

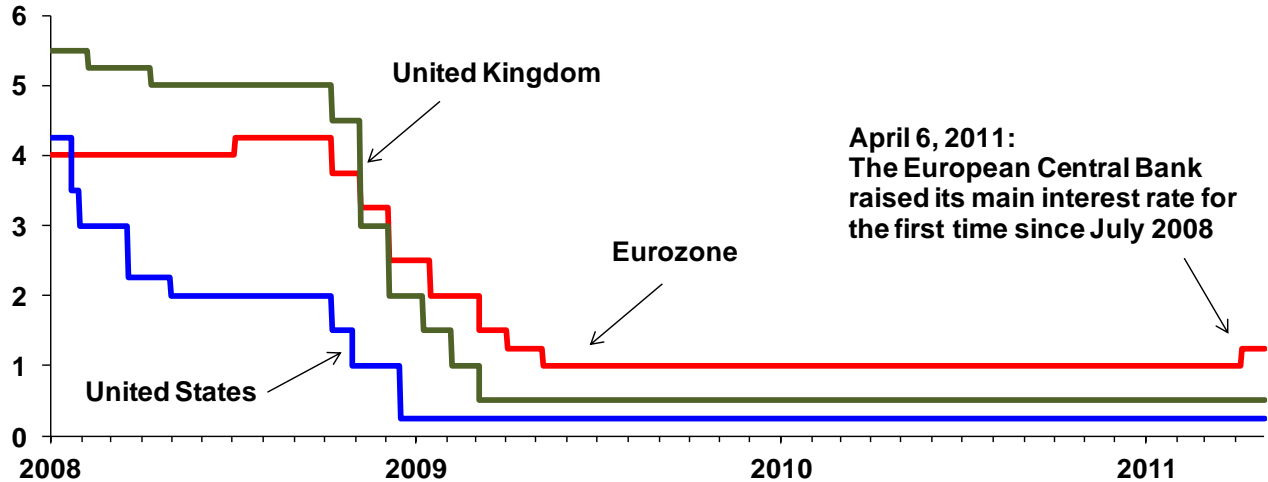
# Interest rates for advanced economies

## Target interest rates of central banks



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Policy interest rates, percent



Source: Bloomberg.

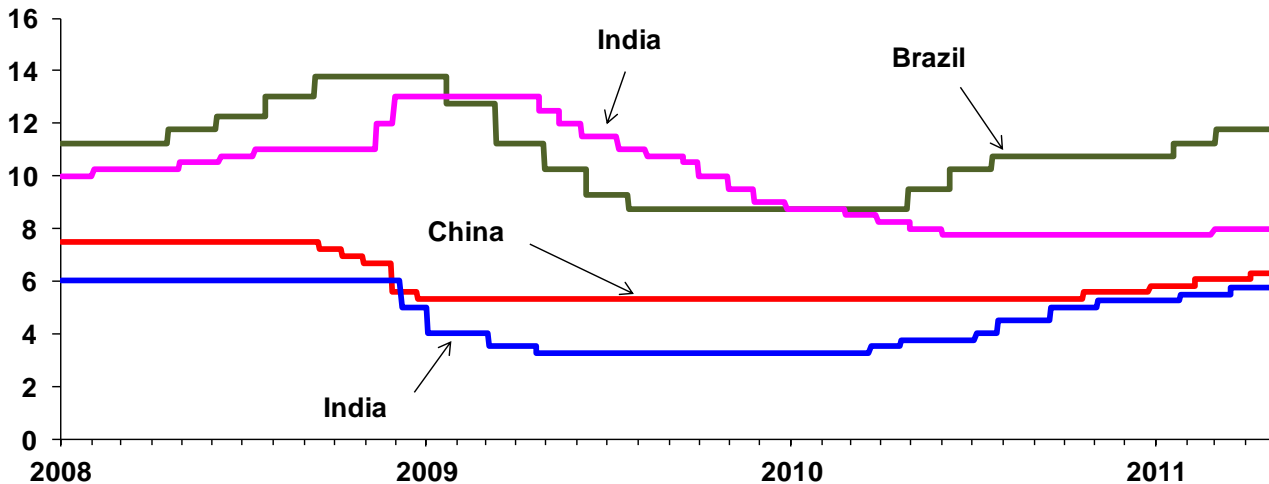
# Emerging countries have tightened monetary policy in fear of inflation

*Target interest rates of central banks*



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Policy interest rates, percent



