FEDERAL RESERVE BANK of ATLANTA

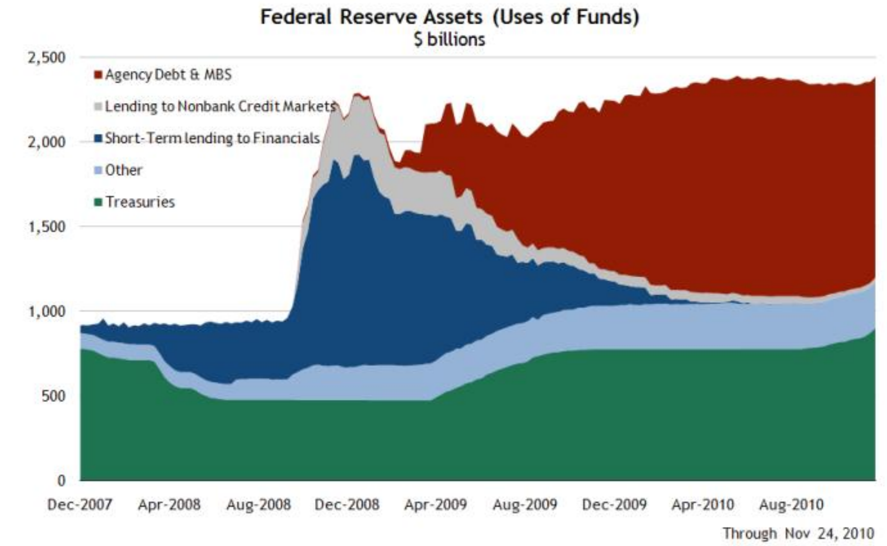
December 1, 2010

Financial Highlights

Federal Reserve

Summary

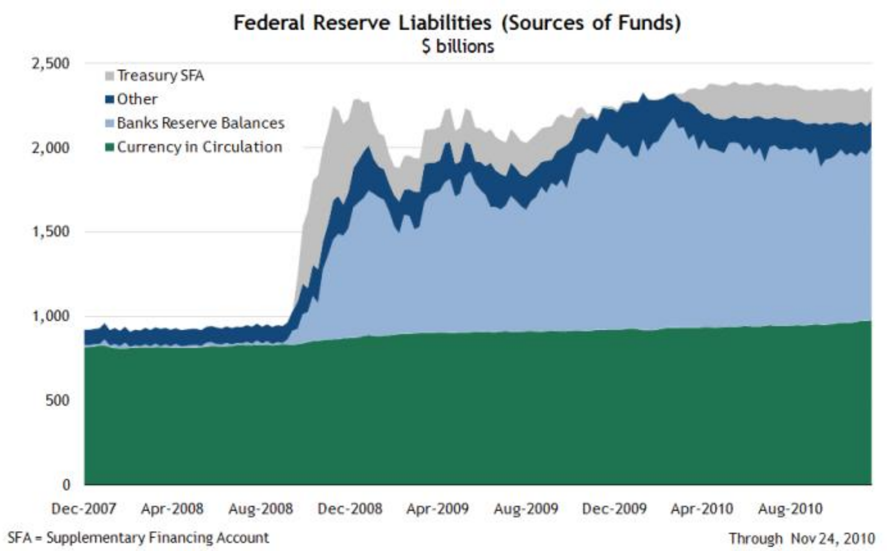
The balance sheet grew by $31 billion for the week ended November 24.



Source: Federal Reserve Board

- Consistent with the November FOMC statement, Treasury securities on the balance sheet grew by $27.6 billion.

Bank reserve balances with the Federal Reserve grew by $39 billion while Treasury deposits with Federal Reserve banks (part of "Other") declined by $15 billion.



