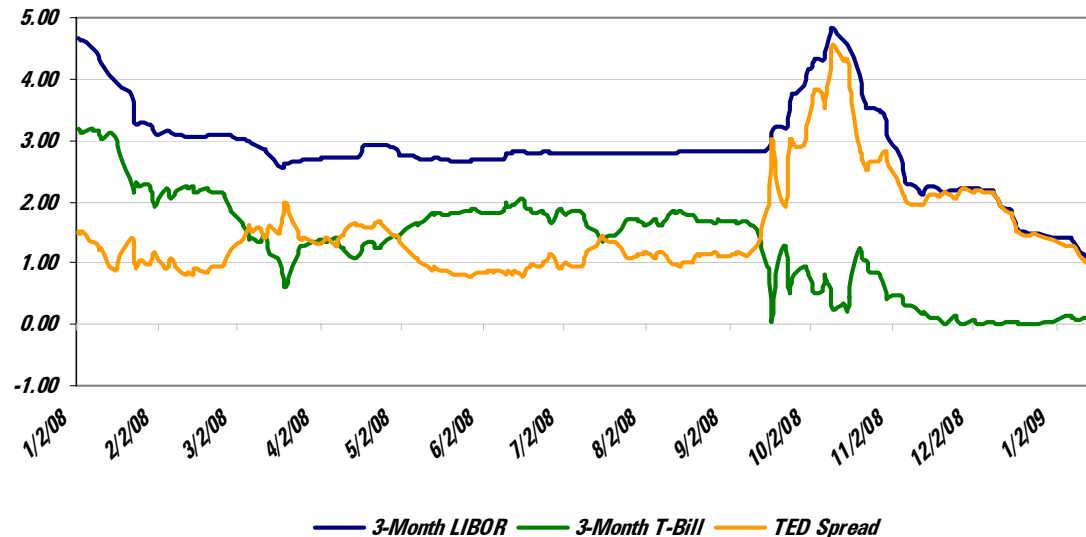


Looking Ahead in 2009 Part I: New beginnings or a *TED* end?

Background:

- LIBOR (London Inter-bank Offered Rate) is the overnight rate at which banks borrow from each other internationally. It is also used as a benchmark rate for many other financial instruments such as variable rate mortgages, and interest swap agreements.
- The 3-Month T-Bill rate is widely viewed as the 3-Month risk-free rate of return.
- The TED Spread is the difference between the 3-month LIBOR, and the 3-Month T-Bill Yield.

TED Spread & Components



- 3-Month T-Bill yields hit historical lows in 2008, driven by liquidity needs and panicked investors.
- Global governmental market intervention has begun to push LIBOR lower; and nearly 0% yield has begun to force T-Bill rates to move higher, narrowing the spread between the two (TED Spread).
- An established trend of narrowing in TED will indicate that investors are returning to a less risk-averse position as:
 - inter-bank lending rates become less prohibitive (falling LIBOR), and
 - investor liquidity returns to the market (demand for 3-Month T-Bill falls, and yield increases).