FEDERAL RESERVE BANK of ATLANTA

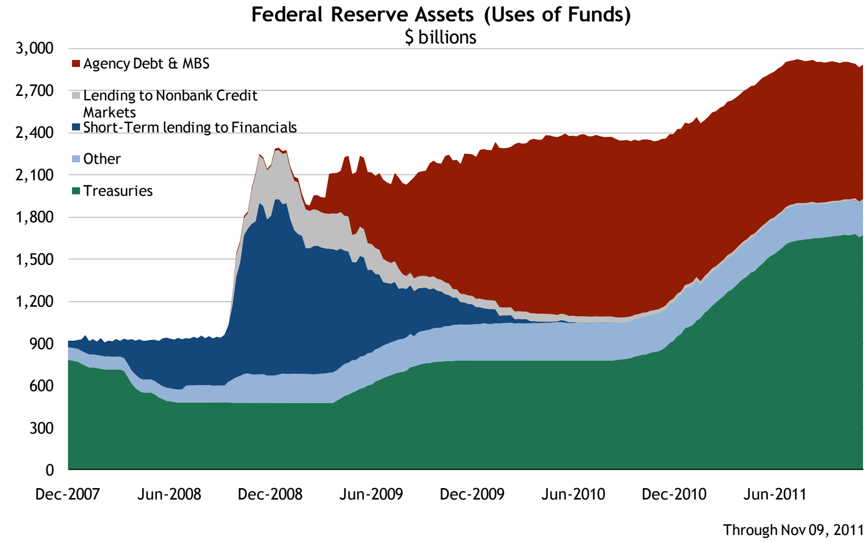
November 16, 2011

Financial Highlights

Federal Reserve

Summary

Between November 2 and November 9 the balance sheet increased by $17.6 billion, remaining essentially unchanged at $2.9 trillion.



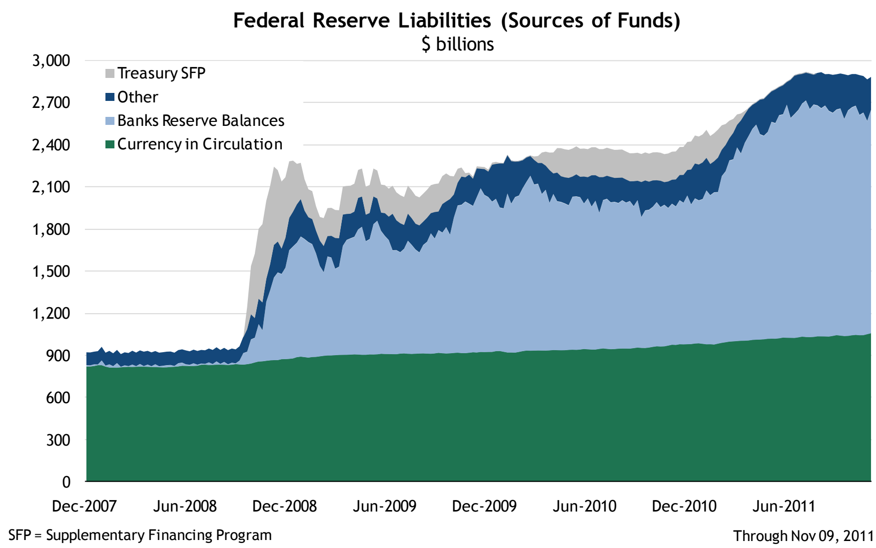
Source: Federal Reserve Board

- Treasuries increased by $13.9 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 from six to 30 years and sell approximately $43 billion in Treasury securities with remaining maturities of three years or fewer 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 $71.8 billion.

The Treasury's general account decreased $36.9 billion, nonreserve deposits increased $14.8 billion, and reverse repurchase agreements with foreign official and international accounts decreased $36.8 billion.

As of November 9, 2011, bank reserve balances are $1.6 trillion.



