FEDERAL RESERVE BANK of ATLANTA

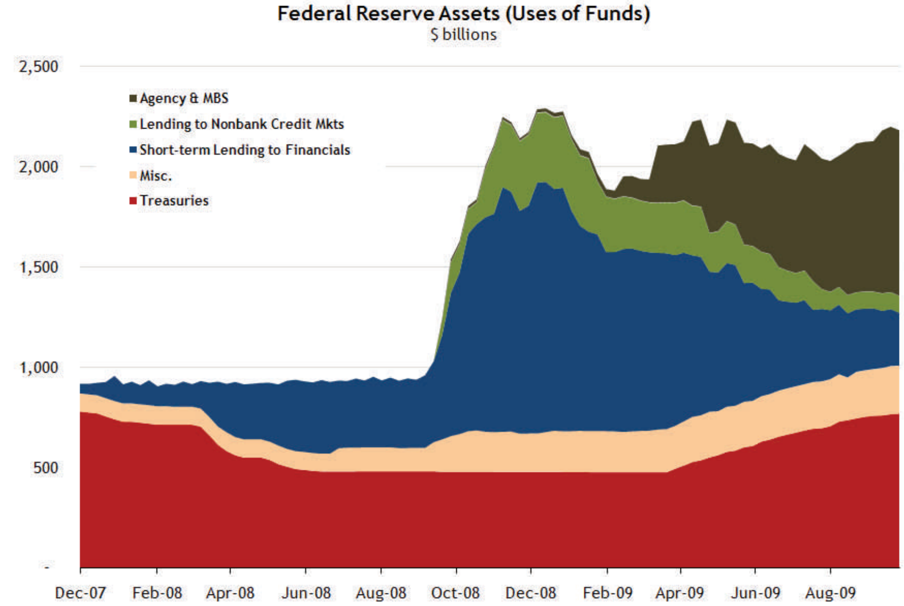
October 7, 2009

Financial Highlights

Federal Reserve

Summary

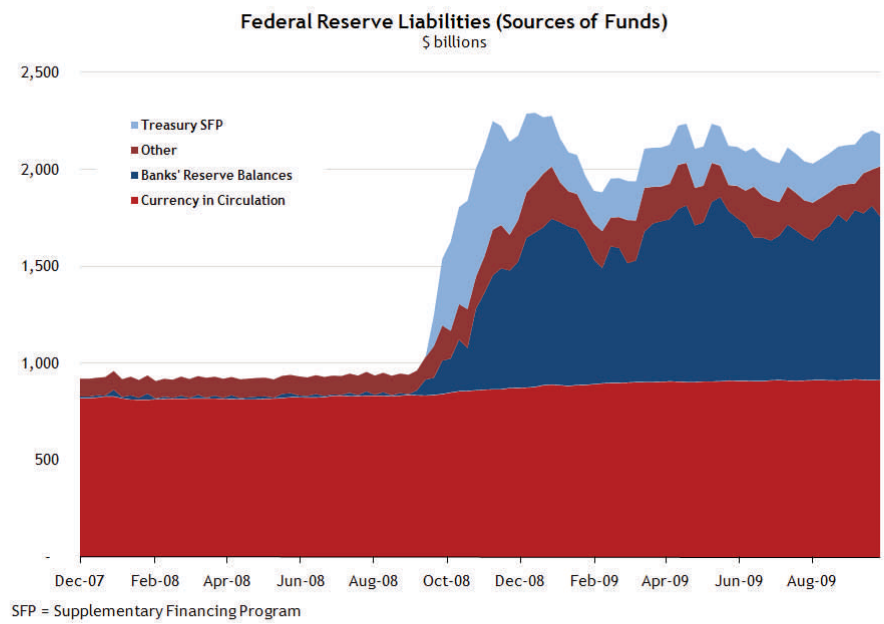
At $2.18 trillion, the size of the Fed's balance sheet is close to the upper end of the $2 trillion to $2.2 trillion range experienced since March.



