FEDERAL RESERVE BANK of ATLANTA

October 28, 2009

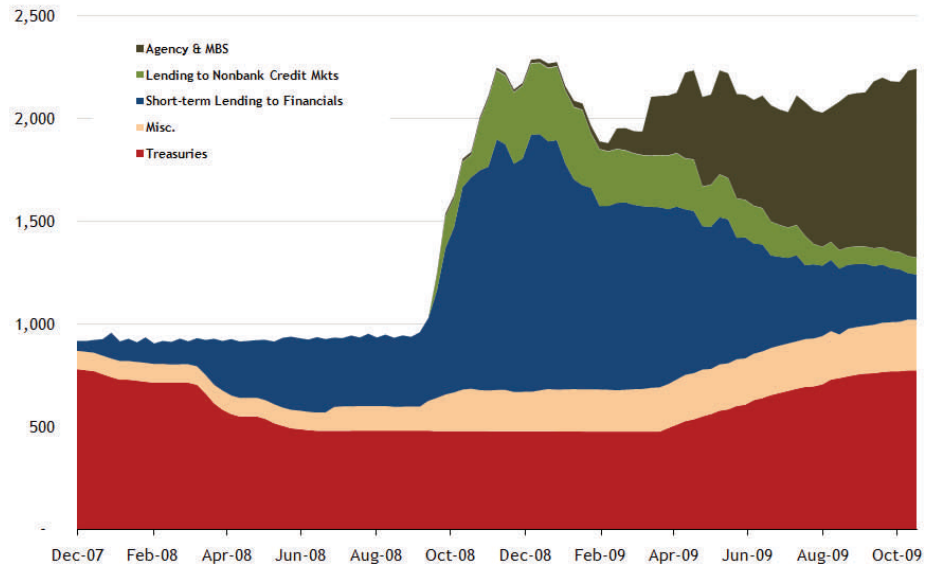
Financial Highlights

Federal Reserve

Summary

At $2.24 trillion, the size of the Fed's balance sheet is at its highest level since December 2008.

Federal Reserve Assets (Uses of Funds)
$ billions



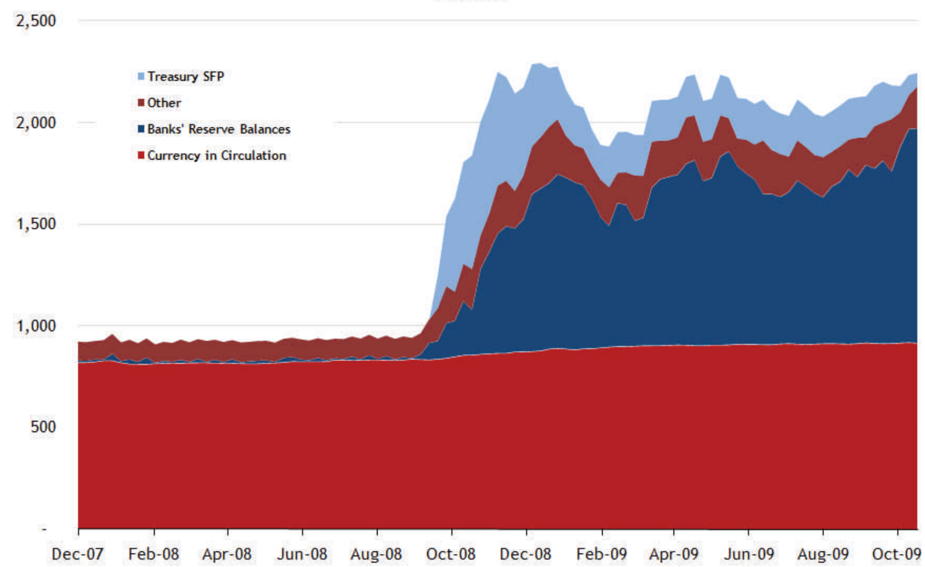
Source: Federal Reserve Board

- With the Fed's Treasury purchase program scheduled to finish this week, further increases in directly purchased assets will stem from increases in MBS and agency debt. MBS transactions are not reported on the Fed's balance sheet until the transactions are settled. Thus, discrete changes in the balance sheet occur around the middle of the month even though the weekly pace of purchases is roughly constant (see the top of the next page).

On the liabilities side, bank reserves have increased to $1.06 trillion, their highest level and the second week above the trillion-dollar mark.