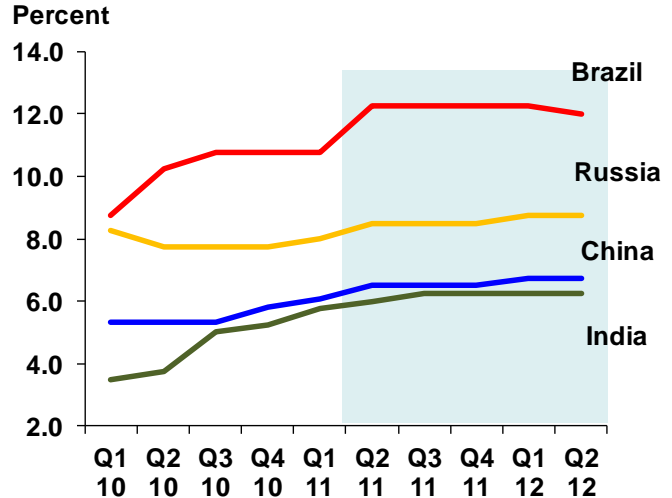
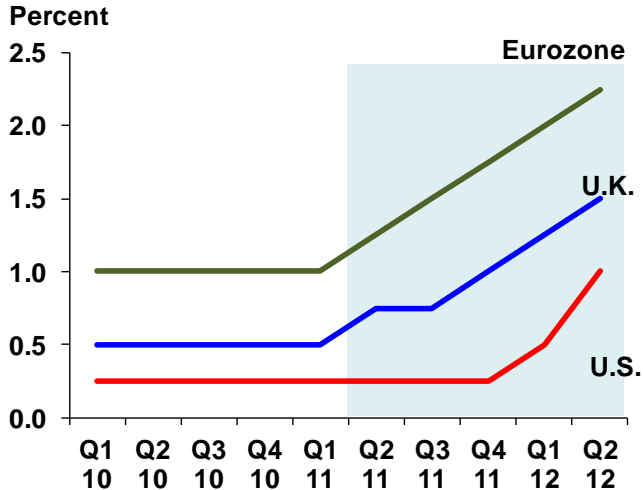
Source: Bloomberg.

# End of the era of cheap capital?

*Consensus forecasts: Central bank rates will increase in the next 12 months*



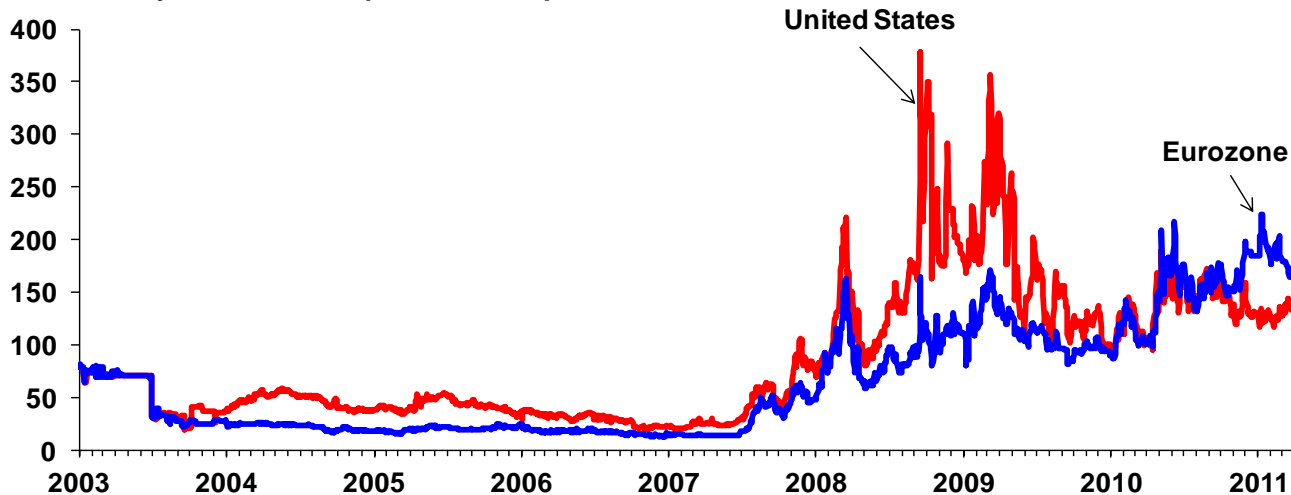
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Source: Bloomberg.

# Bank CDS spreads: Still elevated

Median 10-year bank CDS spreads, basis points



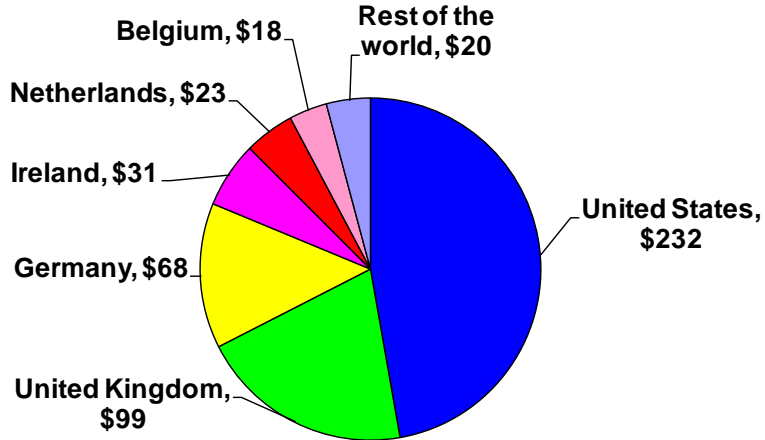
# Government capital investments in financial firms

