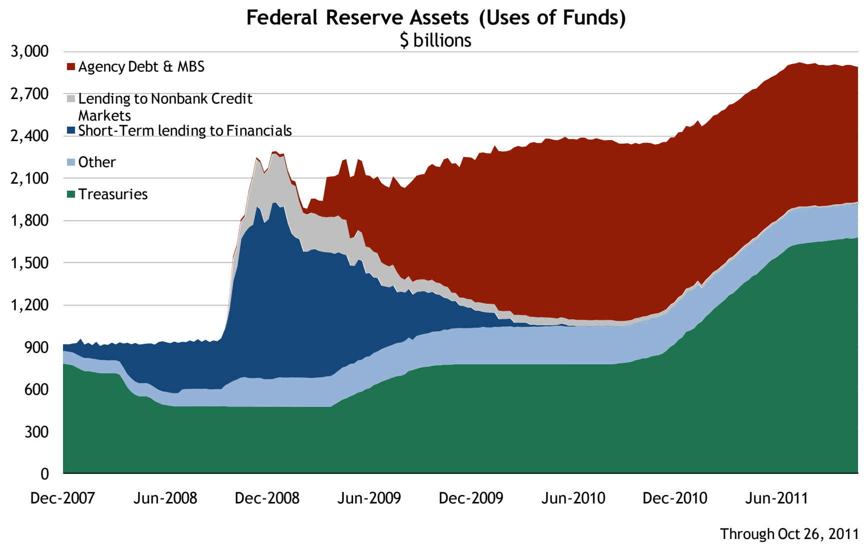
FEDERAL RESERVE BANK of ATLANTA

November 2, 2011

Financial Highlights

Summary

Between October 19 and October 26, the balance sheet decreased by $6.5 billion, remaining essentially unchanged at $2.9 trillion.

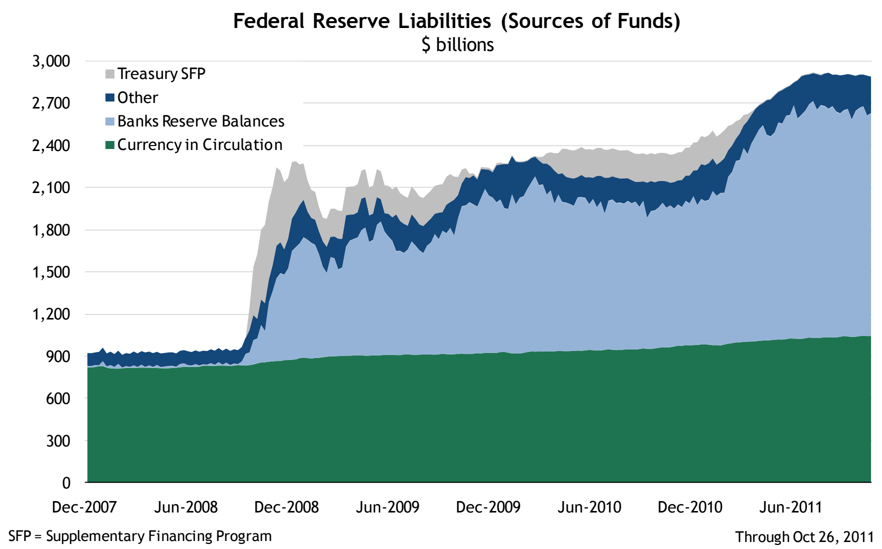


Source: Federal Reserve Board

- Treasuries increased $7.8 billion, while agency debt and mortgage-backed securities decreased $12.8 billion.
- According to the New York Fed's tentative outright Treasury operation schedule, and in line with the newly announced maturity extension program, the desk plans to purchase approximately $45 billion in Treasury securities with remaining maturities of six to 30 years and sell approximately $43 billion in Treasury securities with remaining maturities of three years or less over the month of November.
- The Federal Reserve Bank of New York's statement outlining the implementation of the maturity extension program and changes in the reinvestment program for mortgage-backed securities can be found here.

