FEDERAL RESERVE BANK of ATLANTA

December 02, 2009

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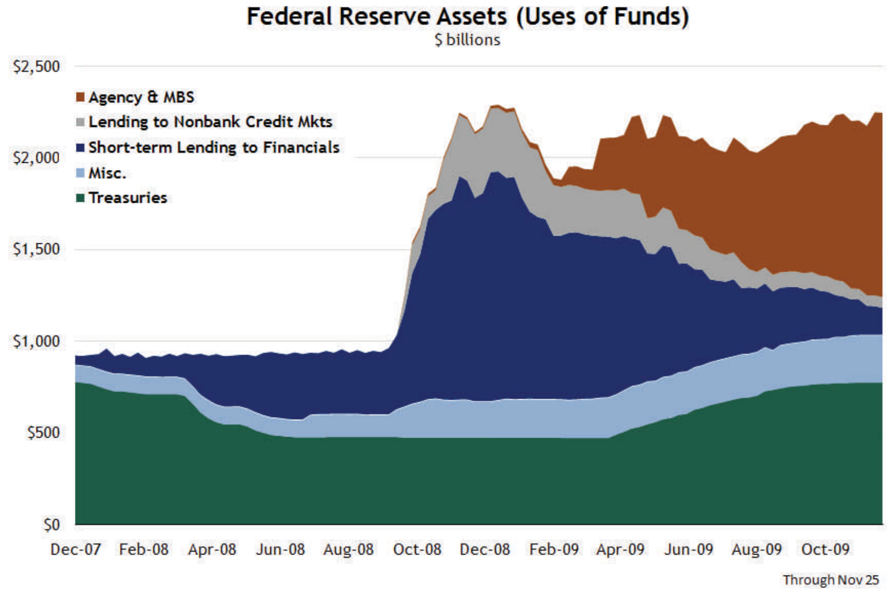
Federal Reserve

Summary

The balance sheet shrank slightly between November 18 and November 25 to $2.24 trillion.

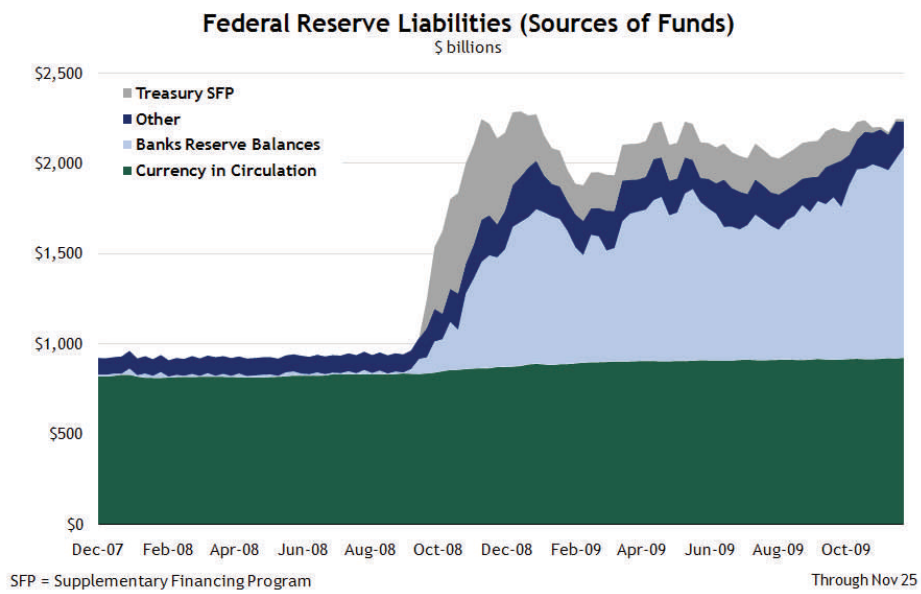


Source: Federal Reserve Board

- The $2.5 billion decline in the Fed's balance sheet was mostly the result of a decline in short-term lending to financials, specifically the TAF.
- MBS holdings increased during the period and will continue to grow until a few months after the program ends as it takes time for the transactions to settle and appear on the balance sheet. The program is scheduled to end the first quarter of 2010.

On the liabilities side, bank reserves have increased to $1.16 trillion, their highest level and the seventh consecutive week above the $1 trillion mark.

Reserves currently make up about 50% of the balance sheet.



