

Research Quarterly



August 2002

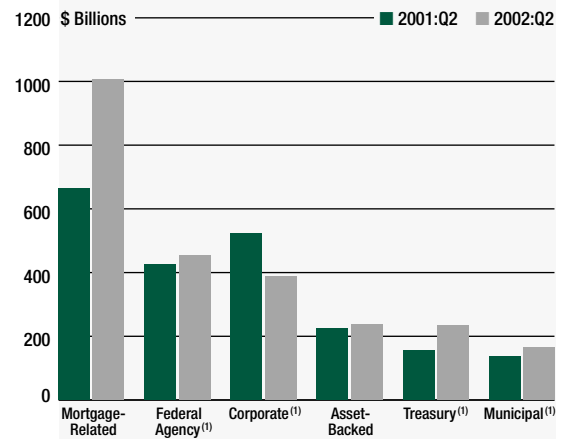
U.S. Bond Issuance on Record Pace in the First Half of 2002

New issue volume in the U.S. bond market totaled \$2.5 trillion for the first half of 2002, up 16.8 percent versus the \$2.1 trillion issued during the same period last year. Investors found in bonds a respite from poor equity performance, and issuers took advantage of some of the lowest interest rates in decades. Issuance was higher across all sectors, except the corporate market, where volume decreased by 25.6 percent in the first half of 2002 when compared to the same period in 2001. Municipal issuance reached a record in the first half of the year, driven by lower interest rates and the increased capital needs of state and local governments brought about by a weak economy. Secondary market trading volume was up across all reported markets, with the exception of the federal agency and the corporate bond markets.

Highlights

- Treasury gross coupon issuance increased 50.0 percent, to \$233.1 billion during the first half of 2002, compared to \$155.1 billion in the first half of 2001.
- Federal agencies increased long-term new issue volume during the first half of 2002, to \$453.7 billion. Short-term federal agency debt outstanding decreased 4.0 percent, to \$651.9 billion as of the end of June.
- Municipal issuance totaled a record \$194.6 billion in the first two quarters of 2002. Long-term new issues increased to \$164.6 billion and short-term issuance increased to \$30.0 billion through June.
- New issues of corporate bonds totaled \$388.2 billion in the first half of 2002, with volume decreases across all sectors—investment-grade, high-yield, and convertibles.
- Asset-backed issuance increased to \$237.9 billion, up 6.2 percent from the \$223.9 billion issued during the same period last year.
- Issuance of mortgage-related securities totaled \$1.01 trillion in the first half of this year, up 51.6 percent from \$664.1 billion issued during the same period last year.
- Commercial paper outstanding decreased 4.1 percent, to \$1.32 trillion at the end of the second quarter, down from \$1.38 trillion at the end of the first quarter. Concerns over issuer credit quality have led to a decrease in the use of commercial paper in recent quarters.

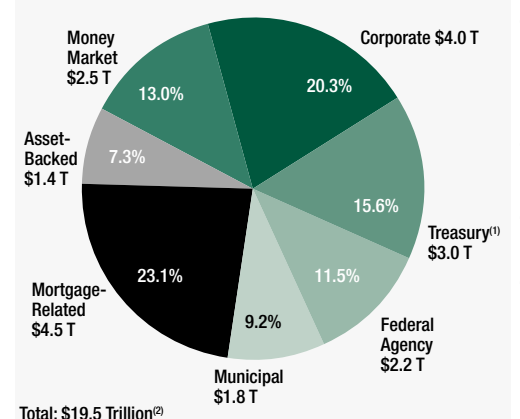
Issuance in the U.S. Bond Markets
2001:Q2 vs. 2002:Q2



(1) Includes long-term issuance only

Sources: Thomson Financial Sec, U.S. Treas., U.S. Fed. Agencies, Inside MBS & ABS

Outstanding Bond Market Debt
As of June 30, 2002*



(1) Includes marketable public debt

(2) Figures may not add due to rounding

*The Bond Market Association estimates

Sources: Federal Reserve System, U.S. Treasury, GNMA, FNMA, FHLMC

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Treasury Coupon Issuance Continues to Climb

Total issuance of U.S. Treasury securities, including bills and coupons totaled \$1.82 trillion in the first half of 2002, up 49.4 percent relative to the \$1.22 trillion issued in the first six months of 2001. Gross coupon issuance totaled \$233.1 billion in the first half of the year, compared to \$155.1 billion in the first half of 2001. Issuance through June increased despite concerns that Treasury would reach the then-existing debt limit of \$5.95 trillion. In days leading to the close of the second quarter, Congress approved a \$450 billion increase in the debt ceiling, increasing flexibility in meeting spending needs. Coupon issuance has increased in response to deficit conditions caused by lower tax revenues brought about by the weak economy and higher spending due principally to increases in national security and domestic programs.

Coupon issuance for the second quarter of 2002 totaled \$134.6 billion, up 36.6 percent relative to the \$98.5 billion issued in the first quarter of 2002, and almost double the \$69.0 billion issued in the second quarter of 2001. In July, the Office of Management and Budget (OMB) revised its budget deficit projection upward to \$165 billion in FY 2002, versus the \$106 billion projected in February. The OMB projections include enacted legislation and other supplements and adjustments to Administration policy.

Debt Supply Shows Slight Increase

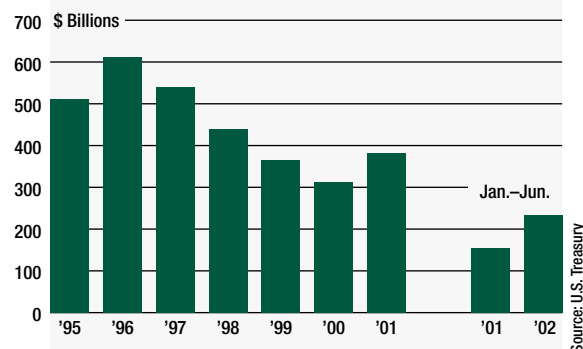
The supply of marketable U.S. Treasury securities, composed of both bills and coupons, increased to \$3.04 trillion as of June 30, 2002, a less than one percent increase from the \$3.02 trillion outstanding at the end of March. The increase in the supply of outstanding bills and coupons resulted from a deterioration of the Treasury's cash flow position, partly caused by lower-than-expected individual and corporate tax receipts, and concerns regarding the debt ceiling.

