

## News Impacting Global Liquidity

### [In new era, U.S. to buy \\$250 billion in bank stakes](#)

*(Reuters, Oct. 14)* The United States ushered in a new era in banking on Tuesday with plans to take equity stakes worth up to \$250 billion in financial institutions, an incursion into the private sector that U.S. officials called a regrettable last resort.

### [US Government Hopes \\$1.9 Trillion FDIC Guarantees Help Bank Confidence](#)

*(Dow Jones, Oct. 14)* U.S. government officials and the banking industry struck an optimistic tone on Tuesday that a plan to federally guarantee \$1.9 trillion in bank debt and deposit accounts would restore liquidity to banks and assuage concerns that have slowed lending to a trickle.

### [PIMCO to manage commercial paper fund: Fed](#)

*(Reuters, Oct. 14)* Pacific Investment Management Co., or PIMCO, the world's largest bond fund, will serve as asset manager for the Federal Reserve's Commercial Paper Funding Facility, the Federal Reserve Bank of New York said on Tuesday.

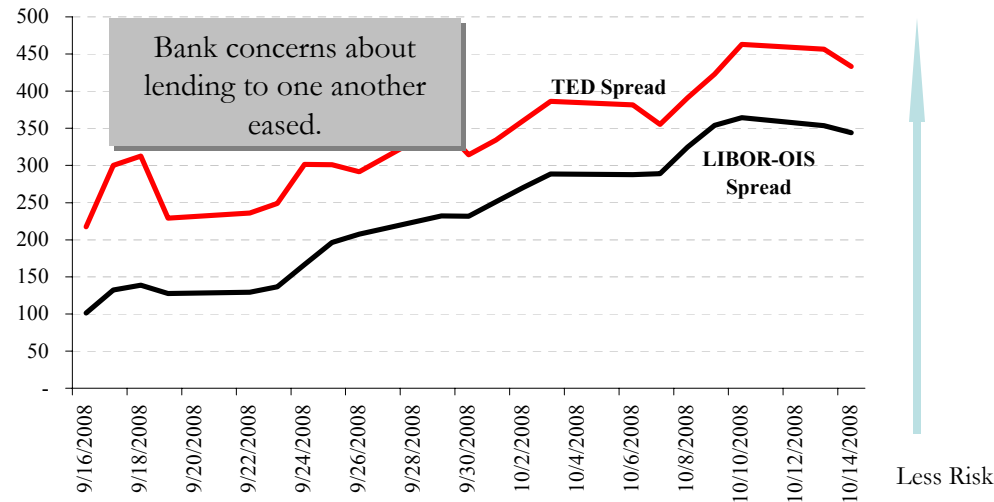
### [Overnight lending rate falls](#)

*(CNN Money, Oct. 14)* Bank-to-bank rates decline, indicating that the global efforts to ease pressure in the credit markets may be working.

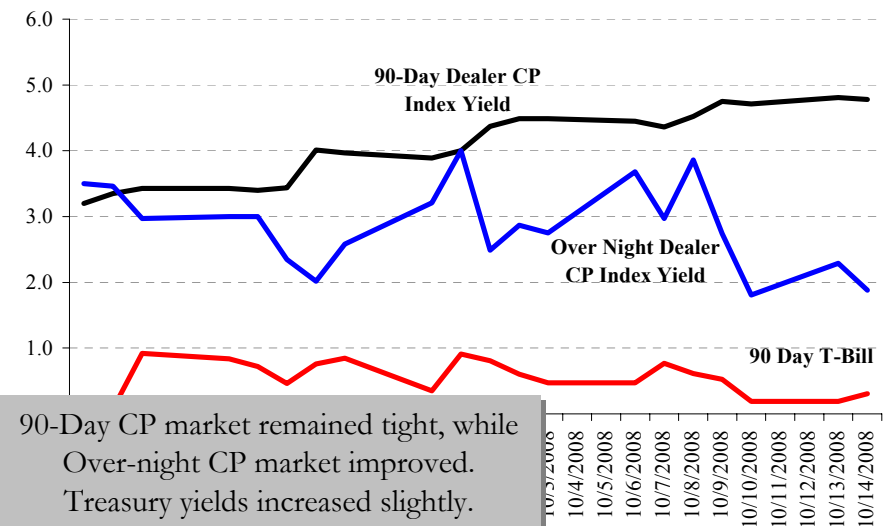
### [Markets Falter After Huge Rally](#)

*(Wall Street Journal, Oct. 14)* Fears of a global recession kept stocks in check on Tuesday, though financials benefited from the U.S. government's latest moves to shore up banks.

