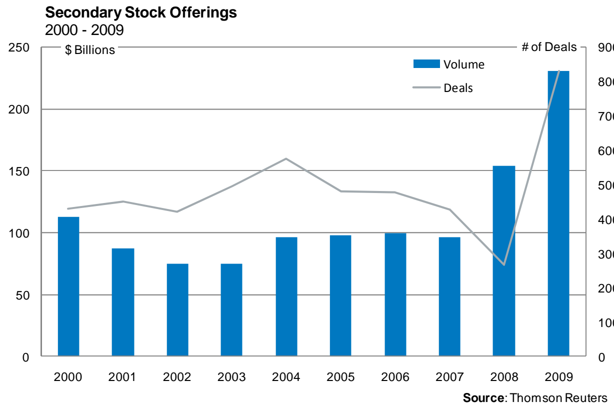
Short Interest is Flat

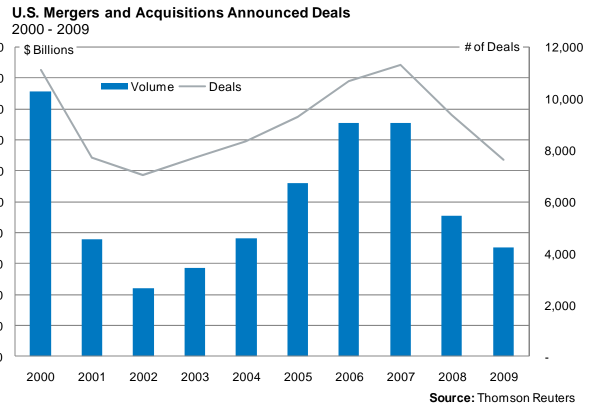
NYSE short interest stood at 13.0 billion shares at the end of the third quarter, a slight decrease from the previous quarter-end of 13.1 billion shares. Average short interest for 2009 was 14.3 billion compared to 15.6 billion in 2008. Short sellers ended the year down in excess of 32 percent, their worst performance in 20 years.[6]

[6] "Short Sellers Ended Down Year in Retreat," Wall Street Journal, Jan 15, 2009









Equity Underwriting

Equity underwriting increased substantially in the fourth quarter, in dollar volume by 117.8 percent in dollar volume, to $91.7 billion on 275 deals compared to $42.1 billion on 289 deals in the third quarter. Underwriting for 2009 was up 5.7 percent in dollar volume on more than twice the number of deals to $256.0 billion on 912 deals from $242.8 billion on 375 deals.

Fourth Quarter "True IPOs" Double

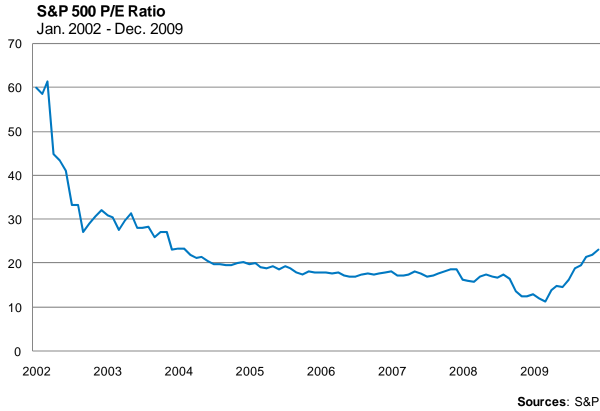
"True" IPOs, which exclude closed-end fund IPOs, almost doubled in the fourth quarter to $14.0 billion on 32 deals from $7.1 billion on 19 deals in the third quarter. For full-year 2009, "True" IPOs more than tripled in value totaling $23.7 billion on 66 deals compared with $7.2 billion on 34 for 2008. While a significant improvement, these levels are still well below the ten-year average of $36.9 billion in 172 deals.

