FEDERAL RESERVE BANK of ATLANTA

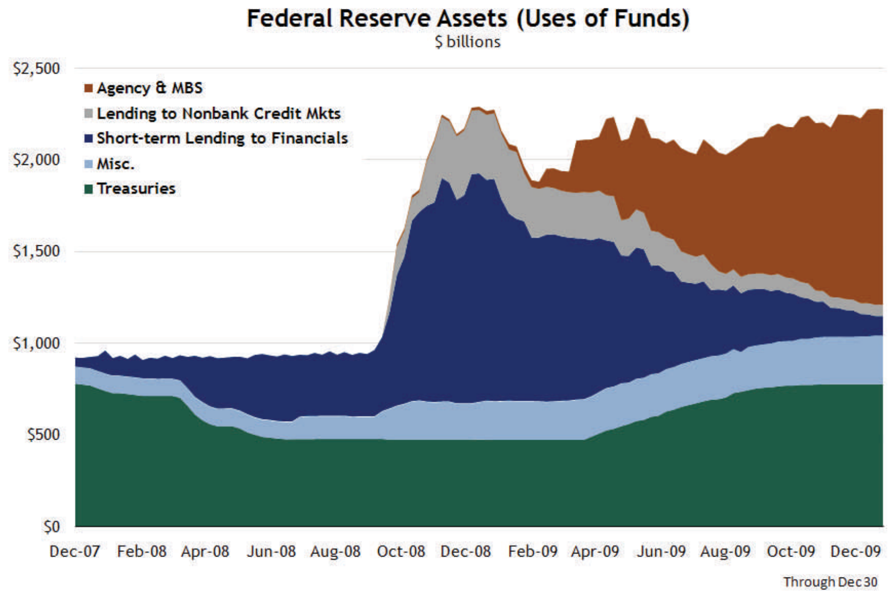
January 6, 2010

Financial Highlights

Federal Reserve

Summary

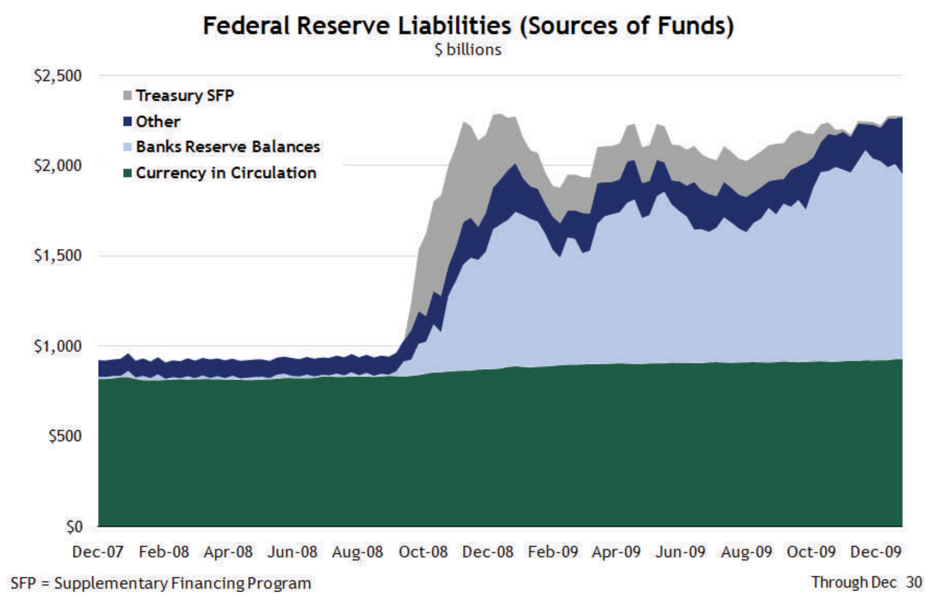
The balance sheet was essentially unchanged between December 23 and December 30 and is currently $2.28 trillion.



