FEDERAL RESERVE BANK of ATLANTA

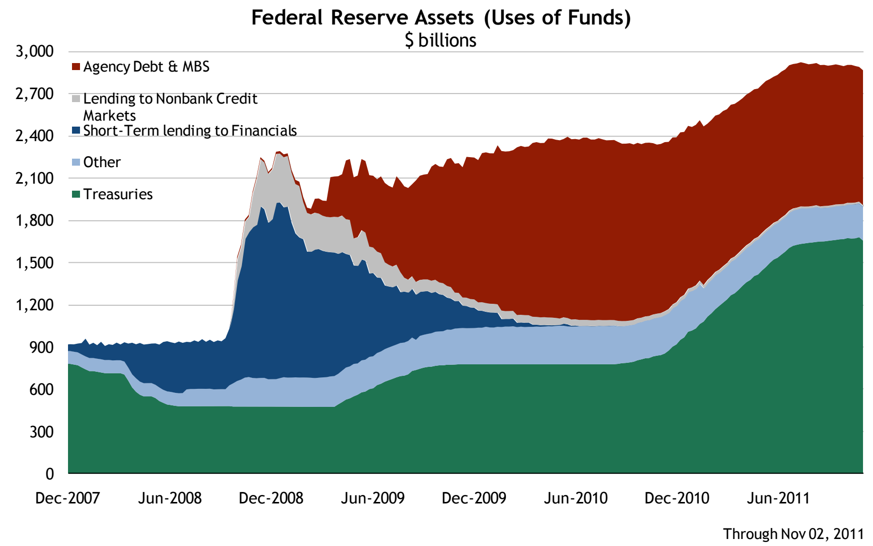
November 9, 2011

Financial Highlights

Federal Reserve

Summary

Between October 26 and November 2, the balance sheet decreased by $23.9 billion, remaining at $2.9 trillion.

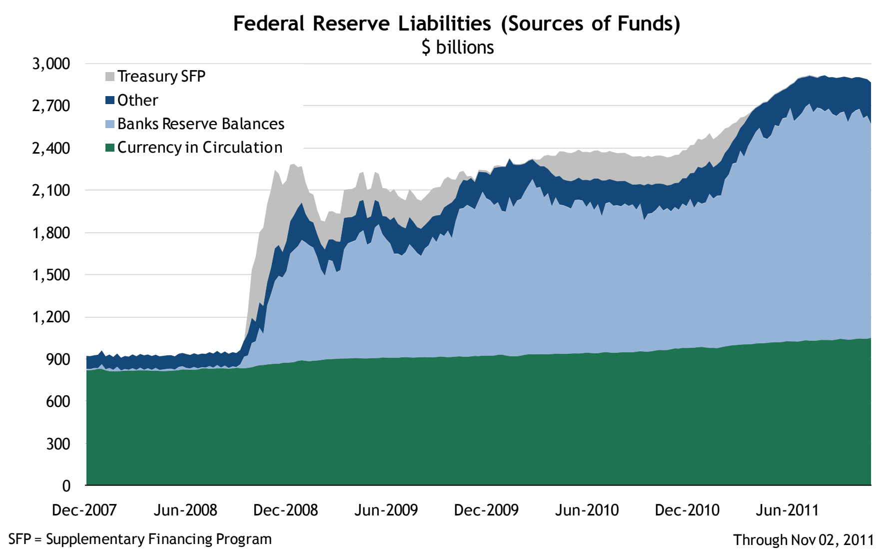


Source: Federal Reserve Board

- Treasuries decreased by $23.8 billion while agency debt and MBS were unchanged.
- 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 decreased $66 billion. Reverse repurchase agreements with foreign official and international accounts increased $43 billion, and nonreserve deposits with the Federal Reserve decreased $17 billion.

As of November 2, 2011, bank reserve balances are $1.5 trillion.