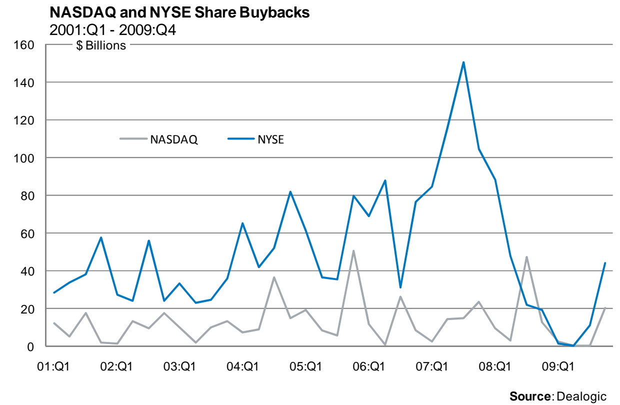
Secondary Offerings Double to a 10 Year High

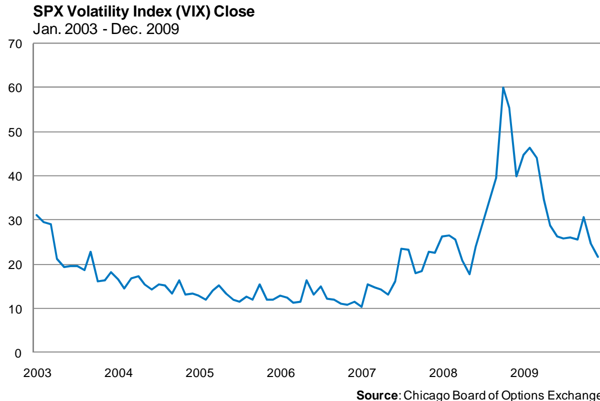
Fourth quarter secondary market equity issuance totaled $76.7 billion on 239 deals, up from $34.5 billion on 268 deals in 3Q'09. For the year as a whole, secondary issuance surged to $230 billion on 832 deals in 2009 compared to $153.9 on 267 deals in 2008. 2009 represents a 10 year high in secondary offerings, predominantly due to the capital raising by financial firms in the 2Q'09.

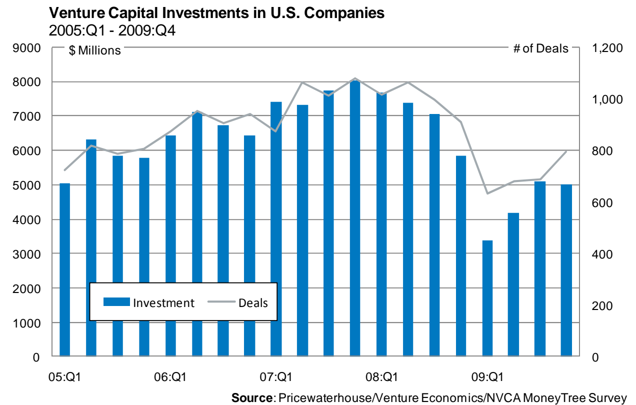
U.S. M&A Improves

Announced U.S. mergers and acquisitions (M&A) deal volume more than doubled in 4Q'09 to $216.9 billion from the third quarter's $98.5 billion. The number of announced deals only increased slightly to 2,013 deals from 3Q'09 1,947, suggesting an average deal size of more than twice the size of the previous quarter. For 2009 as a whole, announced M&A totaled $707.4 billion on 7,650 deals, down from $906 billion on 9,355 deals in 2008.









P/E Ratio Rose

The P/E ratio of the S&P 500 stocks averaged 22.1 in the fourth quarter, an increase of 22.2 percent from the preceding quarter's average, and for the year as a whole rose 6.5 percent to an 18.1 average.

Share Buy Back Volumes Surge in Q4 but 2009 is Still at a 10 Year Low

Corporate share repurchases surged in the fourth quarter from the third quarter's mild recovery. On the NASDAQ, $20.1 billion on 47 deals were recorded for 4Q'09, compared to $0.4 billion in the 3Q'09 and $12.6 billion in 4Q'08. For the year, NASDAQ buyback volume was $22.7 billion on 97 deals compared with $72.3 billion on 87 deals in 2008.

NYSE buyback volume totaled $44.0 billion on 47 deals in 4Q'09 compared with $10.1 billion in the previous quarter and $18.9 billion 4Q'08. For the full year, NYSE buyback volume was $56.3 billion on 94 deals in 2009 compared with $176.8 billion on 169 deals in 2008. Both NASDAQ and NYSE 2009 volumes represent the lowest dollar volume for buybacks over the past decade, in part stemming from no activity in the first two quarters and mild recovery in the third and fourth.

