FEDERAL RESERVE BANK of ATLANTA

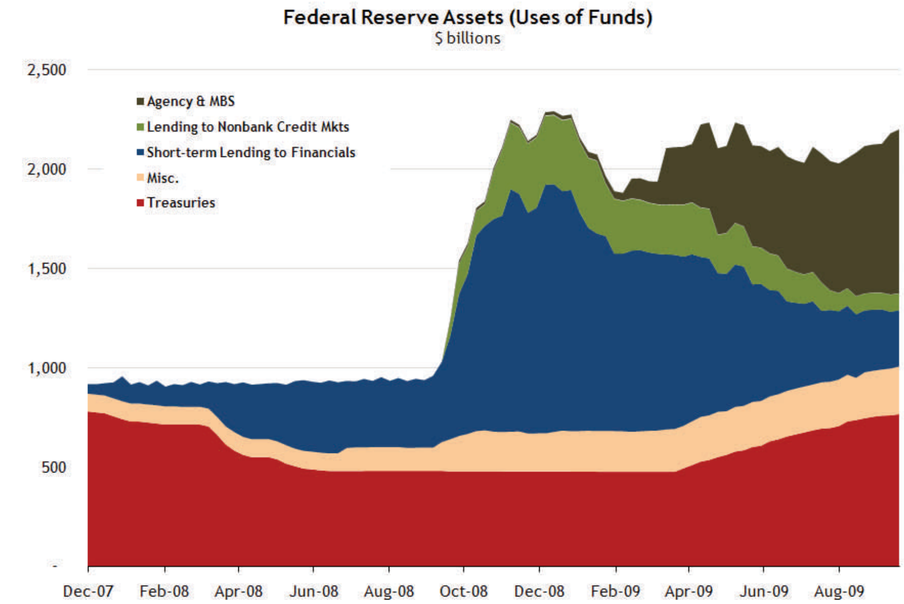
September 30, 2009

Financial Highlights

Federal Reserve

Summary

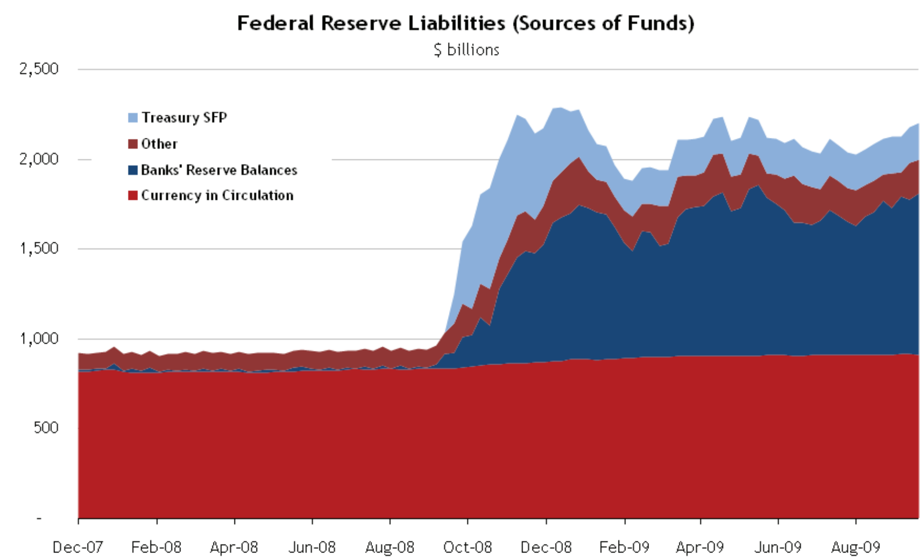
The size of the Fed's balance sheet has increased for seven straight weeks and at $2.2 is close to the upper end of the range of $2 to $2.2 trillion experienced since March.



Source: Federal Reserve Board

- The size of the Fed's balance sheet increased by about $171 billion to $2.2 trillion from August 5 to September 23. Short-term lending to financials has declined markedly over the year, from about $1.1 trillion as of January 7 down to about $284 billion as of September 23. The pace of these declines, however, has been slowing since summer—the average weekly decline was $35 billion in July followed by $12 billion in August and $7 billion so far in September. Increases in holdings of Treasury securities, mortgage-backed securities, and agency debt (up a combined $232 billion since August 5) have more than offset the declines in other areas.