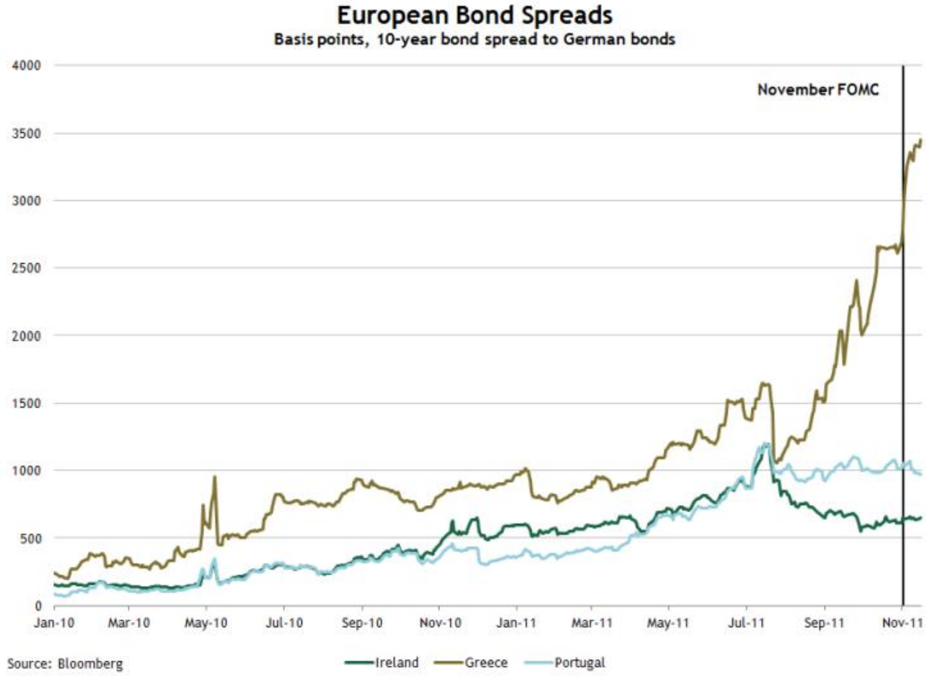
Source: Federal Reserve Board

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.

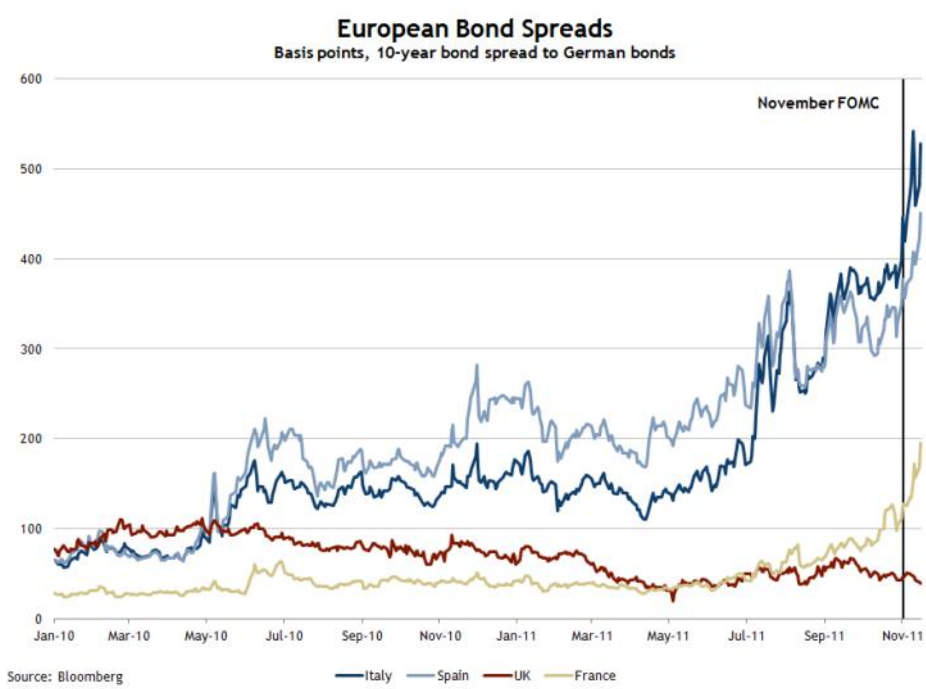
Europe

Summary

European bond spreads have continued to widen, with sharp increases in Italian, French, and Spanish debt in the past few weeks.



