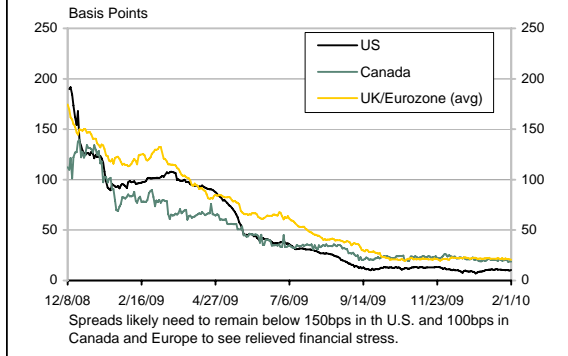


DAILY INDICATORS OF FINANCIAL STRESS

BANK FUNDING LIQUIDITY

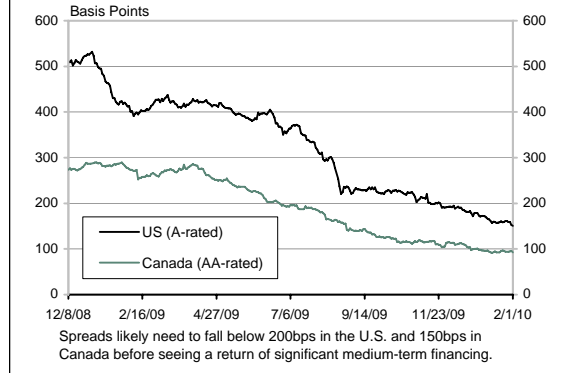
SHORT-TERM

3-MONTH LIBOR-OIS SPREADS



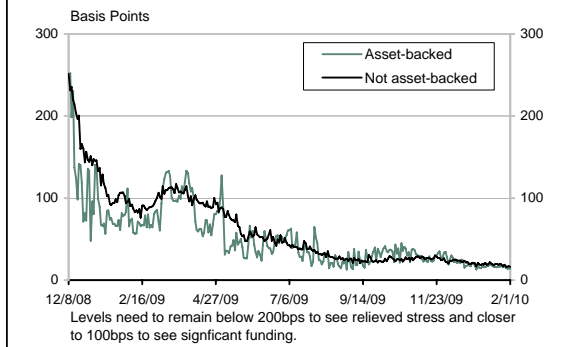
MEDIUM-TERM

5-YEAR BANK BOND-GOVT BOND SPREAD



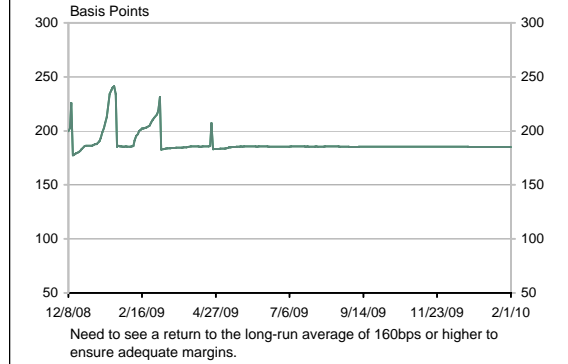
U.S. COMMERCIAL PAPER RATES

3-MONTH COMMERCIAL PAPER-TBILL SPREAD



CANADIAN VARIABLE RATE MARGINS

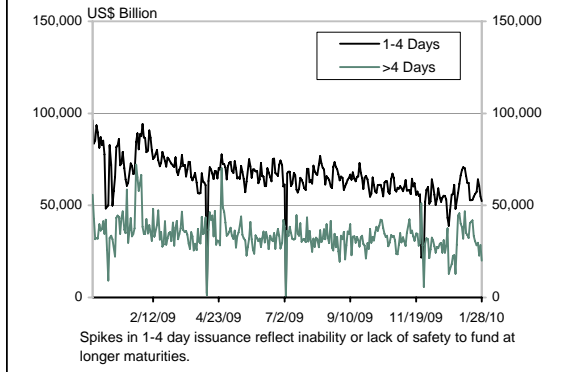
1-MONTH PRIME-BA SPREAD



FINANCING FLOWS

SHORT-TERM FINANCING

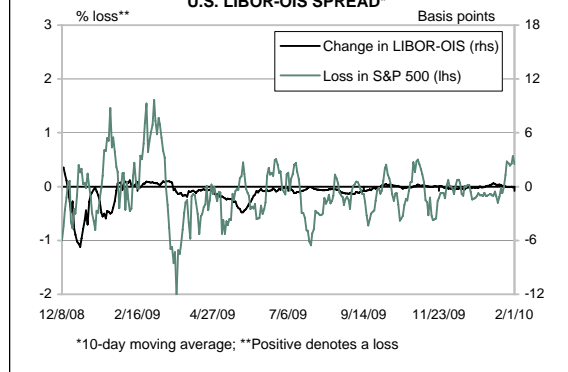
U.S. COMMERCIAL PAPER ISSUANCE



SYSTEMIC LINKAGES

STOCKS AND CREDIT TIGHTNESS

AVERAGE DAILY S&P 500 LOSSES AND CHANGE IN U.S. LIBOR-OIS SPREAD*



GLOSSARY

The global economy is experiencing a reduction in the availability of loans, sometimes referred to as a "credit crunch". TD Economics has compiled a set of markers that gauge the severity of the credit crunch in major markets.