Source: Federal Reserve Board

- The balance sheet contracted $1.5 billion, mostly the result of a fall in agency MBS holdings, which decreased by $2.2 billion. MBS holdings, however, are expected to continue to trend upwards during the first half of 2010.
- On December 27, the Federal Reserve proposed changes to Reg D that would allow the establishment of a term deposit facility. Under the proposal, the Fed would have the ability to offer interest-bearing term deposits to depository institutions for use as a tool in draining excess reserves. This proposal will be open for public comment for 30 days and has no implications for monetary policy decisions in the near term.

On the liabilities side, bank reserves decreased by $57 billion, replaced on the balance sheet by other liabilities (mostly deposits with Federal Reserve banks), which increased by $65 billion.



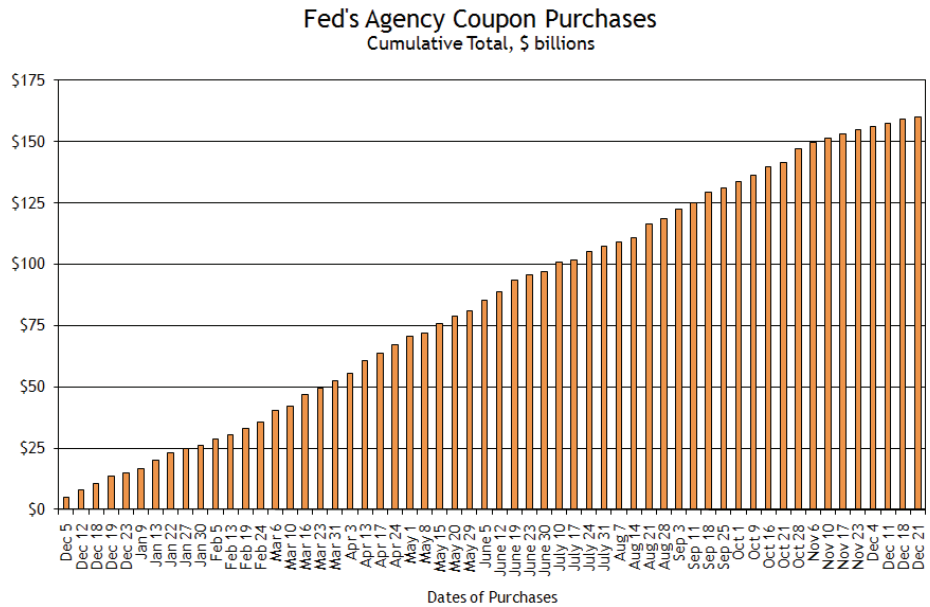
Source: Federal Reserve Board

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.

Federal Reserve

Summary

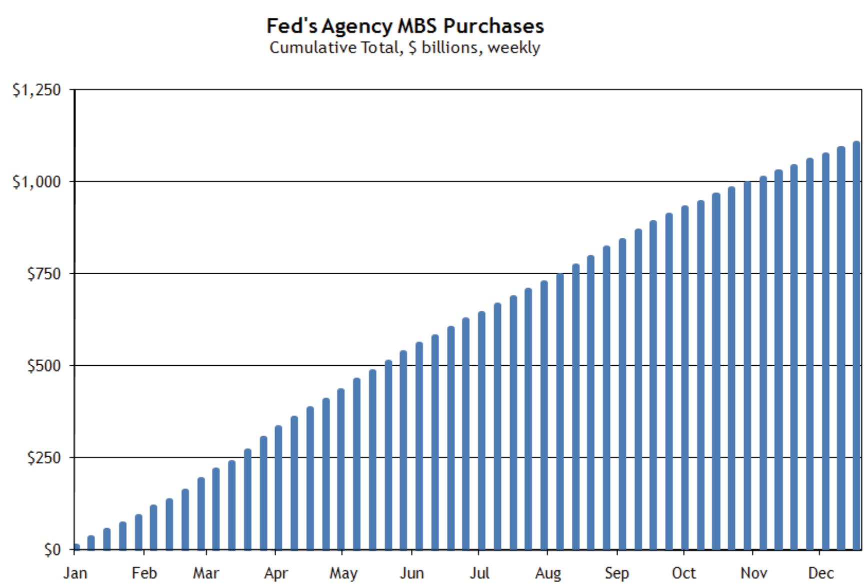
The Fed is more than 90% complete with its agency debt purchase program, which is scheduled to conclude in March 2010.