- The bond spreads for Greece (see the above chart) have widened to record highs, with the 10-year paying nearly 35 percent more than German bonds and having risen nearly 800 basis points (bps) in the past three weeks. Spreads for Ireland and Portugal, which have both already been approved for external financial assistance, are relatively stable at 6.5 percent and 9.7 percent, respectively, over German bonds.
- Recently, market focus as been on other eurozone countries (see the chart below): Spain, France, and in particular Italy. Spreads on their debt have widened by about 100 bps, 85 bps, and 136 bps, respectively, in the past three weeks (since October 26).

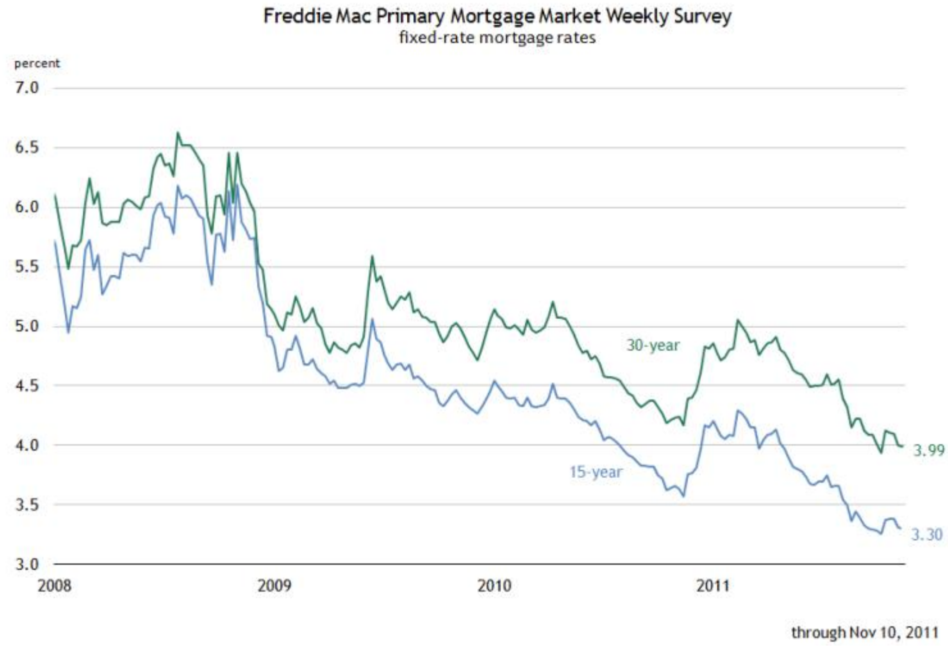


Mortgage Markets

Summary

Mortgage rates changed very little from the previous week.

The 30-year fixed rate fell back below 4 percent for just the second time this year.