Source: Federal Reserve Board

- The Fed's balance sheet from about March to August this year was characterized by sizable declines in short-term lending to financials and nonbank credit markets that were largely offset by holdings of Treasuries, MBS, and agency debt (thus resulting in little change to the total size of the balance sheet). The pace of declines in the Fed's liquidity and credit facilities (excluding TALF) has slowed over August and into September while the increases in Treasury holdings has also slowed. With respect to the direct purchase programs, the Treasury purchases are nearly complete; thus, further increases in directly purchased assets will stem from increases in MBS and agency debt.

On the liabilities side, bank reserve balances ended September at about $845 billion, or 38.7% of the balance sheet.



Source: Federal Reserve Board

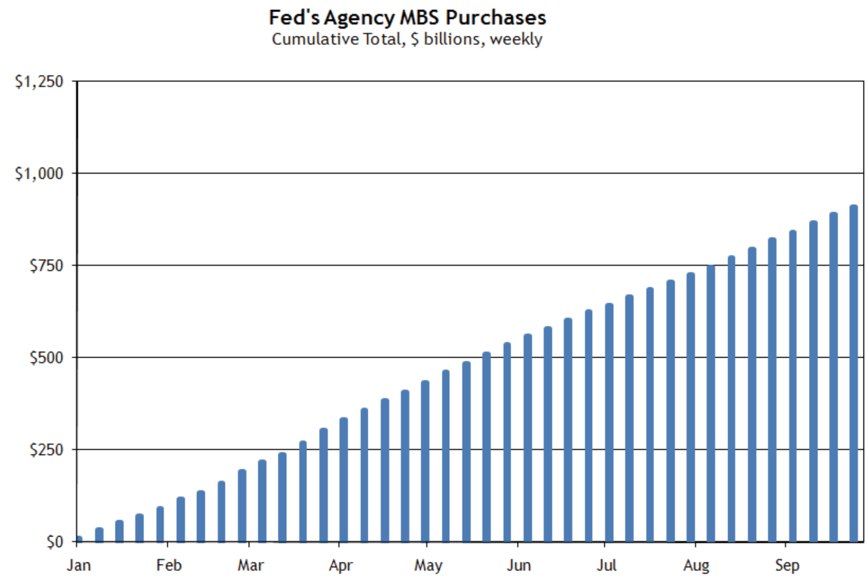
- On September 16, the Treasury Department announced its intentions to let all but $15 billion in bills outstanding under the SFP expire "in the coming weeks." For the week ended September 30, the SFP declined by $35 billion to $165 billion and was more than offset by a $57 billion increase in the Treasury's general account with the Fed.

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

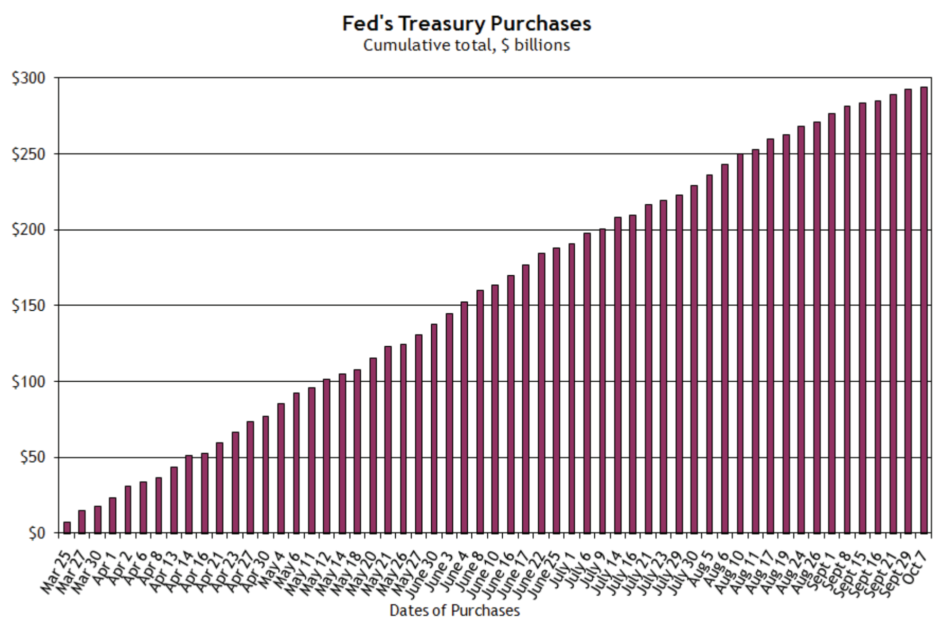
The Fed has now purchased about $909 billion in agency-backed MBS through the week ended September 30.