Bank reserve balances with the Federal Reserve increased $16 billion, while the Treasury's general account with the Federal Reserve decreased $13 billion.

As of October 26, 2011, bank reserve balances are $1.6 trillion.



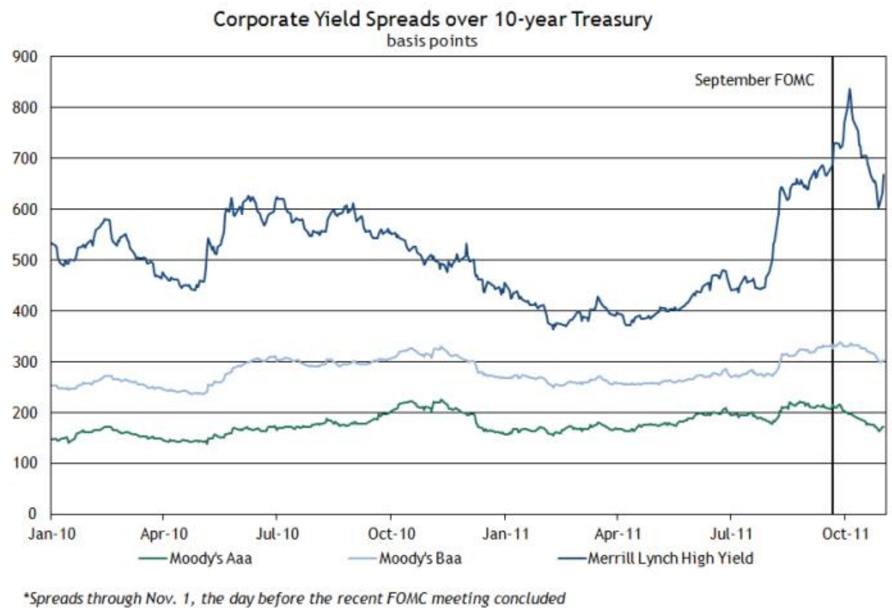
Source: Federal Reserve Board

Assets: Lending to nonbanks—TALF, CPFF, AMLF, and MMIFF; Short-term lending to financials—discount window, TAF, currency swaps, PDCF, and repos; Misc.—Maiden Lanes I, II, and III, credit to AIG, and other Fed assets. **Liabilities**: Other—Reverse repos, Treasury cash holdings, and deposits with Federal Reserve Banks other than reserve balances and excluding the Supplementary Financing Program.

Corporate Bonds

Summary

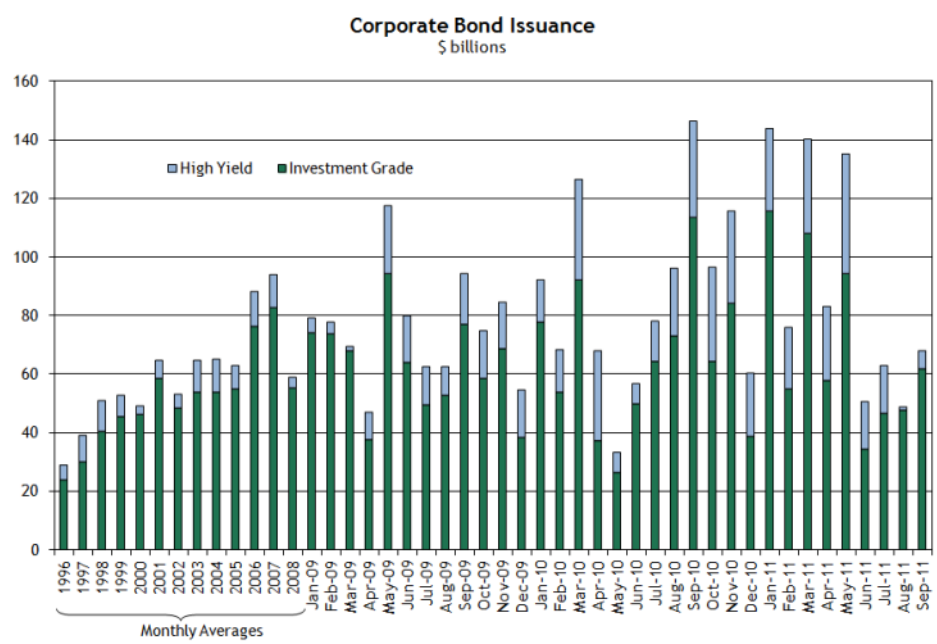
Between the September and November FOMC meetings, corporate bond spreads narrowed as market conditions stabilized, though spreads on junk bonds remain elevated.