The outstanding level of coupon securities increased to \$2.21 trillion as of June 30, up slightly from the \$2.19 trillion outstanding at the end of March. Gross retirements of coupon securities totaled \$103.5 billion in the second quarter, bringing the year-to-date total to \$172.7 billion for the first two quarters. In addition, Treasury reinstated buyback operations, recalling a total of \$4.0 billion in the second quarter. Treasury canceled buyback operations in September of 2001 in order to give the government greater flexibility in meeting unexpected spending needs following the terrorist attacks. Since then, Treasury has said that it will use buybacks sparingly to strategically manage the government's debt portfolio and reduce interest costs.

Trading Volume Remains Robust

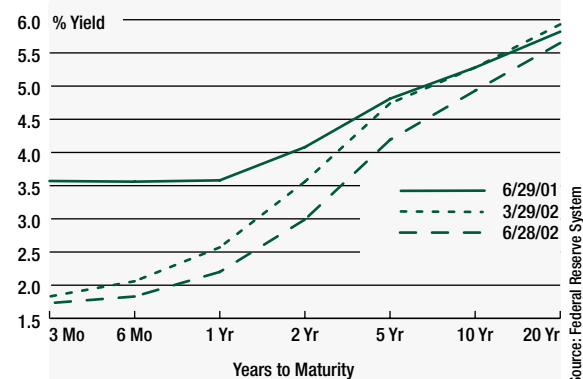
Daily trading volume by primary dealers averaged \$346.9 billion during the first half of 2002, up 19.0 percent from the daily average of \$291.6 billion during the same period of 2001. The continued trend of asset reallocation away from stocks, as well as concerns about credit quality and accounting practices which have driven investors to the Treasury market, helped to buoy trading volume. On a quarter-to-quarter basis, average daily trading volume increased to \$349.0 billion in the second quarter, up from \$344.8 billion in the first quarter.

Issuance of U.S. Treasury Securities⁽¹⁾ 1995–2002:Q2

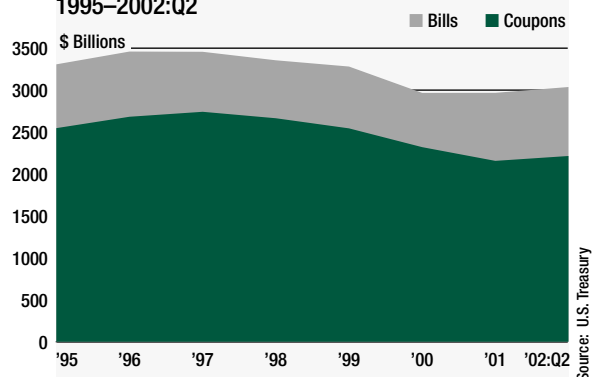


⁽¹⁾ Includes only marketable coupon securities

U.S. Treasuries—Constant Maturity Yield Curves

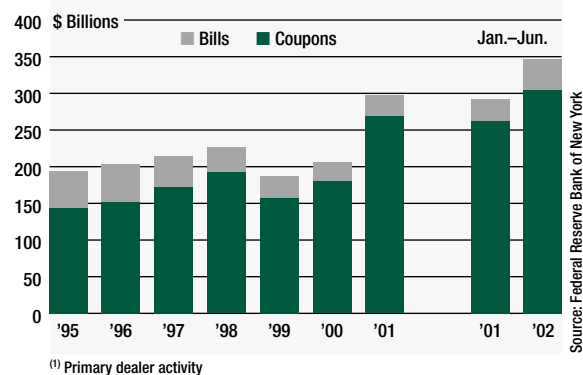


U.S. Treasury Securities Outstanding⁽¹⁾ 1995–2002:Q2



⁽¹⁾ Includes marketable public debt

Average Daily Trading Volume of U.S. Treasury Marketable Securities⁽¹⁾ 1995–2002:Q2



⁽¹⁾ Primary dealer activity

Long-Term Federal Agency Volume Remains Strong

Long-term debt issuance by federal agencies remained strong during the first half of 2002, totaling \$453.7 billion, up 6.7 percent from the \$425.3 billion issued during the same period last year. Long-term issuance by all federal agencies increased, with the exception of Fannie Mae, whose issuance decreased 9.2 percent, to \$112.0 billion.

Short-term federal agency debt outstanding decreased 4.0 percent, to \$651.9 billion as of the end of June, down from \$678.8 billion outstanding at the end of March. Short-term debt outstanding of Federal Home Loan Banks, Fannie Mae and the Tennessee Valley Authority increased. In contrast, Freddie Mac, Sallie Mae and the Farm Credit System decreased their short-term debt outstanding.

Average daily trading volume of agency securities by primary dealers was \$82.0 billion in the first half of 2002, an 8.2 percent decrease from the \$89.3 billion average daily trading volume during the same period last year.

