

DAILY GLOBAL  
COMMENTARY

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## Fed's Program to Purchase Treasuries, Mortgage and Agency Securities – Update May 11, 2009

The March 18, 2009 Fed policy statement introduced the program to purchase \$300 billion of Treasury securities. The plan to buy agency debt was raised by \$100 billion to \$200 billion and the mortgage backed securities purchase plan was increased by \$750 billion to \$1.25 trillion. As of today, the Fed has purchased \$95.7 billion of Treasury securities ([Federal Reserve Bank of New York - Permanent Open Market Operations](#)), with roughly \$204 billion remaining under the announced program. The 10-year Treasury security rallied on the day of the announcement to 2.51% but has since traded above this rate, with the latest reading at 3.16%, following a closing quote of 3.29% on May 8 (see chart 1). The upward trend of Treasury yields appears to be a sign of improving economic conditions and an increase in supply of Treasury securities in the pipeline.

Chart 1

### 10-Year Treasury Bond Yield at Constant Maturity

% (l)



The Fed's announcement of enhanced purchases of agency debt (total purchases as of 5/6/09 is \$71.47 billion) and of mortgage-backed securities (total purchases as of 5/7/09 is \$365.8 billion) have resulted in bringing down mortgage rates (see chart 2 and 3). The 10-year Treasury note yield and mortgage rates are moving in opposite directions, a new record for the history books (see chart 4).

Chart 2

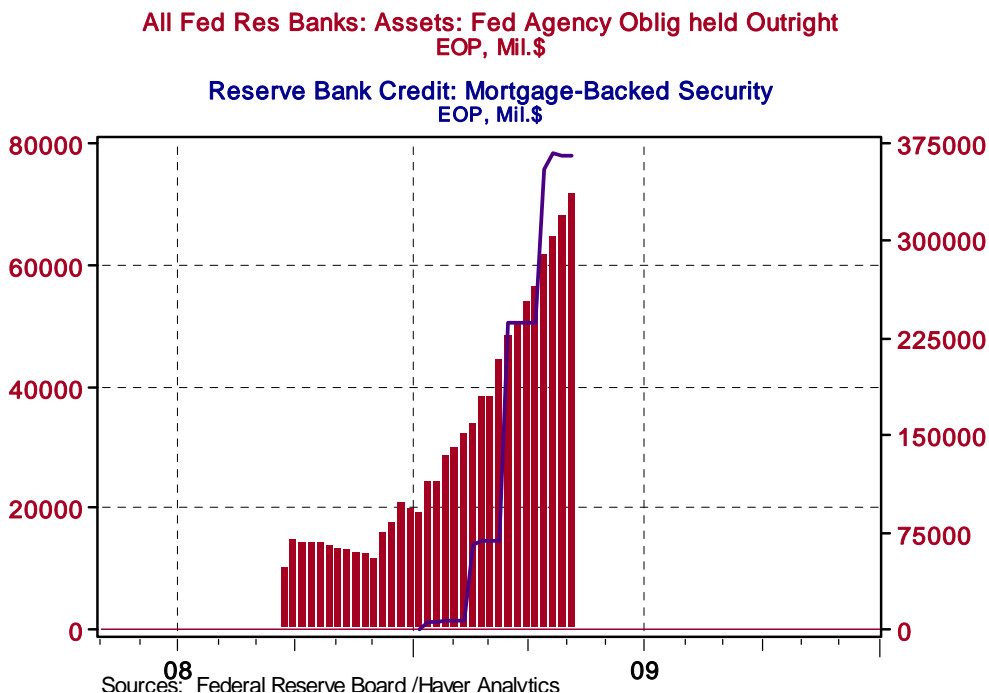
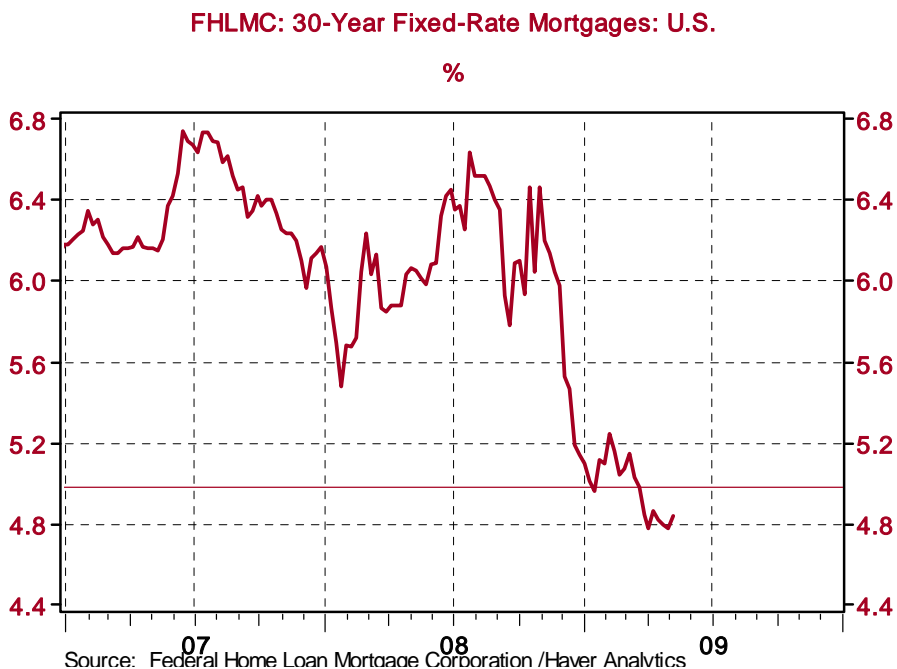


Chart 3

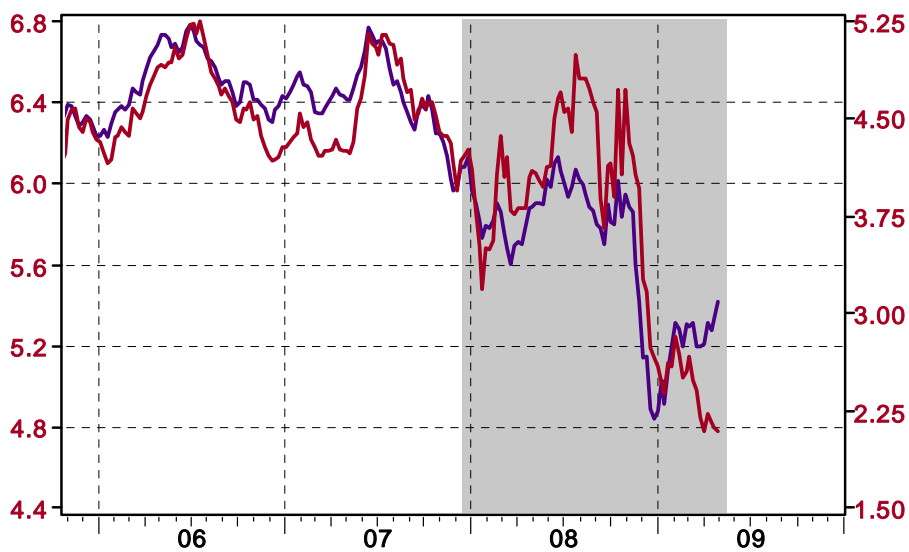


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Chart 4

**Contract Rates on Commitments: Conventional 30-Yr Mortgages, FHLMC**  
Avg, % (I)

**10-Year Treasury Note Yield at Constant Maturity**  
Avg, % p.a. (I)



Sources: Federal Reserve Board /Haver Analytics

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