

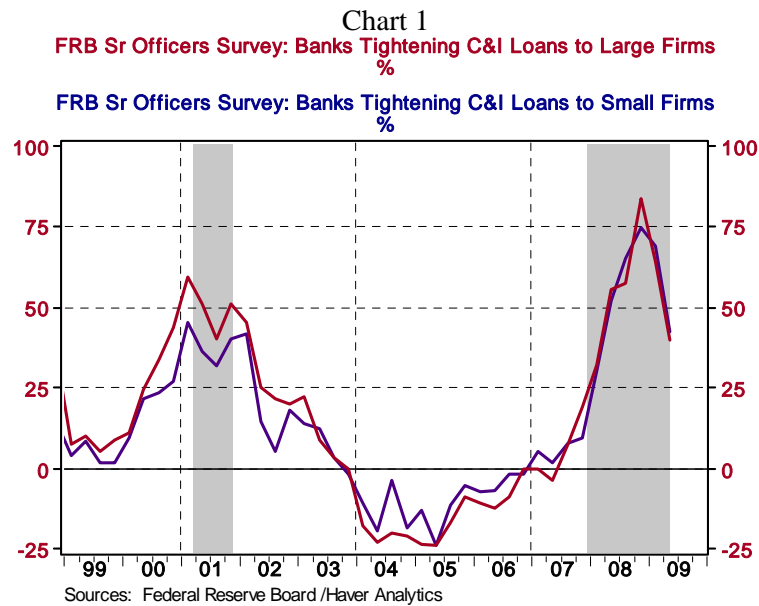
DAILY GLOBAL COMMENTARY

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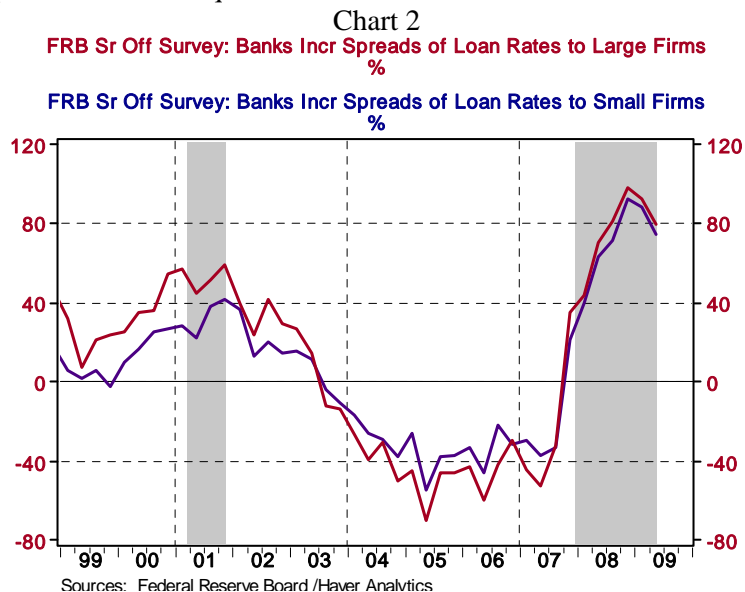
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Senior Loan Officers Survey – Credit Conditions Have Improved
May 4, 2009

The number of loan officers reporting a tightening of underwriting standards for commercial and industrial loans in the April survey was significantly smaller for large firms (39.6% vs. peak of 83.6% in the fourth quarter) and small firms (42.3% vs. peak of 74.5% in the fourth quarter) compared with the February survey and the peak readings of the fourth quarter of 2008 (see chart 1).