Long-Term Federal Agency Debt Issuance

\$ Billions	2001	2001:Q2	2002:Q2	YTD-to-YTD % Change	YTD-to-YTD \$ Change
FHLB¹	383.0	165.2	169.7	2.7%	4.5
Freddie Mac	235.2	111.1	141.3	27.2%	30.2
Fannie Mae	249.4	123.3	112.0	-9.2%	(11.3)
Sallie Mae	19.5	9.0	11.3	25.6%	2.3
FCS²	31.0	15.5	18.1	16.8%	2.6
TVA³	3.4	1.2	1.3	8.3%	0.1
Totals	921.5	425.3	453.7	6.7%	28.4

Short-Term Federal Agency Debt Outstanding

\$ Billions	6/30/01	3/31/02	6/30/02	% Change*	\$ Change*
FHLB¹	175.0	128.3	134.3	4.7%	6.0
Freddie Mac	195.4	212.5	180.3	-15.2%	(32.2)
Fannie Mae	288.0	270.7	274.8	1.5%	4.1
Sallie Mae	35.2	30.7	29.2	-4.9%	(1.5)
FCS²	34.5	34.8	31.1	-10.6%	(3.7)
TVA³	2.4	1.8	2.2	22.2%	0.4
Totals	730.5	678.8	651.9	-4.0%	(26.9)

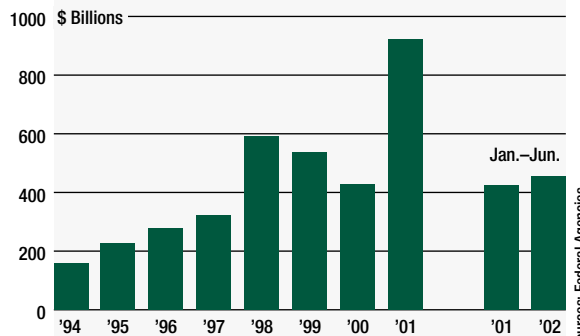
*Percentage and amount change between 06/30/02 and 03/31/02

¹Federal Home Loan Bank System

²Farm Credit System

³Tennessee Valley Authority

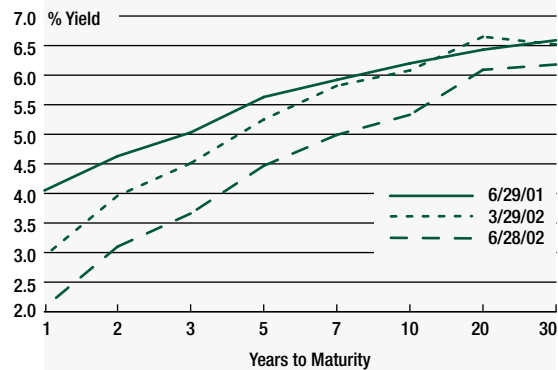
Long-Term Federal Agency Debt Issuance⁽¹⁾
1995–2002:Q2



⁽¹⁾ Excludes maturities of one year or less

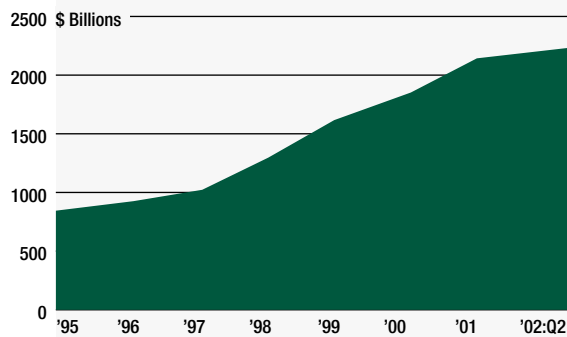
Sources: Federal Agencies

U.S. Government Agency–Yield Curves



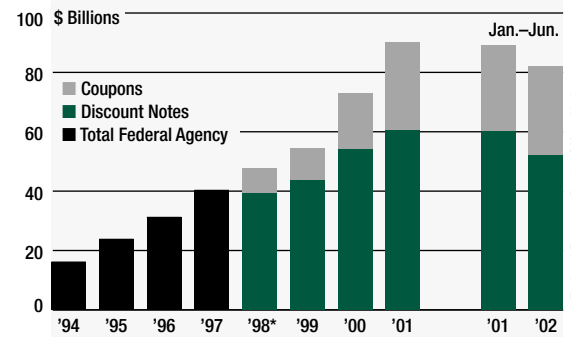
Source: Bloomberg

Total Federal Agency Debt Outstanding
1995–2002:Q2



Sources: Federal Agencies

Average Daily Trading Volume of Federal Agency Securities⁽¹⁾ 1995–2002:Q2



⁽¹⁾Primary dealer activity

*First year in which specified maturity levels were reported

Source: Federal Reserve Bank of New York

Municipal Issuance Reaches Record

Municipal bond issuance totaled a record \$194.6 billion in the first half of 2002, topping the previous half-year record set in the second half of 2001. Municipal issuance increased 21.3 percent over the \$160.4 billion issued during the same period of 2001. Increased capital needs of state and local governments, lower interest rates and a rise in demand from investors shifting out of equities helped to generate an increase in volume for the first half of 2002. The strong demand for municipal securities was met by an increase in supply of new issue volume as issuers sought to take advantage of a favorable market. Also, weaker state and local fiscal positions have forced issuers to finance a larger portion of new capital investment through borrowing. Issuance in the second quarter totaled a record \$120.3 billion, up 61.8 percent from the \$74.3 billion issued in the first quarter of 2002, topping the previous record of \$103.1 billion issued in the fourth quarter of 2001. Municipal issuance increased 30.3 percent from the \$92.3 billion issued in the second quarter of 2001.

Long-term new issues rose 20.6 percent, to \$164.6 billion through June of 2002, compared to \$136.5 billion issued during the first six months of 2001. New capital volume accounted for the majority of the rise in long-term issuance. Short-term issuance increased to \$30.0 billion through the first two quarters of the year, 25.5 percent above the \$23.9 billion issued in the same period of 2001. Short-term issues attracted investors looking to reduce risk exposure and increase liquidity. The rise in short-term issuance is also consistent with issuers' weaker fiscal conditions.