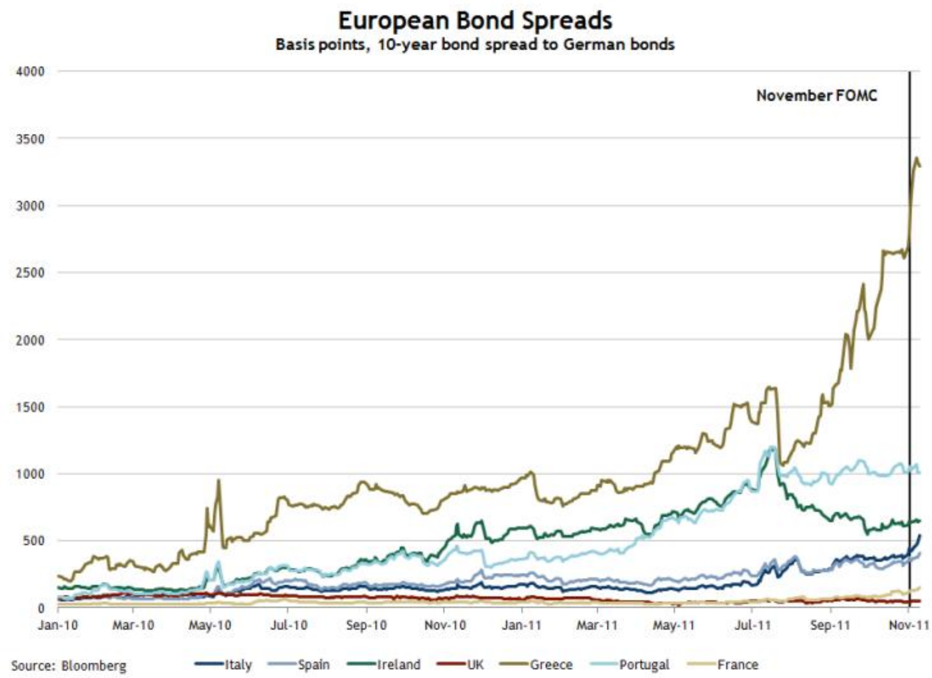
Source: Federal Reserve Board

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.

Europe

Summary

European bond spreads have widened recently, in particular for Greece and Italy, as concerns have mounted over the sustainability of high debt levels amid declining economic growth and political instability.



- In the first week of November 2011, the prime ministers of Italy and Greece agreed to step down. In Italy, Silvio Berlusconi pledged to resign as Italian bond spreads rose to unsustainable levels above 7 percent. In Greece, George Papandreou survived a vote of confidence but agreed to form a coalition government and no longer retain the role of prime minister. This move followed his aborted plan to hold a referendum on the second bailout agreement, which instigated financial market panic.
- The interest rate of Italy's 10-year bond rose to an all-time high of 7.19 percent on Wednesday, November 9. The spread of the 10-year bond against its German counterpart was at 542 basis points (bps), a threshold at which Ireland, Portugal, and Greece have all had to request external financial assistance.

CMBS

Summary

Top-rated CMBS yield spreads have narrowed over the past month.

AAA-rated CMBS Yield Spreads to Treasury

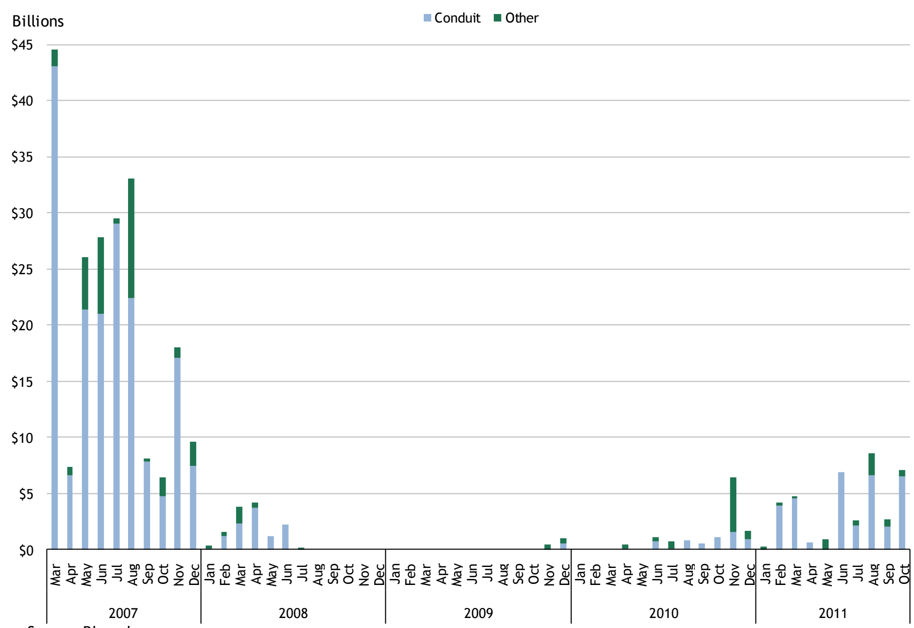
Sources: Merrill Lynch/Bloomberg

Through Nov 08

- Since October 7, 2011, three-to-five year CMBS spreads over five year Treasuries have narrowed 58 bps and seven-to-ten year CMBS spreads over 10-year Treasuries have narrowed by 62 bps.

CMBS issuance in the form of conduits has increased in recent months, a sign of improvement in the CMBS market.