Reserves have increased by about $211 billion so far during October and make up about 47% of the balance sheet.

Federal Reserve Liabilities (Sources of Funds)
$ billions



SFP = Supplementary Financing Program

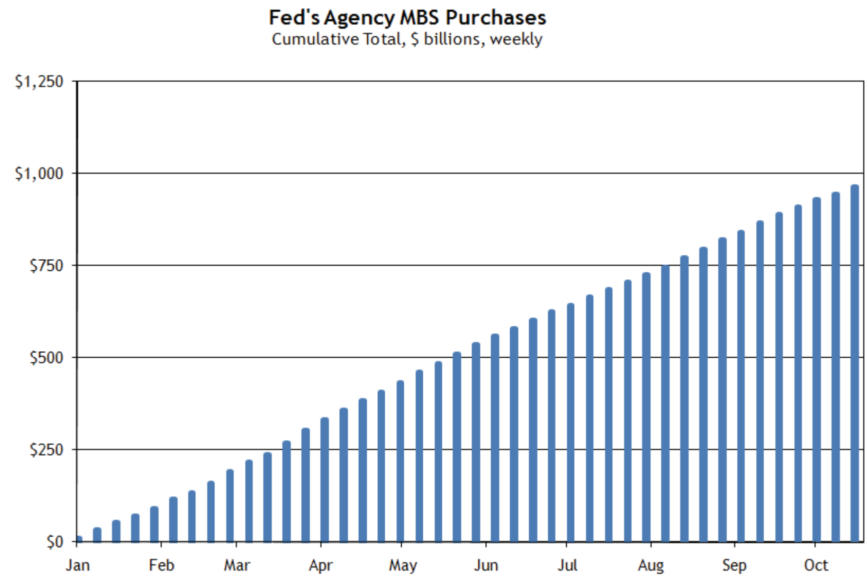
Source: Federal Reserve Board

- A portion of the increased reserves is the result of changes in the Treasury's SFP program. 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 SFP has declined by a total of about $135 billion during the past four weeks and now stands at about $65 billion as of the week ended October 21.

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.

Summary

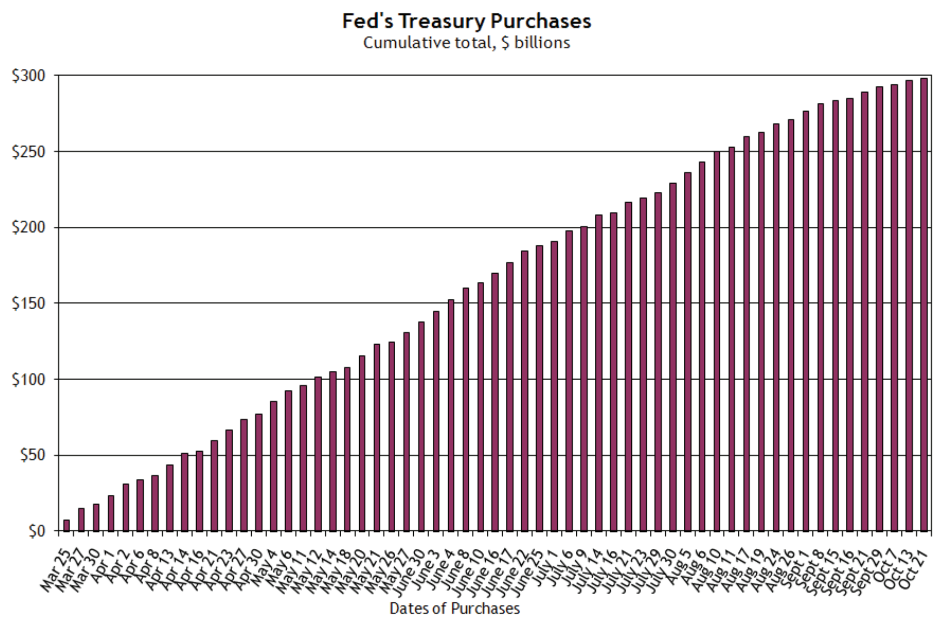
The Fed has now purchased about $963 billion in agency-backed MBS through the week ended October 21.



Source: NY Fed

- The Fed purchased a net total of $18.1 billion of agency-backed MBS between October 15 and 21, bringing its total purchases up to about $962.8 billion. By the end of the first quarter of 2010 the Fed will purchase up to $1.25 trillion.