Refunding Volume Remains Strong

Refunding volume totaled \$54.2 billion in the first half of 2002, up from \$45.9 billion in the same period of 2001. The low-interest-rate environment encouraged refinancing of higher-interest rate debt. Refunding volume in the general government sector increased to \$15.5 billion in the first half of 2002, up from \$13.4 billion in 2001. Issuance in the transportation sector increased to \$8.7 billion, up from \$5.1 billion in the first half of 2001. In contrast, education sector refunding issuance totaled \$9.8 billion, down 4.2 percent from \$10.3 billion through June of 2001.

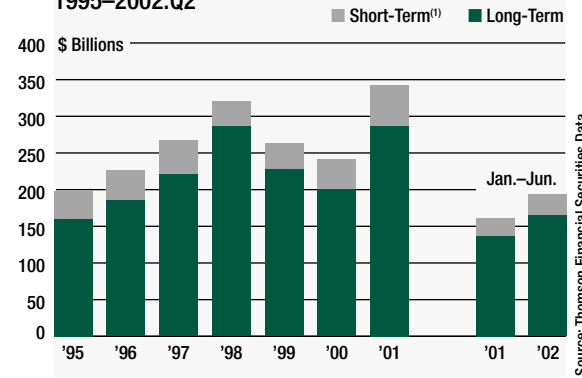
New Capital Volume Continues to Accelerate

New capital issuance increased to \$110.4 billion in the first two quarters of 2002, up 21.9 percent from the \$90.6 billion issued in the comparable period of 2001. New capital issuance was higher across most sectors, with issues for education and general government purposes accounting for over half of the new capital issuance volume for the first half of the year. New-money issuance for the healthcare sector totaled \$7.0 billion, up from \$6.0 billion in the same period of 2001. In contrast, new capital issues for airports and industrial development decreased 46.5 percent, to \$2.6 billion, and 45.4 percent, to \$0.6 billion, respectively.

Trading Volume Increases

Average daily trading volume of municipal securities totaled \$10.5 billion for the second quarter of 2002, up from \$9.8 billion in the same period of 2001. On a monthly basis, average daily trading volume peaked in June at \$12.2 billion, with a low of \$9.6 billion in April.

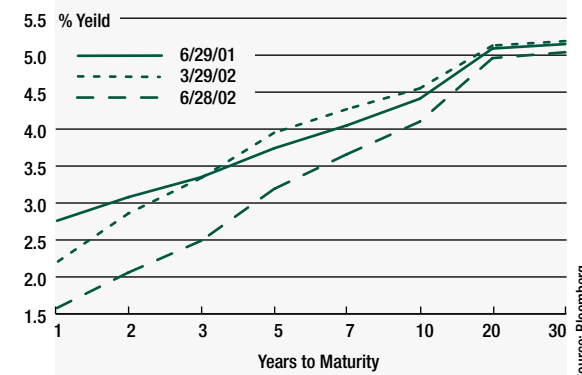
Short- and Long-Term Municipal Issuance 1995–2002:Q2



(1) Includes maturities of 13 months or less

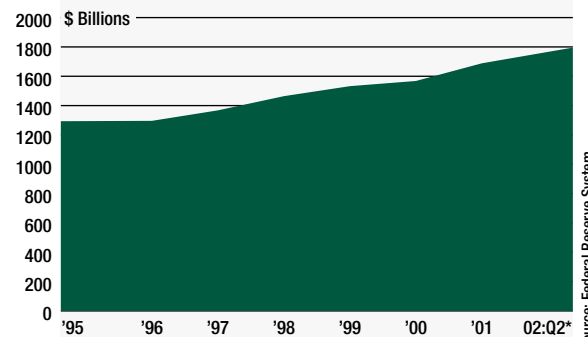
Source: Thomson Financial Securities Data

Municipal AAA G.O.'s — Yield Curves



Source: Bloomberg

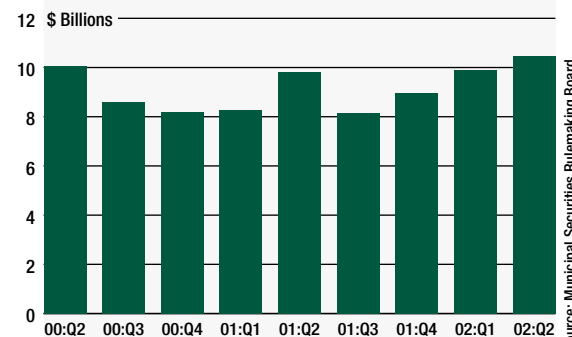
Municipal Securities Outstanding 1995–2002:Q2*



*The Bond Market Association estimates

Source: Federal Reserve System

Average Daily Trading Volume of Municipal Securities* 2000:Q2–2002:Q2



* Includes both dealer-to-dealer and dealer-to-customer transactions

Source: Municipal Securities Rulemaking Board

Corporate Issuance Continues to Slow

New issue volume in the corporate bond market continued to slow during the first half of the year. Corporate bond volume decreased to \$388.2 billion, down 25.6 percent from the \$522.1 billion issued during the same period last year. On a quarter-to-quarter basis, issuance totaled \$181.2 billion in the second quarter, down 12.4 percent when compared to the first quarter of 2002 and down 29.6 percent from the second quarter of 2001. Issuance in the investment-grade sector decreased 20.2 percent, while high-yield issuance dropped 37.9 percent in the first half of 2002 compared to the same period in 2001. In the first half of the year, some investors steered away from the corporate bond market as a result of accounting irregularities and high-profile corporate bankruptcies.

Issuance of convertible bonds—including investment-grade and high-yield issues—totaled \$24.2 billion in the first two quarters of 2002, down more than half compared to the \$52.8 billion during the same period last year. Convertible bond issuance decreased in the second quarter, totaling \$5.0 billion, down \$25.4 billion from the second quarter of 2001. Issuance of medium-term notes (MTN) increased to \$103.2 billion in the first half of 2002, up 25.9 percent from the \$82.0 billion issued in the same period one year ago.

