

US Financial Markets

January 2012

Currency

- The dollar is below its long-run average in trade-weighted terms.
- USD is below historic norms against all other major currencies except GBP.
- Compared to six months ago, the USD is higher against all of the other major currencies except JPY and CHF.

90 Day Rates

- The Eurodollar futures curve has moved downwards in the past six months.
- Futures are pricing the Fed Funds rate to remain close to the current 0.25% during the coming year.
- The yield curve has flattened and is no longer steep by historical standards.

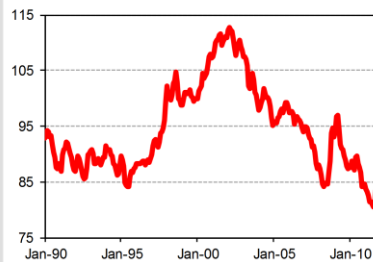
10 Year Yields

- Yields of 2.0% are 1.0% lower than they were six months ago and are at new multi-decade lows.
- US yields have fallen in line with global yields so bond spreads have generally been stable.
- Bond spreads not systematically different from their historical norms against the other major countries.

Equities

- Equities have declined in recent months and provided a return barely exceeding 0% in the past year.
- US equities have outperformed all other major markets in the past year.
- A cumulative return of near 0% in the past five years was better than all other major markets except the UK.

Real Trade-Weighted Index (Fed Index)

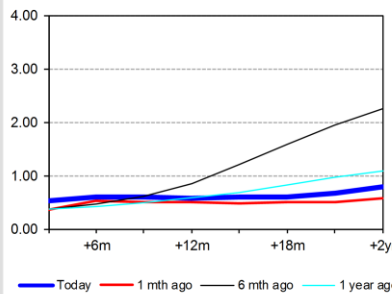


USD: Now vs History

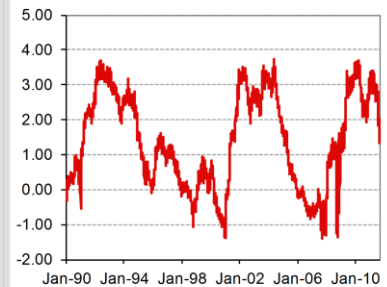
	Now	Average	Difference
EUR	1.28	1.20	-7%
JPY	77	115	-50%
STG	1.55	1.67	7%
CHF	0.95	1.36	-44%
SEK	6.90	7.57	-10%
NOK	5.99	6.92	-16%
CAD	1.02	1.31	-29%
AUD	1.03	0.71	-44%
NZD	0.79	0.60	-33%
TWI	85	95	-11%

(average refers to 1990-2010)

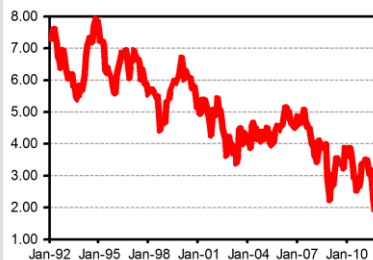
90 Day Future Strips (%)



Yield Curve (10 year - 90 day)



10 Year Bond Yields (%)

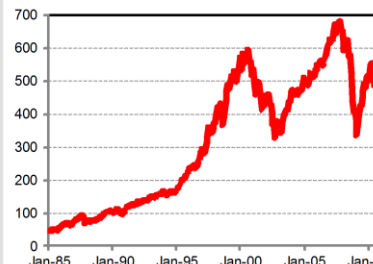


Bond Spreads: Now vs History

	Now	Average	Difference
Ger	0.09	0.34	-25bp
Japan	0.99	3.12	-213bp
UK	-0.11	-0.36	25bp
Swiss	1.28	1.86	-59bp
Swede	0.28	-0.21	49bp
Nor	-0.06	-0.40	34bp
Can	-0.01	-0.20	20bp
Aus	-1.93	-1.27	-67bp
NZ	-1.89	-1.56	-33bp

(average refers to 1995-2010)

US Equity Market (Total return index)



Recent Equity Returns

	6m	1 year	5 years
US	-4%	2%	-1%
Euro	-18%	-17%	-34%
Japan	-13%	-17%	-52%
UK	-14%	-9%	5%
Swiss	-6%	-11%	-33%
Swede	-13%	-15%	-3%
Nor	-6%	-9%	-12%
Can	-10%	-11%	-7%
Aus	-6%	-9%	-5%
NZ	-4%	1%	-18%