Commercial MBS Issuance by Type

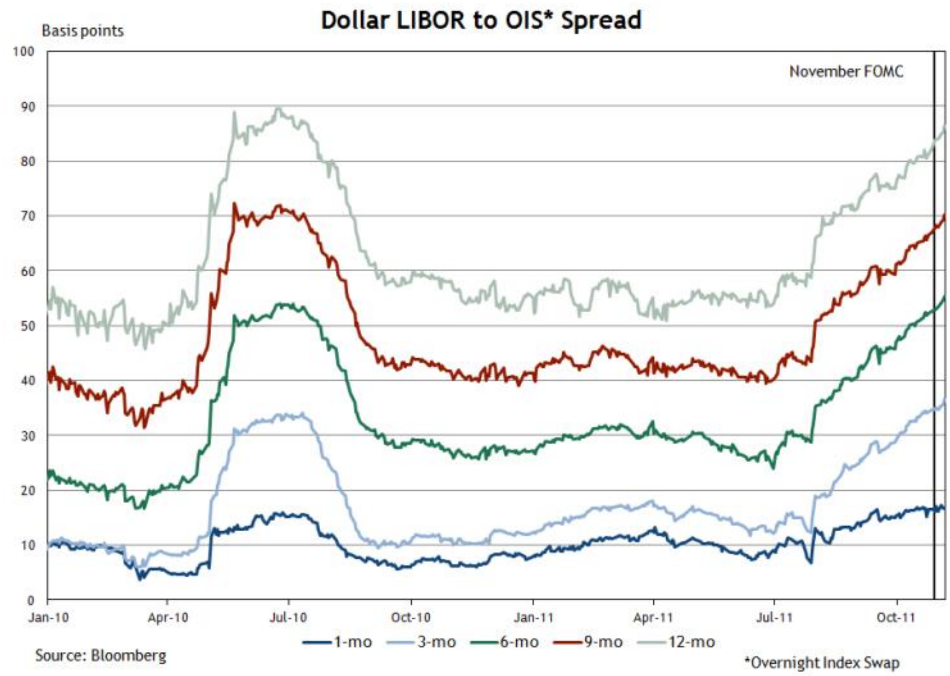


Source: Bloomberg

Broad Financial Market Indicators

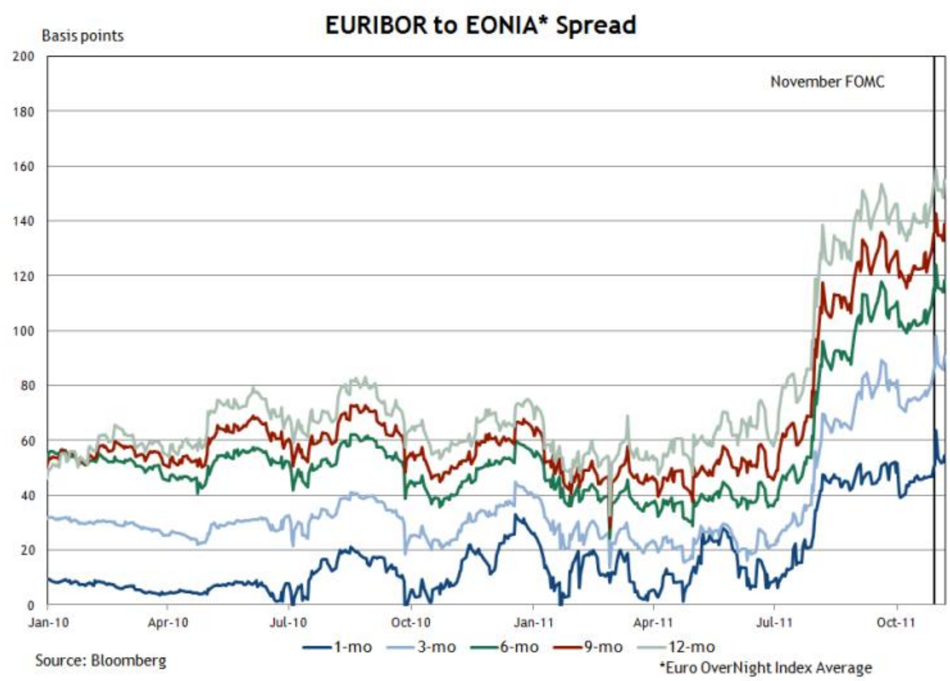
Summary

LIBOR to OIS spreads for all tenors have been widening since late August. Since last week's FOMC meeting, spreads are nearly 2-3 basis points (bps) higher for the three- to 12-month tenors and about 0.5 bps higher for the one-month tenor.



- 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.

The euro-based Euribor-to-Eonia spread has remained elevated after rising steadily since late July. In the past week, spreads are 3-4 bps wider for the shorter tenors of one month to nine months.