Investment-Grade Volume Drops

New issue activity in nonconvertible investment-grade bonds totaled \$327.4 billion in the first half of 2002, down 20.2 percent from the \$410.4 billion issued in the first half of 2001. The telephone communications sector had the largest volume decrease, totaling \$13.0 billion, down 71.7 percent from last year's first-half levels. The manufacturing sector decreased 35.4 percent, to \$38.4 billion and the cellular telephone/radio/television sector decreased 76.3 percent, to \$4.2 billion in the first half of the year when compared to the same period in 2001. The investment bank and electric service sectors also decreased. In contrast, the credit institution sector had the largest issuance increase, totaling \$84.5 billion in the first half, up 29.4 percent from the \$65.3 billion issued last year during the same period.

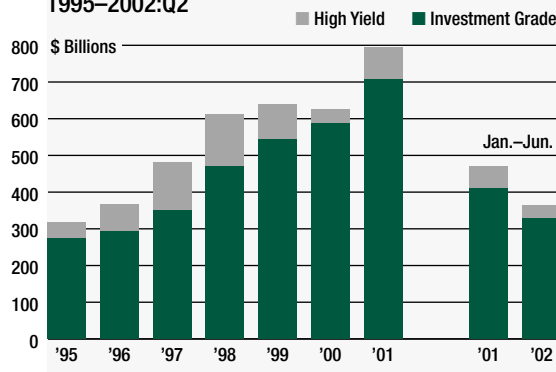
High-Yield Issuance Decreases

Issuance in the nonconvertible high-yield sector totaled \$36.6 billion in the first half of the year, down 37.9 percent from the \$59.0 billion issued during the same period one year ago. However, issuance increased to \$19.8 billion in the second quarter of the year, up 17.9 percent from the \$16.8 billion issued during the first quarter, but still down 32.9 percent from the \$29.5 billion issued in the second quarter of 2001. Overall, investor concerns about corporate scandals, bankruptcies and downgrades have plagued the sector in recent past. Issuance was down in most high-yield sectors during the first half of the year.

Trading Volume Slows in Second Quarter

The average daily corporate bond trading volume by primary dealers for bonds with maturities of greater than one year was \$18.9 billion in the second quarter of 2002, down 6.9 percent from the \$20.3 billion in the first quarter, reflective of a market where secondary market liquidity has eroded in recent months.

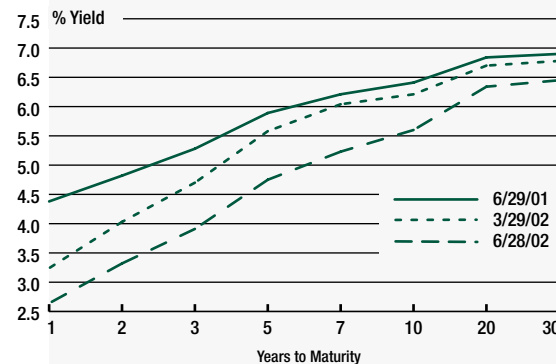
**Corporate Bond Issuance⁽¹⁾
1995–2002:Q2**



⁽¹⁾ Includes all nonconvertible debt, MTNs and Yankee bonds, but excludes all issues with maturities of one year or less, CDs and federal agency debt.

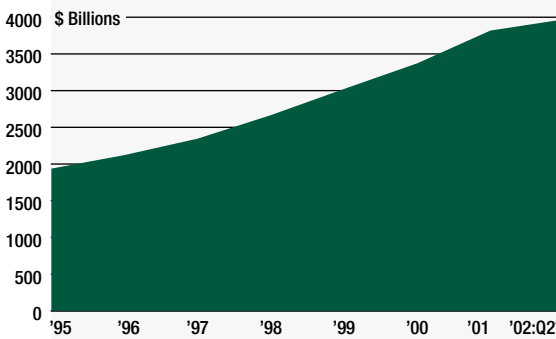
Source: Thomson Financial Securities Data

U.S. Corporate: AA Industrial-Yield Curves



Source: Bloomberg

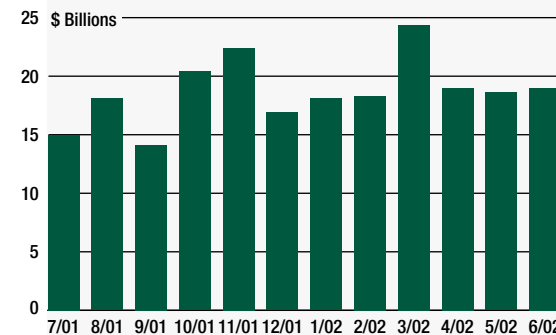
**Corporate Debt Outstanding
1995–2002:Q2***



* The Bond Market Association estimates

Sources: The Bond Market Association, Federal Reserve System

**Average Daily Trading Volume of Corporate Bonds⁽¹⁾
July 2001–June 2002**



⁽¹⁾ Primary dealer activity; excludes all issues with maturities of one year or less

Source: Federal Reserve Bank of New York

ABS Activity Increases

Issuance in the asset-backed securities (ABS) market remained strong during the first half of 2002, totaling \$237.9 billion, up 6.2 percent from the \$223.9 billion issued in the same period last year. The volatility and uncertainty of the corporate bond market have helped attract both investors and issuers to the ABS market. Present market conditions make ABS safer than corporate bonds while offering higher yields than U.S. Treasuries. Public and private offering volumes headed in different directions in the first half of the year. New publicly offered issuance volume increased 16.8 percent, to \$199.7 billion in the first half of 2002, up from the \$171.1 billion issued during the same period of 2001. In contrast, private-placement ABS issuance totaled \$38.2 billion, down 27.9 percent from the \$52.9 billion issued in the first half of 2001. On a quarter-to-quarter basis, combined publicly and privately offered issuance increased during the second quarter. Total issuance increased to \$128.9 billion in the second quarter of 2002, up 17.2 percent from issuance in the first quarter of 2002 and up 17.4 percent from issuance in the second quarter of 2001. First-half activity across major sectors was mixed, with volume increases in the auto loan, home equity, manufactured housing and student loan sectors, and volume decreases in the credit card, equipment lease and stranded cost sectors.