On the liabilities side, bank reserve balances continue to make up a large portion of the balance sheet. Since March, reserves have averaged about $800 billion, accounting for 38% of liabilities.



SFP = Supplementary Financing Program

Source: Federal Reserve Board

- On September 16, the Treasury Department announced its intentions to let all but $15 billion in bills outstanding under the SFP expire in the coming weeks (the program currently stands at about $200 billion). As of September 23, there has been no change in the size of the SFP over the month.

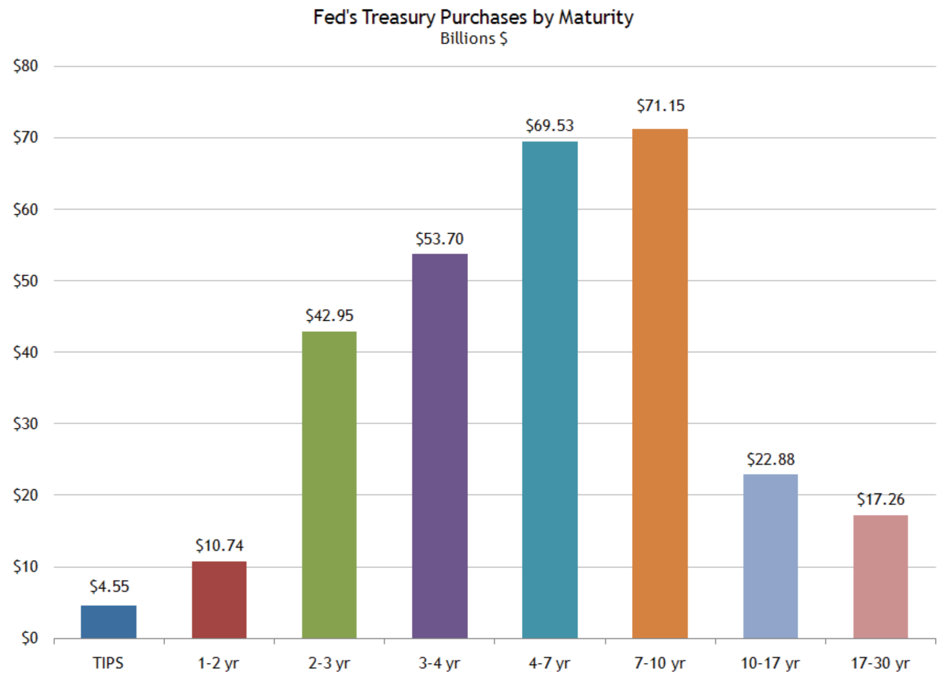
Assets: Lending to nonbanks—TALF, CPFF, AMLF, and MMIFF; Short-term lending to financials—discount window, TAF, currency swaps, PDCF, and repos; Misc.—Maiden Lanes I, II, and III, credit to AIG, and other Fed assets. **Liabilities**: Other—Reverse repos, Treasury cash holdings, and deposits with Federal Reserve Banks other than reserve balances and excluding the Supplementary Financing Program.

Federal Reserve

Summary

The Fed has purchased $292.8 billion of the $300 billion it plans to purchase by the end of October.

Decomposing the Fed's purchases of Treasury securities by maturity shows a heavy focus in the four-to-seven-year and seven-to-10-year sectors, together making up 48% of all purchases so far.



