

## Credit Crunch Watch

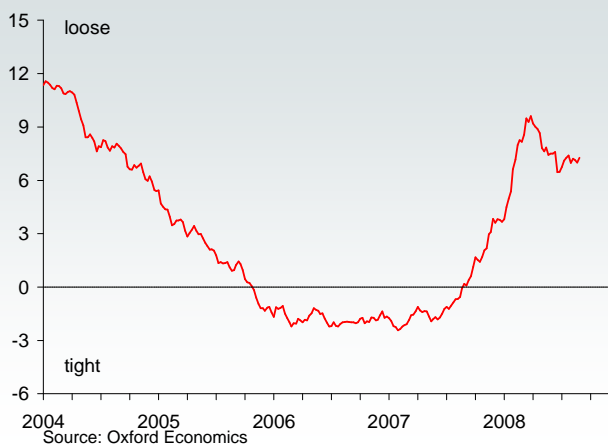
### US: Financial stress indicator



### Financial stress indicator

- The financial stress indicator is a composite index of a number of indicators including risk spreads, mortgage spreads, equity volatility, commercial paper and commercial loans outstanding and the spread of LIBOR rates over T-bill rates. The indicator ticked up again over the last week, mostly on the back of a further widening of mortgage and credit spreads and an increased LIBOR-T-Bill spread. The widening of mortgage spreads seems to be connected to concerns over the future of Fannie Mae and Freddie Mac – their rising cost of capital is pushing up mortgage costs. Credit spread increases may be traced to rising corporate default rates and heightened concerns about the health of the financial sector.

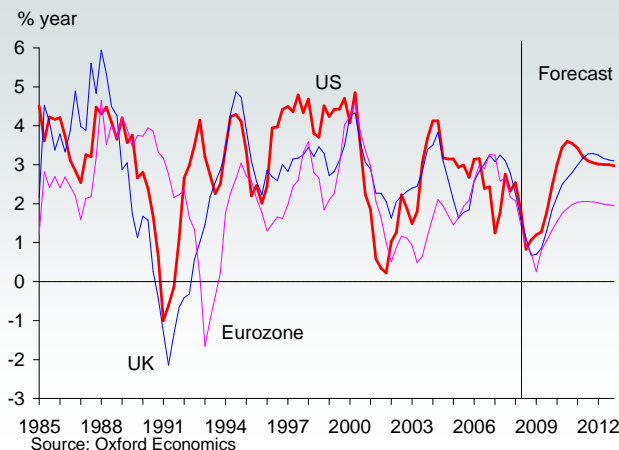
### US: Monetary conditions indicator



### Monetary conditions indicator

- The monetary conditions indicator is a composite index based on the Fed funds rate, the 10-year bond yield, the yield curve slope and the effective or trade-weighted dollar exchange rate. Monetary conditions eased slightly over the last week as the yield curve steepened and Treasury yields declined. Should US growth weaken in the coming months, these trends are likely to continue, leading to a further loosening of monetary conditions. The exchange rate could prove a swing factor too – the recent dollar gains have had a net tightening effect on monetary conditions, but the scope for further near-term dollar appreciation looks limited.

### World: GDP growth

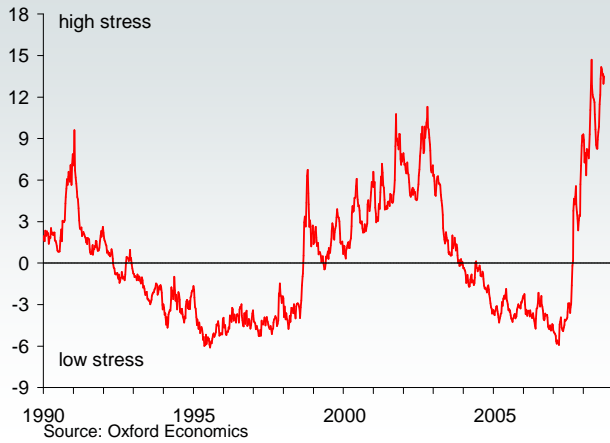


### Growth forecasts – US, UK & Eurozone

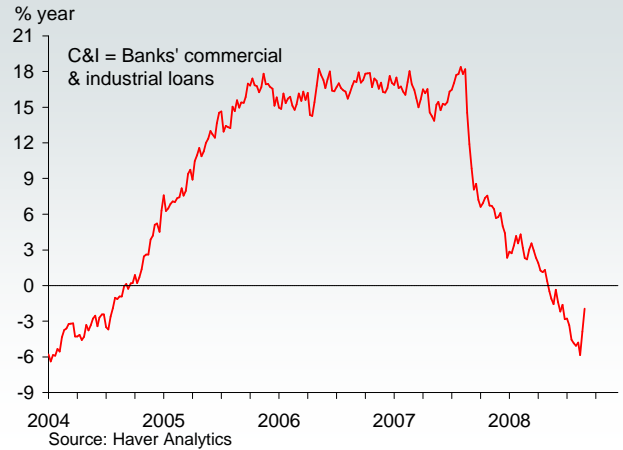
- The data flow over the last week was particularly negative for the UK. The second reading of Q2 GDP saw growth revised down to zero, with declining consumption and investment pointing towards a likely negative result in Q3. In the Eurozone, the outlook for Q3 growth also looks unpromising after the August purchasing managers' indexes for both manufacturing and services again pointed to contracting activity. In the US, this week's data suggested growth remains subdued, although there was no evidence of a further weakening, Housing market indicators came in broadly as expected – at soft levels – and the same was true of the Philly Fed industry survey. The latest round of jobless claims data came in slightly lower than market forecasts, but with claims well above 400,000 again, there is a significant risk that the next round of official data will show a sharp monthly fall in employment.