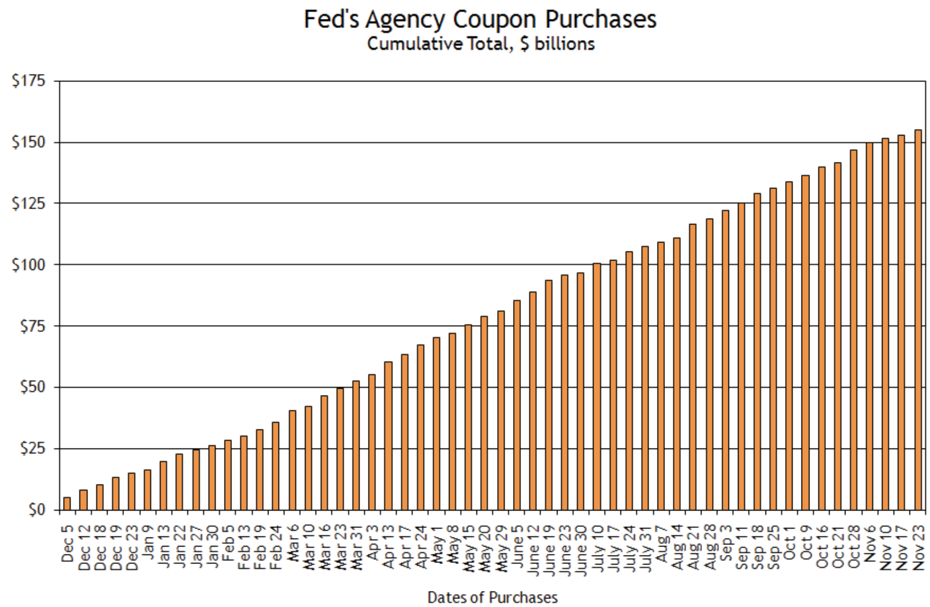
Source: Federal Reserve Board

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.

Federal Reserve

Summary

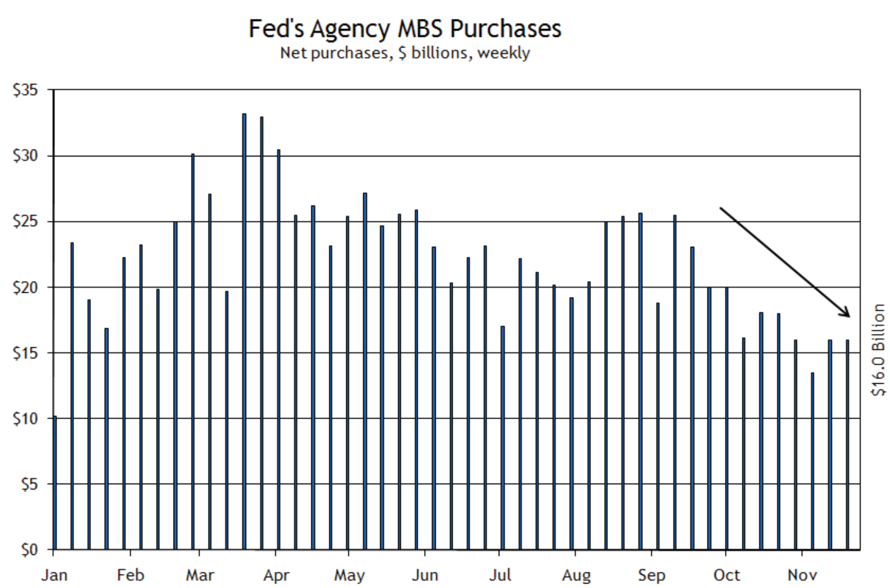
The Fed is nearly 90% complete with its agency debt purchase program, scheduled to conclude in March 2010.



Source: NY Fed

- The Fed has completed $155.07 billion of its $175 billion agency debt purchase program through December 2 (making it 88% complete). On November 23 it made a purchase of $2.02 billion. The program is scheduled to be completed by March 2010.

The Fed has now purchased more than $1 trillion in agency-backed MBS through the week ended November 25.