The Fed has one remaining purchase of Treasuries to complete its $300 billion program.



Source: NY Fed

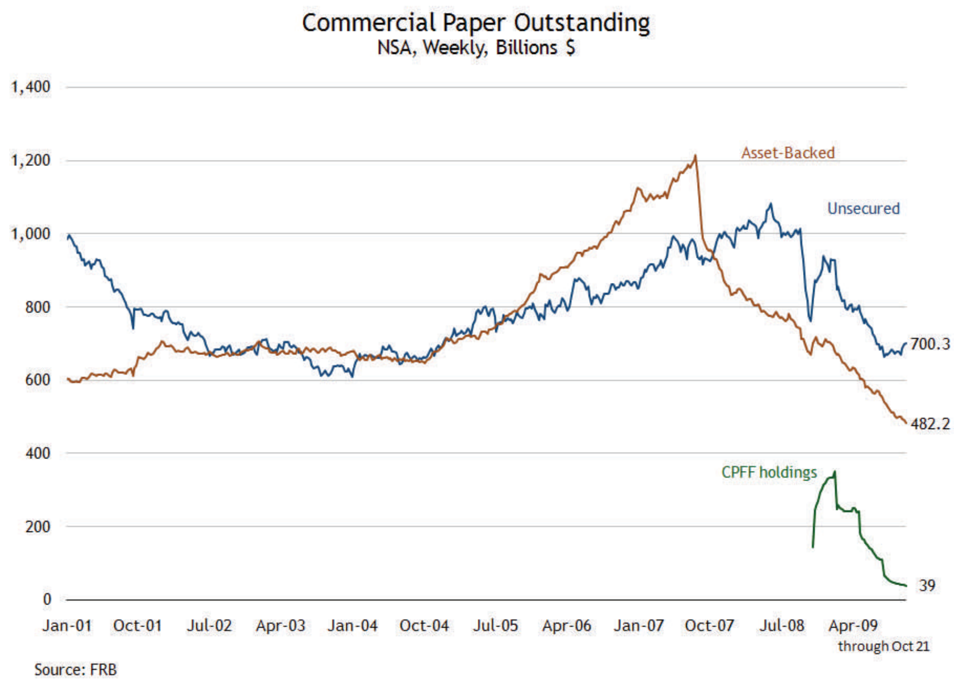
- The Fed has purchased a total of $298.1 billion of Treasury securities through October 27, bringing it more than 99% toward its goal. Of these purchases, $4.5 billion have been TIPS. The final purchase is scheduled for October 29.
- Last week, the Fed made a purchase on October 21 for $1.05 billion in the 18-30 year sector.

Commercial Paper

Summary

Total commercial paper outstanding has been shrinking for more than two years. In recent months, outstanding amounts of unsecured commercial paper has moderated while asset-backed commercial paper continues to fall.

The amount in the Fed's commercial paper funding facility (CPFF) continues to decline.



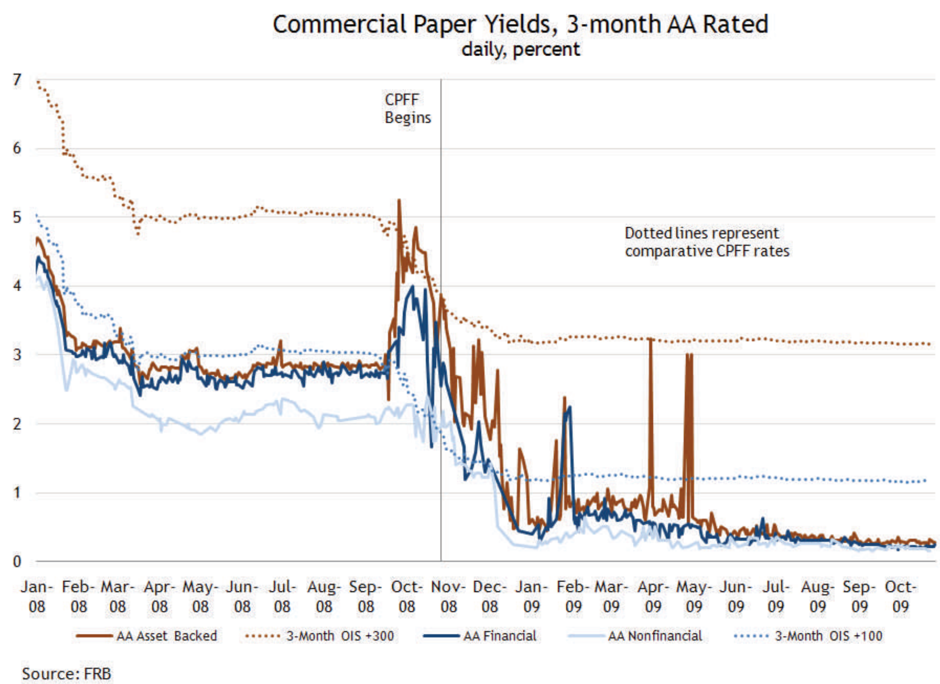
- Since 2007, average weekly issuance of asset-backed commercial paper has dropped off significantly more than issuance of unsecured financial and nonfinancial paper has.