CBOE VIX Continues to Fall but Remains Elevated

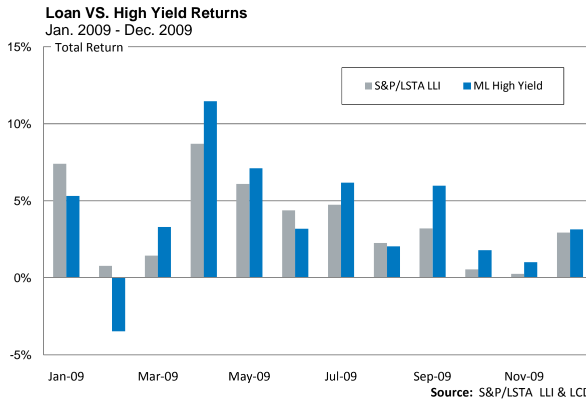
The Chicago Board Options Exchange Volatility Index (VIX), a popular measure of market volatility, closed at 21.7 at the end of the 4Q'09, a 15.3 percent decline from the prior quarter-end of 25.6; the VIX has declined by 63.8 percent from the high of 59.9 in October 2008. With the 10-year average at 21.88, the VIX at the end of 4Q'09 suggests that market volatility has finally returned to the pre-crisis norms. For the full year, VIX averaged 31.64, a 5.7 decrease from the 2008 average of 33.55.

Venture Capital/Private Equity Deal Value Drops in Q4 and Year-over-Year

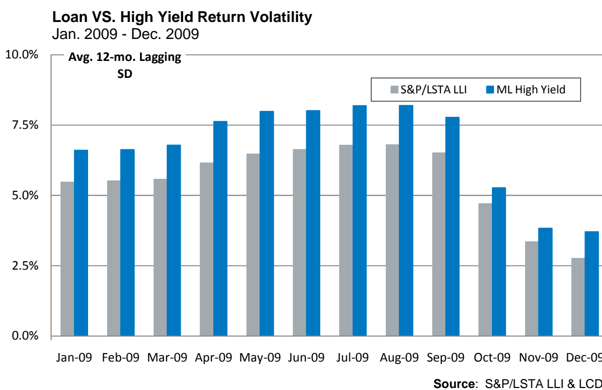
Venture capital investment decreased by $82.9 million from the prior quarter for a total investment value of $5.0 billion in 4Q'09, while the number of deals fell by 107 from 3Q'09 to 793. The two strongest sectors in the fourth quarter, by dollar volume, were biotechnology and software, with $1.01 billion and $0.96 billion invested on 108 and 177 deals, respectively. Venture capital investments decreased by $10.3 billion to $17.7 billion on 2,795 deals in 2009 compared to $28.0 billion on 3,985 deals in 2008. Poor market conditions including a relatively restricted IPO market have limited venture capital funds ability to raise capital.

LSTA Secondary Loan Market Review: 2009[7]

While the year 2008 will be remembered for the leveraged loan market's first annual negative return – the S&P/LSTA Leveraged Loan Index (LLI) recorded a 29% loss on the year – 2009 will be remembered as the year the LLI posted a record setting 51.6% gain.

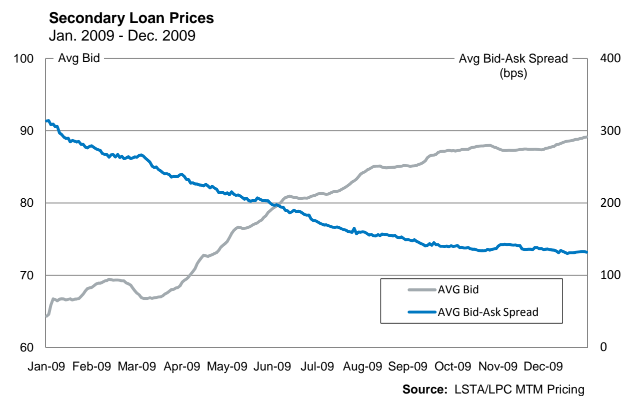


2009's return was more than five times its previous record of 10% (set back in 2003). Along with record-setting returns came much higher levels of volatility – something the leveraged loan market had long shielded itself from, at least prior to 2008. The S&P/LSTA Leveraged Loan Index average 12-month lagging standard deviation of returns (SD) shot up a record 6.8% during August 2009, prior to retracting to a much more comforting and "normal" 2.8% by year end.



To put those figures into context, the SD stood at 4.6% one year ago and 1.3% two years ago. In comparison, the Merrill Lynch High Yield Index also reported a record return of 57.5% in 2009, following its worst ever loss of -26.4% in 2008. Here too, investors witnessed the same higher volatility trend, with the SD peaking in August at 8.2% prior to falling to 3.7% at year-end. While volatility increased across all asset classes, a comparison of the magnitude illustrated that loans were in fact hit the hardest and no longer could boast its relatively high Sharpe Ratio of years past.