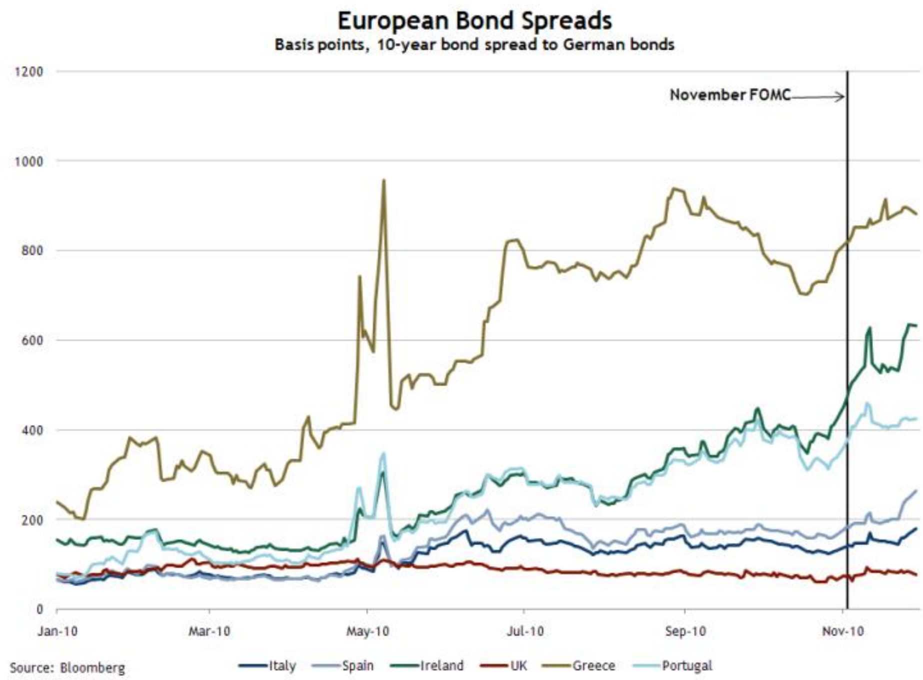
Source: Federal Reserve Board

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.

European Debt

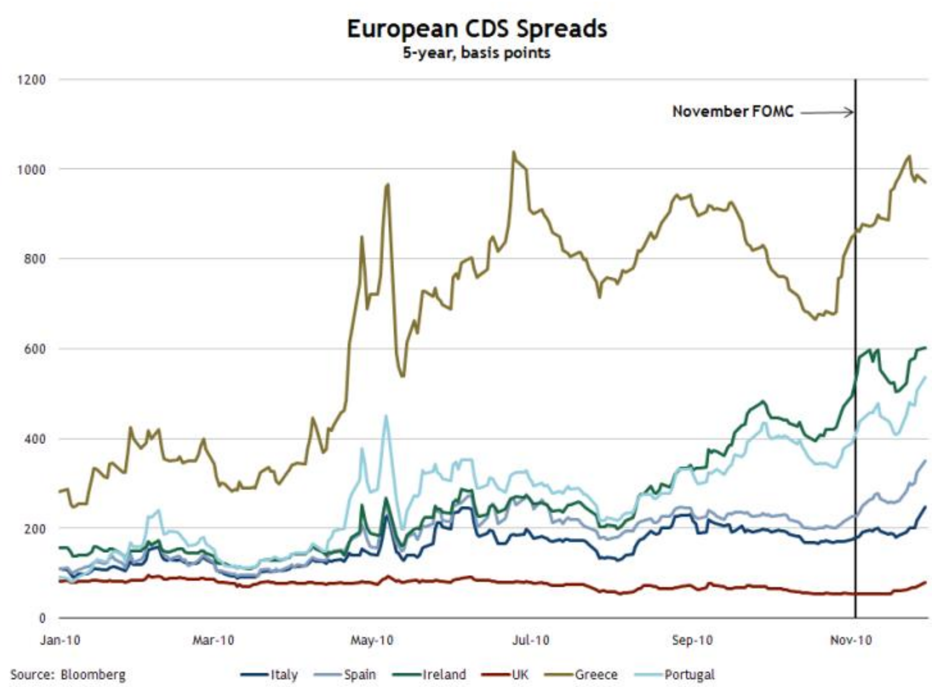
Summary

Led by Ireland, peripheral European bond spreads (over German bonds) have risen considerably in the past few weeks.



- Since the November FOMC meeting, the 10-year Irish-to-German bond spread has risen by 142 basis points (bps) (from 6.32% to 4.90%), through November 29; spreads on Spanish debt are up 83 bps and 62 bps on Greek debt.