Auto Loan and Home Equity New Issues Up

New issue activity in the home equity sector totaled \$67.7 billion in the first half of 2002, up 12.8 percent from the \$60.1 billion issued during the same period last year. Overall, the sector continues to benefit from the low-interest-rate environment and a high number of loan originations. Auto loan issuance increased 21.6 percent, to \$46.2 billion in the first half of the year, up from the \$38.0 billion issued during the same period one year ago. Auto sales have been robust, and manufacturers continue to use the ABS market as a low-cost financing alternative.

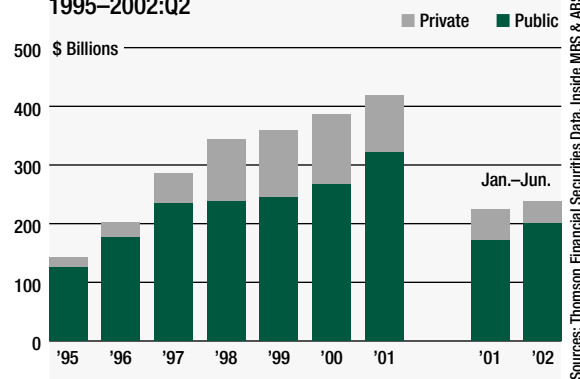
Student Loans and Manufactured Housing Post Gains

Issuance in the student loan sector increased strongly, to \$16.9 billion in the first half of the year, more than double the \$7.7 billion issued during the same period one year ago. The return of Sallie Mae to the market buoyed issuance in the first half of the year. Issuance backed by manufactured housing loans increased 36.8 percent, to \$3.5 billion in the first two quarters of the year, up from the \$2.6 billion issued during the same period in 2001. The sector had been struggling for several quarters because of high inventory and repossessions, but issuance in the second quarter of 2002 increased to \$2.1 billion, more than double the \$0.7 billion issued in the second quarter of 2001.

Other Major Sectors Slow

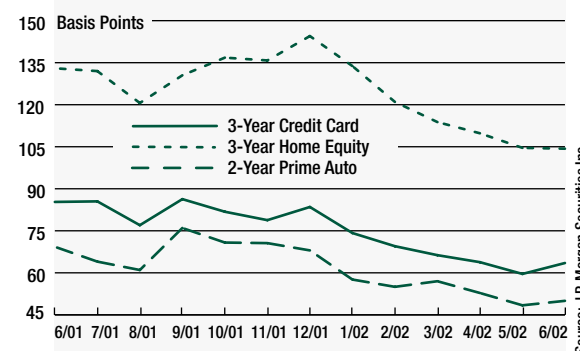
Among other major sectors, securities backed by credit card receivables had the largest decrease, with volume totaling \$40.5 billion in the first half of the year, a 17.3 decrease versus the \$48.9 billion issued during the first half of 2001. However, issuance rebounded in the second quarter of the year, totaling \$25.4 billion, up 68.2 percent from first-quarter levels. Issuance in the equipment lease sector decreased to \$3.5 billion in the first half of 2002, down 29.6 from the \$5.0 billion issued during the same period last year.

Issuance of Asset-Backed Securities 1995–2002:Q2



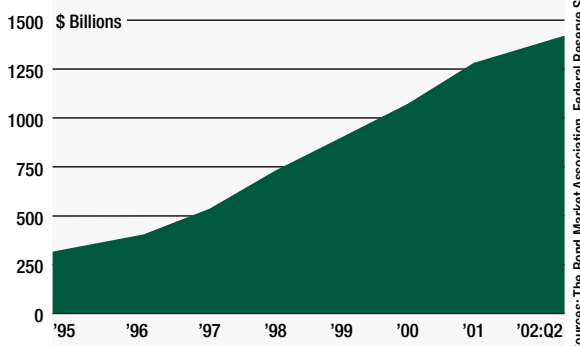
Sources: Thomson Financial Securities Data, Inside MBS & ABS

Asset-Backed Spreads to U.S. Treasury June 2001–June 2002



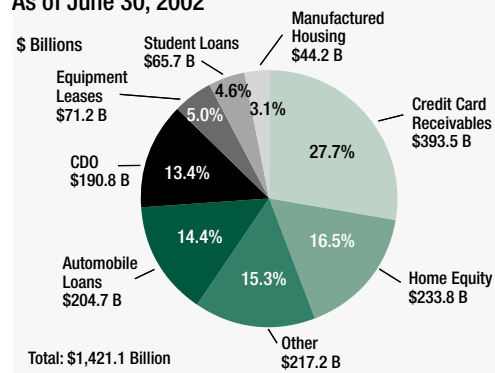
Source: J.P. Morgan Securities Inc.

Asset-Backed Securities Outstanding 1995–2002:Q2



Sources: The Bond Market Association, Federal Reserve System

ABS Outstanding by Major Types of Credit As of June 30, 2002



Sources: Federal Reserve System, The Bond Market Association

Mortgage-Related Securities Volume Up

Mortgage-related securities issuance, which includes agency and private-label pass-throughs and CMOs, totaled \$1.01 trillion in the first half of this year, up 51.6 percent from the \$664.1 billion issued during the same period in 2001. Issuance increased 9.8 percent in the second quarter of 2002, to \$459.7 billion when compared to the \$418.8 billion issued in the second quarter of 2001. However, issuance in the second quarter fell 16.0 percent from the \$547.0 billion issued during the first quarter of 2002.