Source: NY Fed

- The Fed purchased a net total of $20 billion of agency-backed MBS between September 24 and 30, bringing its total purchases up to about $909 billion, and by year end the Fed will purchase up to $1.25 trillion.

The Fed now has about $6 billion remaining to meet its goal of purchasing $300 billion in Treasury securities.



Source: NY Fed

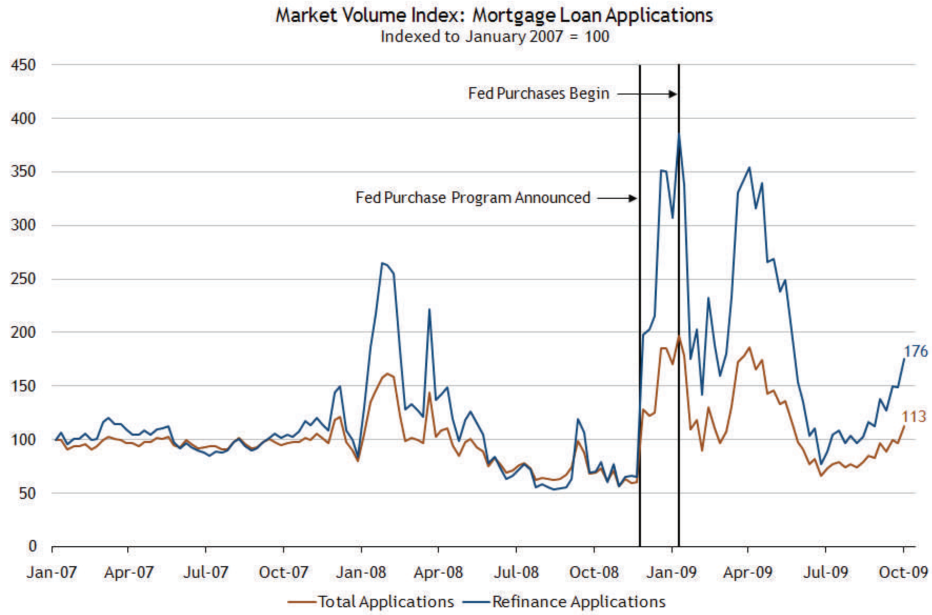
- The Fed has purchased a total of $294.1 billion of Treasury securities through October 7, bringing it about 98% toward its goal. Of these purchases, $4.5 billion have been TIPS.
- In the past week, the Fed made a purchase on October 7 for $1.3 billion in the 11-16-year sector.

Mortgage Applications and Agency OAS

Summary

Total mortgage loan application volume and refinance application volume have trended upward since July as consumers take advantage of lower interest rates.

Both total and refinance volumes remain below their peaks in January and April.