*Most recently available data, as of April 6, 2011 (US\$ billions)*



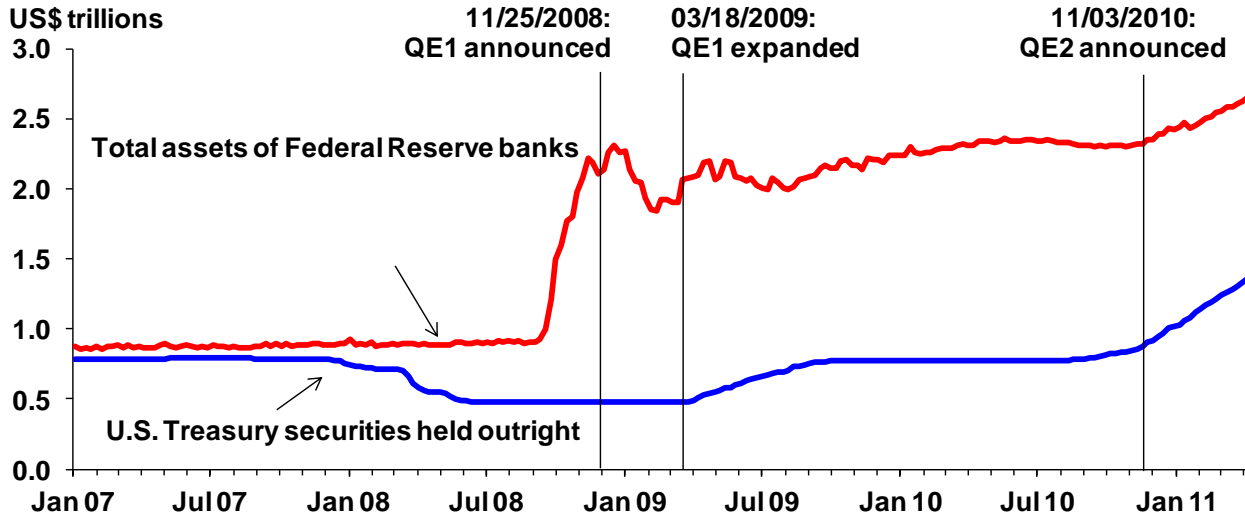
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**Total outstanding = \$491 billion**



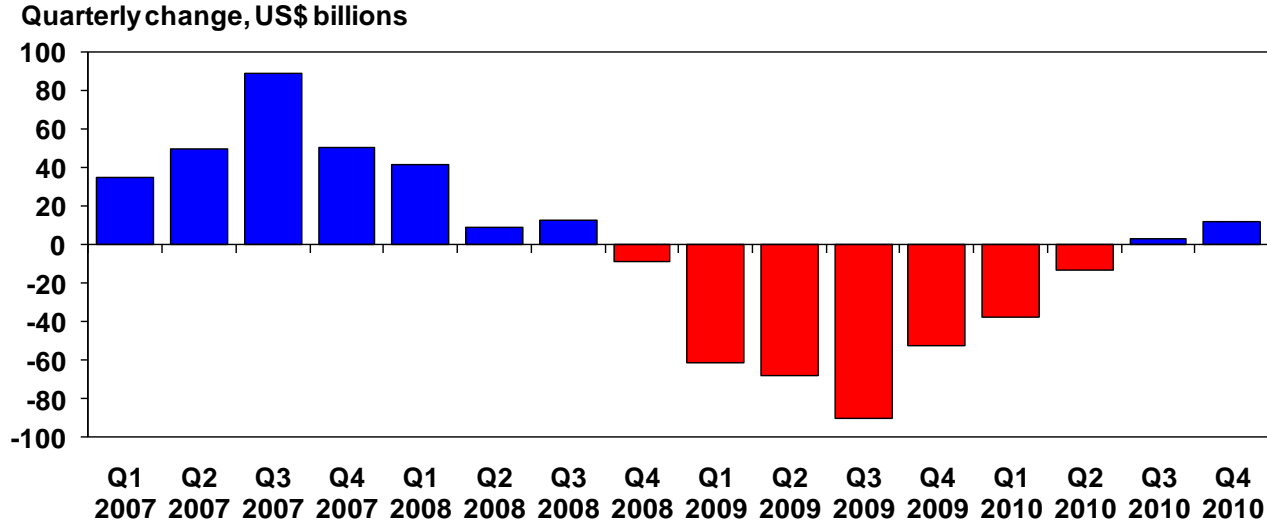
Source: Bloomberg.