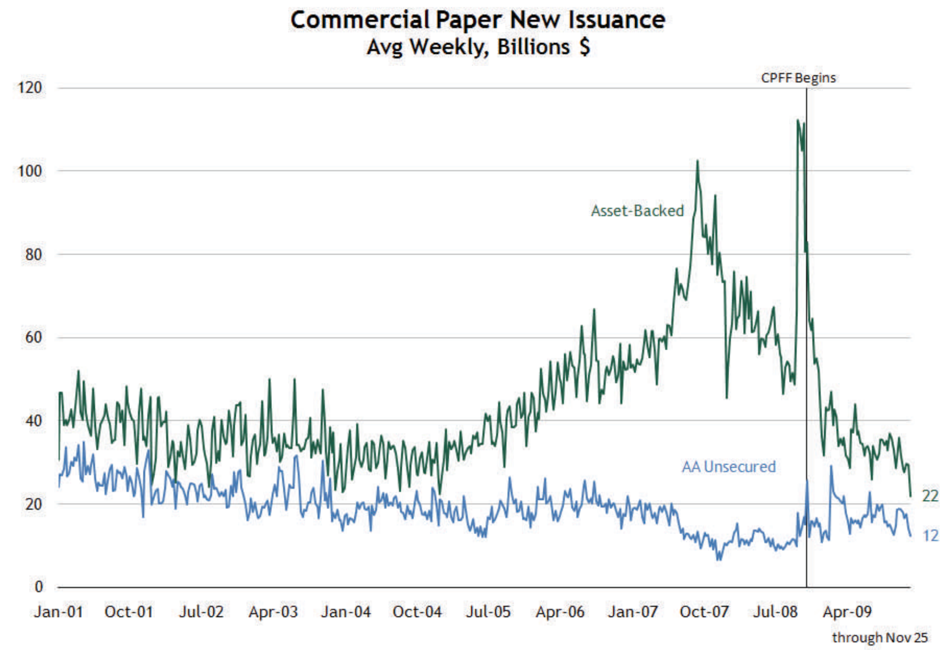
Source: NY Fed

- The Fed purchased a net total of $116 billion of agency-backed MBS in each of the last two weeks ending November 18 and 25, bringing its total purchases to $1.04 trillion. By the end of the first quarter 2010, the Fed will purchase $1.25 trillion (thus, it is 83% complete).
- In the last two months, the average weekly amount of MBS purchased has been smaller, averaging $17.7 billion during the last 10 weeks versus the average of $23.4 billion a week since the start of the program.

Commercial Paper

Summary

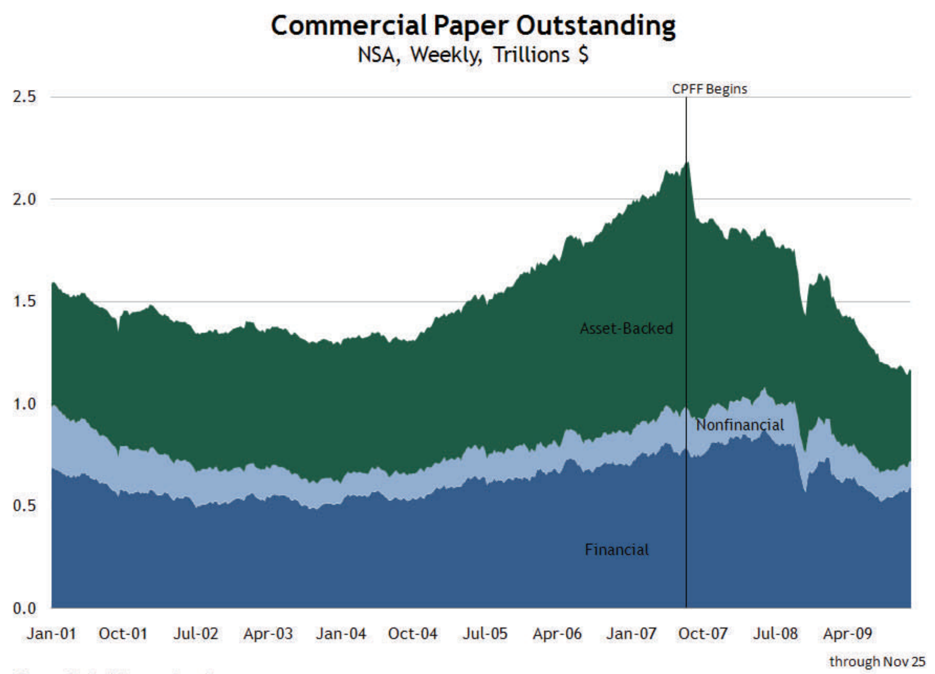
New issuance of AA rated unsecured commercial paper has remained relatively stable during the past year, with average weekly issuance hovering around $17 billion a week. Asset-backed issuance, however, has continued to fall.



