FEDERAL RESERVE BANK of ATLANTA

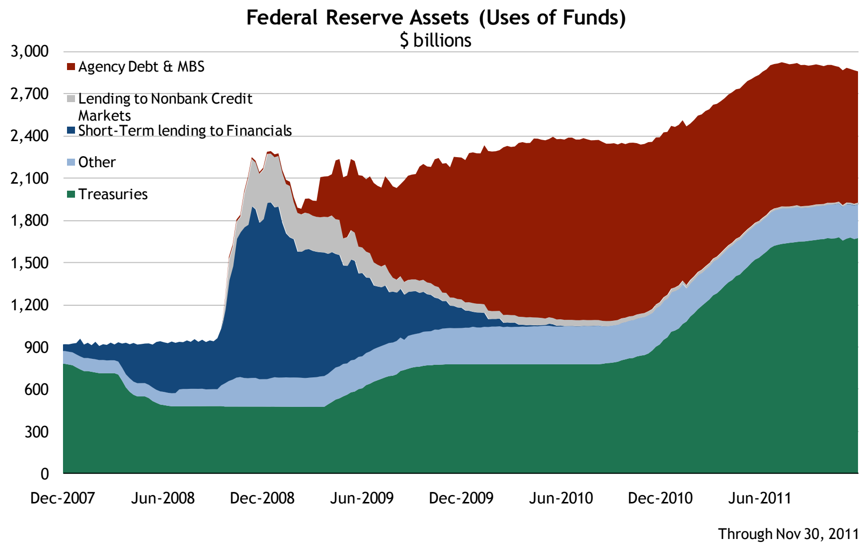
December 7, 2011

Financial Highlights

Federal Reserve

Summary

Between November 23 and November 30 the balance sheet decreased by $7.8 billion, remaining essentially unchanged at $2.9 trillion.

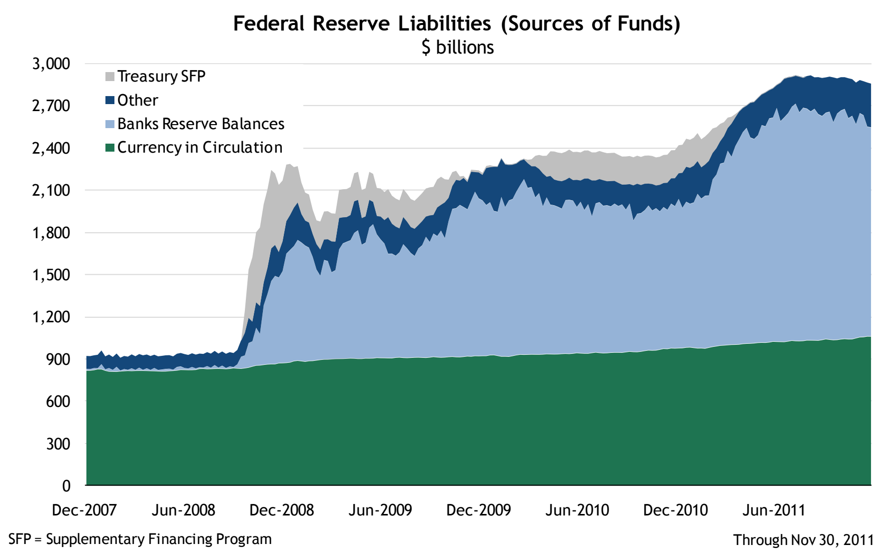


Source: Federal Reserve Board

- Treasuries increased by $7.2 billion while agency debt and MBS decreased by $14.5 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 $52 billion in Treasury securities with remaining maturities of three years or less over the month of December.
- 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.

The Treasury's general account with the Federal Reserve increased $51 billion while nonreserve deposits with the Federal Reserve decreased $62 billion. Reverse repurchase agreements with foreign official and international accounts increased by $8 billion.

As of November 30, 2011, bank reserve balances are $1.5 trillion.