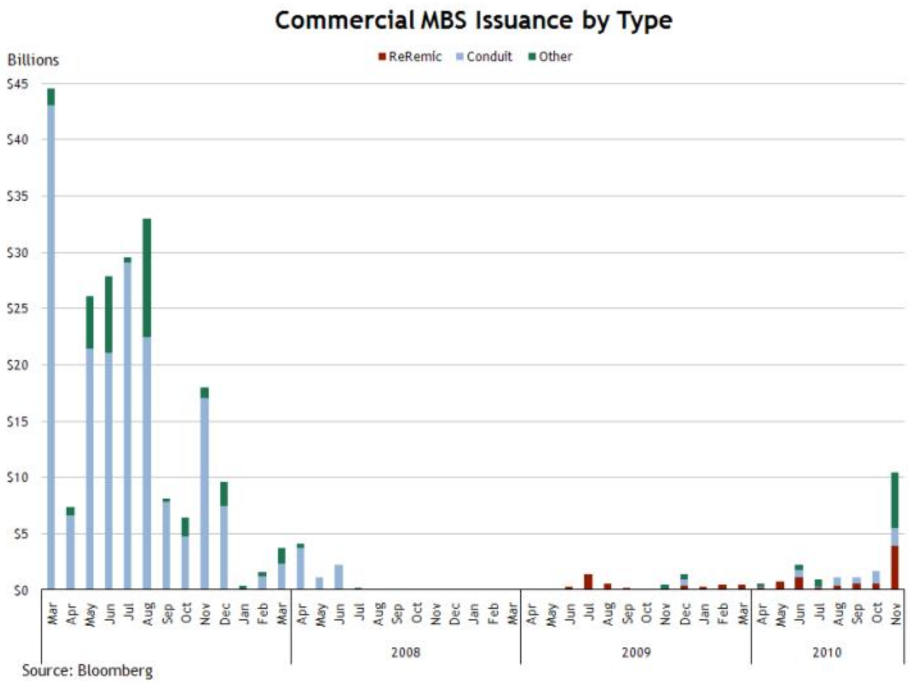
Similarly, CDS spreads have widened recently.



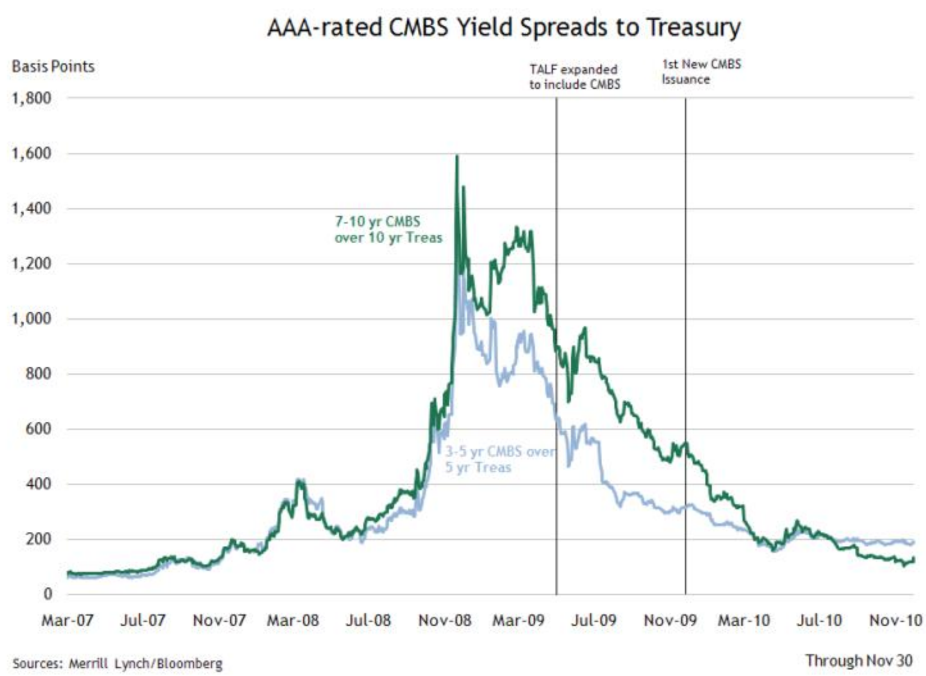
Securitization Markets

Summary

Issuance of commecial MBS increased in November. The large increase in "Other" is the result of two significant deals for the purchase of existing hotels.