Source: Federal Reserve Board

- Since early November of 2008, issuance of AA rated nonfinancial commercial paper has averaged $4.5 billion a week while AA rated financial has averaged $12.6 billion a week. Asset-backed commercial paper has averaged $37 billion a week.

Outstanding amounts of total commercial paper not seasonally adjusted continue to trend down, mostly because of large decreases in asset-backed paper. Unsecured paper outstanding has been increasing slightly since August but only enough to slow the decline in the total.



Source: Federal Reserve Board

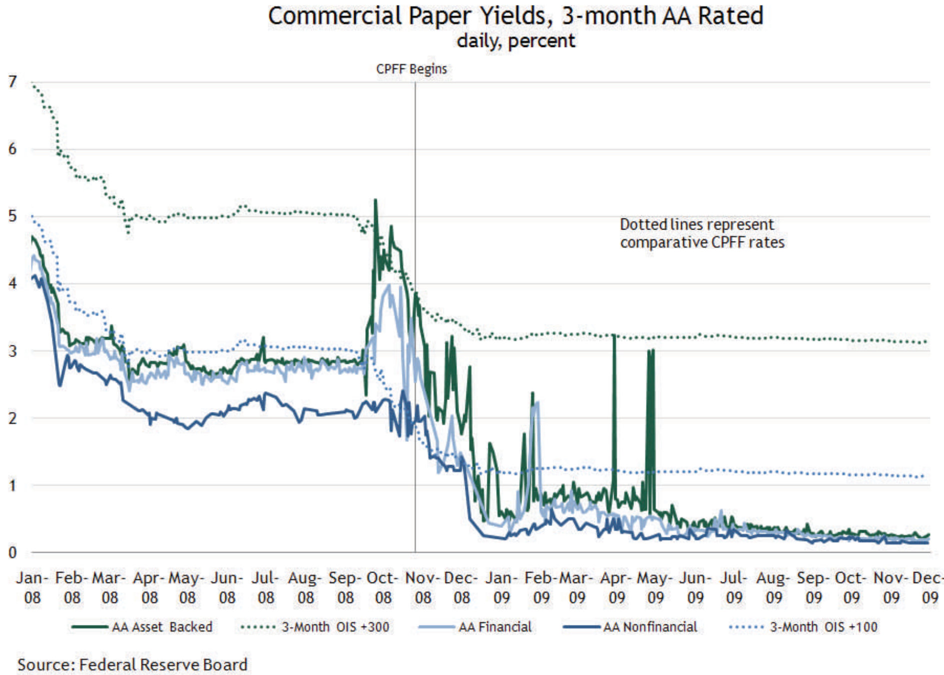
Commercial Paper

Summary

Commercial paper rates remain at very low levels, well below the rates paid in the Commercial Paper Funding Facility (CPFF).

As a result, usage of the Fed's CPFF has declined from more than $350 billion a week at its peak to $15 billion during the week ended Nov 25.

The CPFF is scheduled to expire February 1, 2010.



Source: Federal Reserve Board

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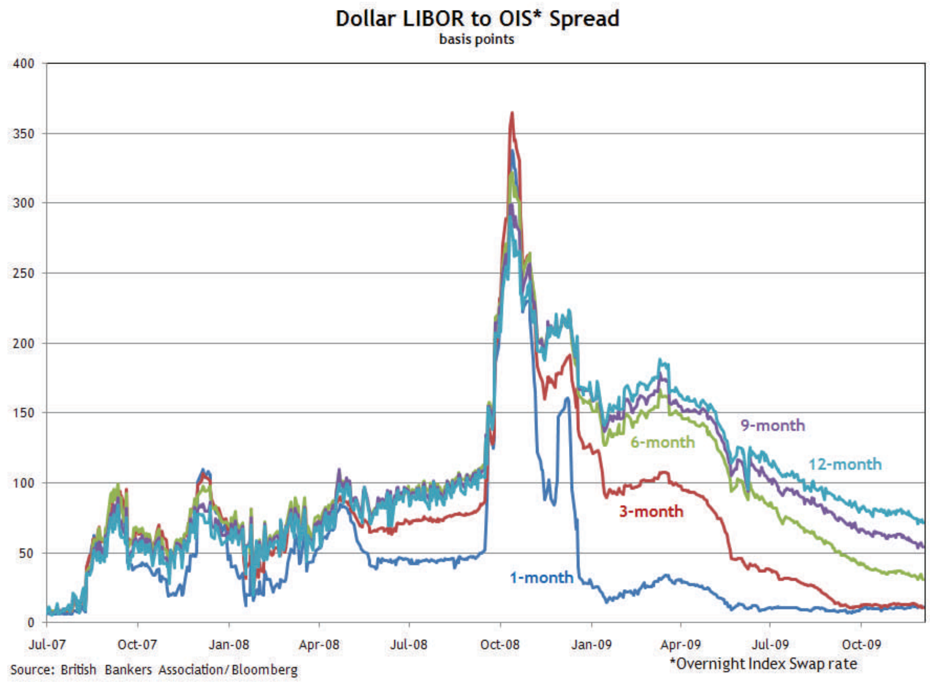
Broad Financial Market Indicators