		Unsecured	Asset-Backed
2007	**1H**	$23941	$59735
2007	**2H**	$18318	$80401
2008	**1H**	$19732	$63927
2008	**2H**	$18994	$63726
2009	**1H**	$20975	$36886
2009	**2H**	$19088	$32953

Note: Amounts are in millions. Source: FRB

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.

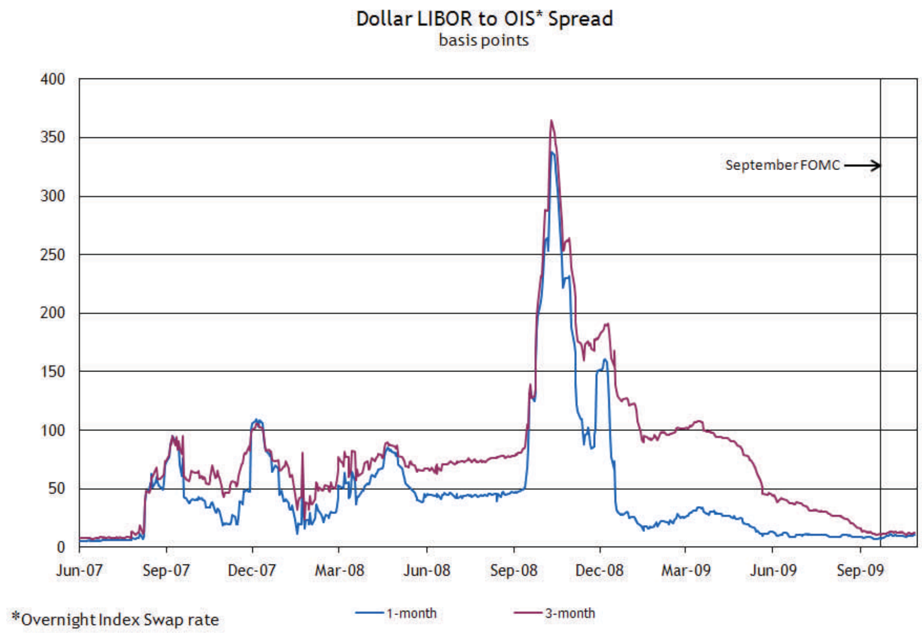


- On October 23, AA asset-backed paper traded at 0.32%, AA financial traded at 0.22%, and AA nonfinancial traded at 0.15%.

Broad Financial Market Indicators

Summary

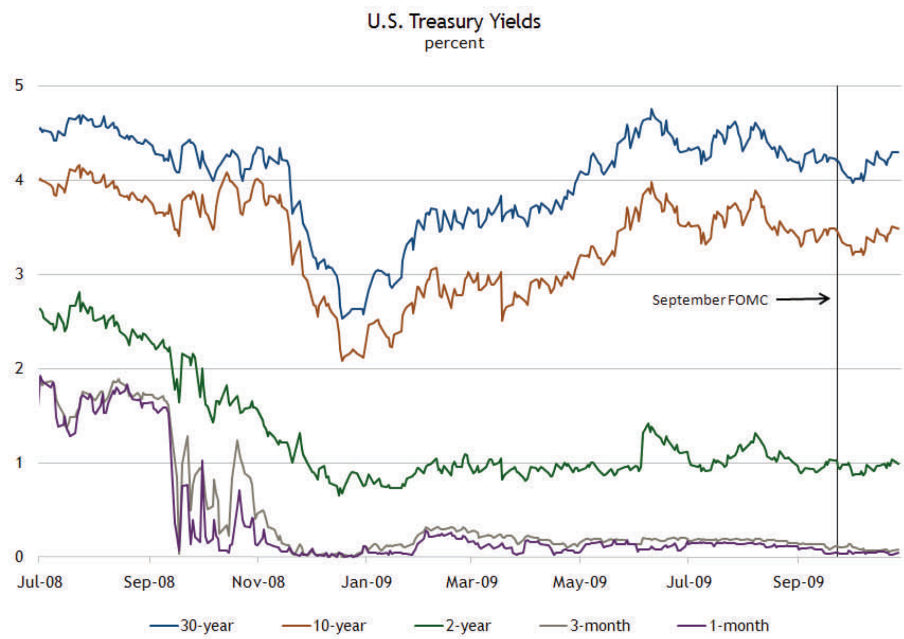
LIBOR-to-OIS spreads have widened only slightly since the last FOMC meeting.



