

DAILY GLOBAL
COMMENTARY

Northern Trust
Global Economic Research
50 South LaSalle
Chicago, Illinois 60603
northerntrust.com

Asha G. Bangalore
agb3@ntrs.com

Indicators of Financial Market Stress

April 9, 2008

The Wall Street Journal ([Fed Weighs Its Options in Easing Crunch - WSJ.com](#)) article discusses the options the Fed is considering to reduce stress in financial markets. Against this backdrop, here is an update of the latest Term Auction Facility (TAF) and indicators of market stress. The bid/cover ratio of the TAF auction of April 7 and stop-out-rate suggest that there is considerable stress in the money market still.

Term Auction Facility (TAF) – Details

Auction Date	TAF Amount (\$ billions)	Stop-out rate (percent)	Primary credit rate	Total propositions submitted (\$ billions)	Bid/cover ratio	Number of bidders
4/7/2008	50.00	2.82	2.500	91.569	1.83	79
3/24/08	50.00	2.615	2.500	88.869	1.78	88
3/10/2008	50.00	2.800	3.500	92.595	1.85	82
2/25/2008	30.00	3.080	3.500	67.958	2.27	72
2/11/2008	30.00	3.010	3.500	58.400	1.95	66
1/28/2008	30.00	3.123	4.000	37.452	1.25	52
1/14/2008	30.00	3.950	4.750	55.526	1.85	56
12/20/2007	20.00	4.670	4.750	57.664	2.88	73
12/14/2007	20.00	4.650	4.750	61.553	3.08	93

Other market indicators also suggest that stress in money and credit markets remains a worrisome factor. Spreads in money and credit markets are hovering at levels noticeably higher than what prevailed prior to the onset of the crisis in August 2007. Charts 1, 2, and 3 are indicative of continued pressures in money and credit markets. In as much spreads have narrowed from their highs and the high point of the crisis is behind us, additional narrowing of spreads is necessary to declare that the coast is clear. At the long-end, the spread between junk bonds and 10-year U.S. Treasury note yield was down 87 basis points from its high on March 17, a noteworthy improvement. Stayed tuned for periodic updates.

Chart 1

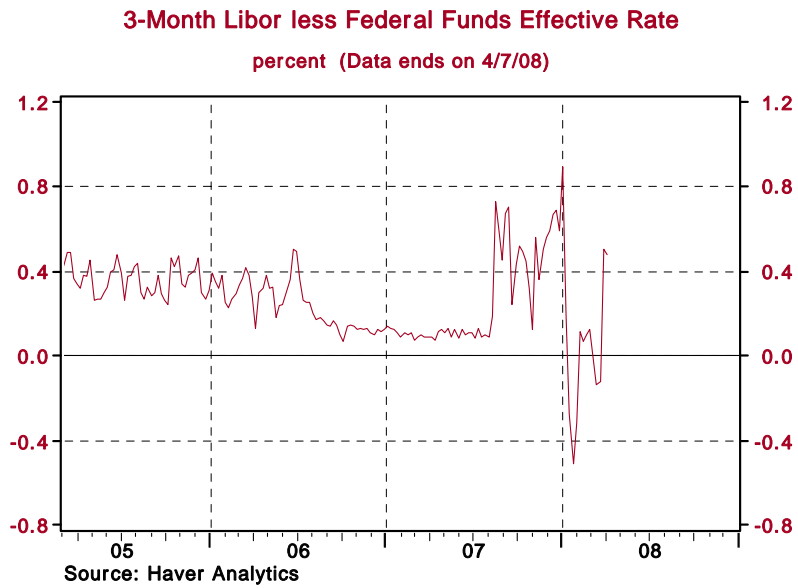
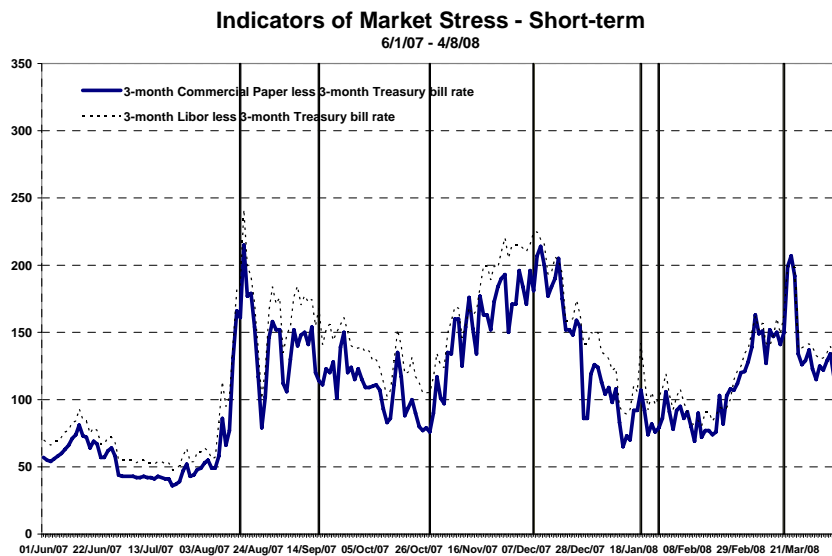
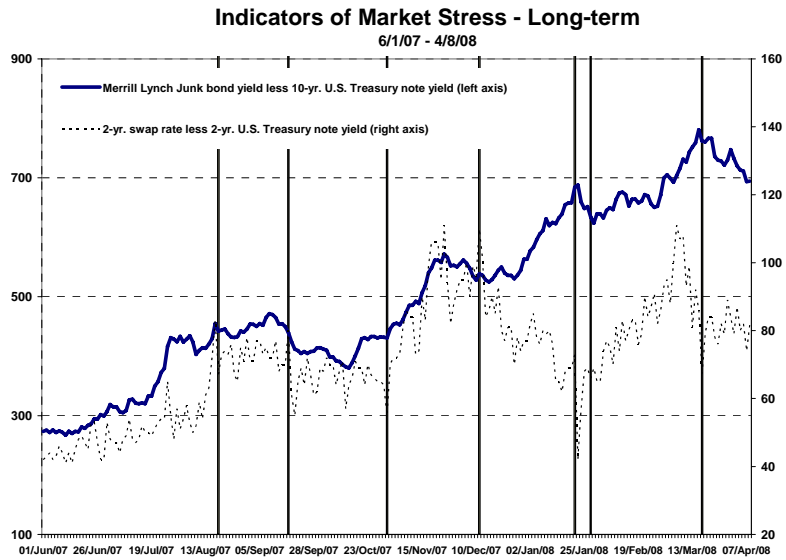


Chart 2



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

Chart 3



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.