Summary

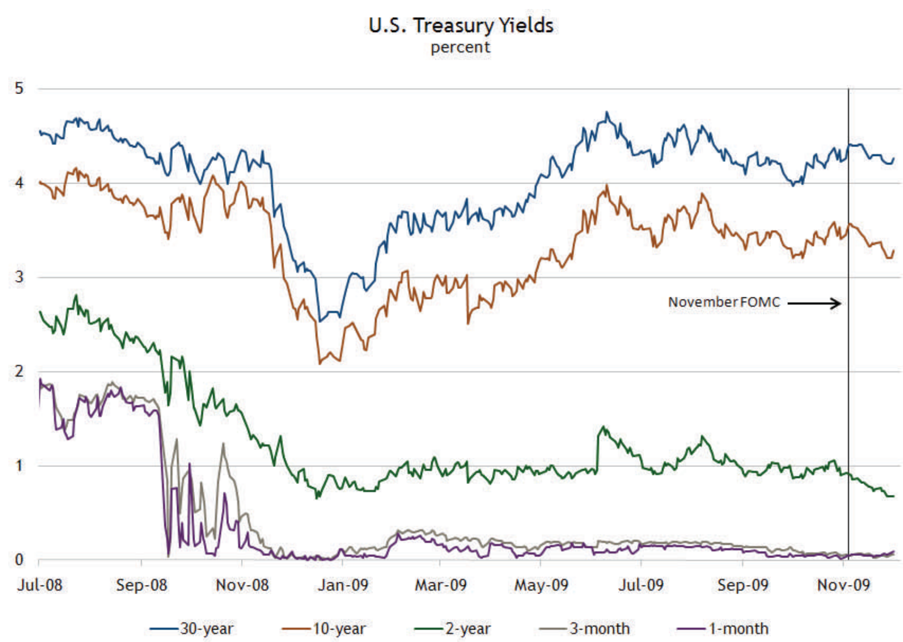
LIBOR-to-OIS spreads continue to be stable for the one- and three-month tenors. While six-, nine-, and 12-month rates have declined, they remain elevated above their precrisis levels.



Source: Bloomberg and British Bankers' Association

- The one-month and three-month Dollar LIBOR-to-OIS spreads are relatively stable at 10.6 and 11.2 basis points (bps), respectively.
- Further out, spreads have fallen. Since the September 23 FOMC meeting, the six-, nine-, and 12-month spreads have declined 15, 19, and 17 bps, respectively.

Treasury yields have moved lower since the November FOMC meeting.