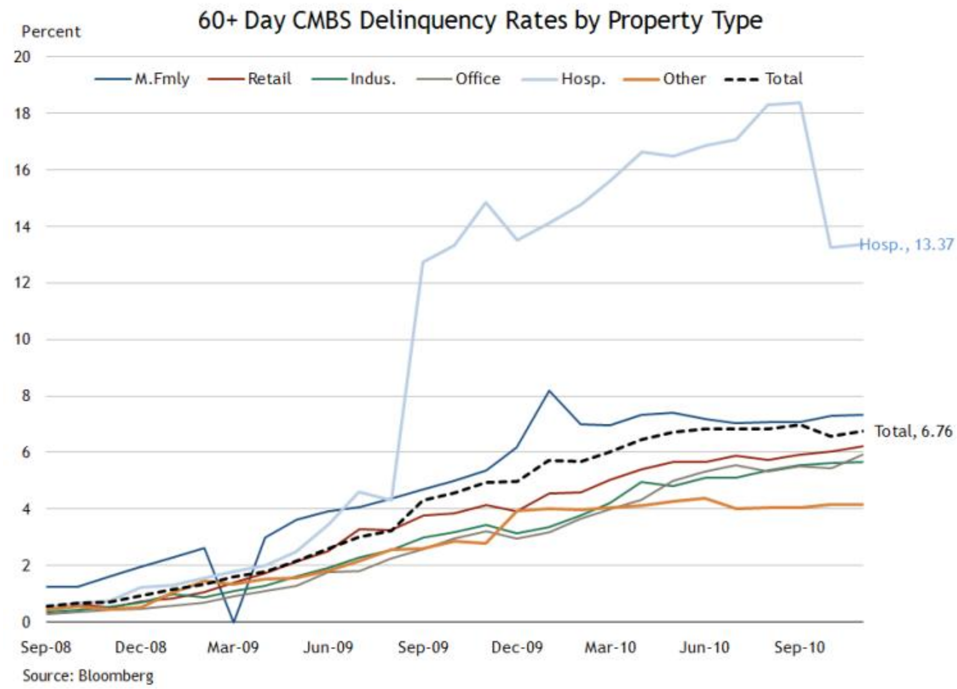
Top-rated three-to-five-year CMBS yield spreads over five-year Treasuries have been stable since June. Yield spreads on seven-to-ten-year CMBS over ten-year Treasuries have declined in recent months.



Summary

Delinquency rates on CMBS seem to be stabilizing for most property types.

The delinquency rate for CMBS backed by hospitality properties has declined significantly over the past two months.

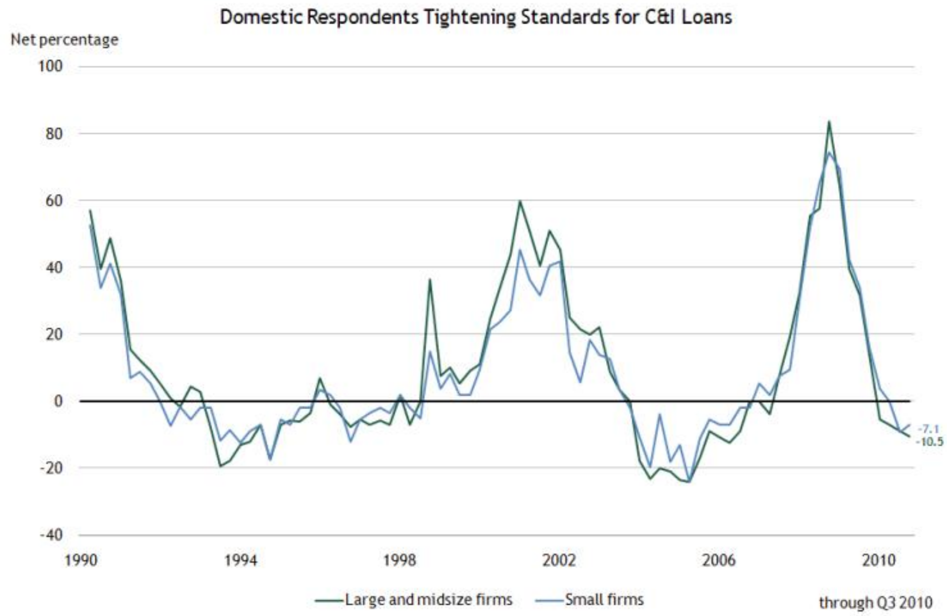


Senior Loan Officer Survey

Summary

The October 2010 senior loan officer survey indicated banks eased standards on commercial and industrial loans to firms of all sizes.