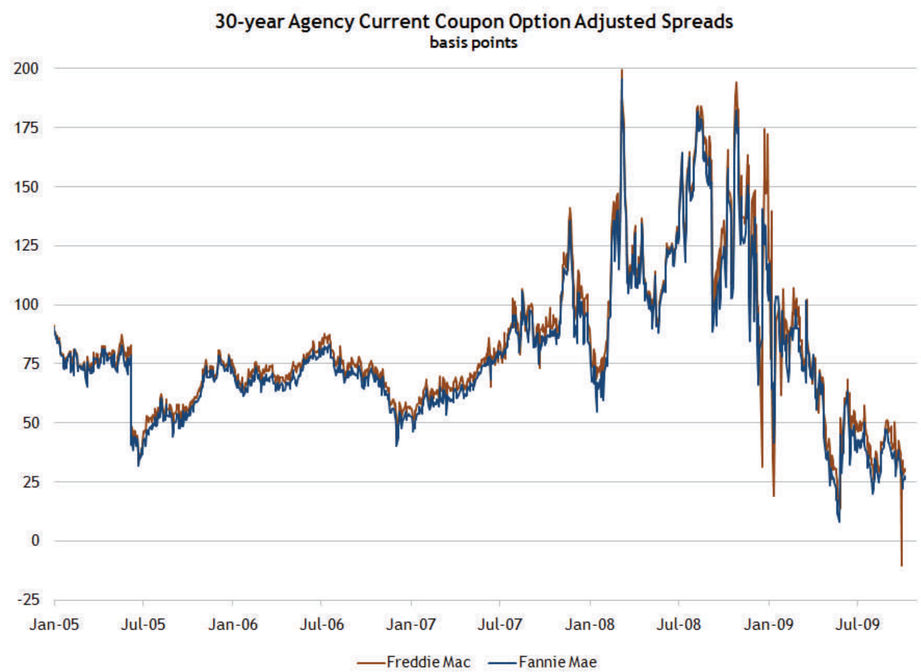


Source: Mortgage Bankers Association/Haver Analytics

- For the week ending October 2, total mortgage application volume increased 16.4% over the previous week and refinance application volume increased 18.2%. Both are at their highest level since the week ending May 22.
- In its weekly survey, the MBA reported that 30-year fixed mortgage rates remained below 5% for the third consecutive week; 15-year fixed rates decreased to 4.32%, the lowest rate since the survey began in 1990.

Agency MBS option-adjusted spreads over Treasuries have remained at relatively low levels, remaining within a range of about 25 and 50 basis points over the past few months.

Taking a longer-term view, OAS have moved sharply lower since August of last year.



Source: Bloomberg

- On October 7, the 30-year Freddie Mac OAS spread was 31.9 bps and the Fannie Mae OAS spread was 27.3 bps. Both spreads have narrowed considerably since this time last year, when the spreads were 125.7 bps for Freddie and 115.4 bps for Fannie.