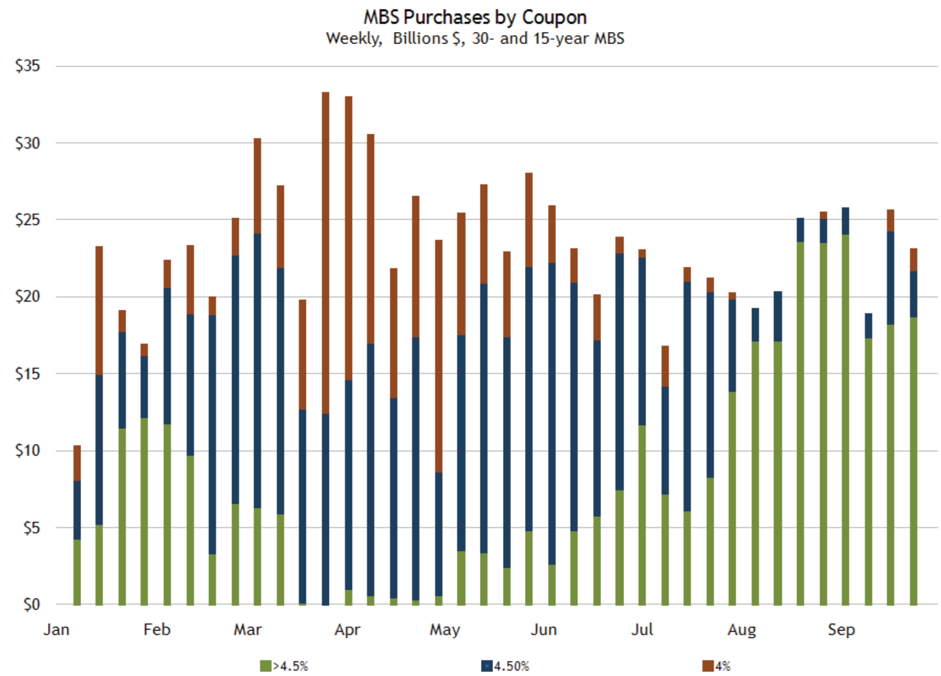
Source: NY Fed

- The Fed has purchased a total of $292.8 billion of Treasury securities through September 30. It has focused most on the four-to-seven-year and seven-to-10-year sectors, purchasing approximately $70 billion in each category (totaling nearly half of all purchases).
- The two-to-three-year and three-to-four-year sectors have also received a fair amount of attention, with the Fed recently purchasing $3.545 billion in the three-to-four-year sector on September 29.

Federal Reserve

Summary

Between September 17 and 23, the Fed purchased a net total of $23 billion in mortgage-backed securities (MBS). Continuing a pattern seen the past two months, most of the MBS had a 5% or 5.5% coupon.



Source: NY Fed

- The Fed purchased a net total of $23 billion of agency-backed MBS between September 17 and 23, bringing its total purchases up to about $885 billion, and plans to purchase $1.25 trillion. Following the FOMC statement released on September 23, the Fed will execute the purchases of MBS by the end of the first quarter of 2010.
- At the start of the program the Fed focused mostly on 4% and 4.5% coupon MBS, but since late July it has changed course to concentrate its purchases in higher coupon areas, particularly the 5% and 5.5% coupons.
- Between September 17 and 23, the Fed's purchases were in the following coupons: $11.9 billion of 5.5% coupon MBS, $6.9 billion of 5%, $3 billion of 4.5%, and $1.2 billion of 4%.

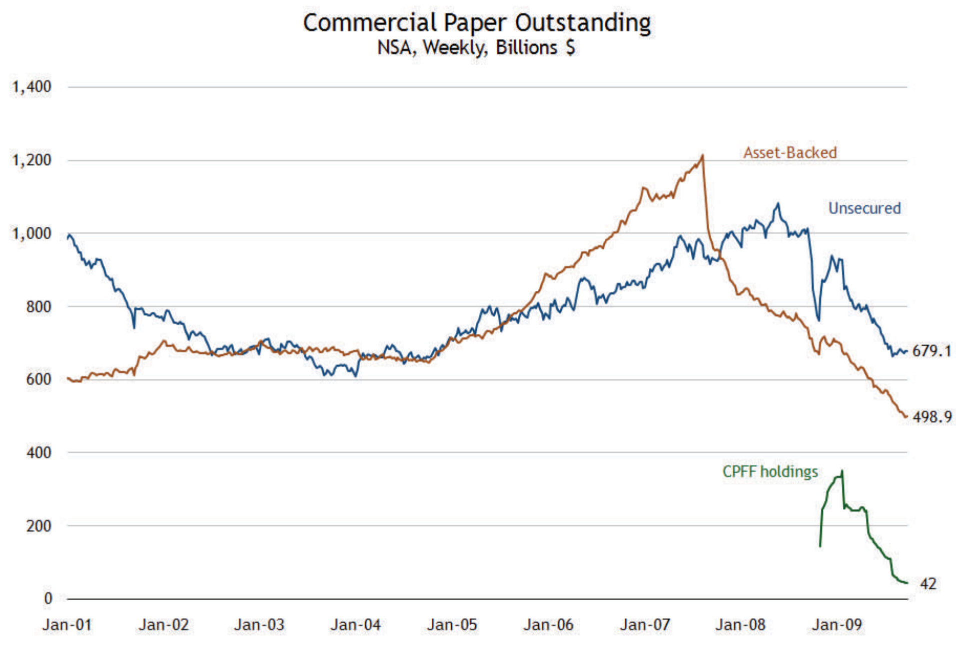
Commercial Paper

Summary

Commercial paper outstanding has trended lower although the decline in unsecured paper has moderated recently and averaged $676 billion over the past two months.