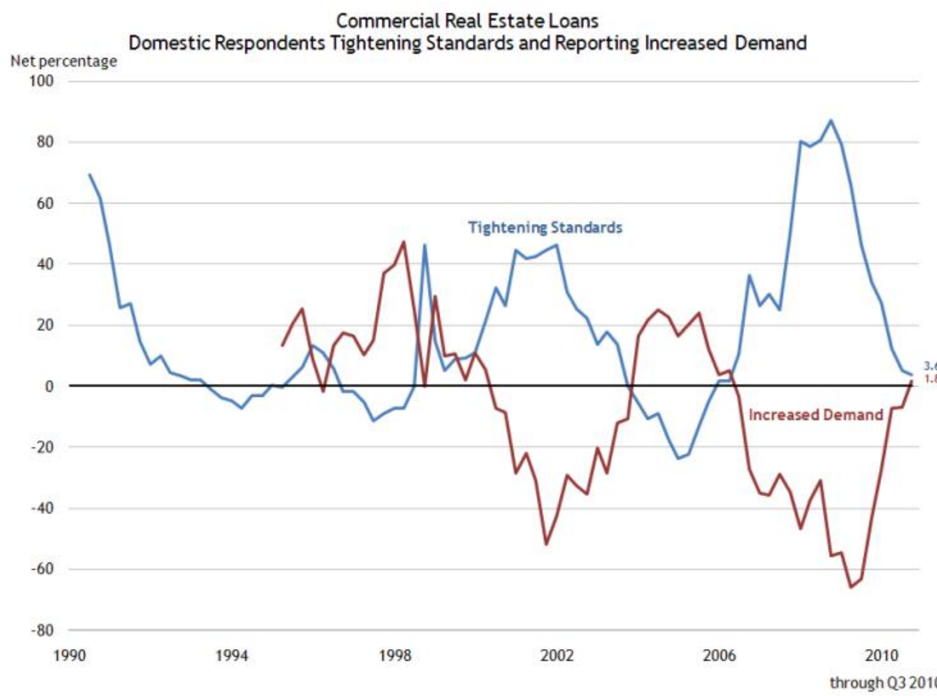
Banks cited a more favorable or less uncertain economic outlook and increased competition from other banks and nonbank lenders as important factors behind the recent easing of terms and standards.



Source: Federal Reserve Board of Governors

Most banks reported no change in standards and terms for CRE loans.

On net, domestic banks reported little change in the demand for CRE loans. Larger banks reported stronger demand while smaller banks tended to report weaker demand.



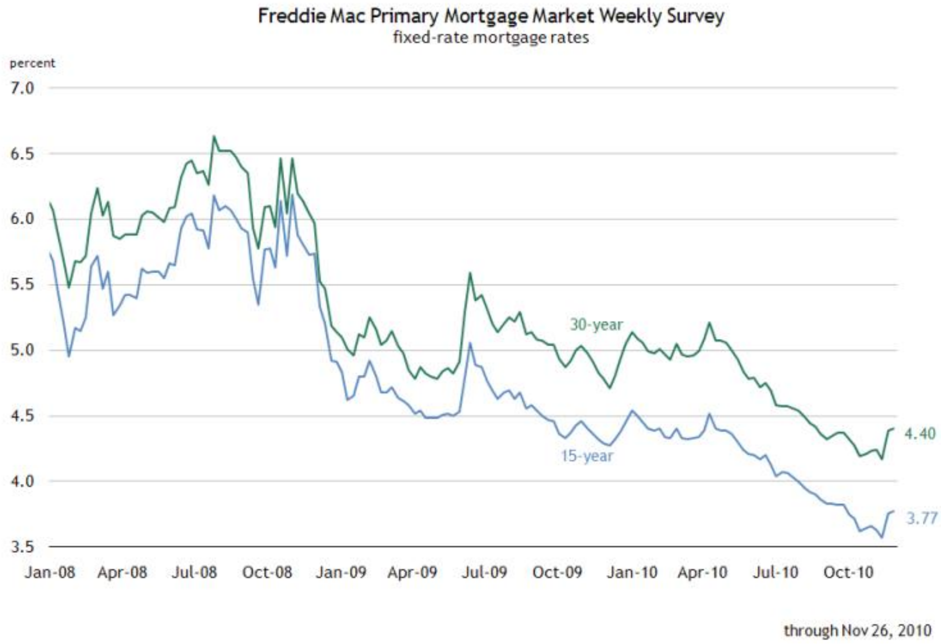
Source: Federal Reserve Board of Governors