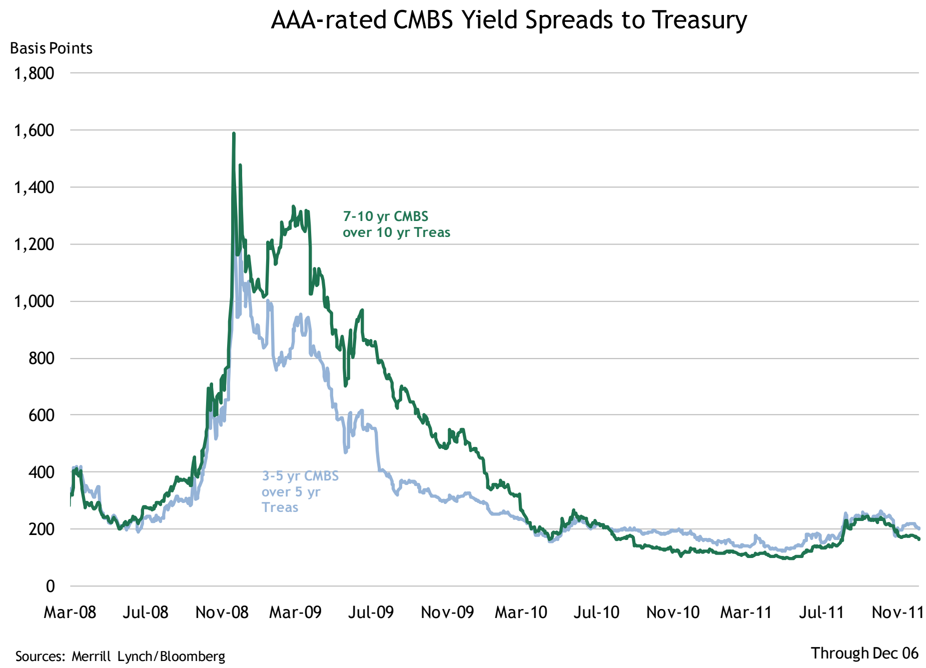
Source: Federal Reserve Board

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.

Mortgage Markets

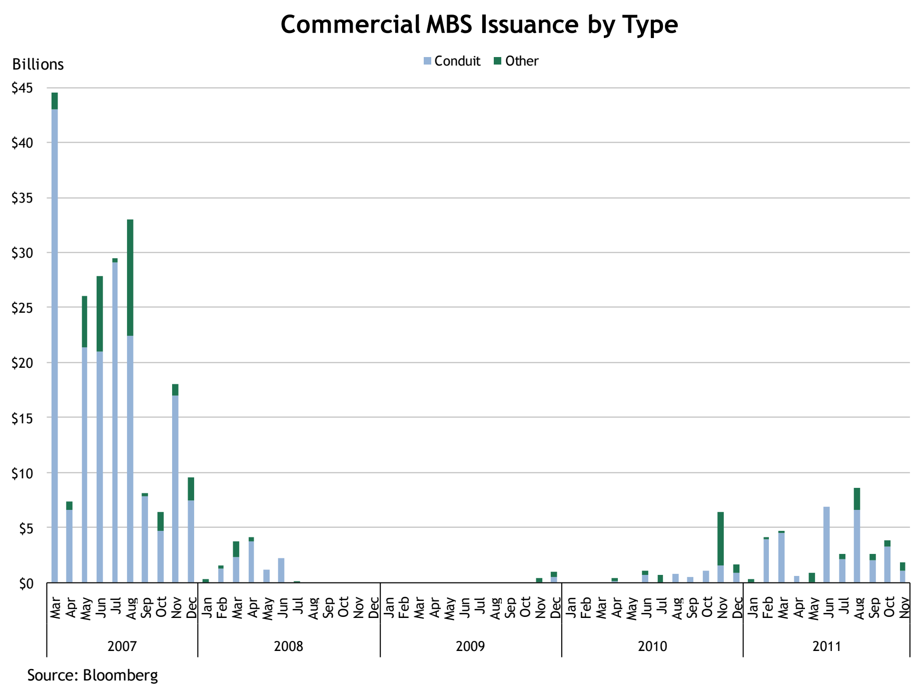
Summary

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



- Since October 7, 2011, three-to-five year CMBS spreads over five year Treasuries have narrowed 51 basis points (bps), and seven-to-ten year CMBS spreads over 10-year Treasuries have narrowed 72 bps.