New issue activity of private-label MBS increased to \$128.1 billion in the first half of 2002, up 37.6 percent from the \$93.1 billion issued during the same period last year. Issuance of private-label MBS was up 25.8 percent from the \$55.0 billion issued in the second quarter of 2001.

Agency MBS Rises

Agency mortgage-backed securities (MBS) issuance increased to \$637.6 billion in the first half of the year, up 38.8 percent versus the \$459.5 billion issued during the first half of 2001. However, issuance was down on a quarter-to-quarter basis. MBS new issue volume totaled \$277.4 billion in the second quarter, down 4.9 percent from the second quarter of 2001 and down 23.0 percent from the first quarter of 2002. The low-interest-rate environment continued to spur refinancing activity and mortgage origination during the first half of the year. The Mortgage Bankers Association 30-year fixed-rate mortgage index decreased to 6.71 percent in the second quarter of 2002, down from 6.93 percent in the first quarter of 2002. Fannie Mae's issuance increased to \$311.0 billion in the first half of the year, up 37.2 percent from the \$226.7 billion issued in the first-half of 2001. New issue volume of Freddie Mac MBS totaled \$240.4 billion in the first two quarters of 2002, up 52.8 percent from last year's first-half volume. Issuance of Ginnie Mae MBS increased 14.2 percent in the first half of 2002, to \$86.2 billion, up from the \$75.5 billion issued during the same period last year. All three agencies experienced declines in issuance in the second quarter of 2002 relative to the first.

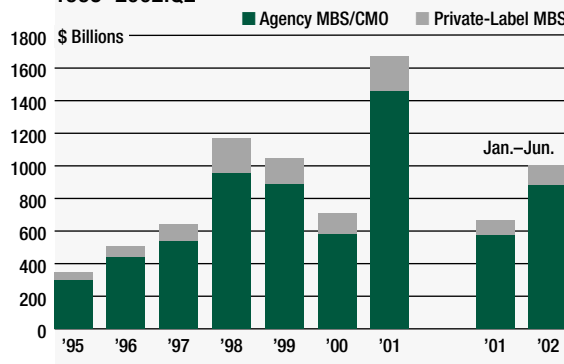
Agency CMO Issuance Increases Sharply

Issuance in the agency collateralized mortgage obligation (CMO) market increased to \$241.0 billion in the first half of 2002, more than double the \$111.5 billion issued during the first two quarters of 2001. Freddie Mac CMO new issue activity totaled \$148.7 billion, up from the \$71.9 billion issued last year during the same period. Additionally, CMO issuance volume of both Fannie Mae and Ginnie Mae increased during the first half of the year. Fannie Mae issuance increased to \$58.4 billion, up from the \$22.2 billion issued during the same period of 2001. Issuance of Ginnie Mae CMOs almost doubled to \$33.9 billion, when compared to the \$17.4 billion issued during the first half of 2002.

Trading Volume Continues to Climb

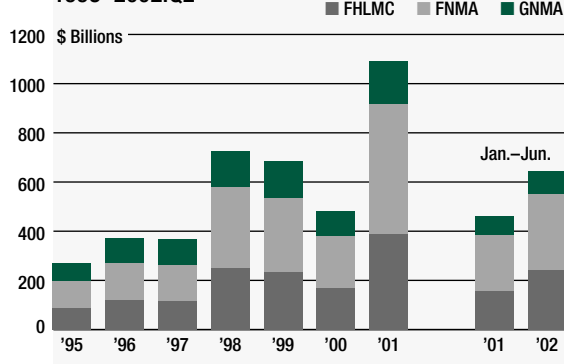
Average daily trading volume in agency mortgage-backed securities by primary dealers averaged \$135.0 billion in the first half of 2002, up 32.1 percent from the average of \$102.2 billion during the first half of 2001.

Issuance of Mortgage-Related Securities
1995–2002:Q2



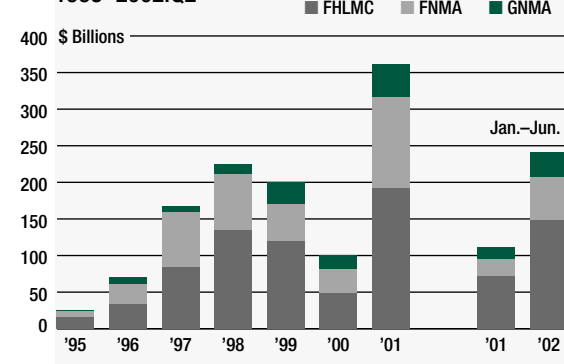
Sources: Fed. Agencies, Thomson Financial Sec. Data, Inside MBS & ABS

Issuance of Agency Mortgage-Backed Securities
1995–2002:Q2



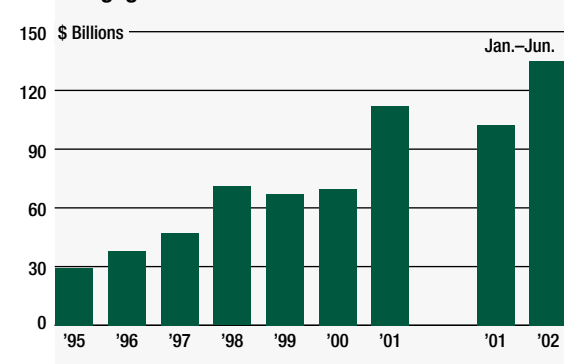
Sources: GNMA, FNMA, FHLMC

Issuance of Agency CMOs
1995–2002:Q2



Sources: GNMA, FNMA, FHLMC

Average Daily Trading Volume of Agency
Mortgage-Backed Securities⁽¹⁾ 1995–2002:Q2