Mortgage Market

Summary

For the week ended November 26, the 30- and 15-year fixed mortgage rates edged up slightly, marking the second consecutive week that rates increased.

Both series set record lows for the week ended November 12.



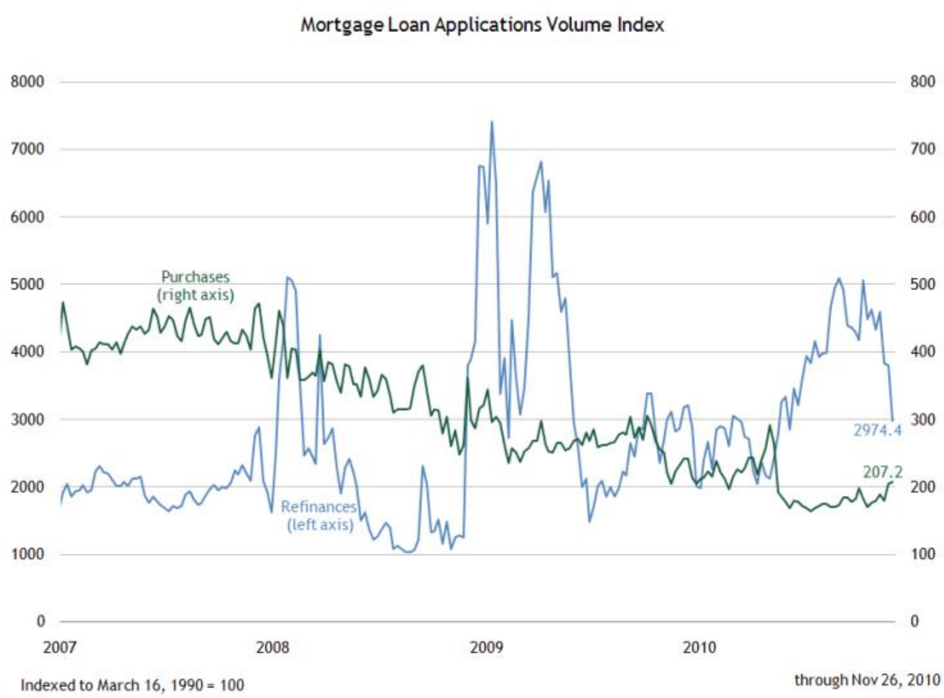
Source: Federal Home Loan Mortgage Corporation/Haver Analytics

- The 30-year fixed rate averaged 4.40%, up slightly from 4.39% a week ago. At this time last year the 30-year fixed rate averaged 4.78%.
- The 15-year fixed rate averaged 3.77%, up slightly from 3.76% a week ago. At this time last year the 15-year fixed rate mortgage averaged 4.29%.

Mortgage purchase applications increased last week and the purchase index rose 1.1% from the week earlier; the purchase index is at its highest level since the beginning of May 2010.

The refinance index decreased 21.6% from the previous week, marking the third straight weekly decline. The refinance index is at its lowest level since June 2010.

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.