Source: NY Fed

- The Fed has completed $159.9 billion of its $175 billion agency debt purchase program through January 6 (making it 91% complete). The last purchase, on December 21, was made for $0.49 billion.

And the agency-backed MBS purchase program is also on schedule, with more than $1.1 trillion purchased by year-end.



Source: NY Fed

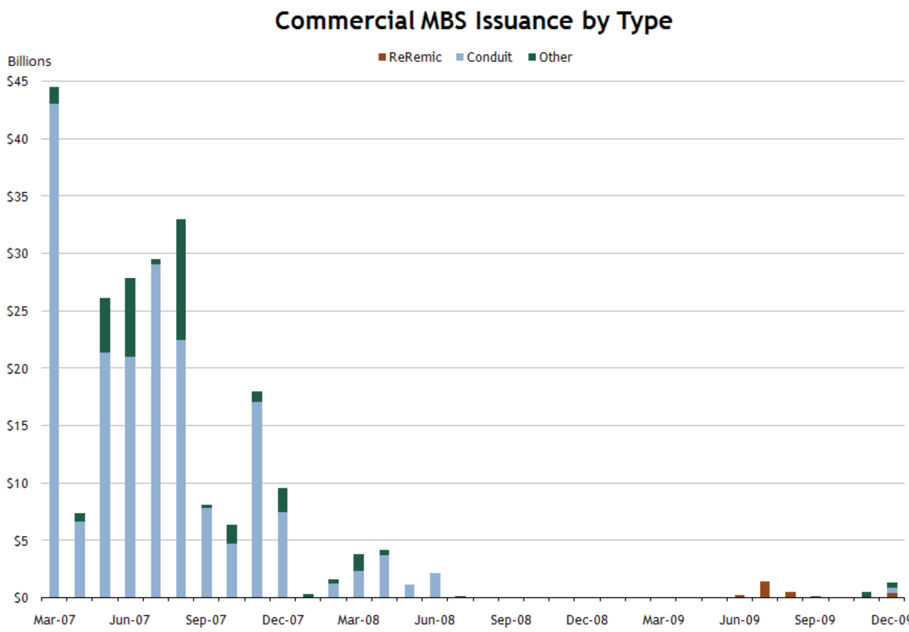
- The Fed purchased a net total of $9.3 billion of agency-backed MBS through the week of December 30. This brings its total purchases up to $1.115 trillion, and by the end of the first quarter 2010 the Fed will purchase $1.25 trillion (thus, it is 89% complete).