More recently, total commercial paper outstanding increased $1.5 billion to $1,178 billion for the week ended September 23.

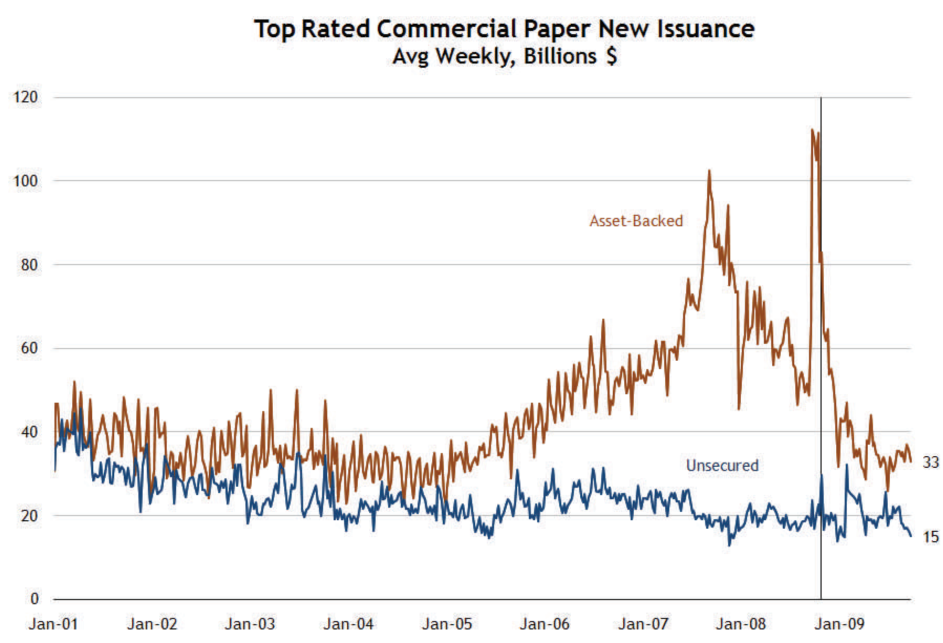
CPFF holdings also continue to decline.



Source: FRB

- At its peak, CPFF holdings were $351 billion.
- Asset-backed commercial paper is down 59% from its peak in August 2007, and unsecured commercial paper is down 27% from its peak in May 2008.

New issuance of commercial paper remains at low levels despite 30-day and 90-day commercial spreads over Treasuries at precrisis levels for top-rated debt.



Source: FRB

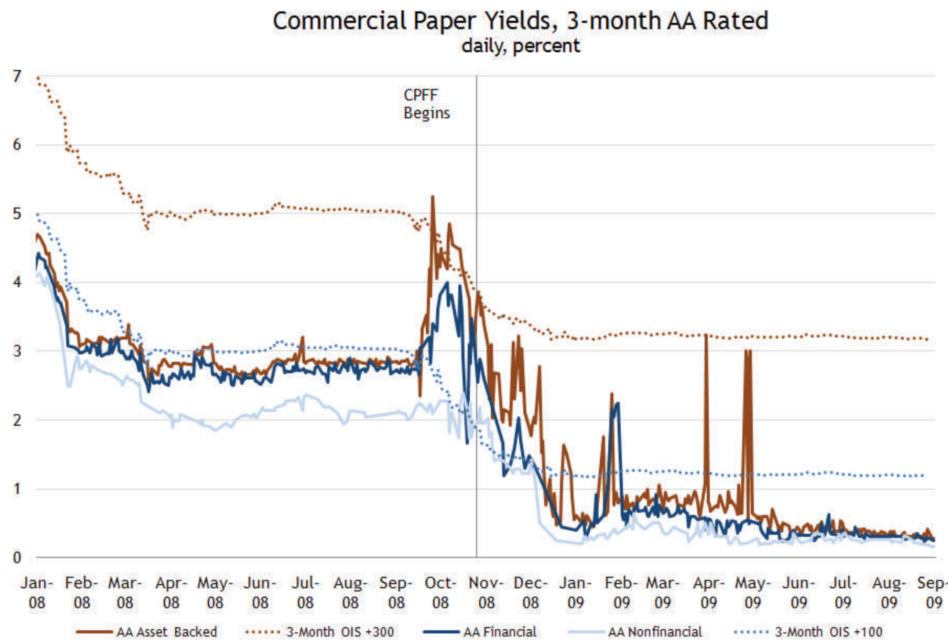
- For the week ended September 23, $33 billion was issued in the form of AA asset-backed commercial paper and $15 billion in the form of unsecured commercial paper, which includes AA and A2/P2 nonfinancial and AA financial.