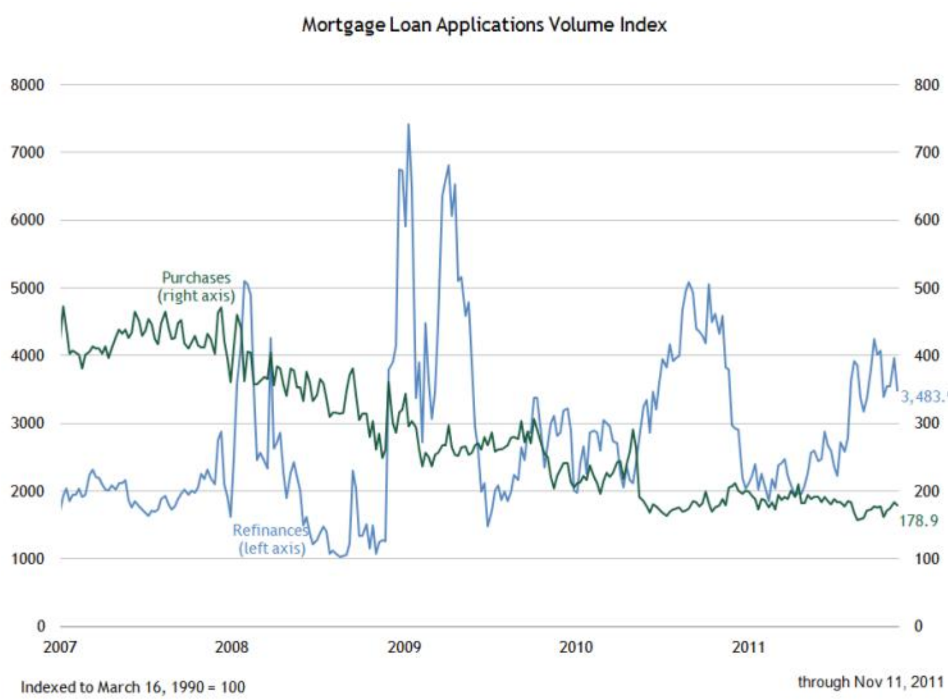


Source: Federal Home Loan Mortgage Corporation/Haver Analytics

- The 30-year fixed rate averaged 3.99 percent, down from 4 percent a week ago. At this time last year the 30-year fixed rate averaged 4.17 percent.
- The 15-year fixed rate averaged 3.30 percent, down from 3.31 percent a week ago. At this time last year, the 15-year fixed rate mortgage averaged 3.57 percent.

Mortgage applications declined by 10 percent from the previous week according to the survey by the Mortgage Bankers Association for the week ending November 11.

The Purchase Index and Refinance Index are measures of loan application volume reported in the MBA's Weekly Application Survey. The survey has been conducted weekly since 1990 and covers more than 50 percent of all U.S. retail residential mortgage applications.



Source: Mortgage Bankers Association/Haver Analytics

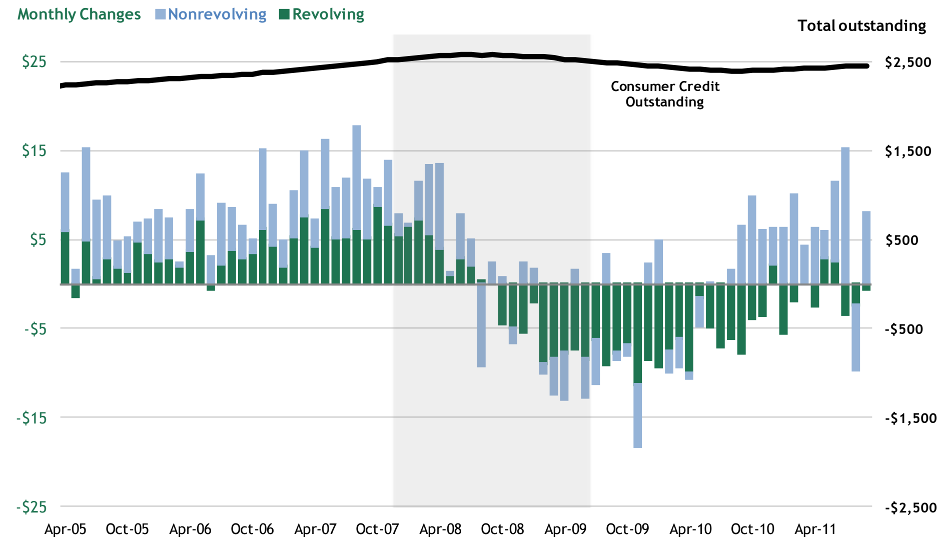
- For the week ending November 11, purchase applications decreased 2.3 percent, and refinance applications were down 12.2 percent from the previous week.

Consumer Credit

Summary

Consumer credit outstanding increased $7.4 billion in September.