# The Fed engages in quantitative easing



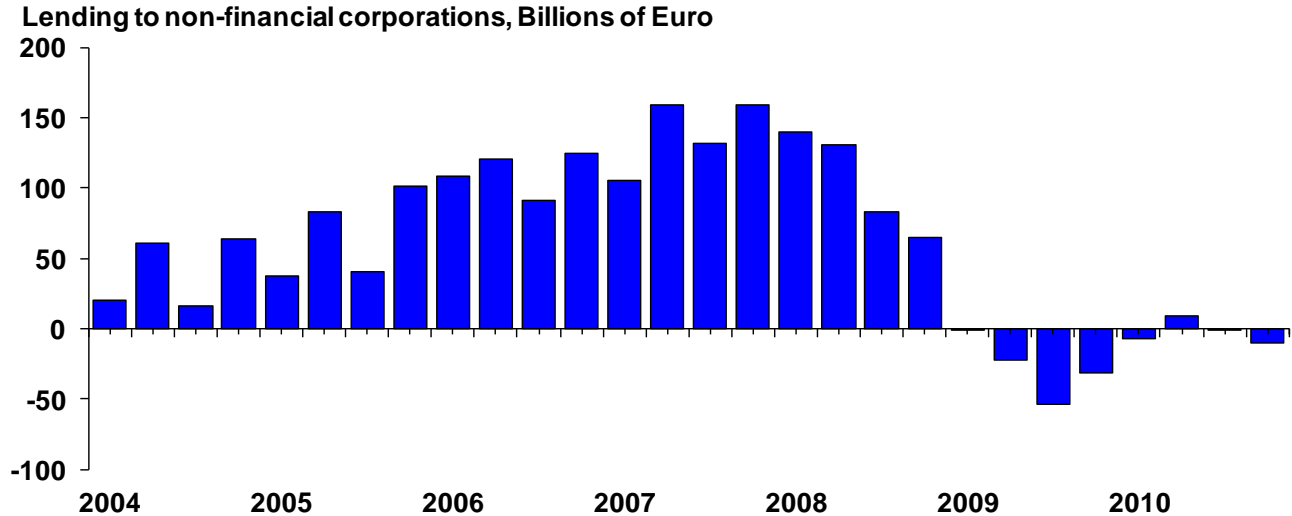
Sources: Federal Reserve, Milken Institute.

# Industrial and commercial loans by all U.S. depository institutions





# Europe: Banks are still not lending



Source: European Central Bank



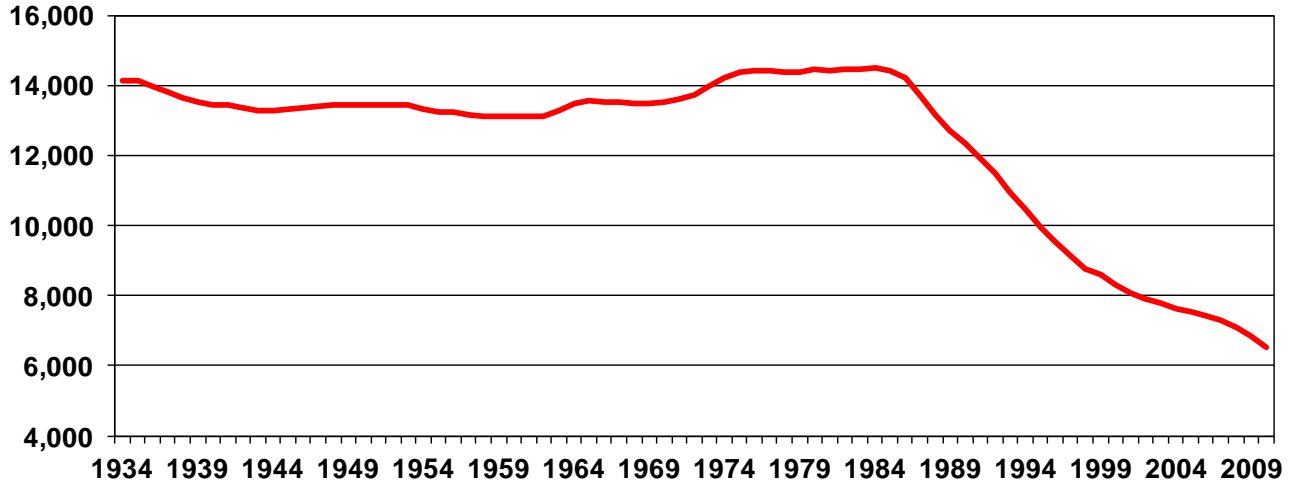
# Consolidation in the U.S. banking industry