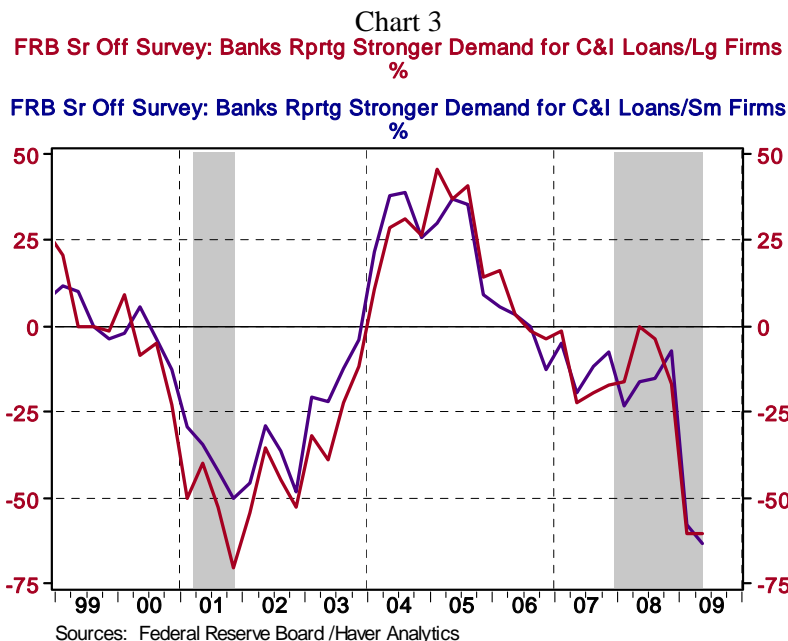


At the same time, the cost of borrowing for both small and large firms declined in the April survey from the peak in the fourth quarter of 2008.

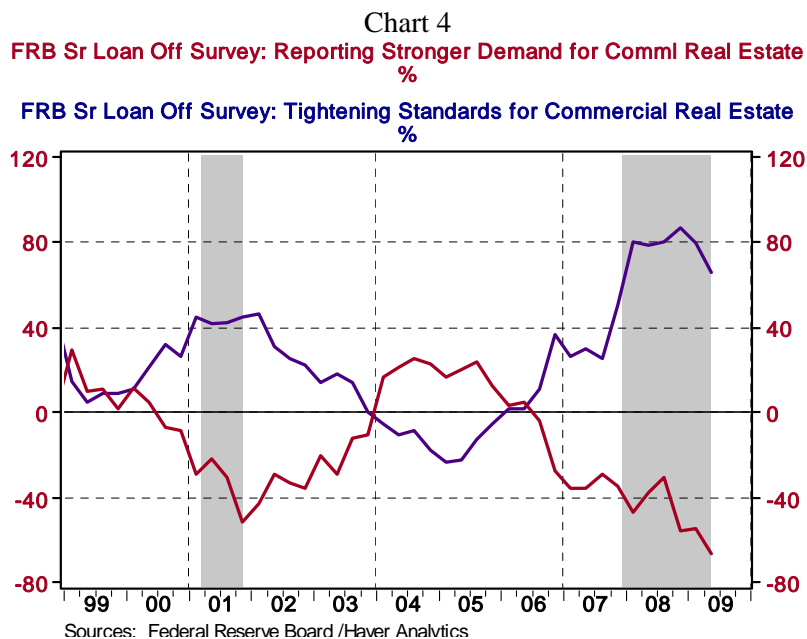


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Although the terms of loans eased in the recent months, the demand for loans remained weak (see chart 3), reflecting the massive liquidation of inventories that is underway. In particular, the demand for loans was essentially unchanged at a weak level for large firms but was weaker with respect to demand from small firms (see chart 3).

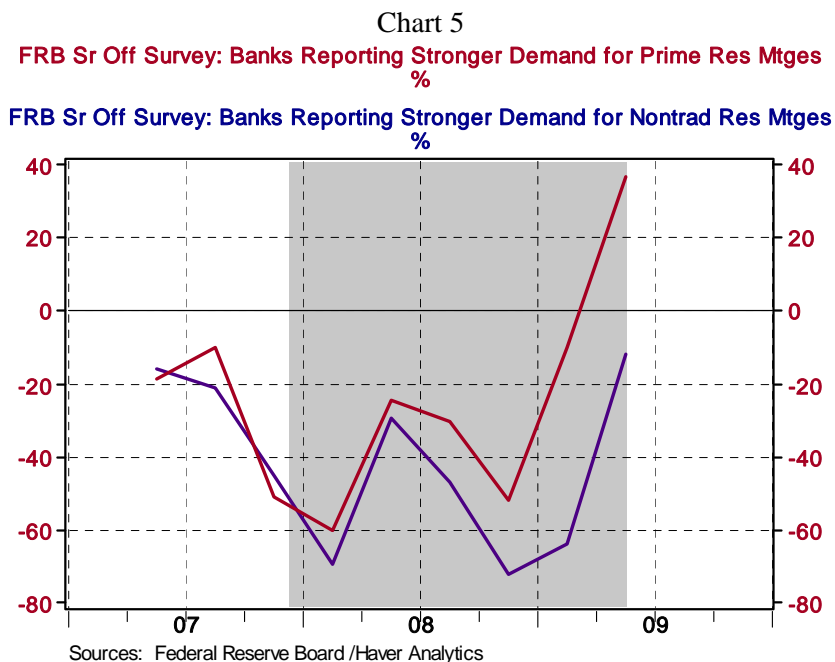


The commercial real estate sector is mired with problems. The demand for loans is noticeably weak and loan underwriting standards for commercial real estate have eased only slightly (see chart 4).