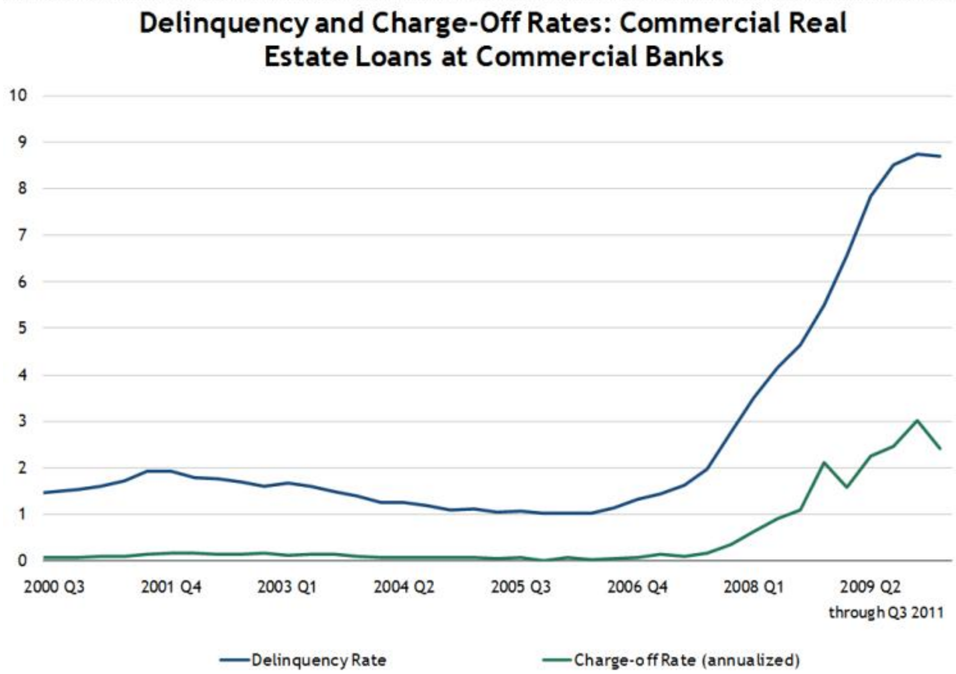
CMBS issuance in the form of conduits has increased relative to 2010, a sign of improvement in the CMBS market.



CRE Market

Summary

Delinquency rates and charge-off rates on commercial real estate loans have both fallen about 2 percentage points since the end of 2009.