Source: Bloomberg

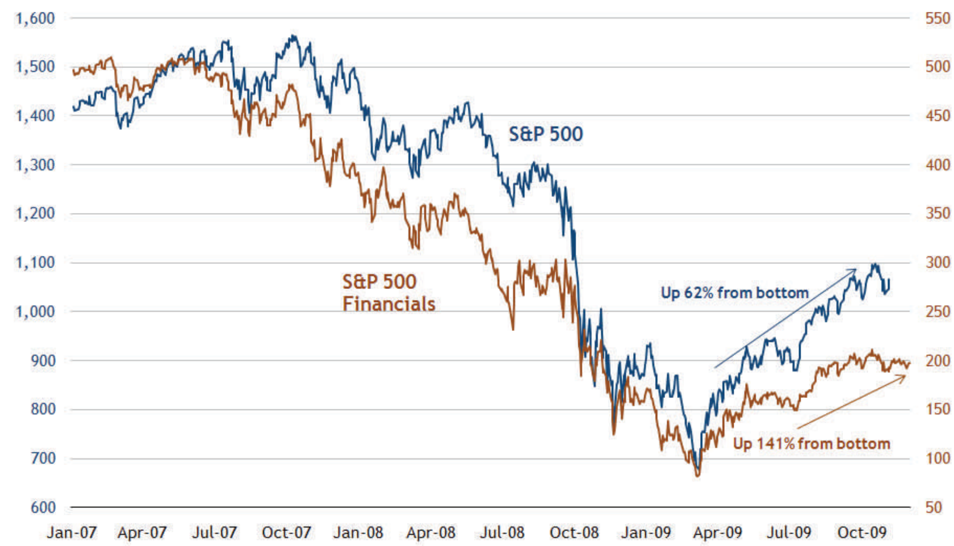
- Following the last FOMC statement on November 4, Treasury yields have moved lower: The 30-year bond is down 15 bps to 4.26%, the 10-year 29 bps moved lower to 3.28%, and the two-year note has fallen 24 bps to 0.67%, through December 1.

Broad Financial Market Indicators

Summary

Equity markets continue to trend up.

S&P 500 and Financials Indexes

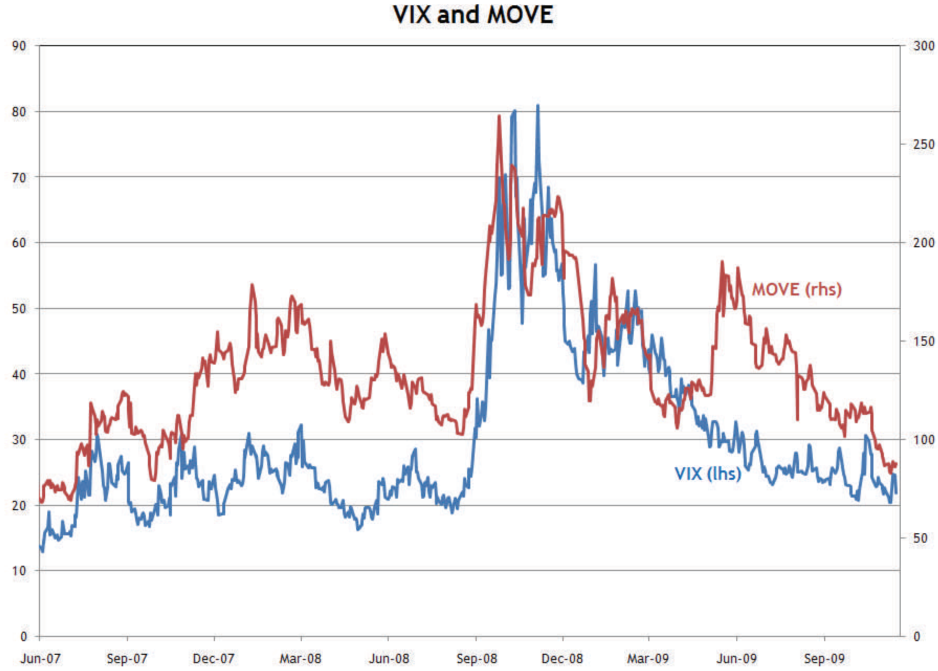


Sources: New York Times and Haver Anayltics

- The S&P 500 and the Dow Jones Industrial Average (DJIA) are little changed since the last FOMC meeting on November 4, with the S&P up about 6% and its financials subindex up about 4.5% in the same period.

Volatility indexes show improvement in bond market volatility while equity market volatility is within recent ranges.