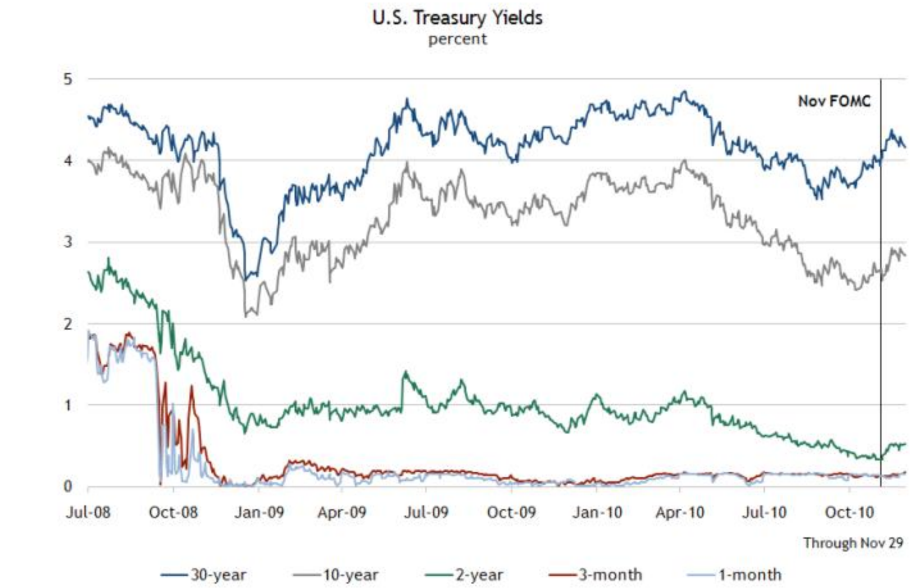
Source: Mortgage Bankers Association/Haver Analytics

- The refinance share of mortgage activity decreased to 74.9% from 78.6% the previous week and is at its lowest level since June 2010.

Broad Financial Market Indicators

Summary

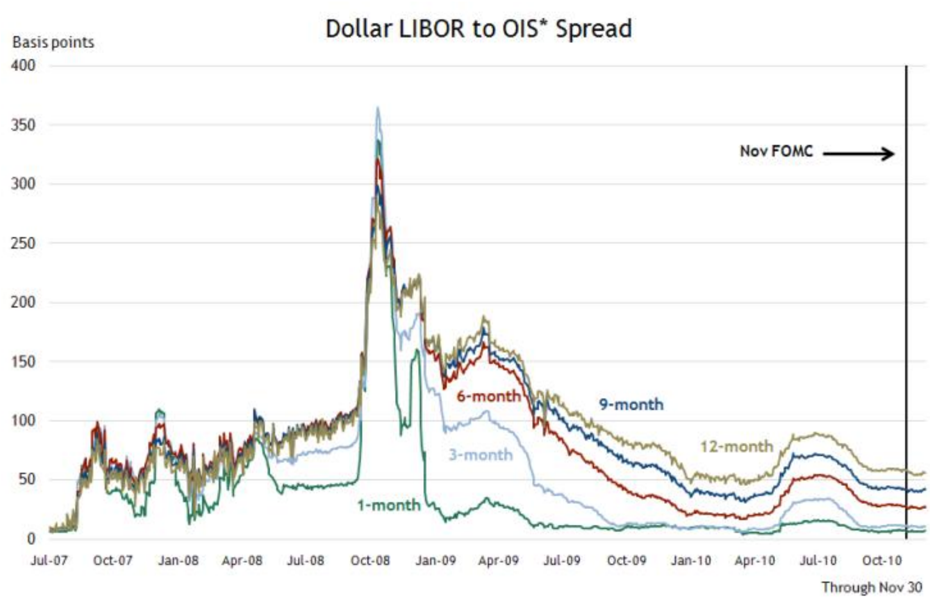
Longer-dated Treasury yields initially rose sharply following the November FOMC meeting; however, because of European financial turbulence, yields have since moderated a bit amidst flight-to-quality flows.



Source: Federal Reserve Board/Haver Analytics

- Thirty-year Treasury bonds have risen 7 bps to 4.16% since November 3, while the 10-year notes have risen 17 bps to 2.84% and the 2-year ones by 18 bps to 0.52%.

LIBOR to OIS spreads remain relatively low and stable.