Commercial Paper

Summary

Use of the Fed's CPFF program has declined as comparative commercial paper yields in the private market remain below that paid in the CPFF.

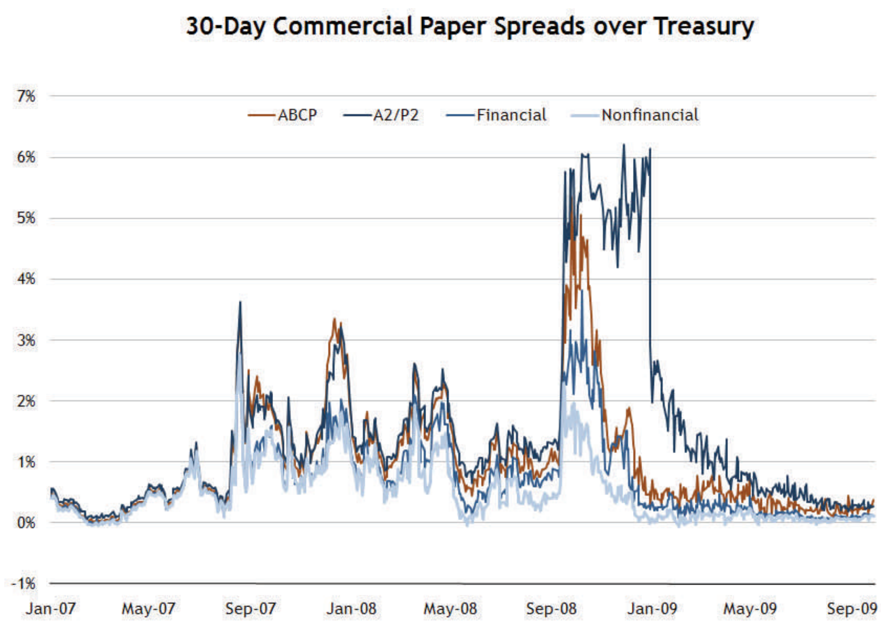
The CPFF is set to expire February 1, 2010.



Source: FRB

- On September 29, AA asset-backed paper traded at 0.31%, AA financial traded at 0.21%, and AA nonfinancial traded at 0.22%.
- The CPFF rate for unsecured commercial paper was 1.16% (three-month OIS+100 basis points) on September 29, and the CPFF rate for ABCP was 3.16% (three-month OIS+300 basis points).

The 30-day commercial paper rate less the 30-day Treasury rate has returned to precrisis levels for both A2/P2 and all types of top-rated (AA) commercial paper.