Source: Merrill Lynch, Moody's, Federal Reserve Board

- Since the September FOMC meeting, corporate yield spreads for junk bonds have continued narrowing: the Merrill Lynch High Yield Index is down 22.3 basis points (bps) to 6.69 percent above the 10-year Treasury bond. This index has fallen nearly 170 bps since its recent peak on October 4.
- Higher-quality bond spreads have also narrowed, with Moody's Aaa- and Baa-rated bond spreads down by 44 bps and 23 bps, respectively, over the 10-year bond.

U.S. corporations accessed the bond market for $67.7 billion in September, according to SIFMA. High-yield issuance recovered from the scant $1 billion of issuance last month, registering $6 billion in September but remains below trend.



Source: SIFMA

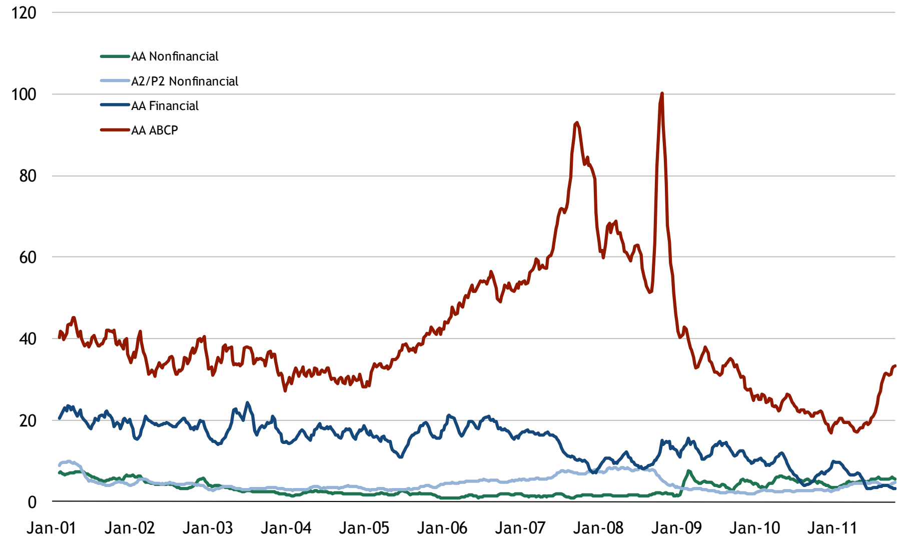
- According to SIFMA, U.S. corporate bond issuance hit $67.7 billion in September 2011. Of that amount, high-yield debt issuance was $6 billion.

Commercial Paper

Summary

Since the end of 2010, issuance of asset-backed commercial paper has risen but remains far below issuance typical in 2007 and 2008. Nonfinancial commercial paper has steadily increased over the year and is close to issuance levels typical of 2007 and 2008.