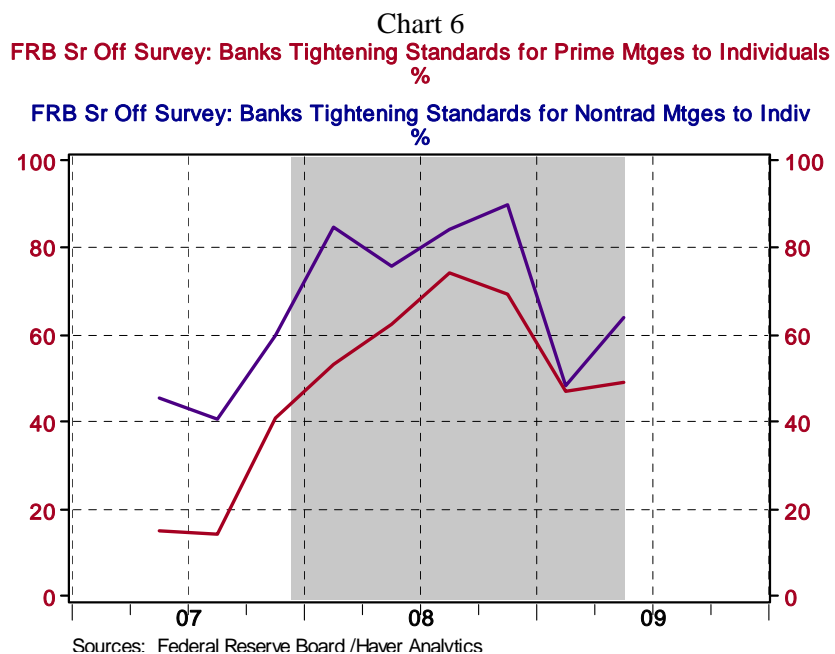


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In the household sector, the demand for prime mortgage loans posted a jump (see chart 5), while that of non-traditional mortgages was less weak in the latest survey compared with the February survey.



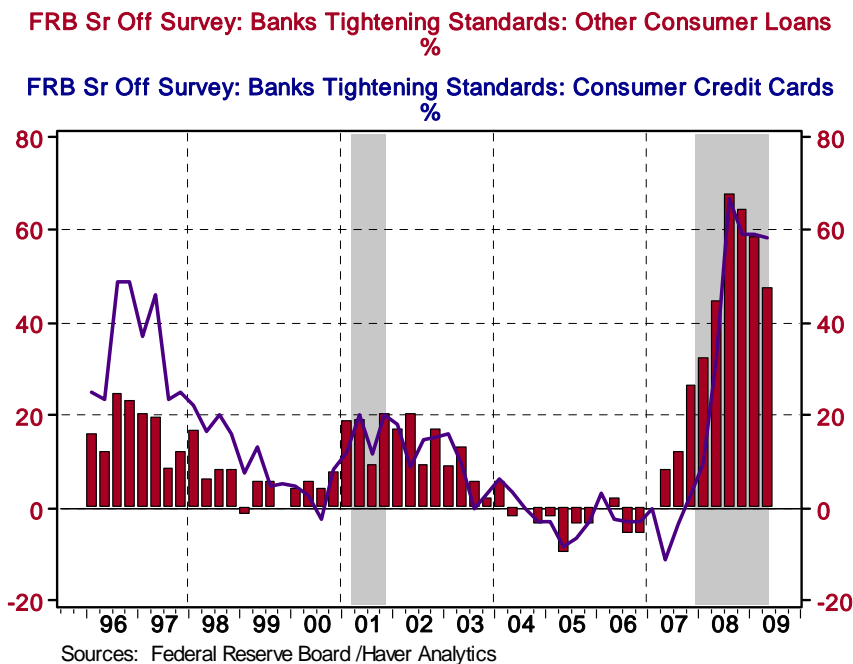
At the same time, mortgage underwriting standards were tighter for both prime and non-traditional mortgages in the April survey compared with the February survey. In other words, more needs to be done here to revive home sales.