## US financial stress measures

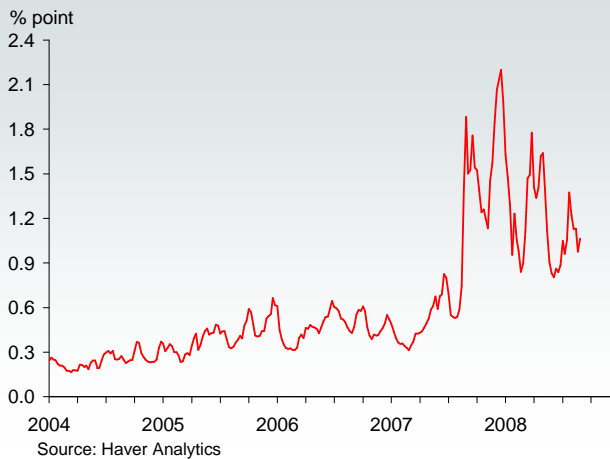
**US: Financial stress indicator**



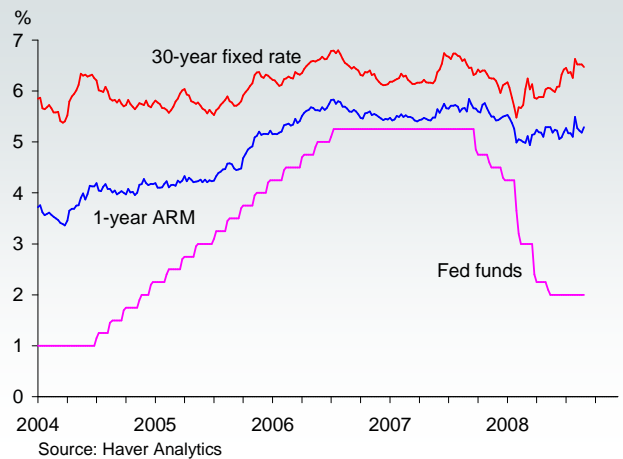
**US: C&I loans & CP outstanding**



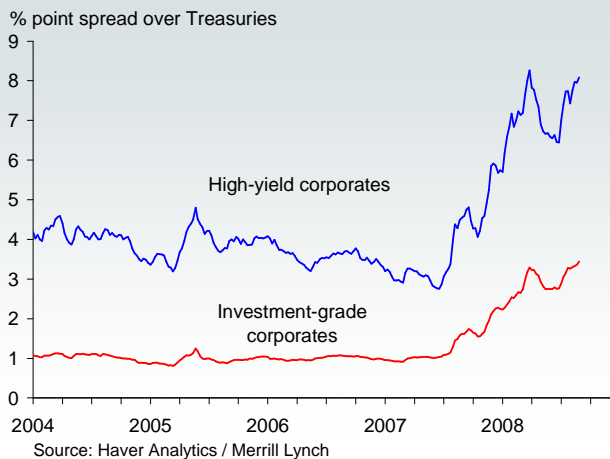
**US: 3 month libor spread over 3 month T-bill**