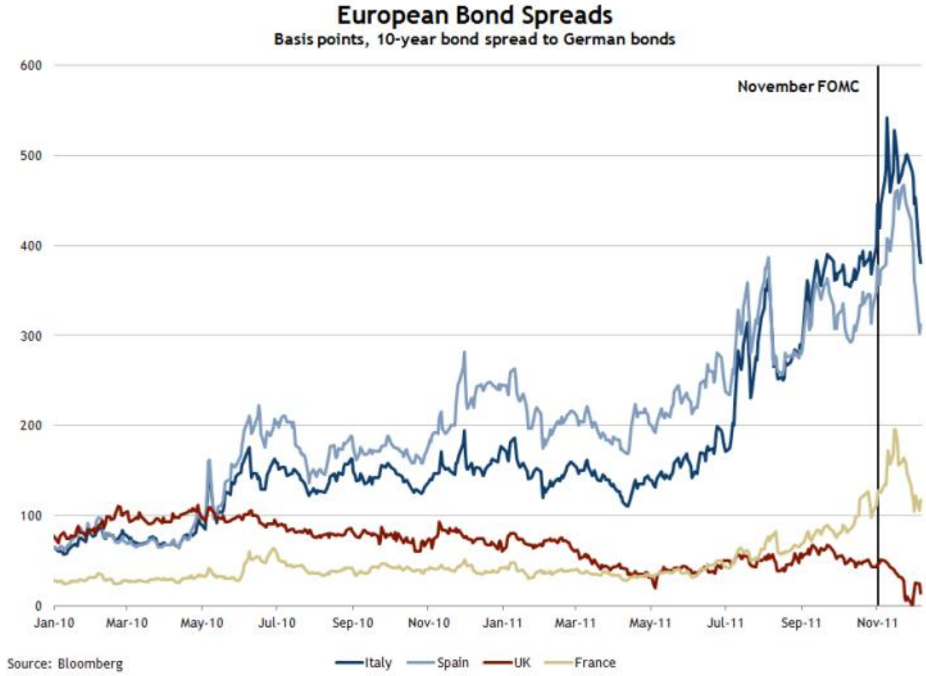


Source: Federal Reserve Board

Europe

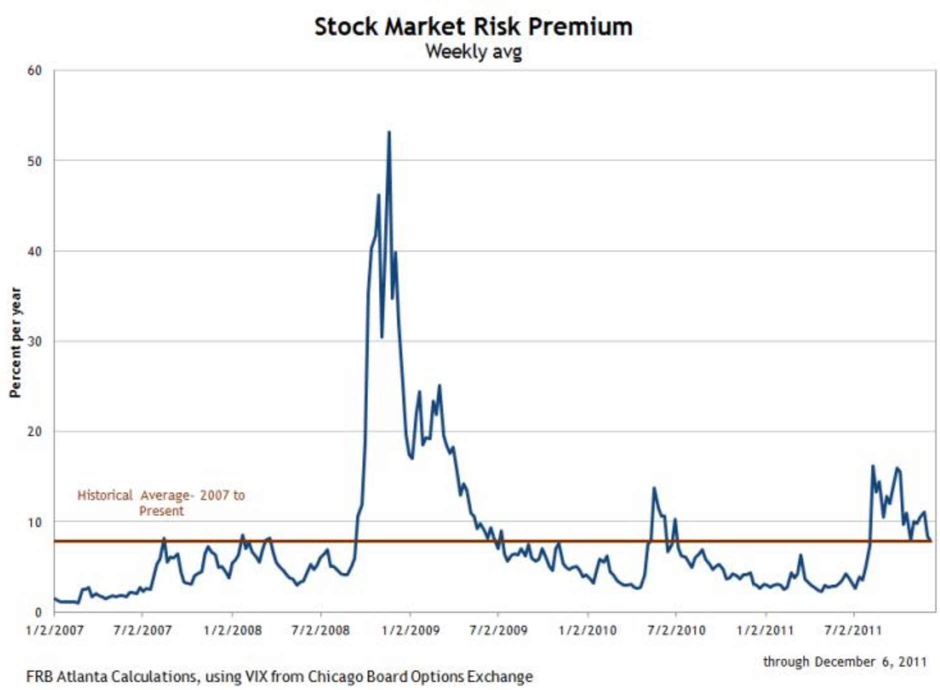
Summary

European bond spreads for Italian, French, and Spanish debt have narrowed in the past few weeks.



- Bond yield spreads (versus German bonds) for the "core" euro-area countries—Italy, Spain, and France, among others—have declined since the November FOMC meeting, though they remain elevated by historical comparison. Italian and Spanish debt spreads are down nearly 50 bps, and French spreads are lower by 10 bps. Notably, the Germany-to-United Kingdom (the latter of which has the pound as its currency) spread has shrunk significantly.

The premium investors have demanded in order to invest in stocks has declined recently to its lowest levels since early August.