Commercial Mortgage Backed Securities

Summary

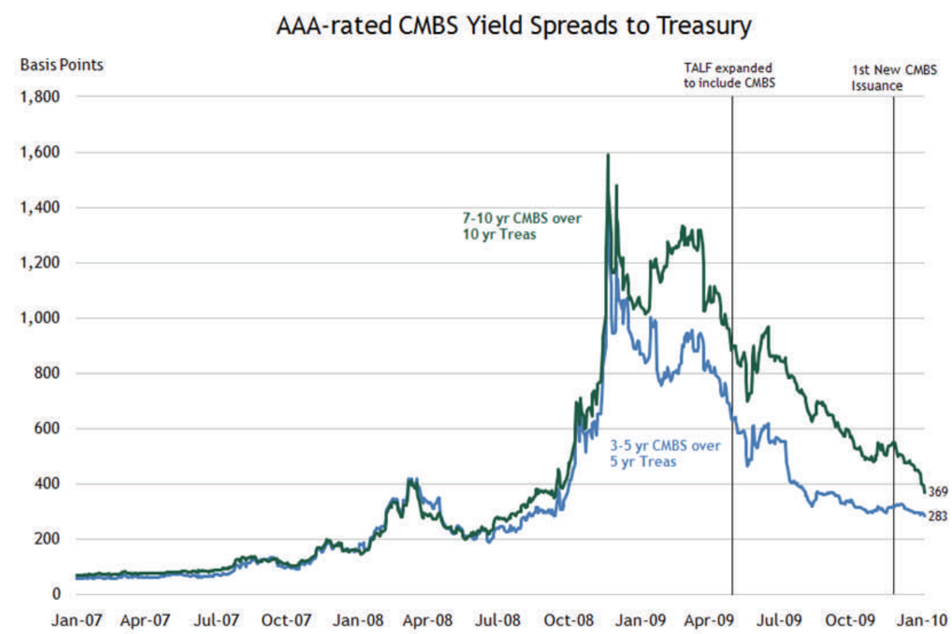
After more than a year of no CMBS issuance, $1.4 billion in securities was issued in November and December.

Of the first $400 million in securities issued, $72 million of them were financed through the November 17 TALF operation, but no financing was sought at the December 14 operation for the $1 billion in securities issued in early December.



Source: Bloomberg

Yield spreads on 7-10 year CMBS narrowed significantly following the first new issuance in more than a year.



Sources: Merrill Lynch/Bloomberg

- The 7-10 year CMBS to 10-year Treasury spread has narrowed 166 basis points (bps) since Nov 24. As of Jan 5 it was 369 bps, the lowest level since September 2008.
- The 3-5 year CMBS to five-year Treasury spread has also narrowed, although not by as much, falling from 317 bps on November 24 to 283 bps on January 5.

Commercial Mortgage Backed Securities

Summary

TALF operations for legacy CMBS have averaged $1.5 billion per subscription since the program began in July, and loan rates have steadily fallen as broad market conditions have improved.

The newly issued CMBS market is finally starting to see action, and rates have declined considerably since the CMBS TALF program was announced.

TALF Operations					Private Market	
Subscription Date	3 year Loan Rate	5 year Loan Rate	Newly Issued Amount (millions)	Legacy Amount (millions)	AAA 3-5 Year CMBS Fixed Rate	*Newly Issued Amount (millions)
6/16/09	3.27	4.13	$0.00	--	8.84	$0
7/16/09	3.03	3.87	$0.00	$668.94	6.48	$0
8/20/09	3.07	3.87	$0.00	$2,148.31	6.08	$0
9/17/09	2.95	3.80	$0.00	$1,351.10	5.84	$0
10/21/09	2.86	3.64	$0.00	$1,930.57	5.31	$0
11/17/09	2.72	3.54	$72.25	$1,329.53	5.26	$328
12/14/09	2.74	3.62	$0.00	$1,282.44	5.34	$960