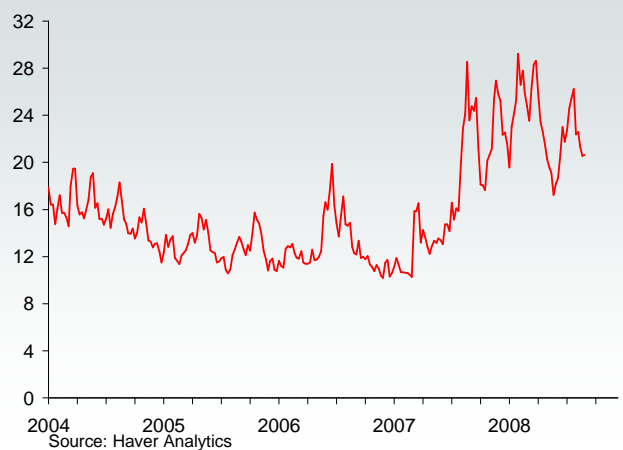
**US: Mortgage rates (Freddie Mac)**



**US: Risk spreads**

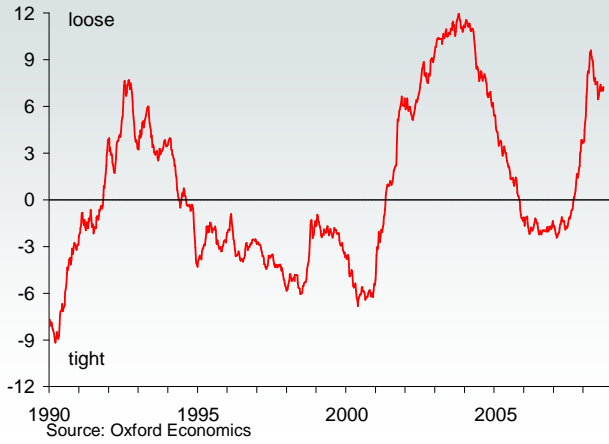


**US: CBOE market volatility index (VIX)**

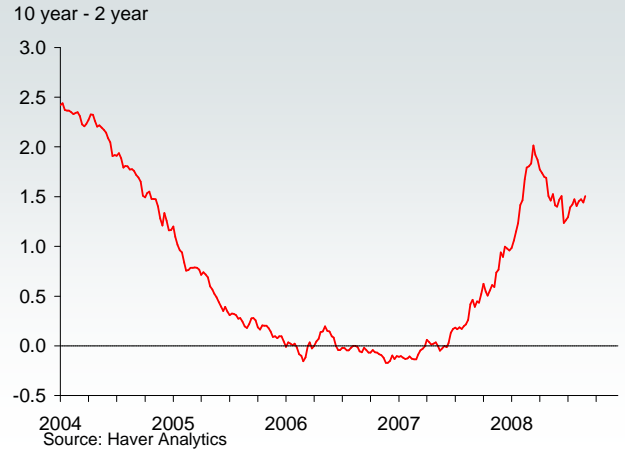


## US monetary conditions & other indicators

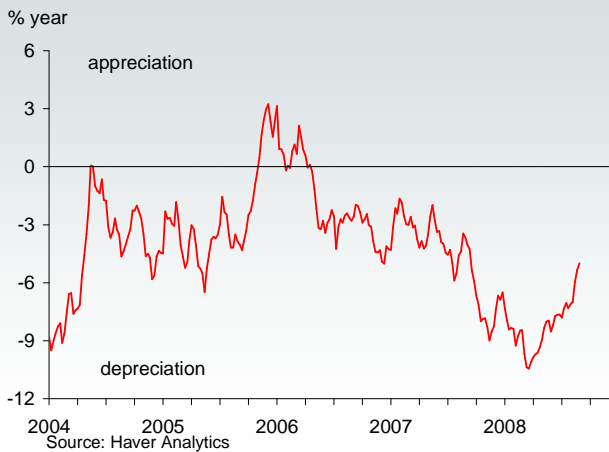
**US: Monetary conditions indicator**



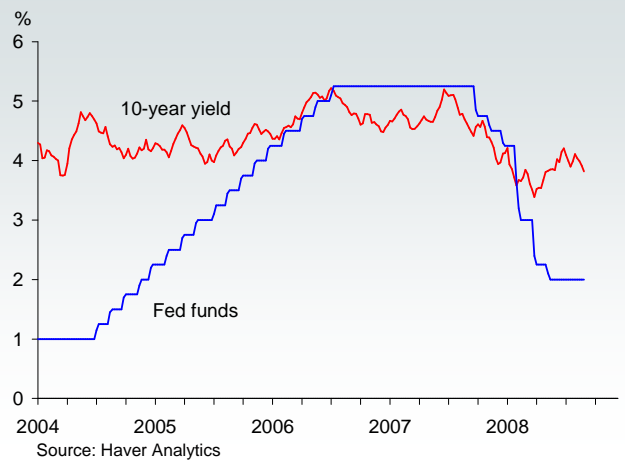
**US: Yield curve slope**



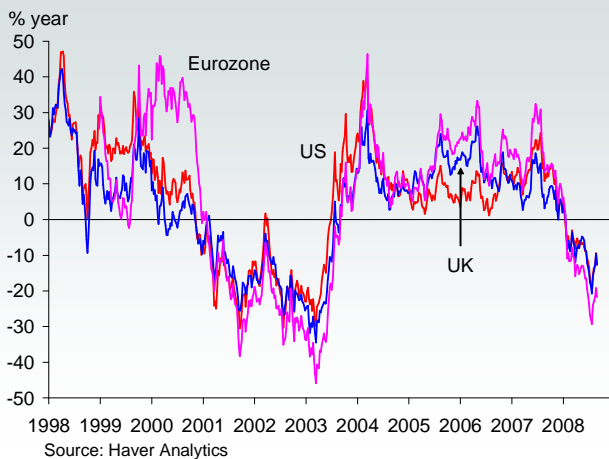
**US: Exchange rate (trade weighted index)**



**US: Fed funds rate & 10-year Treasury yield**



**US, UK & Euro: Stockmarkets**



**US private payrolls and consumption**