The first three markers are "spreads" that measure the difference between two specific rates. The first rate identifies the costs a bank must incur to borrow money on a short, mid or long-term basis. The second is a designated rate that acts as a benchmark for "risk-free" borrowing. These spreads are useful because they help signal the perceived risk in the financial sector. If, for instance, a spread between two rates continues to widen over a period of time, it would suggest greater perceived risks in the financial sector.

The fourth marker measures a bank's ability and/or willingness to offer consumer and business loans. The first rate (Prime) acts as the benchmark for a bank's return, while the second (Bankers Acceptance) acts a proxy for its costs to support its lending activities.

LIBOR-OIS SPREAD: A widening spread implies banks have either an increased need for cash or are at a greater risk of not being able to repay their loans, known as defaulting.

LIBOR: Banks lend each other money on a daily basis, often for a 24-hour period. These loans are used to manage a bank's cash on hand. The interest rate for these "overnight" loans is called LIBOR (London Inter-Bank Offer Rate). The rate (which varies across markets) helps gauge a bank's willingness to lend money to another bank on a short-term basis. The LIBOR rate increases as banks become unwilling or unable to lend money. LIBOR also acts as the benchmark interest rate for a number of derivatives (financial instruments whose value is based on an underlying asset such as a commodity, stocks, bonds, mortgages) and other financial products. Its rate will also impact borrowing costs in general.

OIS: The Overnight Index Swap is a proxy for the "risk-free" short-term borrowing rate. It incorporates the market's expectations for future interest rate changes by the Federal Reserve.

5-YR BANK BOND-GOVT BOND SPREAD: A widening spread measures the higher cost (ie risk) banks must pay to secure long-term funding.

5-YR Bank Bond: This is the banks' cost of borrowing money long-term. When costs are high, banks look for shorter-term financing options, which are usually cheaper. This reduces a bank's funding costs in the near-term but will also require it to seek new sources of money on a more frequent basis. The increased demand for shorter term bonds (eg. payment is due in less than one year) can also increase the LIBOR rate.

Government bond yield: Government bonds act as a proxy for the cost of "risk-free" long-term borrowing, as the government is less likely to default or be cash-constrained than a business.

3-MONTH COMMERCIAL PAPER-TREASURY BILL SPREAD: A widening spread measures the extra cost (ie risk) private companies (both financial and non-financial) must pay to secure short-term funding.

Commercial Paper (CP): This is short-term debt sold by companies. Payment of this debt usually comes due in less than 30 days, but no longer than 270 days. Mutual funds are frequent buyers of CP. As CP's annual rate of return increases, there is less appetite to issue CP from these funds.

Treasury Bills: Like government bonds, these are seen as "risk free" short-term investments because governments are considered more reliable than business for payment.

1-MONTH PRIME-BANKERS ACCEPTANCE SPREAD: A narrowing spread means banks may need to limit new lending to safer individuals and businesses in order to reduce the risk of future losses. That's because banks need a certain range of spread to fund the cost of loans and compensate for losses incurred from borrowers who are unable to pay back their loans. (The specific spread will differ for each bank) Over a sustained period of time, it can lead to a reduction in Canadian lending activity.

Prime rate: The benchmark for variable interest loans offered to consumers and businesses.

Bankers acceptances: This is short-term debt generally used to finance lending activity of Canadian banks.

COMMERCIAL PAPER ISSUANCE: This tracks the volume of short-term debt being sold by companies. Sudden increases imply a greater need for short-term financing. Moreover, spikes in the shortest maturities (eg payment is due in less than 30 days) imply increased uncertainty over the prospects of a firm or economy.

Bloomberg Tickers

US LIBOR:	US0003M Index	US OIS:	USSOC Curncy	US Tbill:	USGG3M Index
Canada LIBOR:	CD4803M Index	Canada OIS:	CDSOC Curncy	US A1+ ABCP:	ACPA090Y Index
UK LIBOR:	BP0003M Index	UK OIS:	BPSOC Curncy	US A1/P1/F1 CP:	DCPB090D Index
Euro LIBOR:	EU0003M Index	Euro OIS:	EUSOC Curncy	US CP Issues (1-4 day):	n/a
US 5-yr Bank Debt:	C0705Y Index	US 5-yr Treasury	USGG5YR Index	US CP Issues (Total):	n/a
Canada 5-yr Bank Debt:	C3065Y Index	Canada 5-yr Govt	GCAN5YR Index		
Canada Prime Rate	PRIMCAN Index	Canada BA	CDOR01 Curncy		



DAILY INDICATORS OF FINANCIAL STRESS

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