Consumer Credit

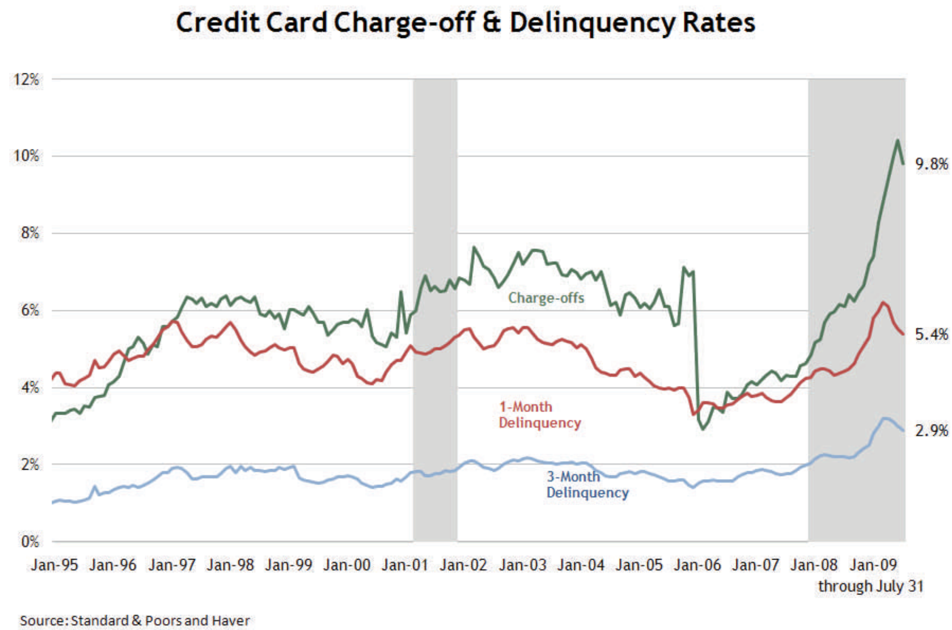
Summary

Credit card charge-offs fell in July as a result of recent decreases in the one-month and three-month delinquency rates.

Many analysts have pointed to seasonal trends to explain the recent drop in delinquency rates as consumers use tax refunds to pay off debts. The recent drop, however, has been more pronounced compared to past years.

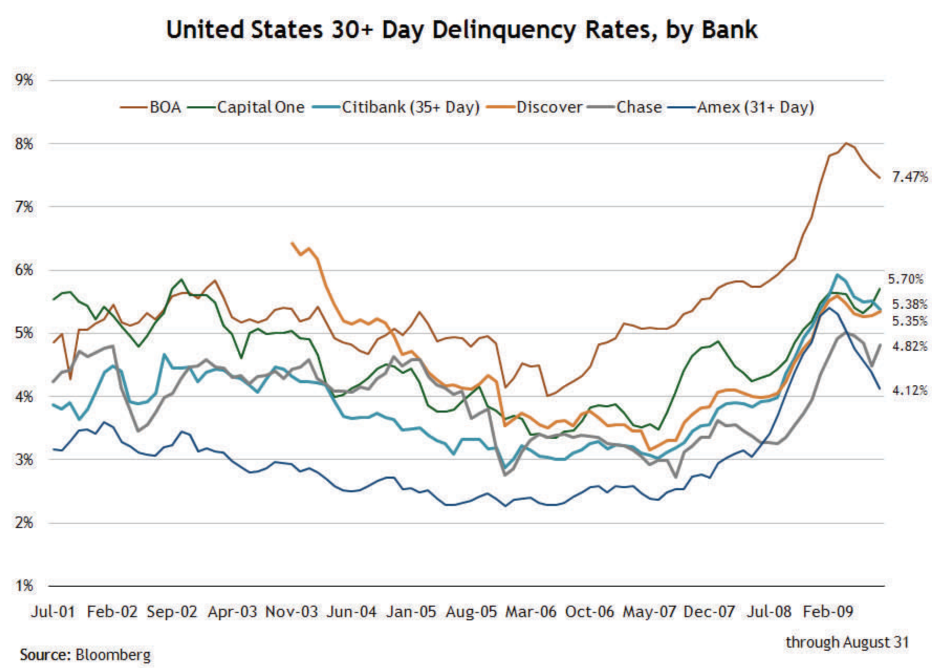
1-Mo Delinquency Seasonal Declines in Past Years—Peak to Trough	
2009: March to July	-12.90%
2008: March to May	-2.56%
2007: Feb to June	-5.73%
2006: March to May	-3.89%

Source: Haver and S&P



- The charge-off rate fell from 10.4% in June to 9.8% in July. Meanwhile, the one-month delinquency rate fell 140bp to 5.4%, and the three-month fell 100bp to 2.9%.

Although the Standard & Poor's credit card delinquency indexes decreased in July, Bloomberg data for August show 30+day delinquency rates increasing for several banks.



- From July to August the 30+ day delinquency rates increased for Capital One (+270bp), Chase (+340bp), and Discover (+70bp).