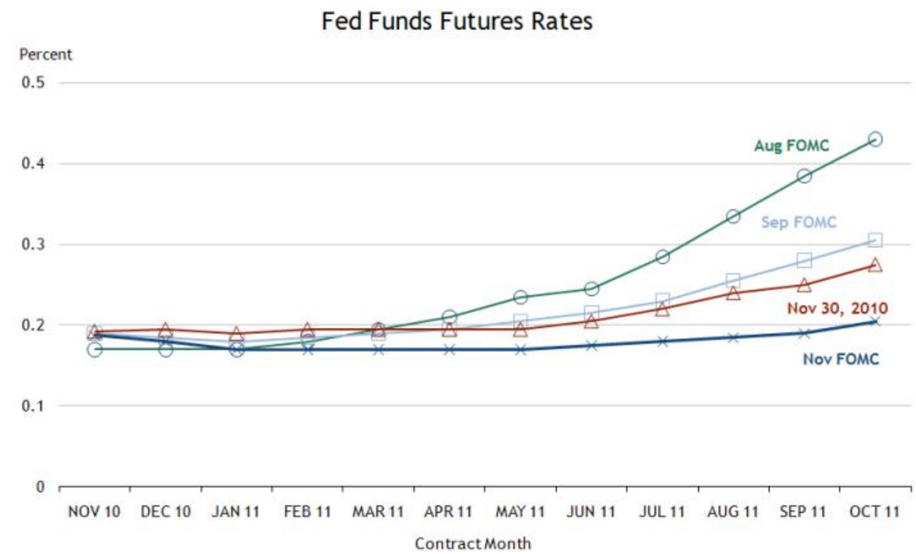
Source: British Bankers Association/Bloomberg

*Overnight Index Swap rate

Broad Financial Market Indicators

Summary

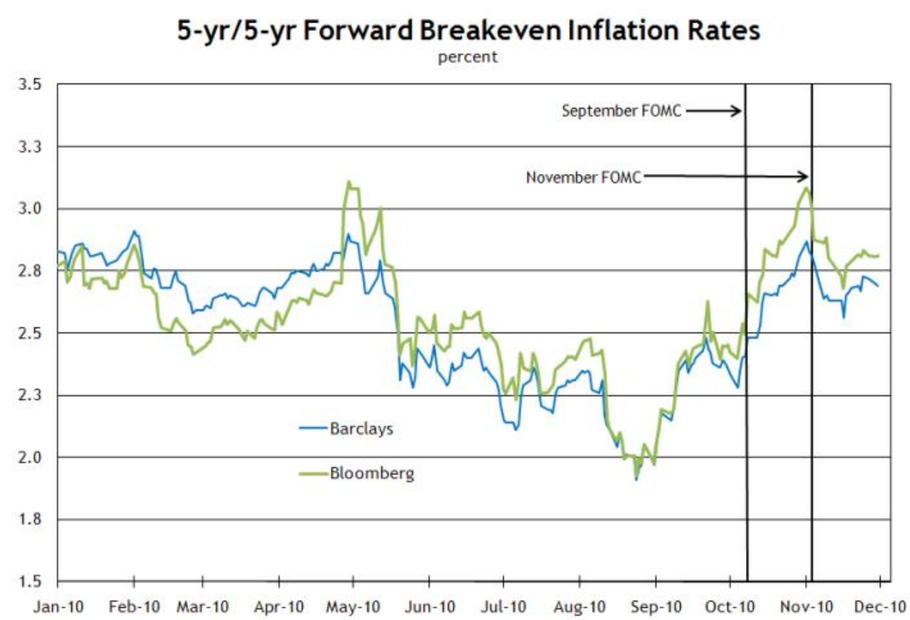
Since the November FOMC meeting, the curve of expected rates has moved higher, according to the fed funds futures market.



Source: Bloomberg

- As of November 30, the futures market for fed funds indicates an implied rate of about 28 bps for the October 2011 contract, 7 bps higher than what followed the November FOMC meeting.

Breakeven inflation rates rose strongly between the September and November FOMC meetings in anticipation of QE2 but since then have declined around 10-20 basis points.



Source: Bloomberg/Barclays

- Breakeven inflation rates have risen strongly between the September and November FOMC meetings in anticipation of QE2 but have since drifted lower by nearly 10-20 bps.
- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.69 percent, which is up 12 bps lower from the November FOMC but up from recent lows of around 2% in August.