Commercial Paper New Issuance
6 week moving average, Billions $



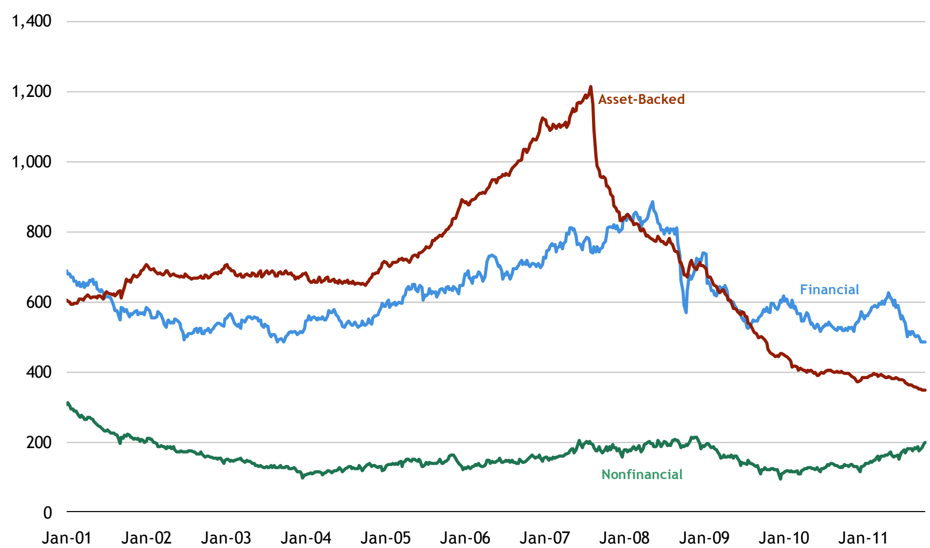
Source: Federal Reserve Board

- Year to date, the six-week moving average of asset-backed commercial paper issuance has doubled, and issuance of nonfinancial paper is 70 percent higher.
- Issuance of financial paper has not changed substantially.

Despite a pick-up in issuance of asset-backed commercial paper, the outstanding amount has continued to trend down since the beginning of the year.

Nonfinancial commercial paper outstanding, however, has been trending up.