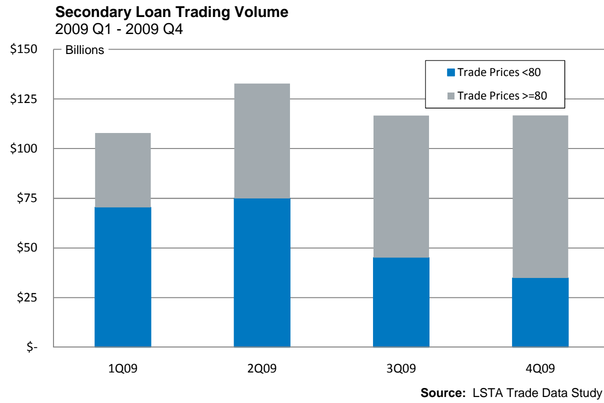
Entering 2009, the economy was clearly still in dire straits and the secondary loan market was mired in a more volatile and less liquid condition. Bids stood firm in the mid-to-low 60s. Excessive leverage amplified losses as certain investment vehicles were forced to sell into a secondary loan market that really never found its footing until 2Q'09. While secondary bids did in fact hit bottom during 4Q'08, the loan market's default rate began to spike at an unprecedented rate during 1Q'09 and, as a result, negative sentiment began to chip away at the momentum generated in January. By mid-March, 15 issuers had defaulted on $28 billion of institutional loans, sending the annualized default rate to an unprecedented 19.5%, according to S&P LCD. By the end of 1Q'09, the Dow had ended its worst first quarter in 80 years (-13.3%) but rose off its low by 7.7% in March. Meanwhile, on the heels of January's 7.4% gain, the S&P/LSTA Leveraged Loan Index generated a 9.8% return, a then quarterly record. Even though equities rallied at a historic rate in March, loan bids within the LSTA MTM dataset (380 U.S. term loans greater than $500 million in size) declined by 56 bps and were off 1.2 points from their mid-February high. That said, prices had in fact rallied more than four points since 2008 yearend to 68.2, while bid-ask spreads tightened by 75 bps to 235 bps.



During April, the secondary loan market really took off and, as of press time, has yet to look back. All of a sudden, as so it seemed, the broader economy started to show signs of life following unprecedented levels of government intervention, while loan market technicals (shrinking supply/increasing demand) began to chip away at fundamentals (record default levels). Liquidly soon returned to the secondary market, some old and some new. Real money cross-over players swooped in to capture the still attractive senior secured yields

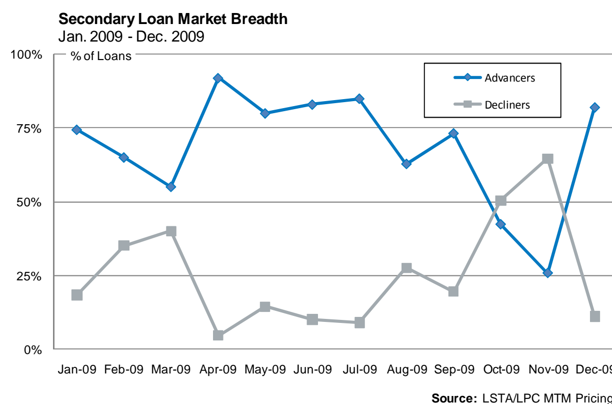
[7] The author of the Leveraged Loan discussion is Ted Basta, Loan Syndication and Trading Association (LSTA), Senior Vice President of Market Data & Analysis

available in the secondary loan market after bidding up high yield and equities to a point where yields might not have been as attractive as they once were. As a direct result, 2Q'09 trading volumes rose 23% quarter-over-quarter to $133 billion, the first time quarterly volumes were reported north of $108 billion since 2Q'08.

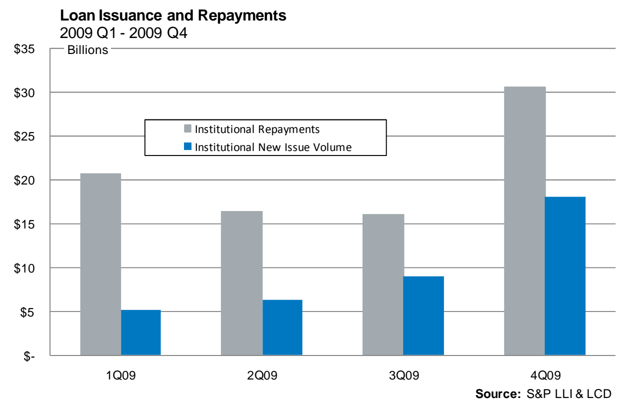


Secondary bid-ask spreads, commonly referenced as a measure of liquidity, tightened considerably by 25% to 175 bps, while bids climbed by 20% to an 81 handle. With higher prices came a stronger return, and strong it was. Following its aforementioned record high return of 9.8% in 1Q'09, the LLI registered a 19.2% return during 2Q'09 – the strongest quarter ever recorded in the history of the leveraged loan market. By June's end, the index had produced a staggering 32.2% YTD return.