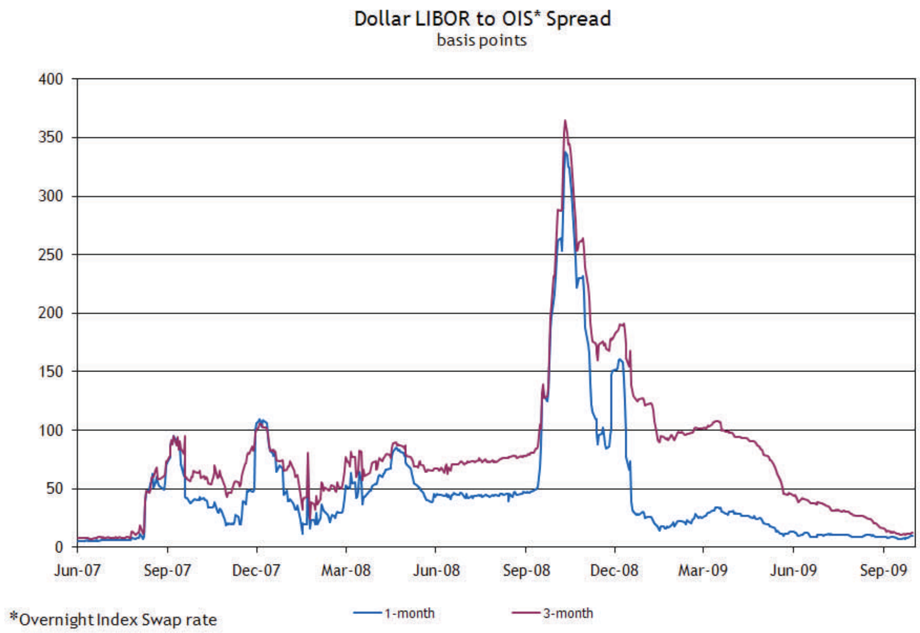
Source: FRB

Spreads	Asset-Backed	Financial	Nonfinancial	A2/P2
8/1/07	0.27	0.21	0.18	0.33
9/28/09	0.38	0.12	0.11	0.27

Broad Financial Market Indicators

Summary

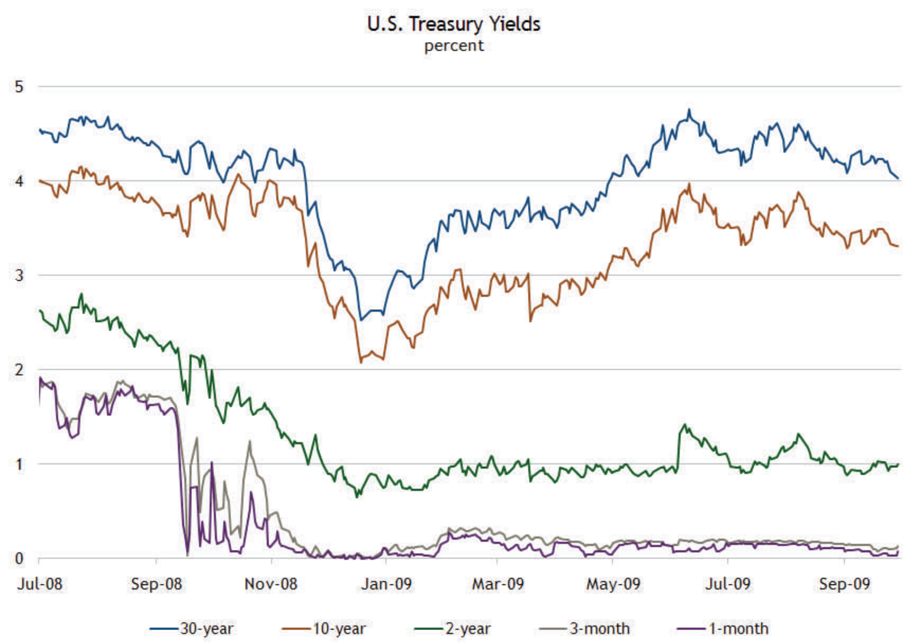
LIBOR-to-OIS spreads have narrowed considerably in recent months but rose slightly following the conclusion of the FOMC meeting on September 23.



Source: Bloomberg and British Bankers' Association

- As of September 30, the one-month Dollar LIBOR-to-OIS spread was 9.5 bps and the three-month was 12.3 bps. Since the FOMC statement on September 23, the two spreads have risen 2 and 1.5 bps, respectively.

Longer-dated Treasury yields declined marginally following the September FOMC meeting.