Commercial Paper Outstanding
NSA, Weekly, Billions $

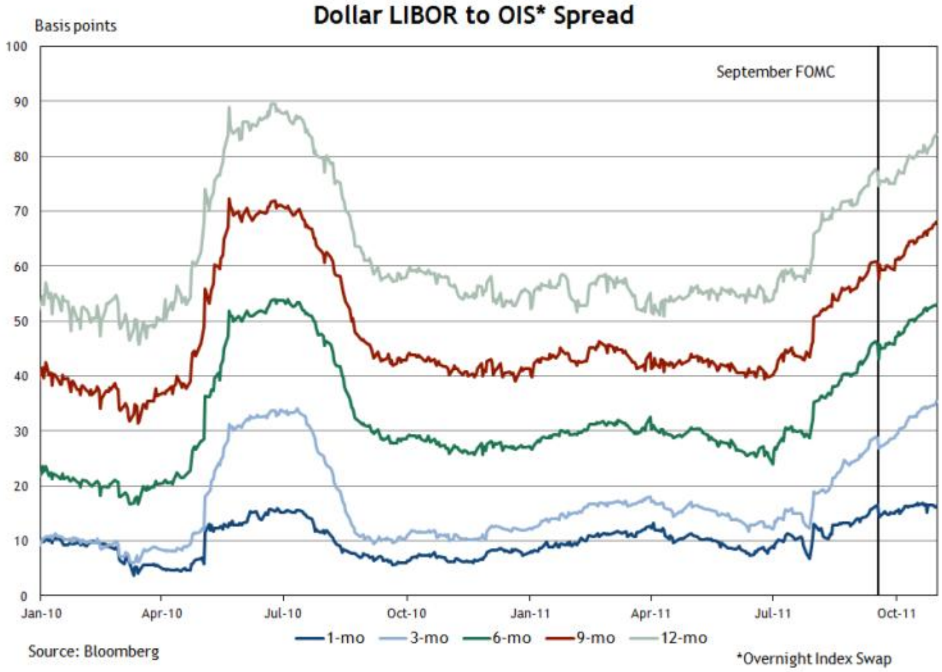


Source: Federal Reserve Board

Broad Financial Market Indicators

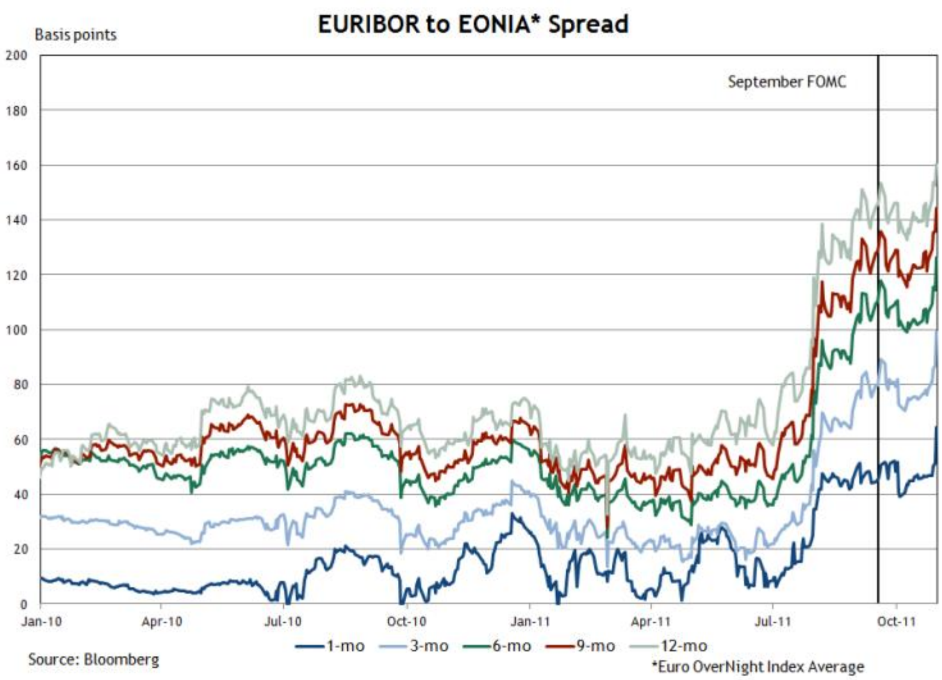
Summary

LIBOR to OIS spreads for contacts longer than one-month have widened noticeably between the September and November FOMC meetings. Spreads for these tenures are about 8 basis points (bps) to 10 bps higher.



- *Data description*: The LIBOR-OIS series shown above is denominated in U.S. dollars and reflects the spread between interbank lending rates offered and the overnight index swap rate (OIS). The LIBOR panel used to create the rate is made up of 19 large international banks, based in the United States, Europe, and elsewhere. The OIS rate is a proxy measure for the expected effective rate on federal funds held over a given maturity.

Conversely, the euro-based Euribor-to-Eonia spread has risen for all tenors but especially the shorter-dated ones (one and three months). Since September 21, spreads are 16 bps to 18 bps higher for the one- and three-month tenor and about 13 bps wider farther out.