## Bank Liquidity Risk Indicators\*



## Dealer Commercial Paper\* vs. T-Bills (90-Day)



Source: Bloomberg; Corporate Executive Board research.

Credit default swap spreads on global financial institutions eased.

	Par Credit Default Swap Spread (Senior 5 Year Maturity)*					Stock Prices**			
	Today (bps)	Chg from Yesterday (bps)	Chg from 9/1/2008 (bps)	Chg from 1/1/2008 (bps)	Chg from 1/1/2007 (bps)	Today's Price	% Chg from Yesterday	% Chg from 52 Wk High	% Chg from 52 Wk Low
ABN Amro Holdings	67	(27)	(20)	19	61	47.50	0%	-24%	1%
Bank of America Corp	120		(8)	71	111	26.53	16%	-49%	44%
Bank of New York Mellon Corp						34.76	13%	-31%	70%
Barclays Plc	79	(9)	(54)	33	73	17.60	12%	-66%	34%
BNP Paribas	39	(15)	(24)	11	33	45.23	0%	-22%	22%
CIBC						47.50	-4%	-56%	18%
Citigroup Inc.	245		87	173	238	18.62	18%	-62%	55%
Credit Suisse Group	73	(11)	(15)	28	63	43.58	10%	-37%	45%
Deutsche Bank AG	73	(8)	(14)	30	62	53.08	7%	-61%	33%
GE Capital/GE	534	15	373	468	522	20.85	-1%	-49%	13%
Goldman Sachs Group Inc.	380		231	313	359	122.90	11%	-51%	66%
HSBC Holdings	59	(8)	(8)	22	54	74.54	0%	-25%	12%
JP Morgan Chase & Co	108		0	59	92	40.71	-3%	-20%	39%
KeyCorp						11.97	54%	-64%	108%
Morgan Stanley	898		659	799	876	21.94	21%	-68%	227%
National Bank of Canada						35.60	0%	-39%	9%
PNC Financial Services Group						63.04	-8%	-28%	29%
Rabobank Group	118	(7)	52	92	115				
Royal Bank of Canada						40.29	-4%	-32%	22%
Royal Bank of Scotland	82	(13)	(37)	28	78	1.20	-38%	-89%	12%
Bank of Nova Scotia						38.30	-5%	-33%	20%
Societe Generale	61	(15)	(28)	32	55	13.70	0%	-60%	21%
Suntrust Banks Inc.						44.66	21%	-41%	74%
Toronto Dominion Bank						50.60	1%	-33%	21%
UBS AG	143	(34)	16	100	138	18.79	10%	-63%	54%
Wells Fargo & Co	141		15	82	135	33.52	10%	-25%	64%
<b>Average</b>	<b>190</b>	<b>(12)</b>	<b>72</b>	<b>139</b>	<b>180</b>	<b>38.68</b>	<b>6%</b>	<b>-45%</b>	<b>45%</b>

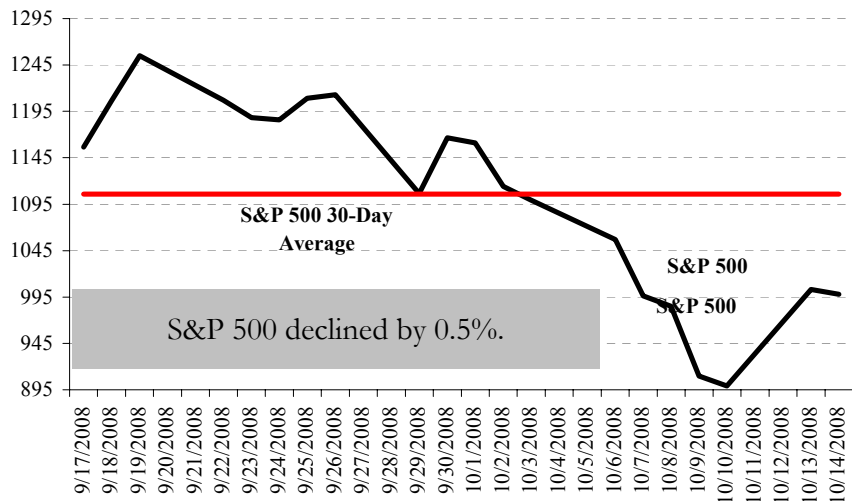
\* Spreads based on instruments denoted in functional currency. Quotes are sourced from Bloomberg Generic Intra-day Price (CBIN)