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1934 to 2010

Number of commercial banks



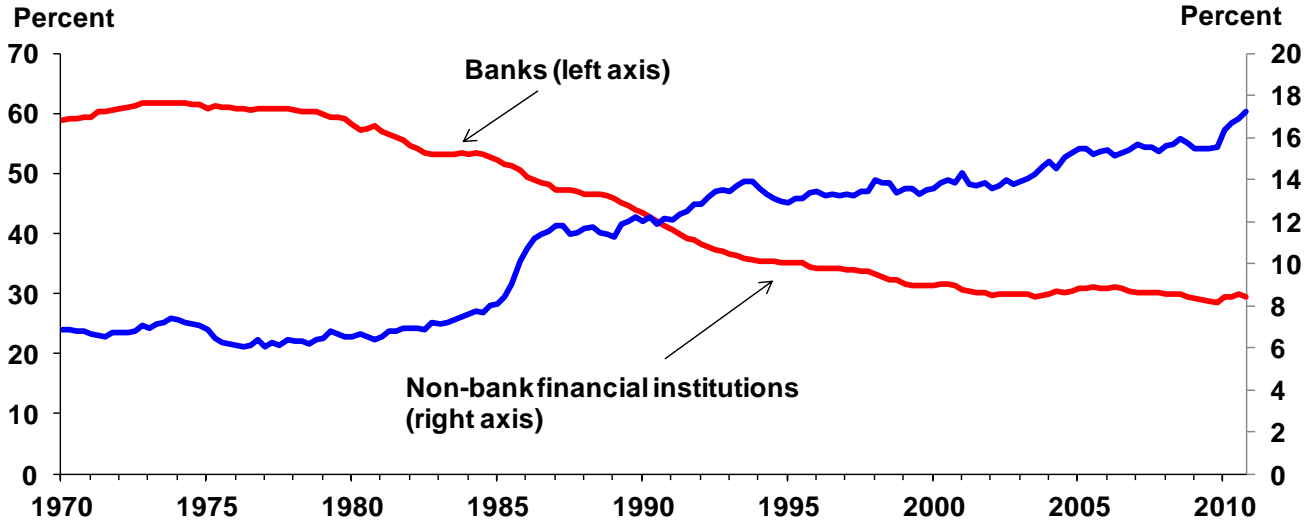
Source: FDIC.

# Non-bank institutions are playing an ever-larger role in U.S. financial sector



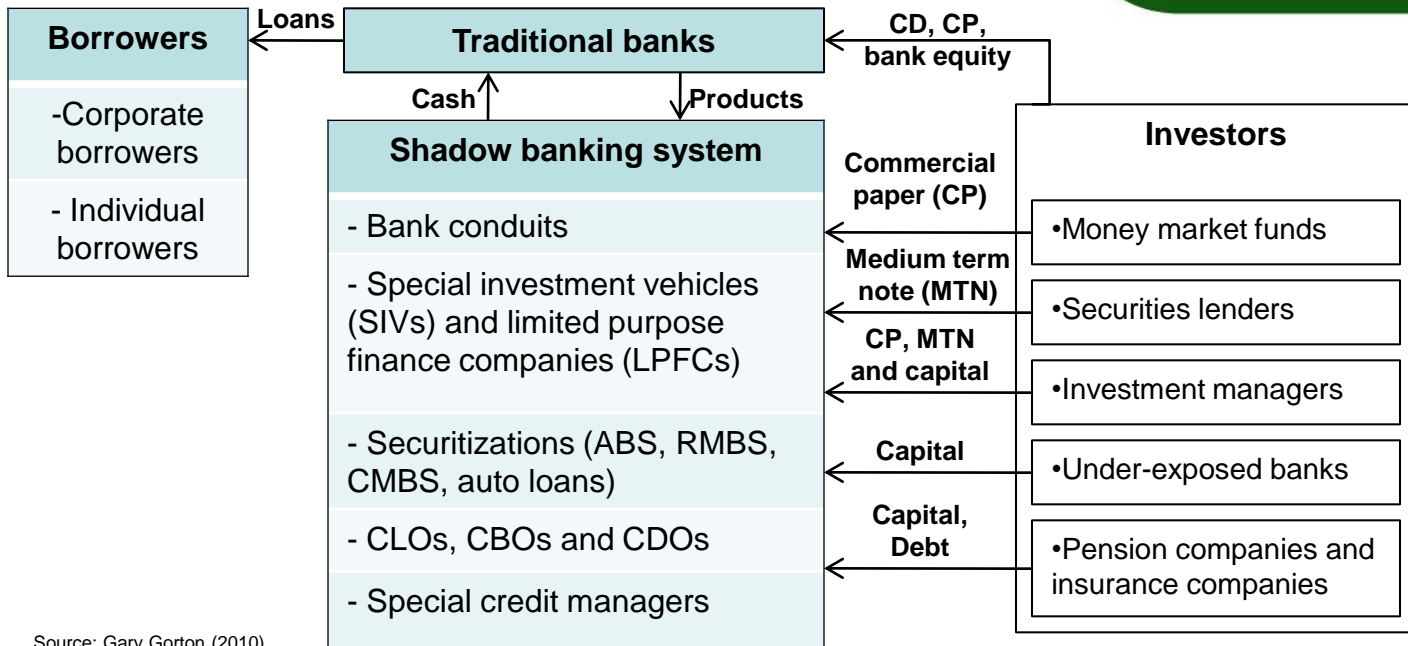
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*Share of financial sector assets, 1970 to 2010*



Source: Federal Reserve, Flow of Funds.