The second half of 2009 began at the same rapid pace it ended. Bids continued to surge higher as bid-ask spreads fell below 160 bps for the first time since Lehman's collapse. July's loan prices moved in sync with equities, which rallied on stronger-than-expected earnings. For the fourth consecutive month, market breadth within the secondary loan market remained extremely positive with 80% or more of prices rising on a monthly basis.

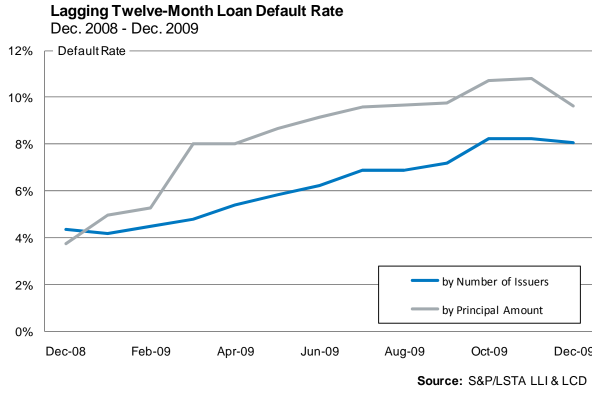


The secondary's average monthly advancer-decliner ratio ranged from a high of 18.4:1 to a low of 5.7:1 during the 4-month time span. Helping to fuel the price rally into the 3Q'09 were collateralized loan obligations (CLOs), the previously quiet loan market behemoths of years past. Given that bids were well into the 80s and repayments were beginning to pile up, CLOs were finally able to put substantial capital to work in the secondary. At the same time, CLOs were able to improve their over collateralization (OC) tests through buying larger deals trading above 80 with adequate rating levels. By the end of 3Q'09, the broader economy rallied as GDP growth turned positive following three straight quarters of negative growth. Technicals were clearly driving loan bids higher as minimal new loan supply met head on with hefty repayments. High yield bond-for-loan deals had already depleted the secondary market of billions of dollars of bank debt for nine months running; institutional repayments totaled $53 billion, while institutional new issue totaled a paltry $20.4 billion.

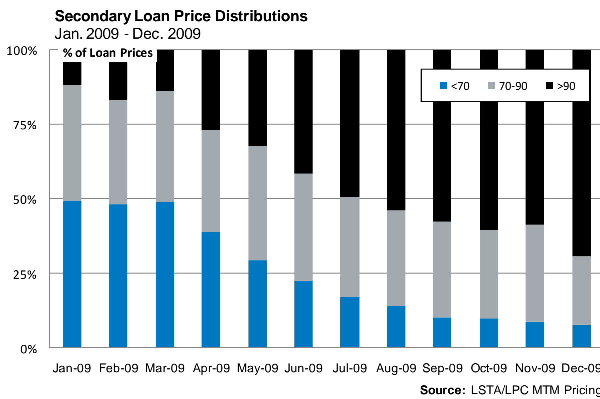


To put that into better perspective for every new dollar that had entered the market, 2.6 dollars were taken out. With fewer loans to go around, bid levels rose by another 7.7% while the Index posted a 10.1% 3Q09 return. YTD MTM gains totaled 36% which fueled the LLI's 9 month gain of 46.1%, all but erasing 2008's 29.1% loss.

Entering the 4th quarter, all that was left for loan investor's to groan about was the default rate. Trade volumes, price levels and bid-ask spreads were all approaching their pre-Lehman levels, while the broader economy was actually growing. 3Q'09 GDP was reported at 2.2% following three successive quarters of negative growth. By the end of October, the default rate by number of issuers rose above 8% for the first time since December 2000, while the rate by principal amount rose above 10% for the first time on record – the previous high of 8.2% was realized back in December 2000 as well.