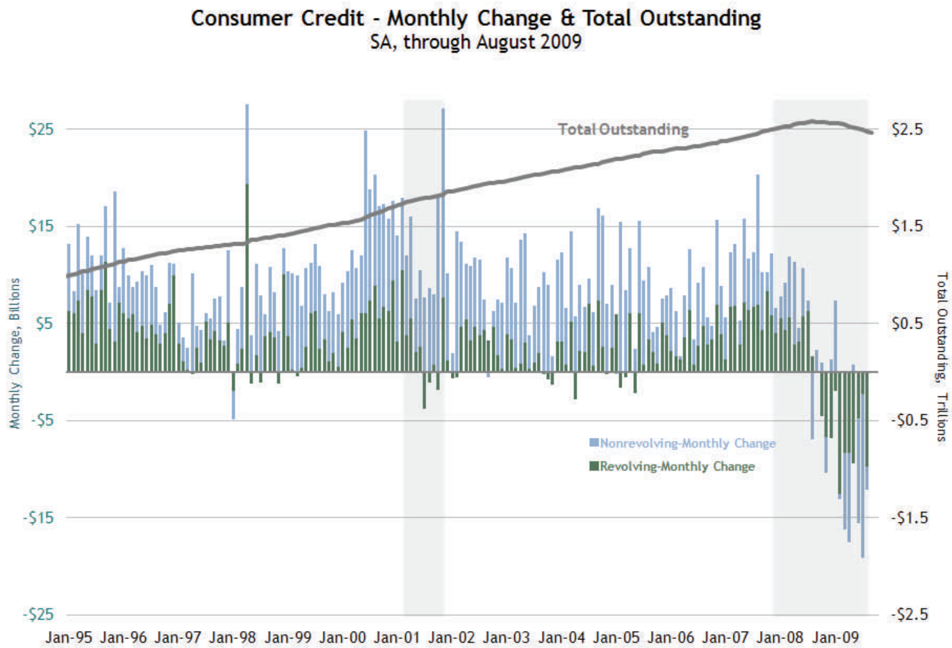
Consumer Credit

Summary

Consumer credit declined $12 billion in August at an annual rate of 5.8%.

This decline was in line with some reported forecasts (e.g., a Bloomberg survey of economists expected a $10 billion decline).

Nonrevolving credit contributed $2.1 billion to the decline while revolving credit fell $9.9 billion in August.



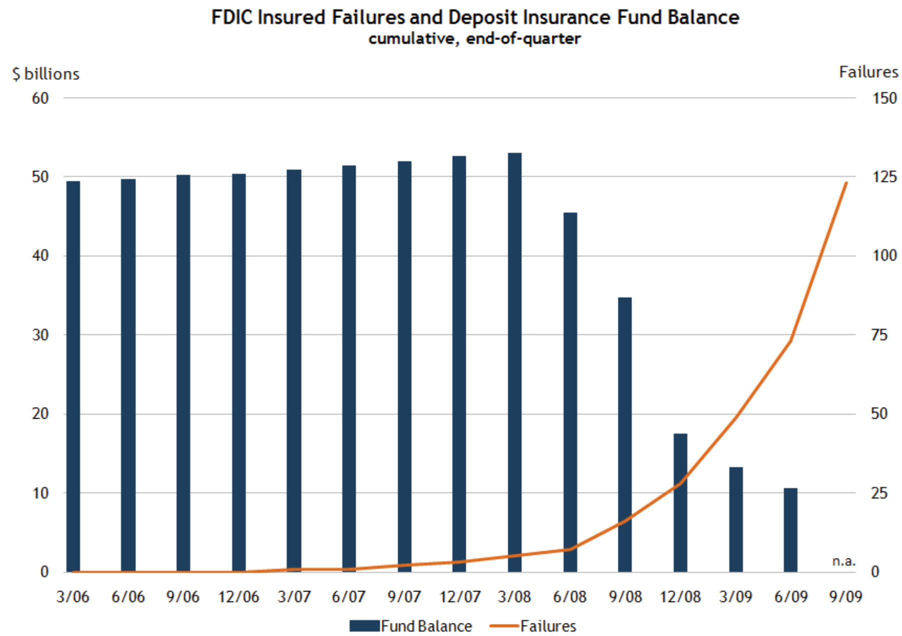
Source: Federal Reserve Board

Bank Failures

Summary

The increasing number of bank and thrift failures continues to reduce the FDIC's Deposit Insurance Fund (DIF). According to the FDIC, the number of problem banks and failures is expected to peak in 2009 and 2010.