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

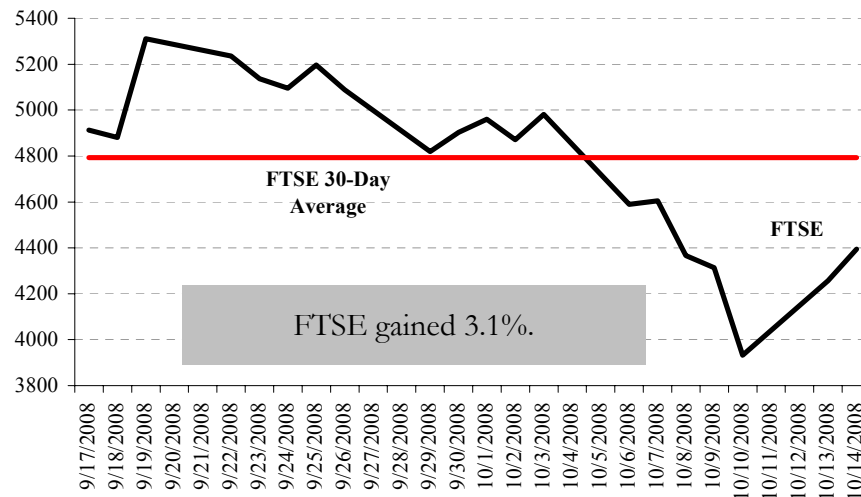
Source: Bloomberg; Corporate Executive Board research.

US Markets slipped due to recession worry while international markets continued to rally on bank bailouts.