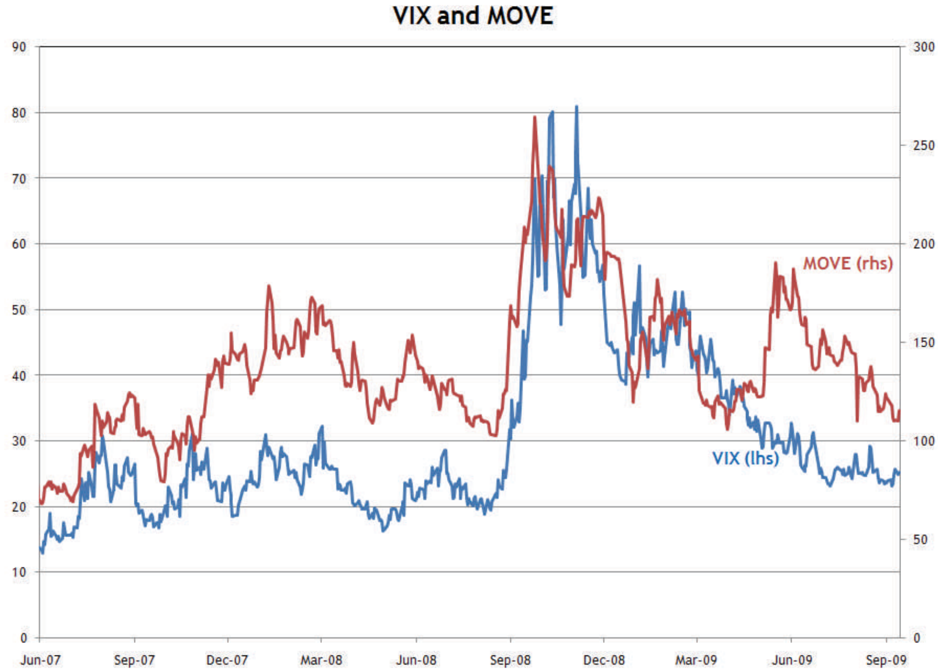
Source: Bloomberg

- Following the last FOMC statement on September 23, longer-dated Treasury yields have fallen: The 30-year bond was down 18 bps to 4.03%, and the 10-year note fell 13 bps to 3.31%. The two-year note rose by 4 bps to 1%.

Broad Financial Market Indicators

Summary

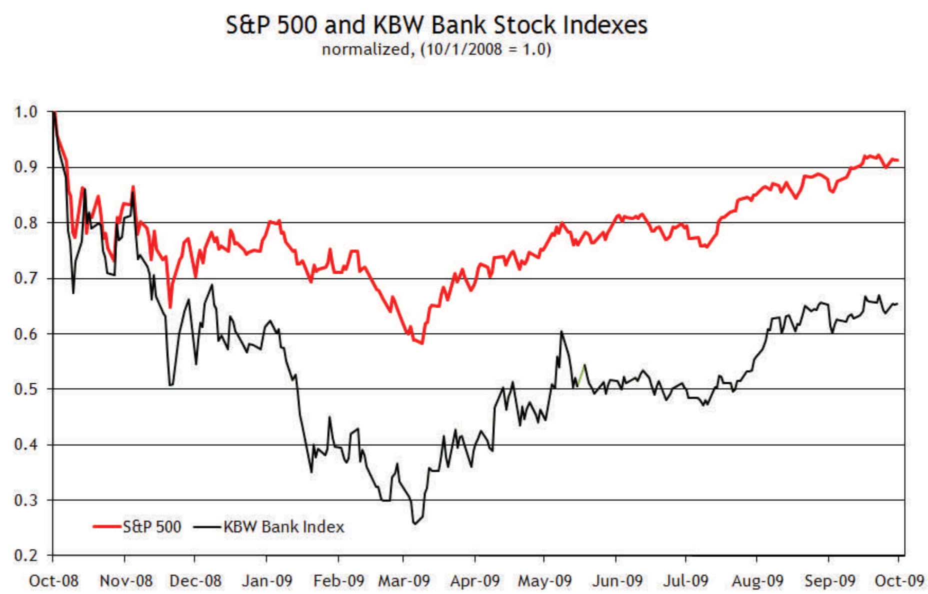
Volatility indexes have been declining steadily over the month of September.



Source: Bloomberg

- The Chicago Board of Exchange's Volatility Index (VIX), measuring the option-implied volatility of the S&P 500 index, has fallen from 29.2 to 25.2 as of September 30.
- The Merrill Lynch Option Volatility Expectations (MOVE), a measure of bond market volatility, has also declined and is currently at 115.2. The most recent peak was 190.3 on June 1.

From their recent lows in March, U.S. equities have soared higher.