SA Consumer Credit
Monthly Change and Total Outstanding Billions $



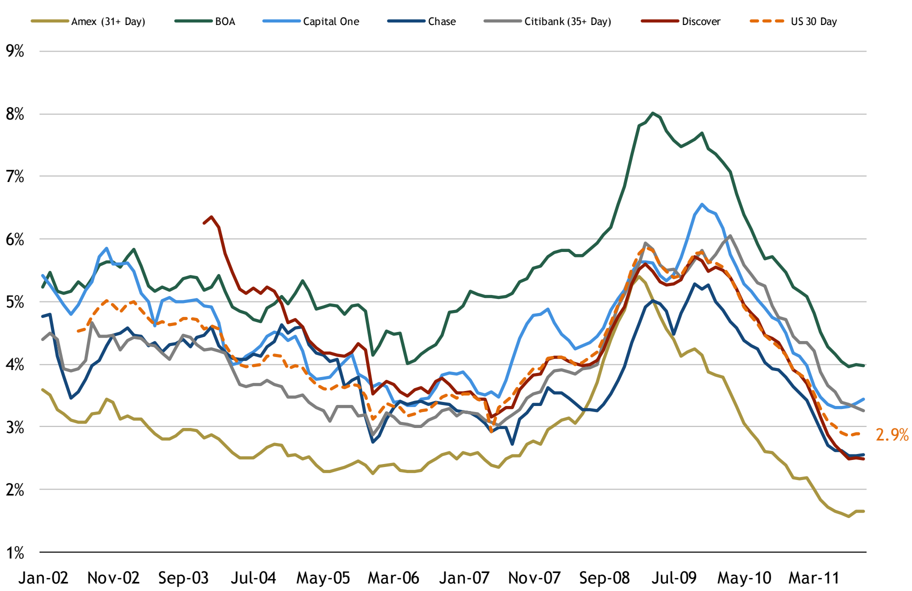
Source: Federal Reserve Board

Through September 2011

- Nonrevolving consumer credit outstanding increased $8 billion, while revolving decreased $0.6 billion.
- Relative to the peak in July 2008, revolving is 19 percent lower, and nonrevolving is 4 percent higher.

Delinquency rates on credit cards ticked up slightly in September and October, according to the Bloomberg 30+ day U.S. credit card delinquency index.

United States 30+ Day Credit Card Delinquency Rates



Source: Bloomberg

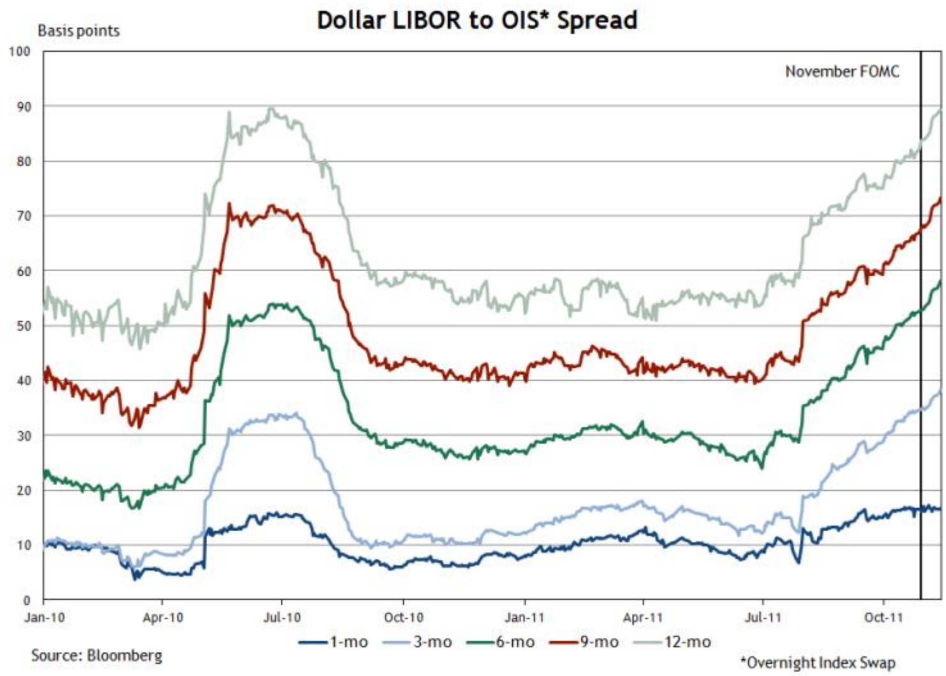
though Oct 2011

- According to Bloomberg's 30+day delinquency index, 2.9 percent of credit card balances are 30 days or more delinquent.