Source: Bloomberg and British Bankers' Association

- Since the last FOMC meeting on September 23, the one-month dollar LIBOR-to-OIS spread has increased 2.7 basis points (bps) to 10.5 bps while the three-month spread has risen 1.4 bps to 12.6 bps.

Longer-dated Treasury yields have risen slightly over the same period.



Source: Bloomberg

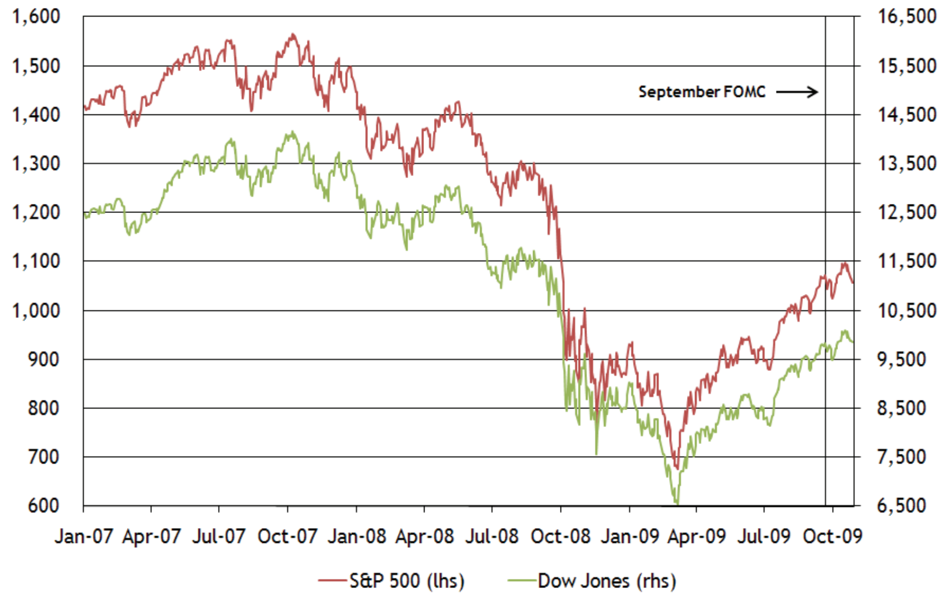
- Since the last FOMC statement on September 23, longer-dated Treasury yields have ticked up a bit: Through October 27, the 30-year bond rose 8 bps to 4.29%, the 10-year note is up 5 bps to 3.49%, and the two-year note edged up by 3 bps to 0.99%.

Broad Financial Market Indicators

Summary

The S&P 500 and the Dow Jones Industrial Average are little changed since the September FOMC meeting though financial stocks are lower.

S&P 500 & Dow Jones Equity Indexes



Source: Bloomberg

- The S&P 500 and the Dow Jones Industrial Average (DJIA) are little changed over the last five weeks, with the S&P down 0.4% and the DJIA up 1.2% as of 11 a.m. (EST) on October 28.
- However, the S&P 500 financials subindex, which included 79 companies as of October 27, is down 4.2% over the same period.

Both bond and equity market volatility indexes are up slightly from their levels as of the September FOMC meeting.