Source: Federal Reserve Bank of New York

⁽¹⁾ Primary Dealer Activity

Outstanding Repo Agreements Increase to \$3.26 Trillion

The average volume of total outstanding repurchase (repo) and reverse repo agreement contracts totaled \$3.45 trillion for the first half of 2002, an increase of 16.8 percent over the average volume of \$2.95 trillion during the same period of 2001. Outstanding repo agreements averaged \$2.0 trillion through June 2002, an increase of 18.8 percent from the \$1.68 trillion volume during the same period of 2001. Outstanding reverse repo agreements averaged \$1.45 trillion during the first two quarters of 2002, a gain of 14.2 percent from last year's level of \$1.27 trillion through the second quarter. The data represent financing activities of the primary dealers reporting to the Federal Reserve Bank of New York and include repo and reverse repo agreements involving U.S. government, federal agency, mortgage-backed agency securities and, beginning with the third quarter of 2001, corporate securities.

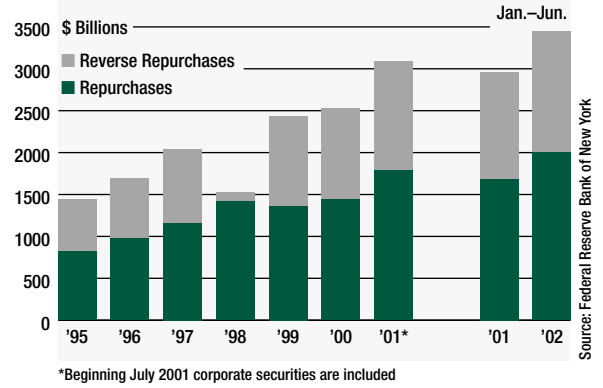
The Government Securities Clearing Corporation (GSCC), a registered clearing corporation that facilitates orderly settlements in the U.S. government securities market, tracks repo trades settled through its system by product type. In excess of \$105.4 trillion in repo trades were submitted by GSCC participants during the first half of 2002, with an average daily volume of approximately \$850.3 billion. Repo transactions involving Treasury notes accounted for the largest share of GSCC repo activity, representing \$67.5 trillion, or 64.0 percent of the period's total volume. Repos involving Treasury bonds accounted for an estimated \$6.9 trillion, or 6.5 percent of the total, and Treasury bills accounted for \$10.5 trillion, or 10.0 percent of the activity for the first half of the year. Transactions involving federal agency securities continued to increase, accounting for 15.0 percent of 2002's first-half volume, up from 12.1 percent for the same period of 2001.

CP Outstanding Continues to Decline

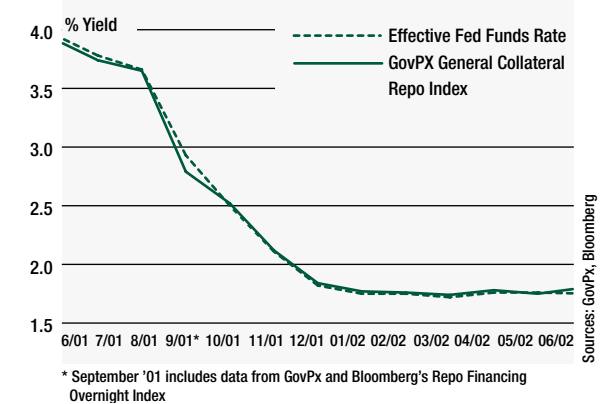
Outstanding volume of money market instruments, including commercial paper (CP), large time deposits and bankers' acceptances (BAs), totaled an estimated \$2.54 trillion as of June 30, 2002, a less than one percent decrease from the \$2.56 trillion outstanding as of March 31. Commercial paper outstanding declined 4.1 percent, to \$1.32 trillion as of the end of June, from \$1.38 trillion as of the end of the first quarter. Outstanding nonfinancial CP decreased 8.2 percent to \$169.7 billion at the end of the second quarter, from \$184.9 billion outstanding at the end of March. Financial CP outstanding also decreased, totaling \$1.15 trillion at the end of the second-quarter 2002, a 3.5 percent decrease from the \$1.19 trillion outstanding at the end of March. The use of commercial paper has declined in recent quarters due principally to market concerns over issuer credit quality.

The outstanding level of large time deposits rose to an estimated \$1.21 trillion as of June 30, 2002, a 2.8 percent increase over the \$1.18 trillion outstanding at the end of the first quarter. Banker's acceptances continued to decline, to an estimated \$4.2 billion in June 2002, down 6.7 percent from the \$4.5 billion outstanding as of March 2002.

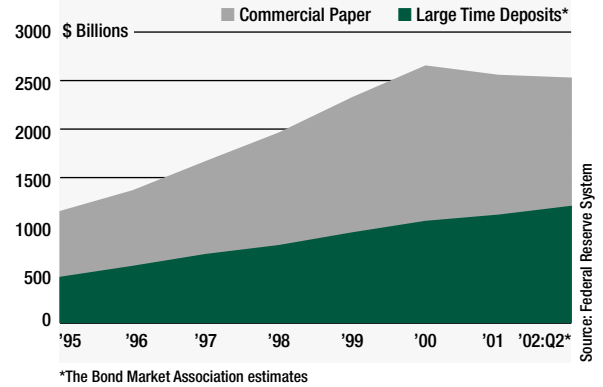
Financing by U.S. Government Securities Dealers
Average Amount Outstanding 1995–2002:Q2



General Collateral Repo Index vs. Effective Fed Funds Rate Jun. 2001–Jun. 2002



Outstanding Money Market Instruments
1995–2002:Q2



Domestic Money Markets Interest Rates
Monthly Averages June 2001–June 2002