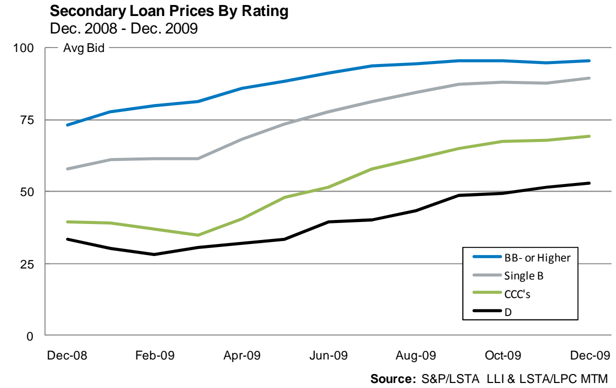


Both rates had more than doubled since the end of last year but the market was able to digest the news and successfully trade through it. 4Q09 MTM gains totaled 2%, which elevated 2009's price rally to a record 25 points, or 39%. Bid-ask spreads were now 180 bps, or 58% tighter, ending the year at an average of 130 bps. Fourth quarter's MTM price gains elevated the 2009 LLI return to an astronomical 51.6%, which more than compensated for the devastating 29% dip in 2008. Over the course of 12 months, secondary price distributions finally returned to their pre-Lehman state. The distribution of loans priced at both ends of the pricing spectrum changed course dramatically in 2009 and triumphantly underscores the most significant rally in the history of the secondary loan market.

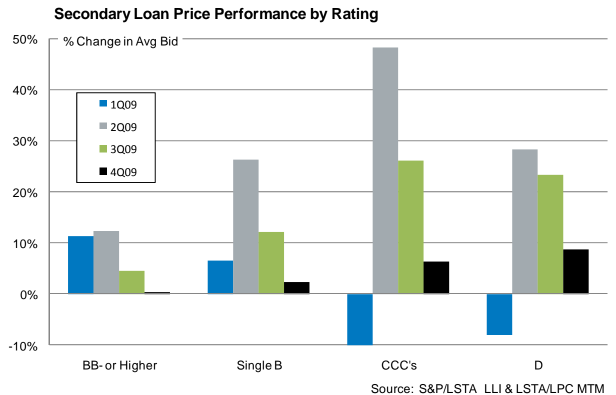


The percentage of Loans priced at or above 90 rose to 69% from 12% of the LSTA market dataset, while loans priced below 70 fell to 8% from 50% at the beginning of the year. Interestingly enough today's price distributions are stronger than they were during the weeks leading up to the Lehman filing when 10% of loans were priced below 70 and only 61% above 90. The chest pounding was now complete.

Technical conditions were a primary driver of price recovery for much of the year, and became even more significant as 2009 drew to a close. Repayments surged to a 2009 quarterly high of $31.9 billion, and outpaced new issue volume by $13.8 billion during 4Q09. After four quarters of "repayment surplus," the dollar value of the LLI outstanding shrunk by 11% to $531 billion. While technicals surely drove prices higher, much of 2009's returns were driven by high BETA trades, at least during 2H'09. That said, 2009's MTM gains were substantial across the rating spectrum. Loans rated BB- or higher were bid up 31%, Bs by 55%, CCCs by 75% and defaulted loans by 60%.



These price gains though were distributed unevenly across 2009. The market clearly bifurcated by credit during 1Q'09. Loans rated BB- or higher registered double digit gains while loans rated CCC or lower tallied double digit losses. During 2Q'09, the search for added yield sent Bs higher by the tune of 26% (more than double that of BB- and higher rated loans), while CCCs rang up a whopping 48% gain.



Loans rated CCC and below continued their torrid pace through 2H09 by recording MTM gains of 32% while loans rated above CCC saw price increases of only 5%. During 4Q09, BB- and higher loans were actually flat, basically topping out above 95. By year's end, loan prices approached 90 for single B rated paper, while CCC paper was priced right around the historical recovery rate of 70. Defaulted loans though were still being priced in the 50 range, on average, and could provide additional value entering 2010 as recovery values are said to be on the rise. Even though much of the storied price appreciation of 2009 has robbed the secondary of some of its luster, credit outlooks have turned positive, default rates are on the decline, and a

rising interest rate environment is upon us. These strong fundamentals coupled with favorable technicals are sure to send another wave of liquidity at the secondary loan market during 2010, a year that should produce solid risk adjusted returns, albeit much more in line with historical norms.