VIX and MOVE

Source: Bloomberg

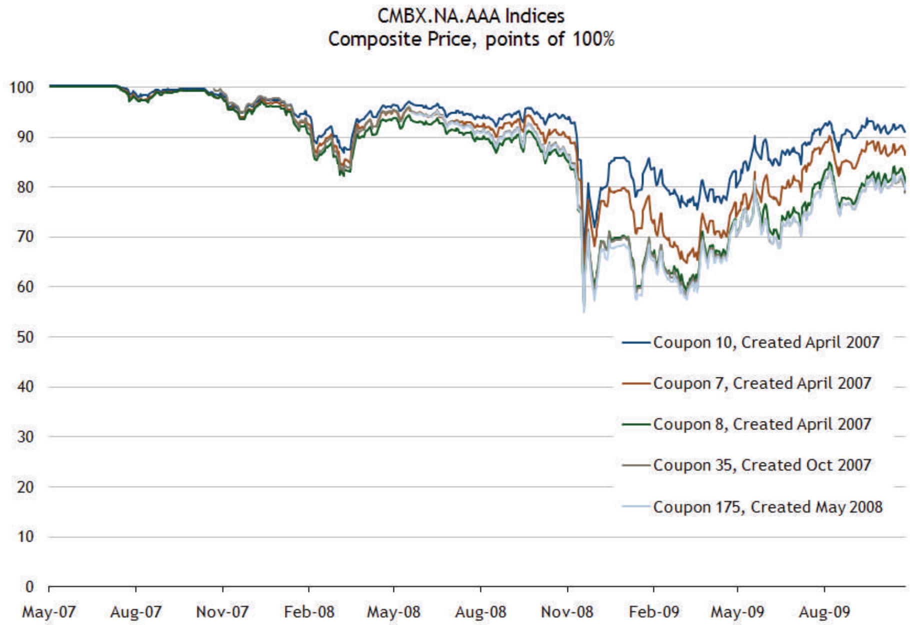
- The Chicago Board of Exchange's Volatility Index (VIX), measuring the option-implied volatility of the S&P 500 index, has moved up 1.3 points (5.7%) since September 23, to a level of 24.8 as of October 27.
- The Merrill Lynch Option Volatility Expectations (MOVE), a measure of bond market volatility, has also moved up very slightly in the intermeeting period, up 2.2 points (2%) to 114.1, but it has steadily fallen from its recent peak of 190.3 on June 1.

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.

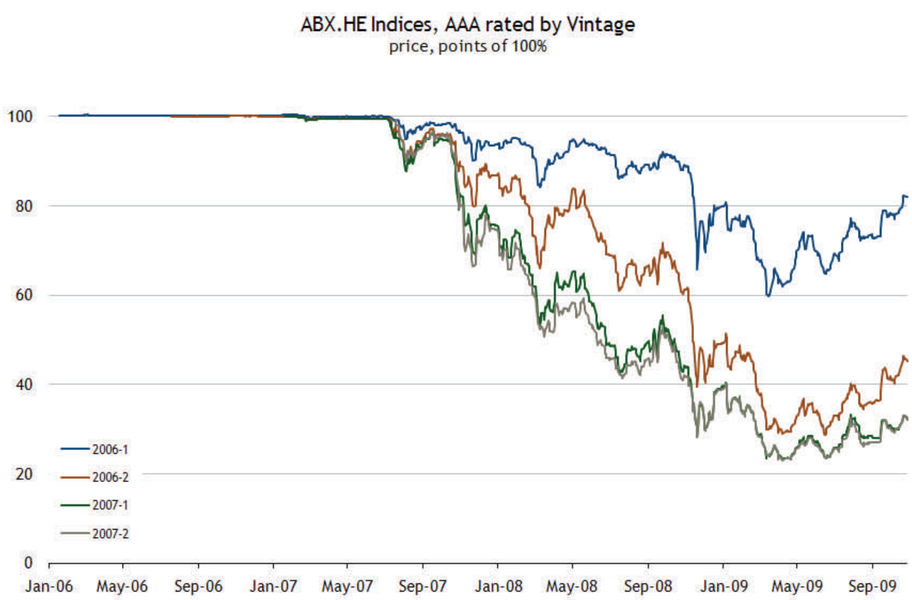
This upward trend indicates a decrease in the cost of protection for default in the associated commercial mortgage-backed securities.



Source: Markit Group Limited/Haver Analytics

- Other CMBX.NA indices have experienced recent gains as well. Since last April, most of the CMBX.NA.AJ and all of the CMBX.NA.AA indices have more than doubled, while changes in A and BBB CMBX.NA indices range between 54 and 179%. The CMBX.NA.BB indices, however, have all remained flat during the same time 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 31, 55, 37, and 38% for the 2006-1, 2006-2, 2007-1, and 2007-2 vintages, respectively.