FIGURE 1

Gross Domestic Product

Real Gross Domestic Product

(Percent change, seasonally adjusted annual rate)

Note: Real GDP growth is measured at seasonally adjusted annual rates.

Note: Cross-hatched areas represents recessions.


NB: The end of the current recession as depicted in Figure 2 is inconsistent with the NBER’s dating, which lists the terminal month/year as June ‘09.
FIGURE 3

Leverage Ratios For Major Investment Banks

The leverage ratio is a measure of the risk taken by a firm; a higher ratio indicates more risk. It is calculated as total debt divided by stockholders equity. Each firm's ratio increased between 2003-2007.

Source: Data: Company Annual Reports (SEC Form 10K)

FIGURE 4

Figure 1: Shadow Bank Liabilities vs. Traditional Bank Liabilities, $ tril

Source: Flow of Funds Accounts of the United States as of 2010:Q1 (FRB) and FRED.
Figure 2.1.
Figure 2-8
30-Year Fixed Rate Mortgage Rate

Note: Contract interest rate for first mortgages.
Source: Freddie Mac, Primary Mortgage Market Survey.
Source: Inside Mortgage Finance. HEL is Home Equity Loan.
FIGURE 8

Times were good....
FIGURE 9

FACE VALUE OF DERIVATIVES CONTRACTS

The derivatives market has greatly expanded in the last decade, and it is largely controlled by a group of big banks. The European Commission opened an investigation on one type of derivative, called a credit default swap, which is used to insure against corporations or other borrowers defaulting on loans.

Source: Bank for International Settlements

The New York Times
Figure 2

U.S. House Prices and Foreclosures

NOTE: Foreclosures data are from the Mortgage Bankers Association; the house price index (HPI) is the S&P/Case-Shiller National Home Price Index. Vertical gray bars indicate recessions.
Figure 11

MBS valuations plunge

AAA ABX.HE Indexes

Source: Markit

Heitfield -- Federal Reserve Board
TED Spread and Moody’s BAA-AAA Spread

Notes: The TED spread is defined as the three-month London Interbank Offered Rate (Libor) less the yield on the three-month U.S. Treasury security. Moody’s BAA-AAA spread is the difference between Moody’s indexes of yields on AAA and BAA rated corporate bonds.
Source: Bloomberg.
Figure 2-3
TED Spread and Moody’s BAA-AAA Spread Through December 2008

Notes: The TED spread is defined as the three-month London Interbank Offered Rate (Libor) less the yield on the three-month U.S. Treasury security. Moody’s BAA-AAA spread is the difference between Moody’s indexes of yields on AAA and BAA rated corporate bonds.
Source: Bloomberg.
Outstanding commercial paper fell dramatically as asset-backed commercial paper (ABCP) spreads spiked in the summer of 2007 and the early fall of 2008 before recovering in late fall.

Sources: Federal Reserve Board and the Treasury Department.
FIGURE 15

S&P 500 Stock Price Index

Index (1941-43=10)

Source: Bloomberg.
<table>
<thead>
<tr>
<th></th>
<th>30-Jun-07</th>
<th>30-Dec-08 (or last date of trade)</th>
<th>Percentage Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIG</td>
<td>1,400.60</td>
<td>31.2</td>
<td>-97.77%</td>
</tr>
<tr>
<td>Bank of America</td>
<td>47.71</td>
<td>13.24</td>
<td>-72.25%</td>
</tr>
<tr>
<td>Bear Sterns</td>
<td>140.00</td>
<td>6.6899 (Sold to JP Morgan Chase, 3/08 for $10)</td>
<td>-95.22%</td>
</tr>
<tr>
<td>Citicorp</td>
<td>51.64</td>
<td>6.8</td>
<td>-86.83%</td>
</tr>
<tr>
<td>Goldman, Sachs</td>
<td>219.18</td>
<td>82.06</td>
<td>-62.56%</td>
</tr>
<tr>
<td>JP Morgan Chase</td>
<td>49.15</td>
<td>31.01</td>
<td>-36.91%</td>
</tr>
<tr>
<td>Lehman</td>
<td>75.8</td>
<td>0.03</td>
<td>-99.96%</td>
</tr>
<tr>
<td>Merrill, Lynch</td>
<td>24.45</td>
<td>29 (Sold to BoA, 9/10, for $29)</td>
<td>18.61%</td>
</tr>
<tr>
<td>Wachovia</td>
<td>51.25</td>
<td>5.73 (Sold to Wells, Fargo 12/08 for 5.73)</td>
<td>-88.82%</td>
</tr>
<tr>
<td>Wells, Fargo</td>
<td>35.51</td>
<td>28.8</td>
<td>-18.90%</td>
</tr>
</tbody>
</table>
FIGURE 17

Fig. 2. Chief executive officer (CEO) insider trading. The figure shows the average total changes in CEO ownership and ownership changes caused by trading and new grants. The sample contains 80 bank CEOs that are covered by both ExecuComp and Thomson Financial's insider trading database. A CEO who retired prior or September 2007 is excluded from the sample. For each CEO, all insider transactions unrelated to option exercises reported by Thomson Financial are aggregated by firm and quarter. If a CEO does not trade or does not receive new grants, he is included in the cross-sectional average for a given quarter with a value of zero. The change in ownership is defined as the number of shares traded or granted divided by the total CEO ownership from stocks, excluding options, at the end of fiscal year 2006.

Source: Fahlbruch and Stulz, Figure 2, p.24