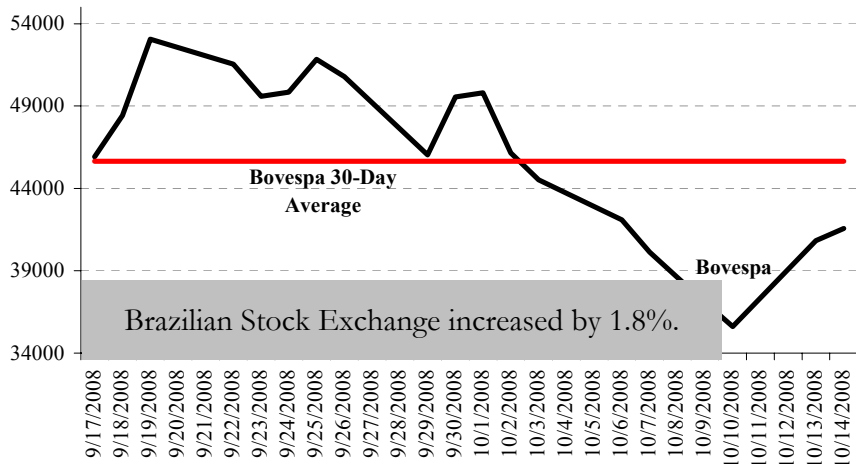
**S&P 500**



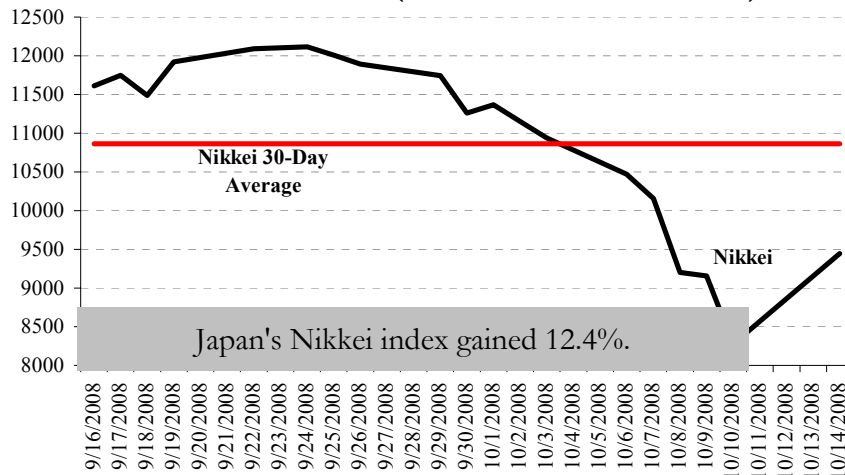
**FTSE**



**Bovespa**



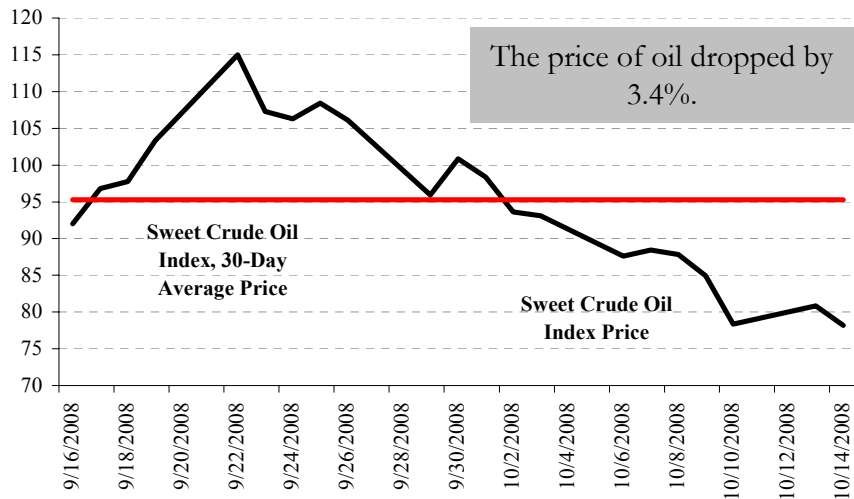
**Nikkei (26-Hour Time Difference)**



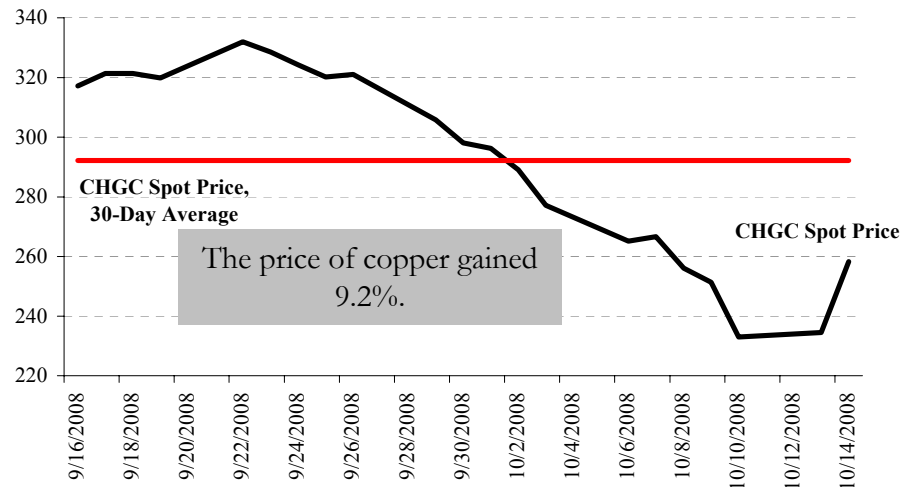
Source: Bloomberg; Corporate Executive Board research.

Commodity prices experienced mixed results.