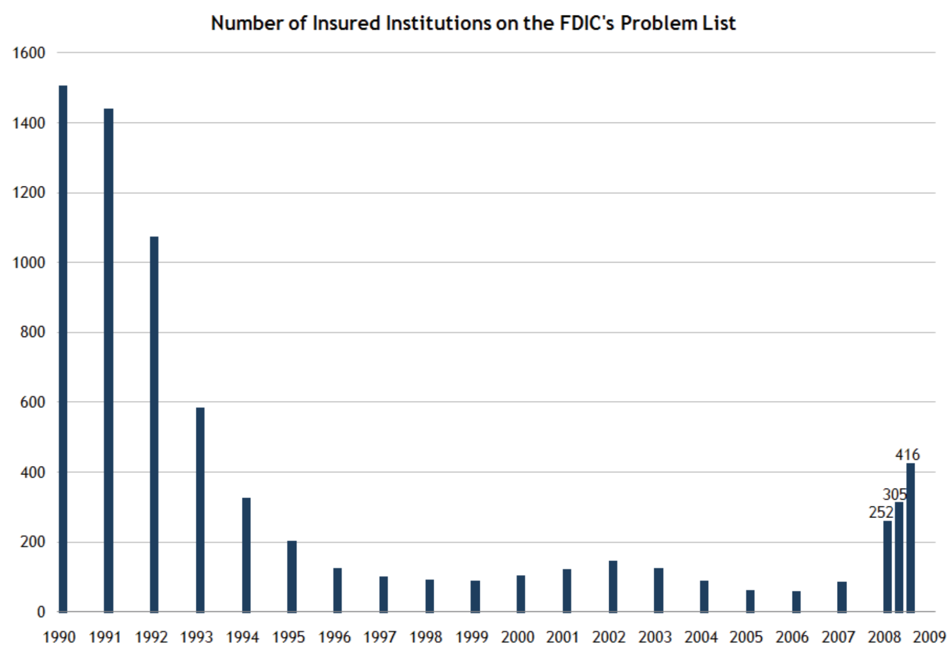
In addition to the DIF, the FDIC sets aside a contingent loss reserve to absorb anticipated losses. Collectively the DIF and contingent loss reserve exceeded $42 billion in June.



Source: FDIC

- Since 2006 there have been 123 failures through the third quarter of 2009; 95 have occurred this year alone. Of these 95 failures, five resulted in the payout of insured deposits; the FDIC created bridge banks to facilitate the resolution of three failed banks; and an existing national bank agreed to act as a paying agent for one other failed bank.

The number of insured institutions on the FDIC's problem list rose to 416 during the second quarter of 2009 as banks and thrifts continue to clean up their balance sheets.