# Traditional vs. parallel banking system



# Are the biggest banks in the world too big to fail?

*Trillion dollar banks, ranked by assets, 2010*

| Bank                     | Country | Total Assets (US\$ trillions) | Market Cap (US\$ billions) | Bank                          | Country     | Total Assets (US\$ trillions) | Market Cap (US\$ billions) |
|--------------------------|---------|-------------------------------|----------------------------|-------------------------------|-------------|-------------------------------|----------------------------|
| 1 BNP Paribas            | France  | 2.7                           | 92                         | 13 China Construction Bank    | China       | 1.6                           | 240                        |
| 2 Deutsche Bank          | Germany | 2.5                           | 56                         | 14 Banco Santander            | Spain       | 1.6                           | 102                        |
| 3 HSBC Holdings          | U.K.    | 2.5                           | 192                        | 15 Bank of China              | China       | 1.6                           | 150                        |
| 4 Barclays               | U.K.    | 2.3                           | 59                         | 16 Agricultural Bank of China | China       | 1.6                           | 146                        |
| 5 Royal Bank of Scotland | U.K.    | 2.3                           | 77                         | 17 Lloyds Banking             | U.K.        | 1.5                           | 69                         |
| 6 Bank of America        | U.S.    | 2.3                           | 138                        | 18 Societe Generale           | France      | 1.5                           | 50                         |
| 7 Mitsubishi UFJ         | Japan   | 2.2                           | 62                         | 19 UBS                        | Switzerland | 1.4                           | 71                         |
| 8 Credit Agricole        | France  | 2.1                           | 40                         | 20 Sumitomo Mitsui            | Japan       | 1.3                           | 41                         |
| 9 JPMorgan Chase         | U.S.    | 2.1                           | 188                        | 21 Wells Fargo                | U.S.        | 1.3                           | 169                        |
| 10 ICBC                  | China   | 2.0                           | 258                        | 22 Credit Suisse              | Switzerland | 1.1                           | 52                         |
| 11 Citigroup             | U.S.    | 1.9                           | 131                        | 23 Commerzbank                | Germany     | 1.0                           | 11                         |
| 12 Mizuho Financial      | Japan   | 1.7                           | 33                         |                               |             |                               |                            |

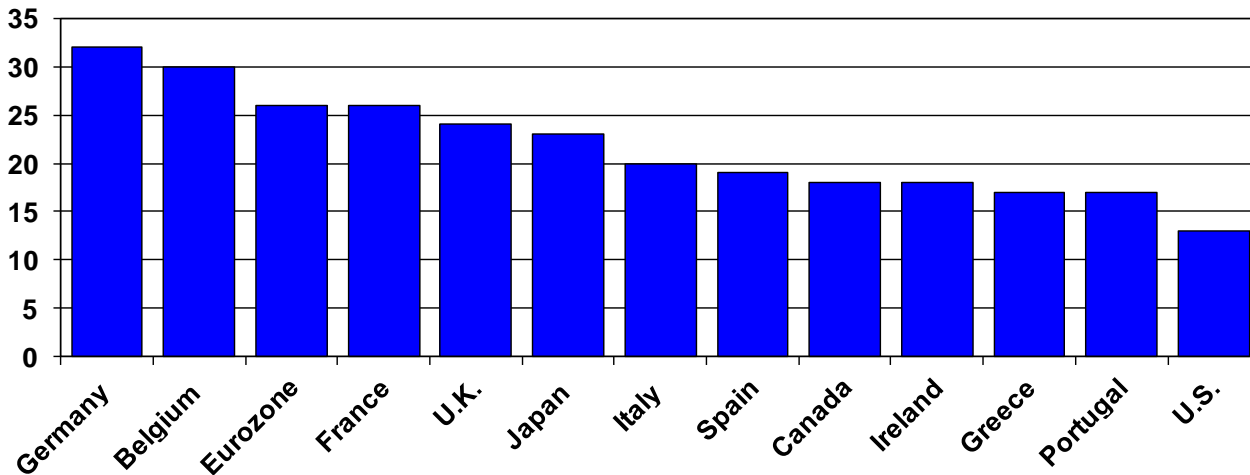
Sources: Bloomberg, Milken Institute.

Note: Market capitalization is from April 6, 2011.