VIX and MOVE



Source: Bloomberg

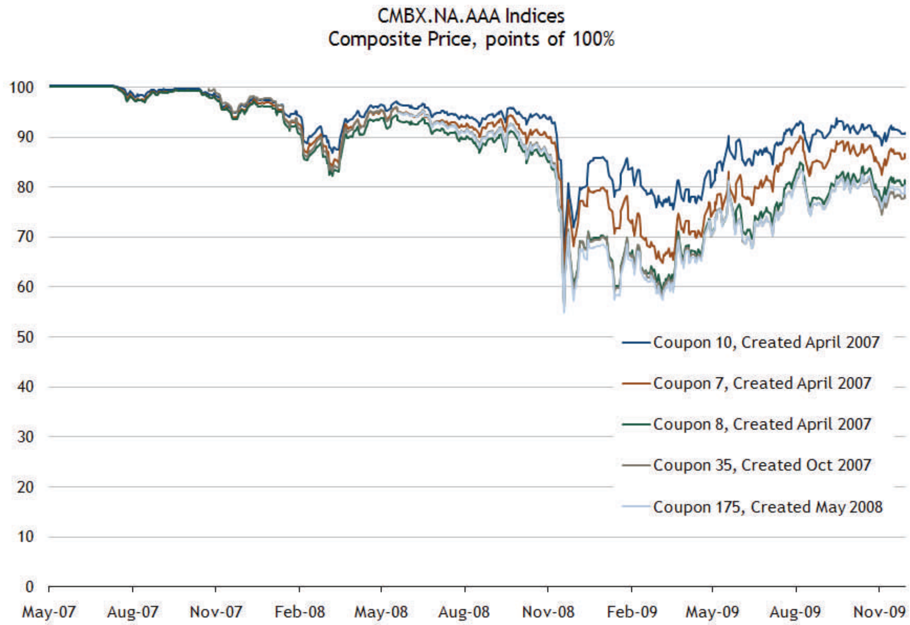
- Since June, the Chicago Board of Exchange's Volatility Index (VIX), measuring the option-implied volatility of the S&P 500 index, has mostly remained between 20 and 30; as of December 1, it is at 21.9.
- The Merrill Lynch Option Volatility Expectations (MOVE), a measure of bond market volatility, has trended downward, showing steady improvement. It stands at 87.5 as of December 1, a level not seen since fall 2007.

Broad Financial Market Indicators

Summary

All CMBX.NA.AAA indices have regained about 40% of their value since their lows in November and are now trading between 79.5 and 91 points.

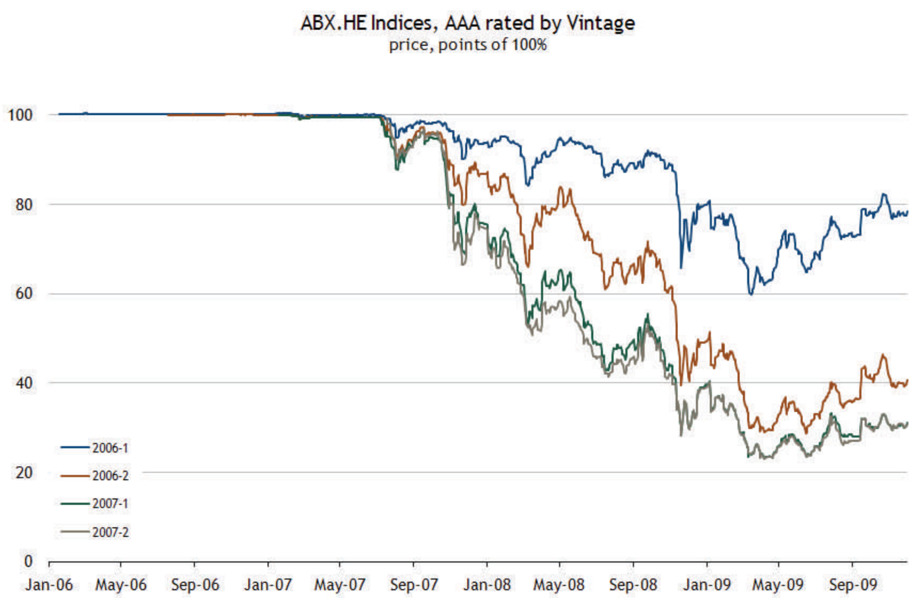
This upward trend indicates a decrease in the cost of protection for default in the associated commercial mortgage-backed securities.



Source: Markit Group Limited/Haver Analytics

- Other CMBX.NA indices have experienced recent gains as well. Since last April, all of the CMBX.NA.AJ and AA indices have more than doubled while the A and BBB indices have improved considerably as well. Even with recent increases, all indices except the AAA are well below initial values. The CMBX.NA.BB indices have all remained flat during the same period.

The AAA rated ABX.HE index, a measure of the cost to insure against default on vintage subprime home equity loans, has experienced trends similar to the CMBX.NA.AAA indices.



Source: Markit Group Limited/Haver Analytics

- Since April 1, the ABX.HE AAA rated indices are up 25, 40, 32, and 33% for the 2006-1, 2006-2, 2007-1, and 2007-2 vintages, respectively.