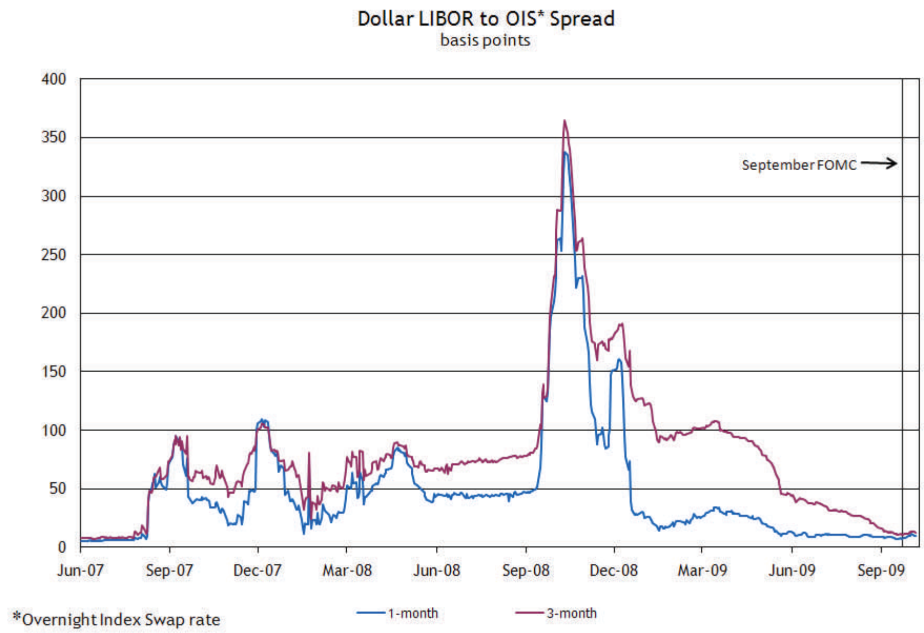
Source: FDIC

- As of June 30, the number of institutions on the FDIC problem list (416) remains well below levels seen in the savings and loan crisis of the 1980s and early 1990s.
- In 2006, bank profits were at record highs, and just 50 institutions were on the list.

Broad Financial Market Indicators

Summary

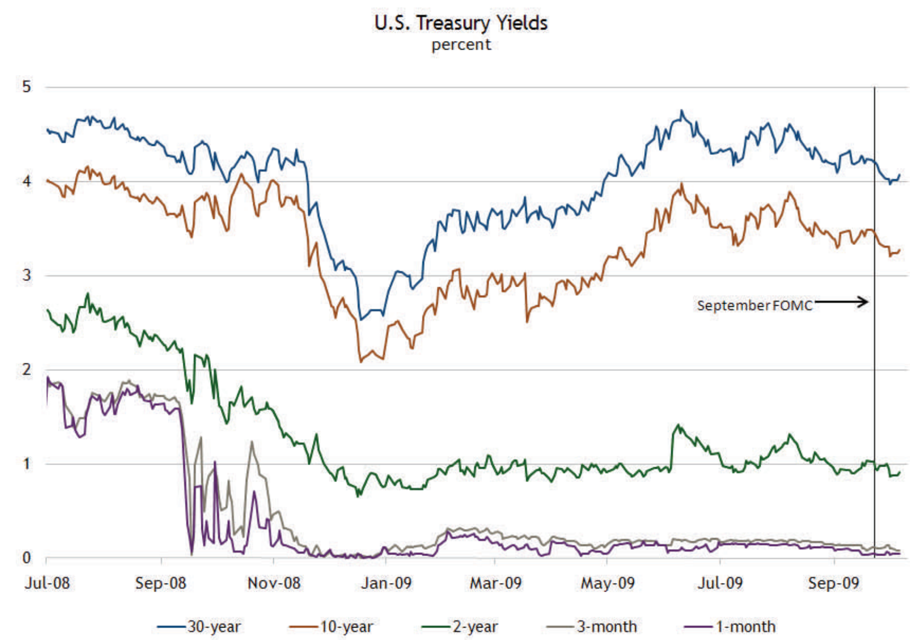
LIBOR-to-OIS spreads have widened slightly since the last FOMC meeting.



Source: Bloomberg and British Bankers' Association

- Since the last FOMC meeting on September 23, both the one-month and three-month dollar LIBOR-to-OIS spreads have increased 1.8 bps.

Longer-dated Treasury yields declined over the same period.



Source: Bloomberg

- Following the last FOMC statement on September 23, longer-dated Treasury yields have fallen: the 30-year bond fell 14 bps to 4.07%, the 10-year note fell 17 bps to 3.27%, and the two-year note dropped 5 bps to 0.91%.