Broad Financial Market Indicators

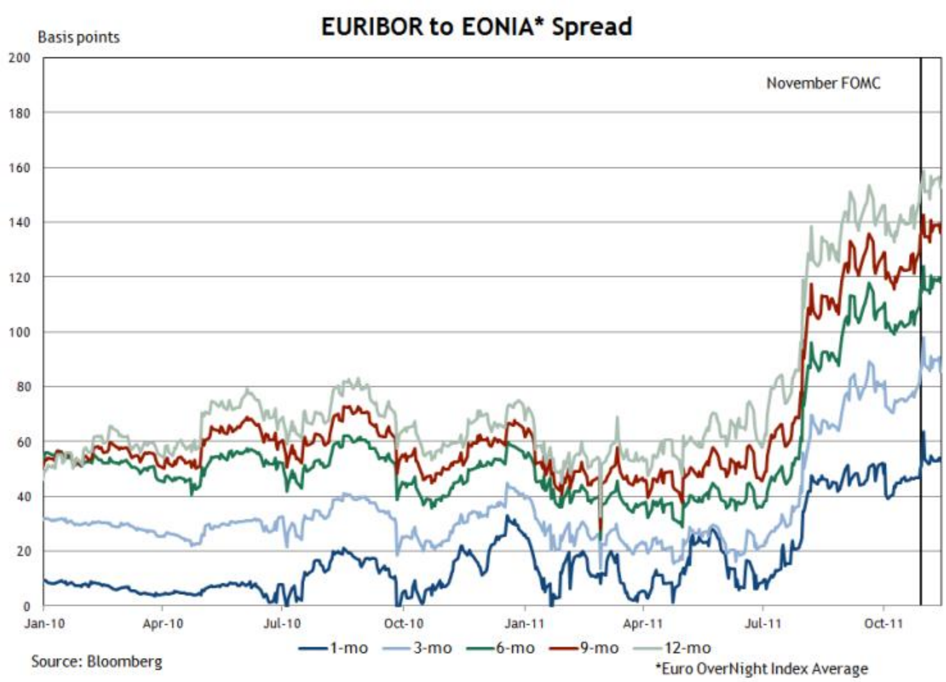
Summary

LIBOR to OIS spreads for all tenors have continued their widening trend since late August. In the past two weeks, spreads are about 5 basis points (bps) higher for the three-month to 12-month tenors and are about 0.5 bps higher for the one-month tenor. The levels of the spreads (beyond the one-month tenor) have exceeded, or nearly so, the recent peaks of last summer.



- 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.