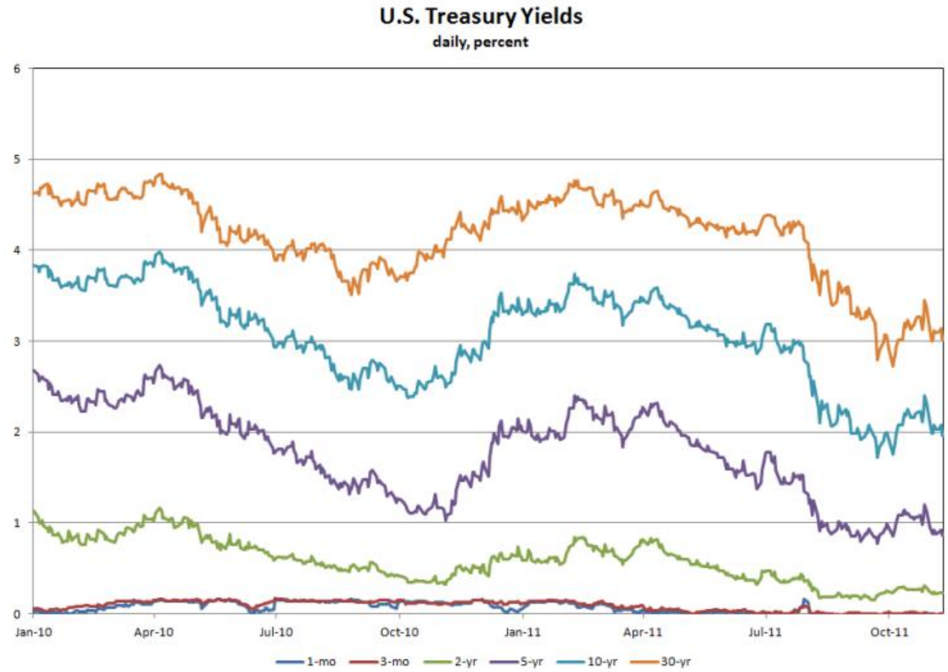


- The Euribor rates are offered interbank lending rates, denominated in euros and for a set of given maturities. The Euribor rate is determined by surveying 44 banks with the highest volume of business in the euro area, including four non-European banks. Eonia is the Euro Overnight Index Average swap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

Broad Financial Market Indicators

Summary

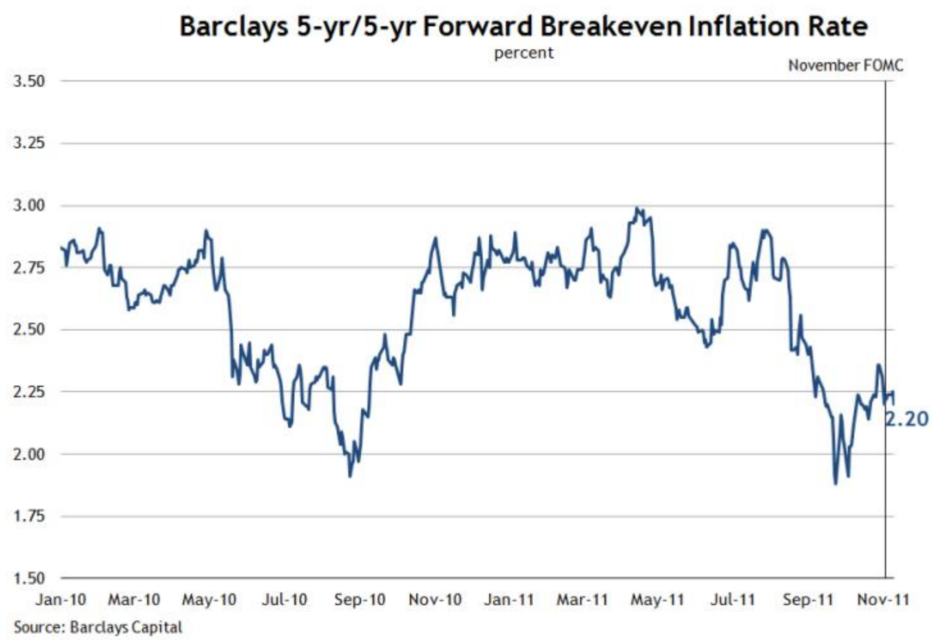
Longer-dated Treasury yields have moved lower in the past few weeks.



Source: Bloomberg

- Over the past two weeks, the 30-year Treasury bond yield is down 21 bps to 3.01 percent, and the 10-year yield is 24 bps lower to 1.97 percent. The five- and two-year yields are down 20 bps and 6 bps, respectively, to 0.87 percent and 0.23 percent. The three- and one-month T-bill rates are both little changed near 0.00 percent.

After declining for much of the last few months, the five-year breakeven inflation rate has stabilized a bit, and is at 2.20 percent through November 9.



- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.20 percent as of November 9, 2011, which is about 3 bps lower over the week.