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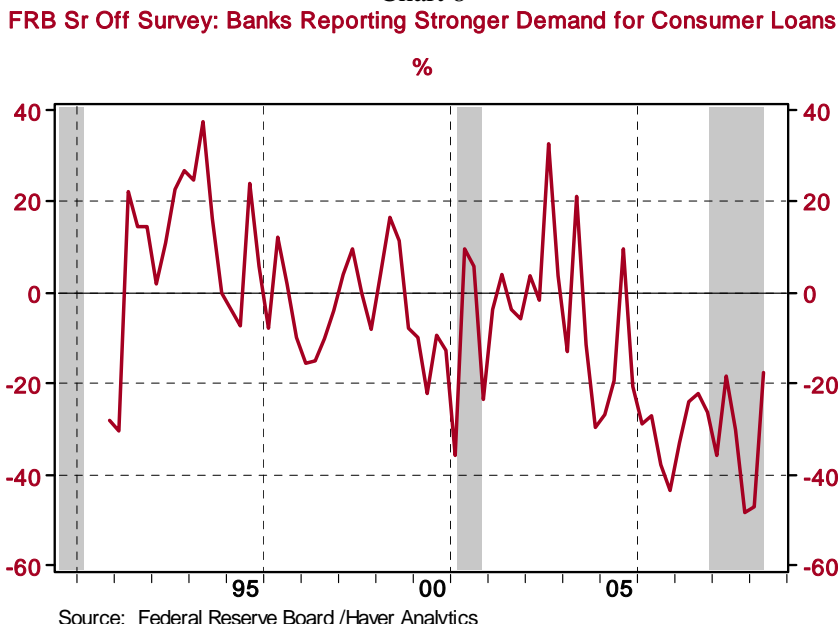
Loan officers had reduced the stringent conditions for non-credit card consumer loans but were nearly unchanged vis-à-vis credit cards in the latest survey compared with the previous survey.

Chart 7



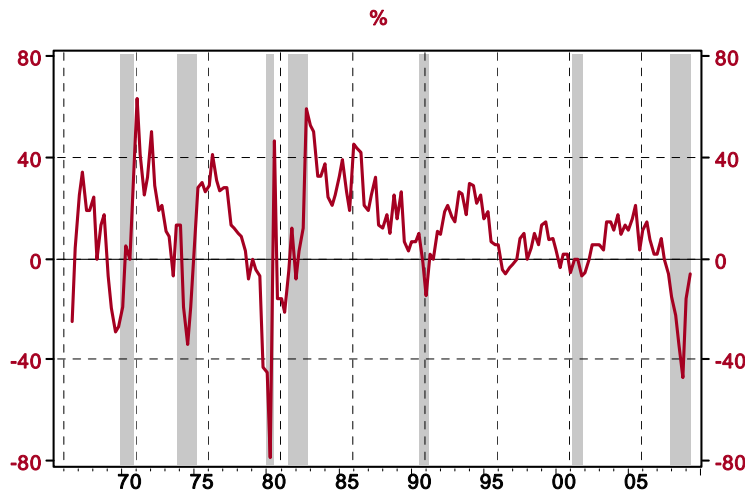
The demand for consumer loans also improved to the extent it was less negative (see chart 8) and at the same time fewer loan officers were less willing to extend loans to consumers (see chart 9).

Chart 8



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Chart 9
 FRB Sr Officers Survey: Banks Willingness to Lend to Consumers