# Bank leverage ratios

2010

Tangible assets to tangible common equity



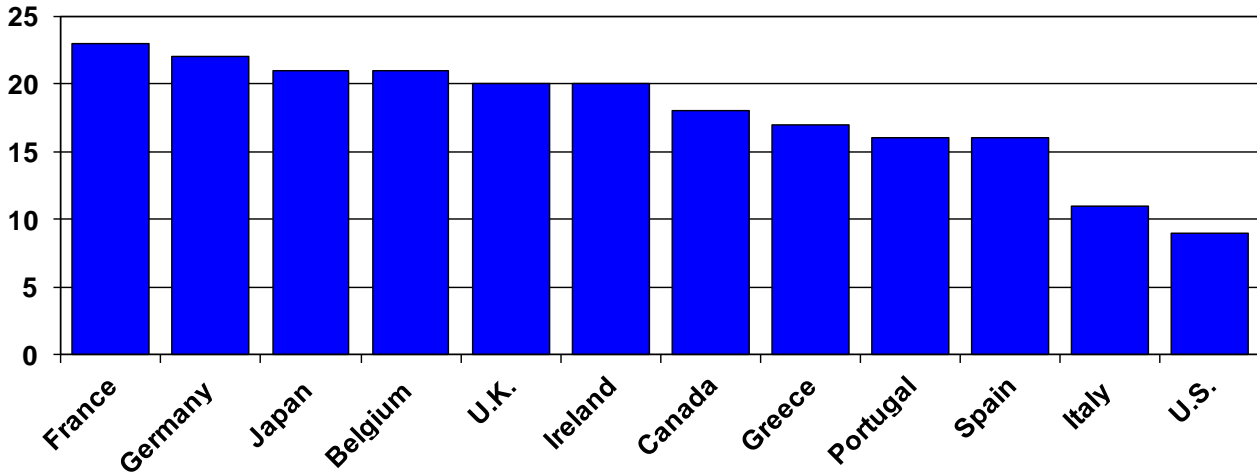
# Bank leverage ratios (tier 1 capital ratio)

2010



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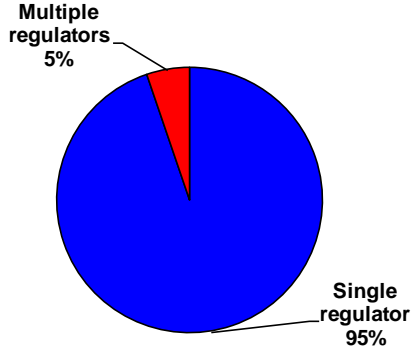
Tier 1 capital ratio



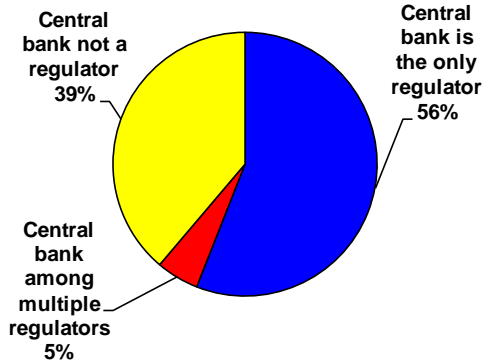
Source: International Monetary Fund.

# Most countries have a single regulator and it only regulates banks; what should the U.S. do?

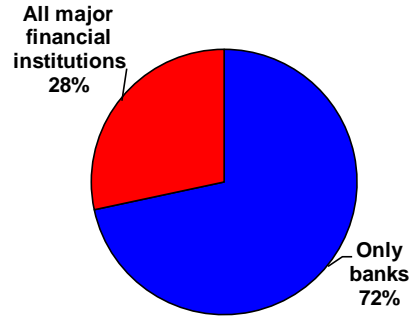
**Single vs. multiple bank regulators**  
Based on 134 countries



**Is central bank a bank regulator?**  
Based on 134 countries



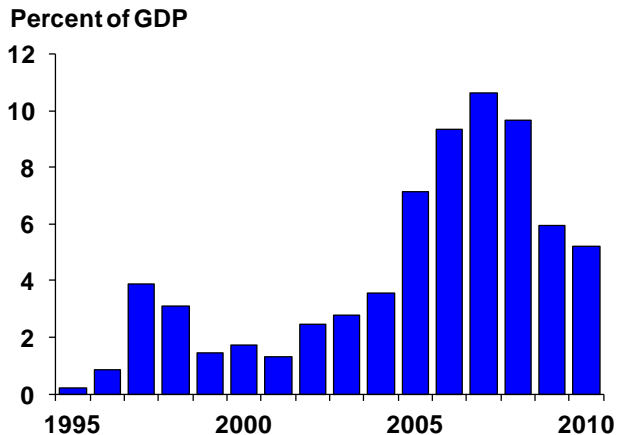
**What's the scope for the bank regulator?**  
Based on 134 countries



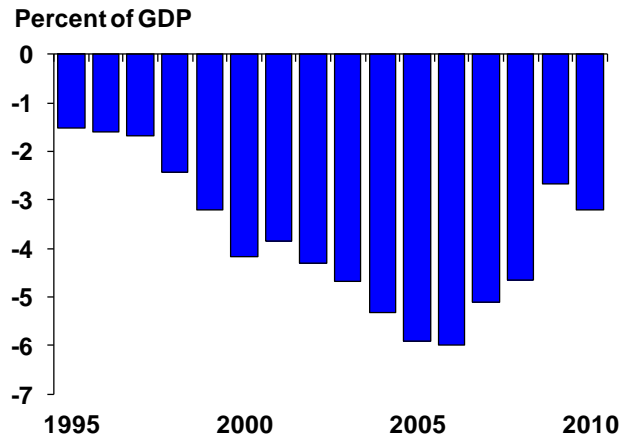
Source: World Bank Survey III.