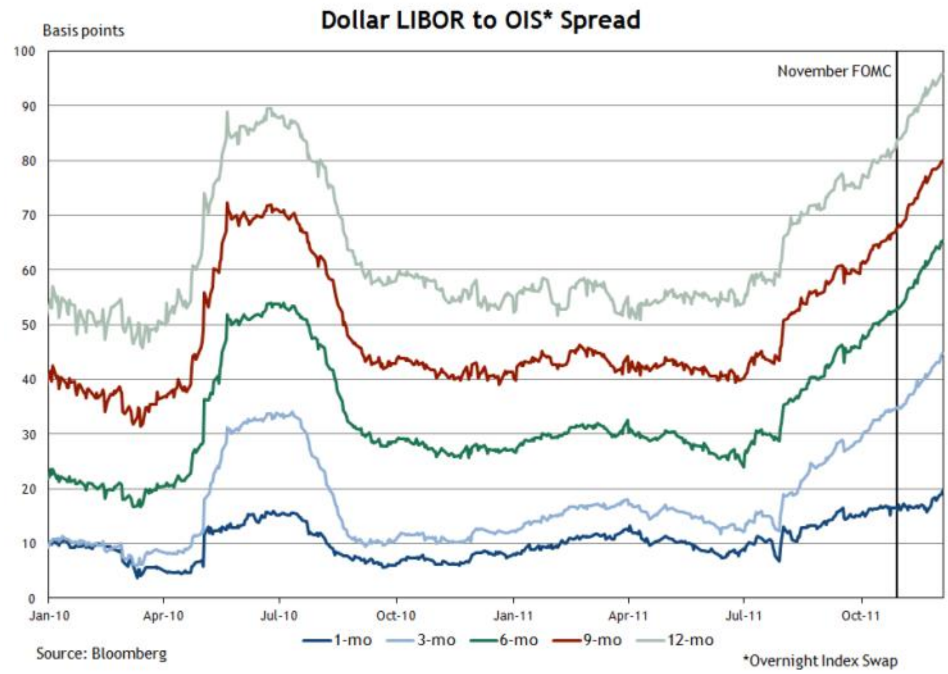


- In the most recent weekly average, the premium has declined to 7.83 percent per year, a decline from the previous weekly average of 8.47 percent and right at the four-and-a-half year average of 7.84 percent. It is the lowest reading since heightened market volatility began in early August.

Broad Financial Market Indicators

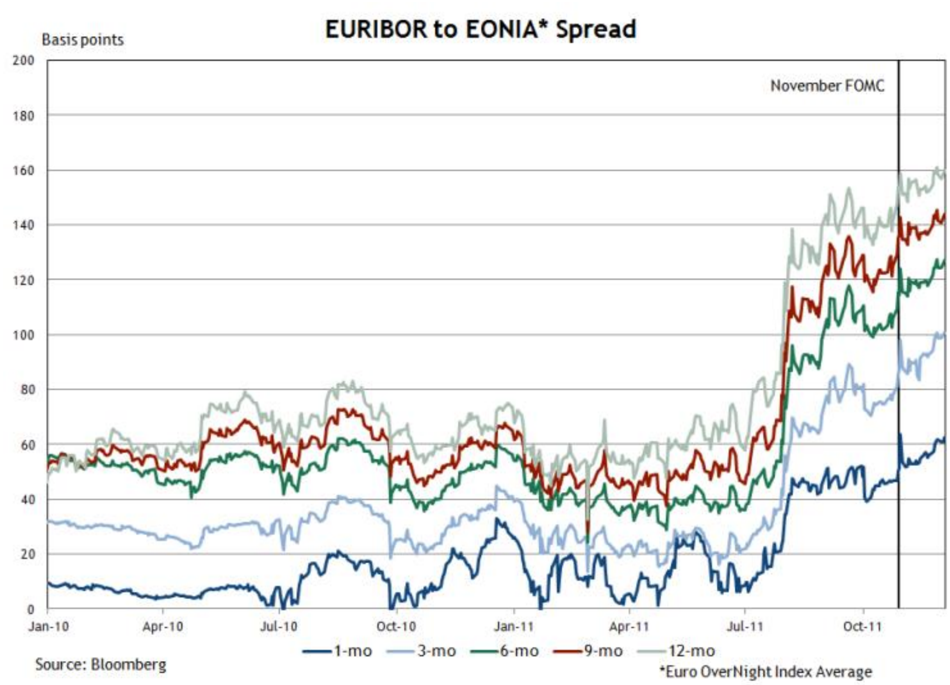
Summary

LIBOR to OIS spreads for all tenors have continued their widening trend since late August. Since the November FOMC meeting, spreads are about 9-12 basis points (bps) higher for the three-month to 12-month tenors and about 3 bps higher for the one-month tenor. The levels of the spreads have exceeded 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 risen further since the November FOMC meeting, up 11-14 bps at the shorter maturities, but about 7 bps farther out.