2009 Timeline

January	
January 16	• Treasury Announces $1.5 Billion loan to Chrysler Financial
	• U.S. Treasury, Federal Reserve, and FDIC Provide Bank of America with Asset Guarantees on $118 Billion
February2	• U.S. Treasury Announces New Guidelines on Executive Compensation
February 3	• Federal Reserve Extends AMLF, CPFF, MMIFF, PDCF, TSLF to October 30, 2009
February	
February 10	• U.S. Secretary of Treasury Timothy Geithner Announces Financial Stability Plan Capital Assistance Program; Public-Private Investment Investment Fund; TALF expansion to $1 trillion
	• FDIC TLGP extension to October 31, 2009
February 17	• American Recovery and Reinvestment Act of 2009 Signed Into Law
February 18	• U.S. Treasury Releases Homeowner Affordability and Stability Plan, Fannie and Freddie Preferred Stock Purchase Agreements Cap Increased to $200 Billion
February 26	• FDIC Closes 2 Private/Partnership Transactions with $1.45 Billion in Loans
March	
March 2-3	• U.S. Treasury, Federal Reserve Supports AIG
	• Term Asset-Backed Securities Lending Facility Launches
March 9	• ICE Trust to Begin Processing and Clearing Credit Default Swaps
March 18	• Federal Reserve Increases Purchases of Agency MBS to $1.25 Trillion, Agency to $200 Billion, Treasury to $300 billion
March 19	• U.S. Treasury Announces Auto Supplier Support Program of $5 Billion
March 31	• U.S. Treasury Extends Guarantee Program for Money Market Funds To Begin May 1, 2009 to September 18, 2009
April	
April 6	• Federal Reserve, BoE, ECB, BoJ, SNB Announce Swap Arrangements for Foreign Currency Liquidity to U.S. Financial Institutions
April 7	• ISDA Announces 'Big Bang' Protocol Implementation (CDS)
April 24	• Federal Reserve Releases White Paper on Stress Tests
April 28	• U.S. Administration Announces 2nd Lien Program under HAMP
May	
May 7	• Federal Reserve Announces Supervisory Capital Assessment Program Results
May 14	• U.S. Administration Announces Home Price Decline Protection Program Under HAMP
May 20	• Helping Families Save Their Homes Act of 2009 Signed into Law
May 21-22	• U.S. Treasury Announces Additional Aid to GMAC
	• Credit Card Accountability Responsibility and Disclosure Act of 2009 Signed Into Law
	• FDIC adopts final rules on special assessment fees
May 31	• Obama Administration Restructures General Motors
June	
June 9	• 10 Financial Institutions Pay Back TARP $68 Billion
June 12	• FASB Publishes FAS 166/167 (Pertaining to Securitizations and Special Purpose Entities)

June 25	•	Federal Reserve Extends AMLF, CPFF, PDCF, TSLF, and Swap Lines to 2010 February 1; modifies TAF
June 29	•	U.S. Supreme Court Overturns Cuomo v. Clearing House
July		
July 1	•	FHFA authorizes GSEs to expand Home Affordable Refinance Program to homeowners with 125 LTV
	•	California declares state of fiscal emergency
July 7	•	U.S. Treasury and FDIC Launches Legacy Asset Program With Initial Fund Managers
July 8	•	RBS Capital Markets Becomes NY Fed Primary Dealer
July 10	•	U.S. Administration Unveils Investor Protection legislation
July 13	•	Bank for International Settlements Announces Enhancements to Basel II Framework
July 14	•	ISDA launches Small Bang protocol (CDS)
July 15	•	U.S. Administration Unveils Legislation for Hedge Fund registration
	•	House Speaker Nancy Pelosi & Senate Majority Leader Harry Reid Announce 6 appointments to Financial Crisis Inquiry Commission
July 16	•	U.S. Administration Delivers Regulation on Say on Pay and Compensation Committee Independence to Hill
July 21	•	U.S. Administration Delivers Credit Rating Agency Legislation to Hill
July 22	•	U.S. Administration Delivers Systemic Risk Legislation Proposal to Hill
July 23	•	U.S. Administration Delivers National Bank Supervisor and Resolution Authority Legislation Proposal to Hill
July 27	•	SEC Takes Steps to Curb Short Sales
	•	Car Allowance Rebate System (CARs, "Cash for Clunkers") Begins
	•	Nomura Becomes a Primary Dealer
July 28	•	U.S. Treasury Expands HAMP with Supplemental Directive for Home Price Decline Protection Program
July 30	•	U.S. Congressman Colin Peterson and Barney Frank Announce Derivatives Legislation Principles
August		
August 6	•	NASDAQ OMX and BATS Exchange voluntarily eliminate flash orders starting 1 September
August 11	•	U.S. Administration Delivers OTC Derivatives Language Proposal to the Hill
August 17	•	Federal Reserve Extends TALF to March 2010 for ABS and legacy CMBS, to June 2010 for new CMBS
August 26	•	FDIC Publishes Final Failed Bank Acquisition Rules
	•	FDIC Extends Transaction Account Guarantee to June 30, 2010
	•	Eurex Credit Clear Clears First Single Name CDS Worldwide
	•	Financial Sector Self Assessments Submitted to IMF
September		
September 3	•	U.S. Treasury Sets Principles for Reforming U.S. and International Regulatory Capital Framework
September 8	•	Market Participants Commit to Expand Central Clearing for OTC Derivatives
September 9	•	FDIC Approves Phase-Out of TLGP October 31
September 15	•	U.S. Treasury and IRS Publishes T.D. 9543 (CMBS REMIC loan modifications)
September 17	•	SEC Proposes Flash Order Ban
September 18	•	U.S. Treasury Announces Expiration of Guarantee Program for Money Market Funds
September 21	•	ISDA Announces CDS Practice Changes for Emerging Markets