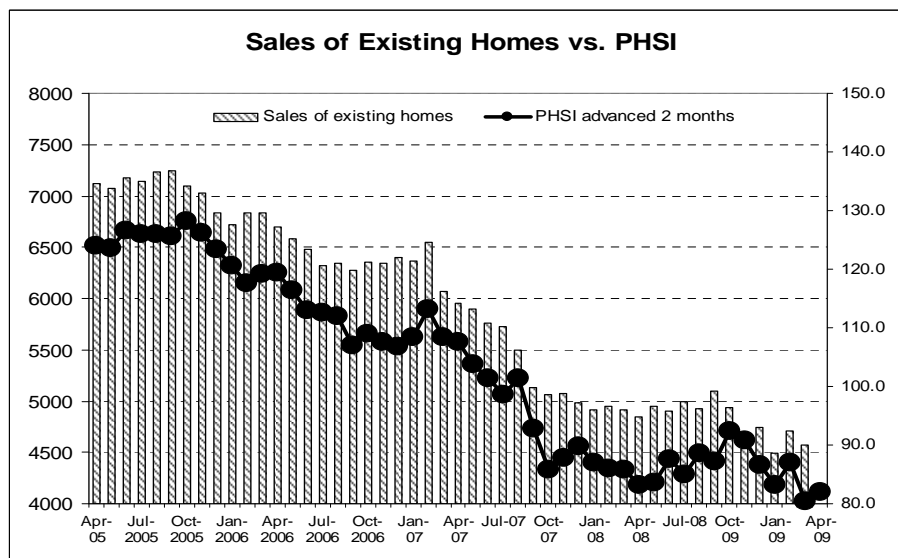


Source: Federal Reserve Board /Haver Analytics

Pending Home Sales Index Post Second Consecutive Monthly Advance

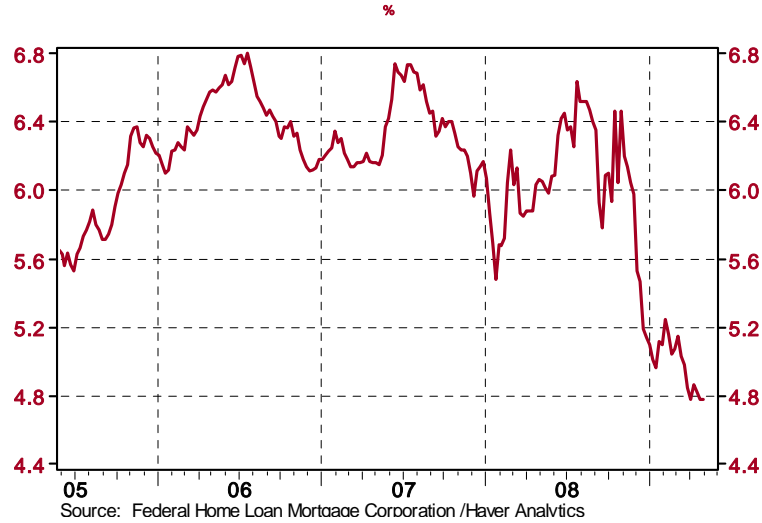
The Pending Home Sales Index (PHSI) of the National Association of Realtors increased to 84.6 in March from 82.0 in February, marking the third monthly increase in the last four months. According to National Association of Realtors, the PHSI leads sales of existing homes by 1-2 months. Sales of existing homes declined slightly in March. However, based on the latest readings of the PHSI, it should not be surprising to see a rebound in sales of homes in April and May, particularly given the downward trend of mortgage rates in recent weeks (see chart 11).

Chart 10



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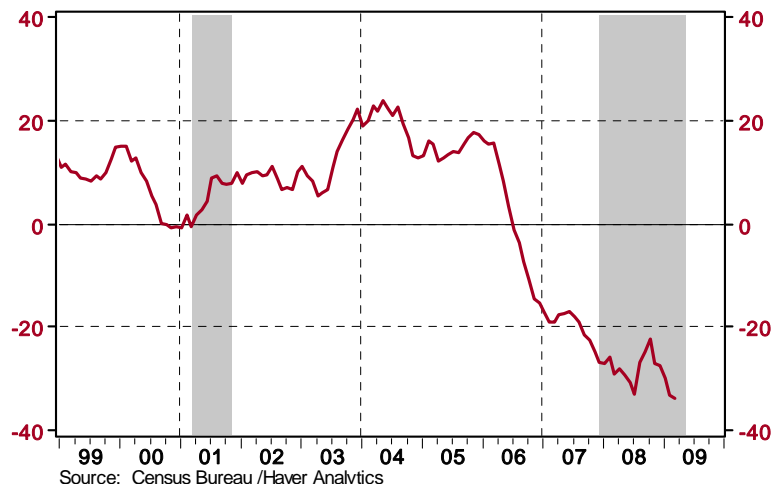
Chart 11
FHLMC: 30-Year Fixed-Rate Mortgages: U.S.



Public Sector and Non-residential Construction Outlays Lift Overall Construction Spending

Overall construction spending increased 0.3% in March following a 1.0% decline in February. Residential construction spending fell 4.2% in March vs. a 5.9% drop in the prior month. Non-residential construction spending rose 2.7% in March after a 0.7% gain in February. Public sector construction spending moved up 2.9% in March vs. a 7.1% jump in the previous month. On a year-to-year basis, residential construction spending remains weak (see chart 12).

Chart 12
Private Construction: Residential
% Change - Year to Year NSA, MI.\$



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