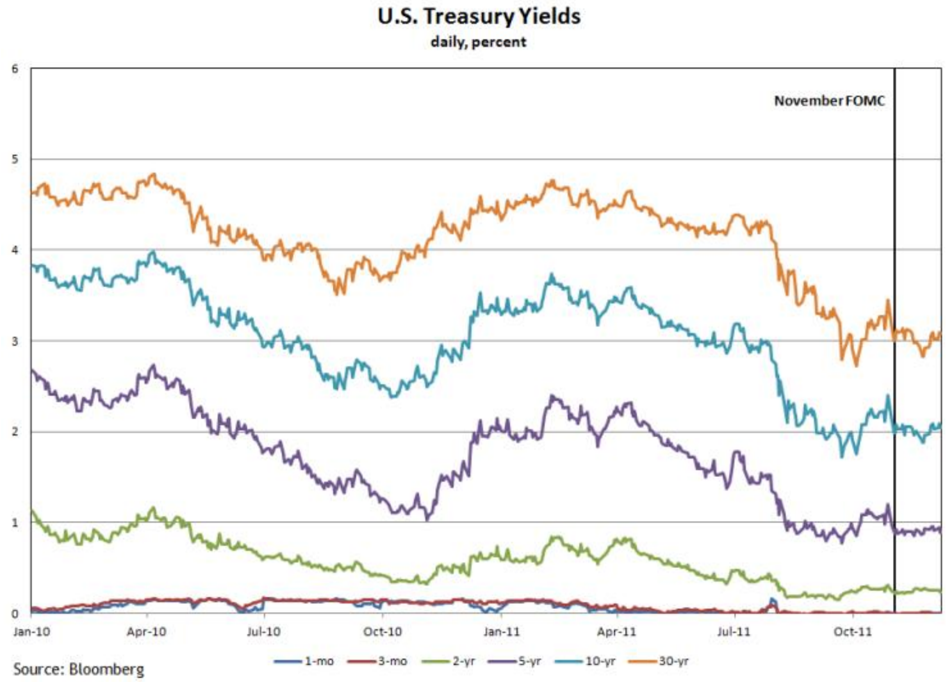


- The Euribor rates are offered interbank lending rates, denominated in euros and for a set of given maturities. The Euribor rate is determined by surveying 44 banks with the highest volume of business in the euro area, including four non-European banks. Eonia is the Euro Overnight Index Average swap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

Broad Financial Market Indicators

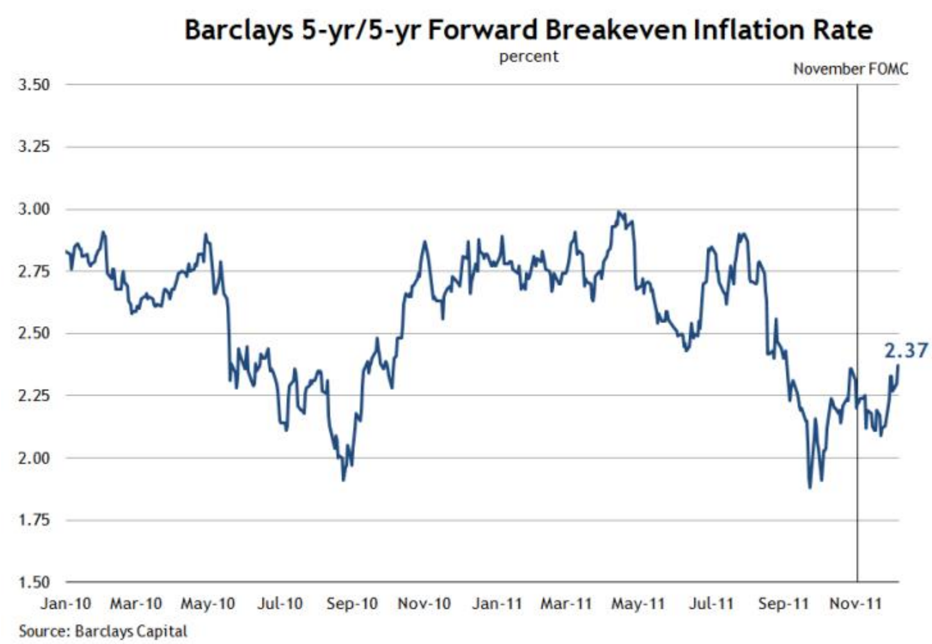
Summary

Treasury yields have been relatively stable since the November FOMC meeting.



- Over the past five weeks, the 30-year Treasury bond yield is up 7 bps to 3.08 percent, and the 10-year bond is 6 bps higher to 2.04 percent. The five- and two-year bonds are each up 1 bp, respectively, at 0.89 percent and 0.24 percent. The three- and one-month T-bill rates are both little changed near 0 percent.

In the past two weeks, the five-year breakeven inflation rate has jumped nearly 25 bps, to 2.37 percent.



- One measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.37 percent as of December 7, 2011, which is about 25 bps higher from two weeks ago and up 14 bps since the November FOMC meeting.