September 30	•	U.S. Treasury Announces Initial Closings of Legacy PPIF
October		
October 5	•	U.S. Treasury Announces Additional PPIF Closings
October 15	•	House of Representatives Passes H.R. 3795 (OTC Derivatives Markets Act of 2009)
October 16	•	SEC and CFTC Issue Joint Report on Harmonization
October 19	•	U.S. Treasury Announces Aid for Housing Finance Agencies
	•	Federal Reserve Bank of NY Announces Reverse Repo Testing
October 21	•	SEC Votes to Propose Transparency Measures on Dark Pools
October 22	•	Federal Reserve Issues Compensation Proposal
October 30	•	FDIC Adopt Policy Statement on Prudent CRE Workouts
	•	Department of the Interior, Environment and Related Agencies Appropriations Act, 2010 Signed into Law (Extends GSE/FHA Loan Limits)
November		
November 3-5	•	U.S. Treasury Closes 2 PPIPs
	•	Federal Reserve Reduces Agency Debt Purchases to $175B from $200B
November 6	•	Worker, Homeownership and Business Assistance Act of 2009 Signed into Law
November 7	•	G20 Communique & Progress Report
November 9	•	Federal Reserve Announces SCAP Final Assessment, Closes Capital Assistance Program
November 10	•	U.S. Senator Christopher Dodd Releases Comprehensive Financial Reform Bill
November 12	•	FDIC Approves Final Rule on Prepaid Assessments
November 30	•	U.S. Treasury & Administration Begins Mortgage Modification Conversion Drive
	•	U.S. Treasury Closes Another PPIP
December		
December 1-4	•	U.S. Treasury Announces Public Offering of Capital One Warrant
	•	Federal Reserve Adopts Final Rule on Credit Rating Agencies for TALF
December 8-9	•	U.S. Treasury Announces Public Offering of JPM Warrants
	•	Bank of America Exits TARP With $45B Payment
	•	U.S. Treasury Secretary Extends TARP Authority to 2010 October 3
December 11	•	H.R. 4173 (Wall Street Reform and Consumer Protection Act of 2009) Passes U.S. House of Representatives
December 14	•	U.S. Treasury Announces Public Offering of TCF Financial Warrants
December 15	•	Ice Trust, CME Group Announces Buyside CDS Clearing
December 16	•	FDIC Board Finalizes Regulatory Capital Rules for FAS 166/167
	•	SEC Approves Rules for Risk, Compensation and Corporate Governance; Client Assets Held by Investment Advisors
	•	H.R. 2487 (Jobs for Main Street Act of 2010) Passes House of Representatives
December 18	•	U.S. Treasury Closes Another PPIF
December 21	•	ICE Trust Begins Single-Name CDS Clearing
December 22	•	Wells Fargo and Citigroup Repay TARP
December 24	•	U.S. Treasury Amends GSEs Preferred Stock Purchase Agreements, Removes $200 Billion Per GSE Cap
December 28	•	Federal Reserve Proposes Permanent Establishment of Term Deposit Facility
	•	To Permit Continued Financing of Government Operations Signed Into Law (Raises Debt Ceiling)

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