# Current account balance: China vs. U.S.

## China



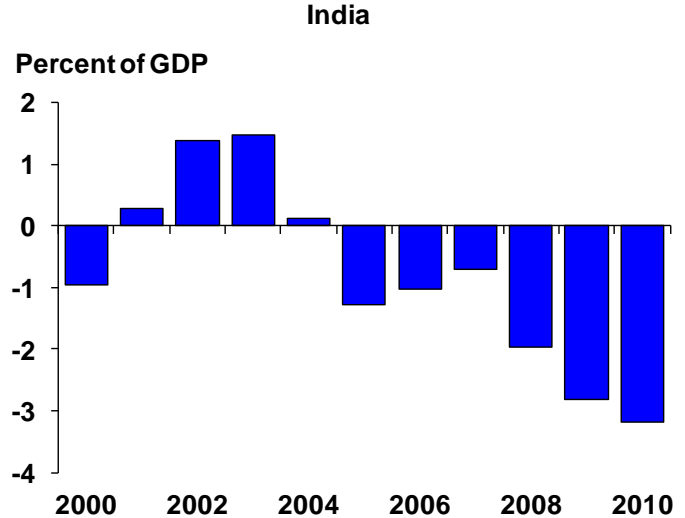
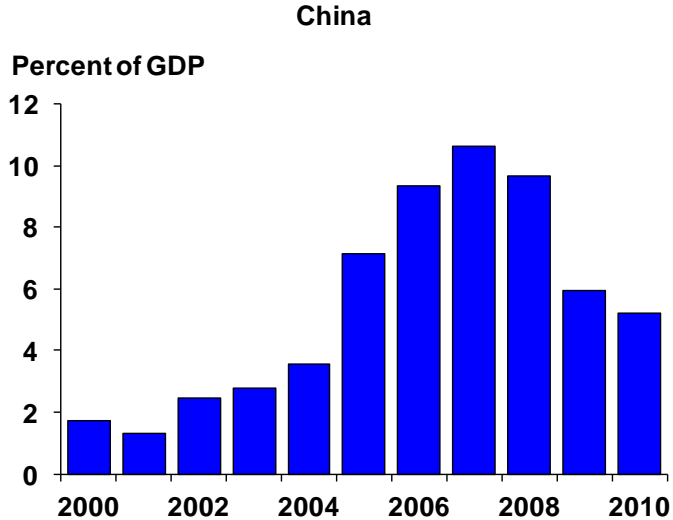
## United States







# Current account balance: China vs. India



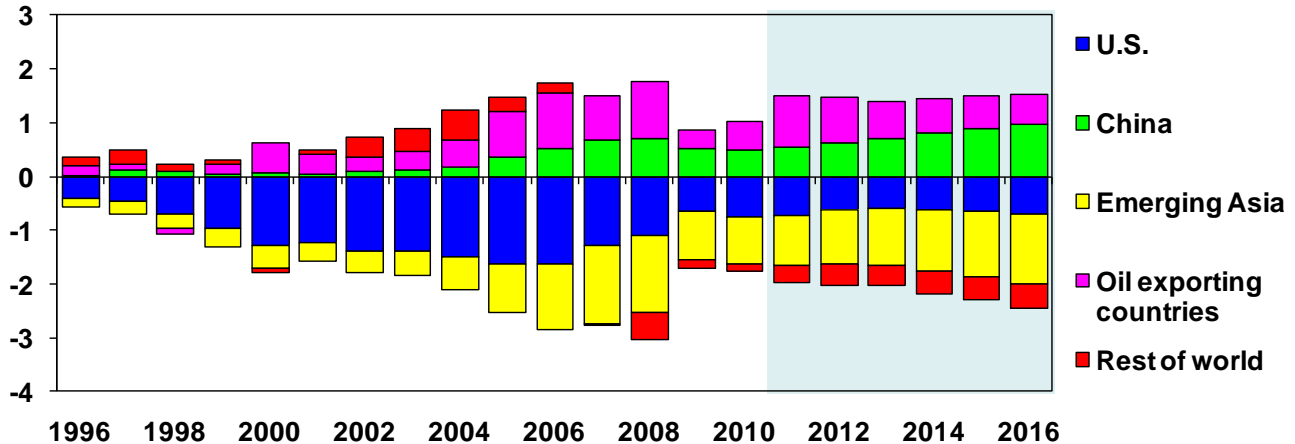
# Global imbalances on the rise again

*Projections after 2010*



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Percent of world GDP



Sources: International Monetary Fund, Milken Institute.  
Note: Discrepancies are not plotted.