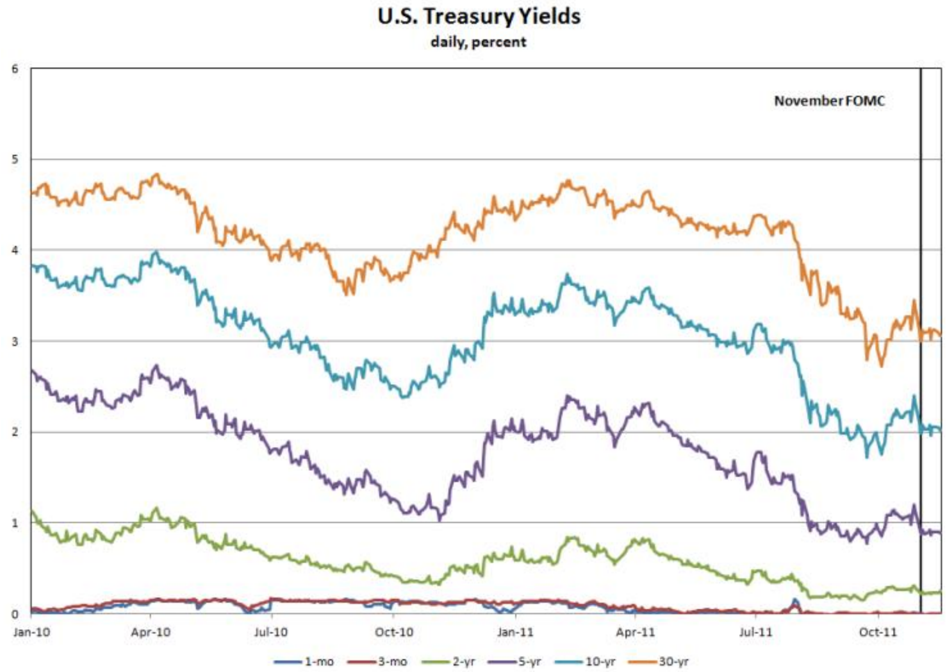


- The Euribor rates are offered interbank lending rates, denominated in euros and for a set of given maturities. The Euribor rate is determined by surveying 44 banks with the highest volume of business in the euro area, including four non-European banks. Eonia is the Euro Overnight Index Average swap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

Broad Financial Market Indicators

Summary

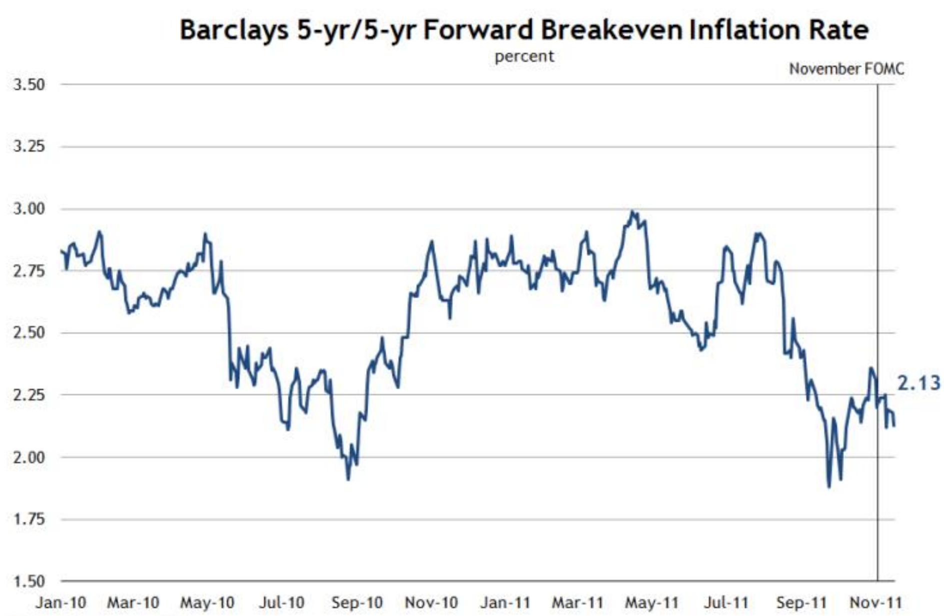
Treasury yields have been relatively stable for much of the past two weeks.



Source: Bloomberg

- Over the past two weeks, the 30-year Treasury bond yield is up 4 bps to 3.05 percent, and the 10-year bond is 3 bps higher to 2.02 percent. The five- and two-year bonds are up 1 bp and 2 bps, respectively, to 0.89 percent and 0.25 percent. The three- and one-month T-bill rates are both little changed near 0 percent.

After declining for much of the last few months, the five-year breakeven inflation rate has remained somewhat stable the last five weeks, staying roughly in the range of 2.1 percent to 2.3 percent. As of November 16, it was 2.13 percent.



Source: Barclays Capital

- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.13 percent as of November 13, 2011, which is about 7 bps lower over the week.