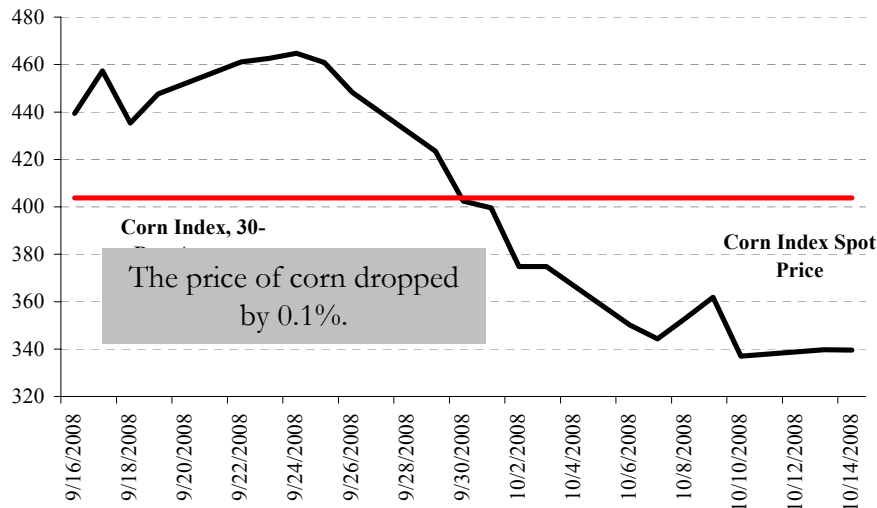
**Bloomberg Sweet Crude Oil Index Price**



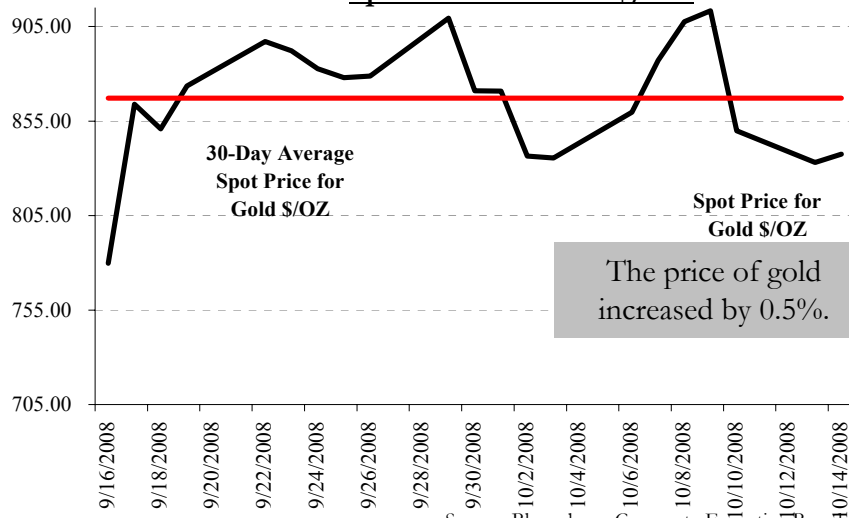
**Metal Bulletin Copper High Grade Cathode Spot Price**



**GSCI Corn Index Spot Price**

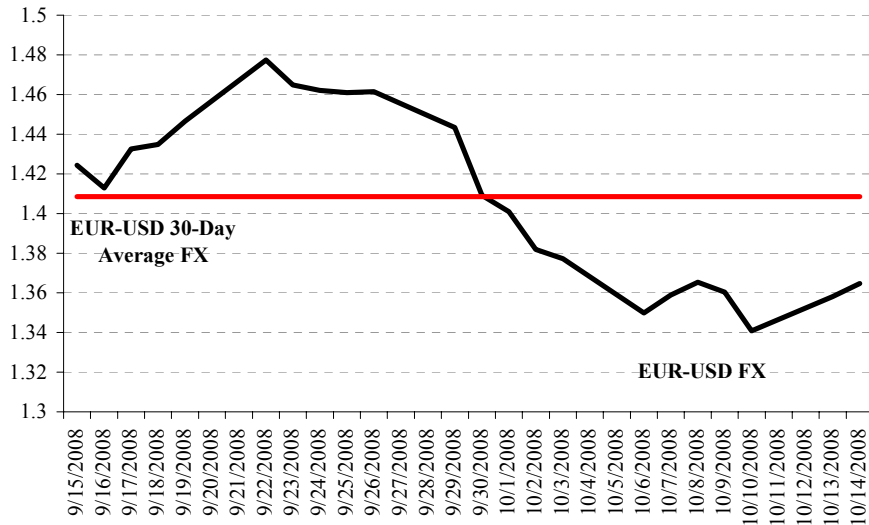


**Spot Price for Gold \$/OZ**



Source: Bloomberg; Corporate Executive Board research.