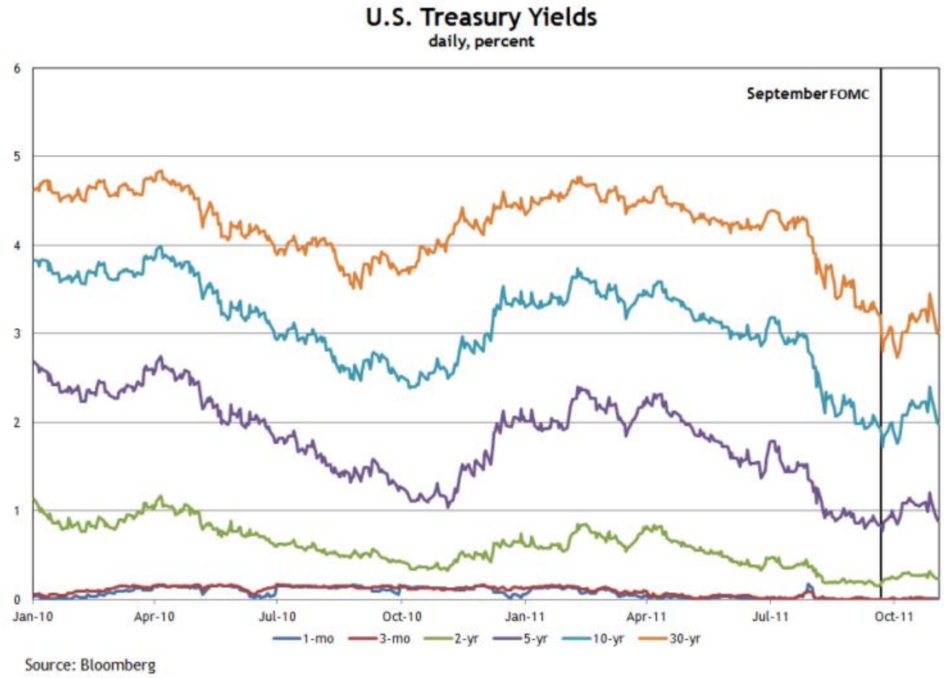


- *Data description*: The Euribor rates are offered interbank lending rates, denominated in euros and for a set of given maturities. The Euribor rate is determined by surveying 44 banks with the highest volume of business in the euro area, including four non-European banks. Eonia is the Euro Overnight Index Average swap rate on unsecured interbank lending in the euro area.

Broad Financial Market Indicators

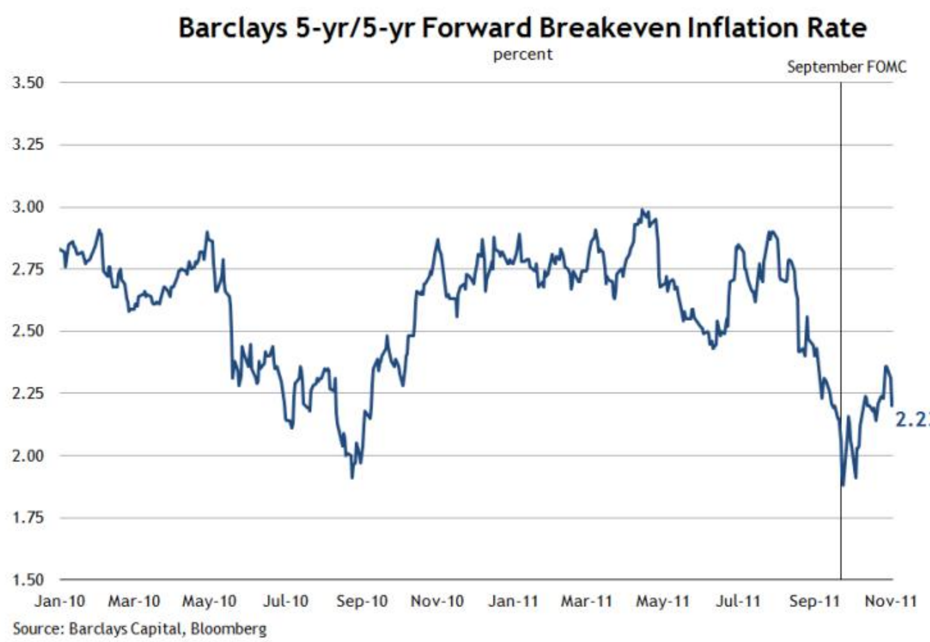
Summary

Since the September FOMC meeting, Treasury yields have been mostly flat, except for the 10-year yield, which is up slightly.



- Since the September FOMC meeting, the 30-year Treasury bond yield is up 1 bp to 3.01 percent, the 10-year yield is 13 bps higher to 1.98 percent, and the two-year yield is up 3 bps to 0.23 percent. The three- and one-month T-bill rates are both nearly 0 percent.

After declining for much of the last few months, the five-year breakeven inflation rate has stabilized a bit higher since the September FOMC meeting. After declining to a recent low of 1.88 percent on September 23, it has risen to 2.23 percent through November 2.



- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.23 percent as of November 2, 2011, which is about 3 bps lower over the week but 17 bps higher since the September FOMC meeting.