Source: Standard & Poor's

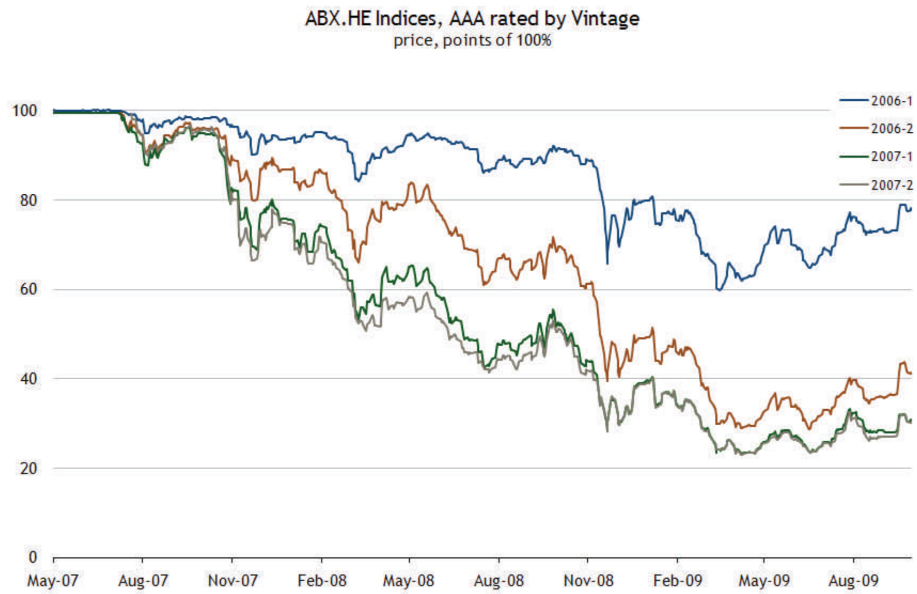
- As of September 30, the S&P 500 has risen 56.9% from its low on March 9. Similarly, from its low on March 6, the KBW Bank Index has risen 141.5%. (The KBW bank index is a capitalization-weighted index that represents 24 large national and regional banks.)

Broad Financial Market Indicators

Summary

AAA rated ABX.HE indices have trended upward in recent months, indicating a decrease in the cost for protection on default of the underlying debt.

According to Markit, expected demand from PPIP buyers has put upward pressure on both the CMBX and ABX in recent months.



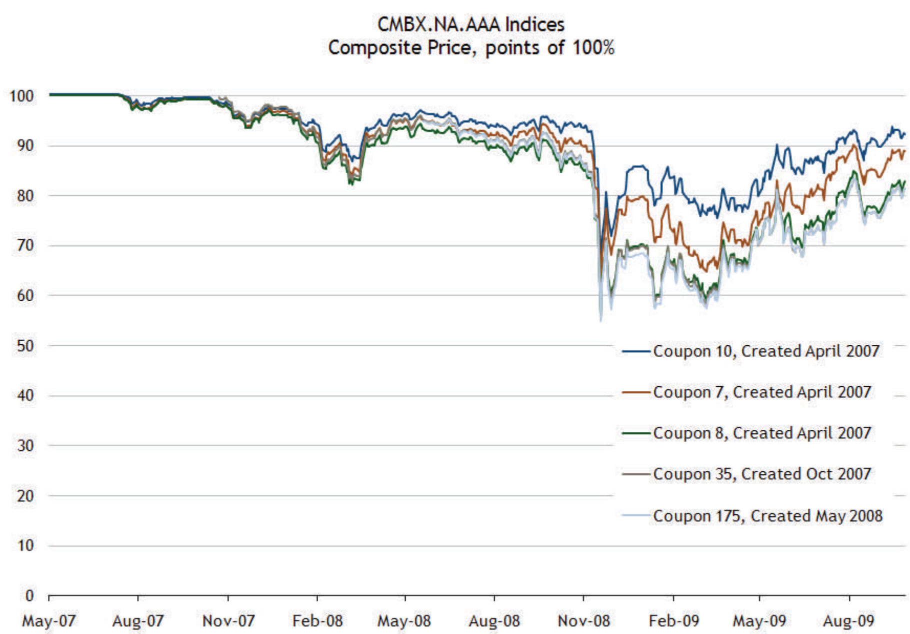
Source: Markit Group Limited/Haver Analytics

	2007-2	2007-1	2006-2	2006-1
9/29/08	50.42	51.71	68.33	90.96
9/29/09	30.52	30.94	41.45	78.29
Year-over-year	-39.47%	-40.17%	-39.34%	-13.93%

The CMBX.NA.AAA index has trended upward since November 2008.

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

Despite recent gains, all CMBX AAA rated indices are down year-over-year.



Source: Markit Group Limited/Haver Analytics

	Coupon 10 (created April 2007)	Coupon 7 (created April 2007)	Coupon 8 (created April 2007)	Coupon 35 (created Oct 2007)	Coupon 175 (created May 2008)
9/29/08	94.94	92.53	89.58	90.97	90.76
9/29/09	92.40	89.06	82.94	81.48	81.42
Year-over-year	-2.68%	-3.75%	-7.41%	-10.43%	-10.29%