**EUR vs USD Exchange Rate**

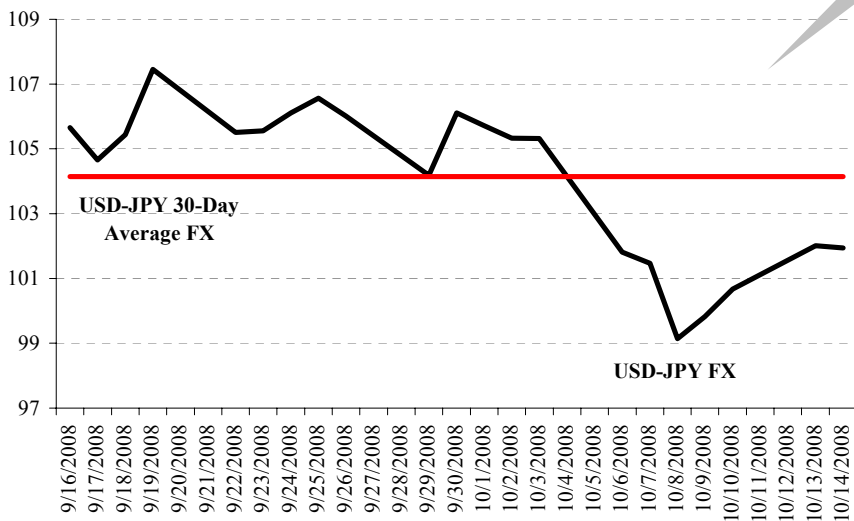


The Euro gained 0.5% against the US Dollar.

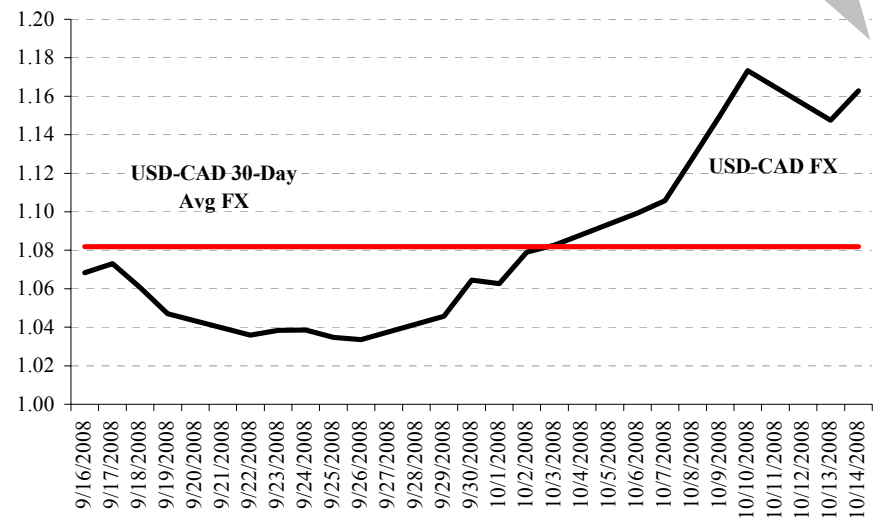
The US Dollar fell 0.1% against the JPY.

The US Dollar increased by 1.3% against the CAD.

**USD vs JPY Exchange Rate**



**USD vs CAD Exchange Rate**



Source: Bloomberg; Corporate Executive Board research.

## Glossary of Terms

**Corporate Bond Spread:** The difference between the yields of two bonds (or two indexes of bonds). Typically, corporate bonds with the same credit rating (e.g., AA bonds) are compared with risk-free Treasury Bonds. The difference in yields is a measure of credit risk for the corporations issuing the bonds. Larger spreads indicate the market perceives a higher risk of default.

**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.

## Corporate Finance Division Quantitative Research Team

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### 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.