*Amount issued in market between subscription dates, not financed through TALF

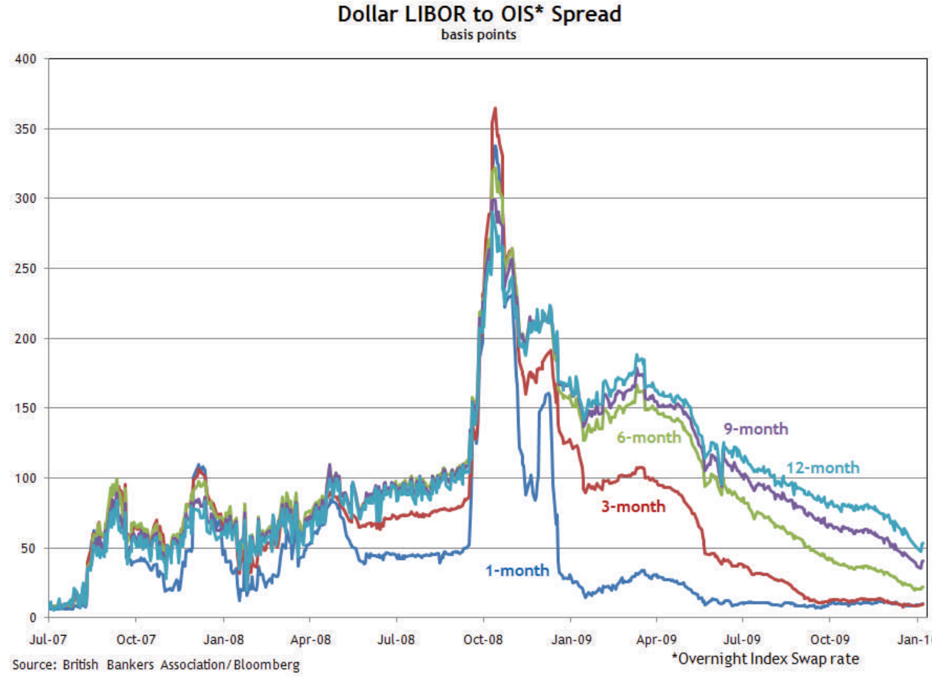
Sources: Bloomberg/NY Fed

- There appears to be investor appetite for newly issued CMBS as most have been sold outside the TALF.
- According to market participants, new CMBS are being sold outside of the TALF because it is possible to borrow more against properties in the private market.

Broad Financial Market Indicators

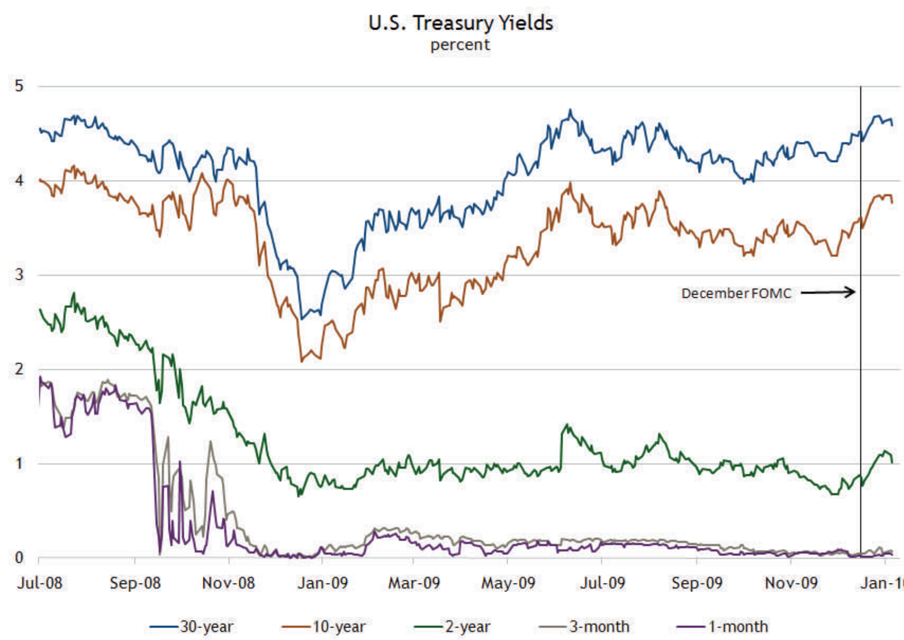
Summary

LIBOR to OIS spreads are flat for shorter horizons but have increased slightly at longer maturities since the December FOMC.



- The one-month and three-month Dollar LIBOR to OIS spreads are essentially unchanged at 9.7 and 9.6 bps, respectively, since the December FOMC meeting. But the 6-, 9-, and 12-month spreads have increased 1, 6, and 9 bps, respectively.

Treasury yields have moved higher during the same period.



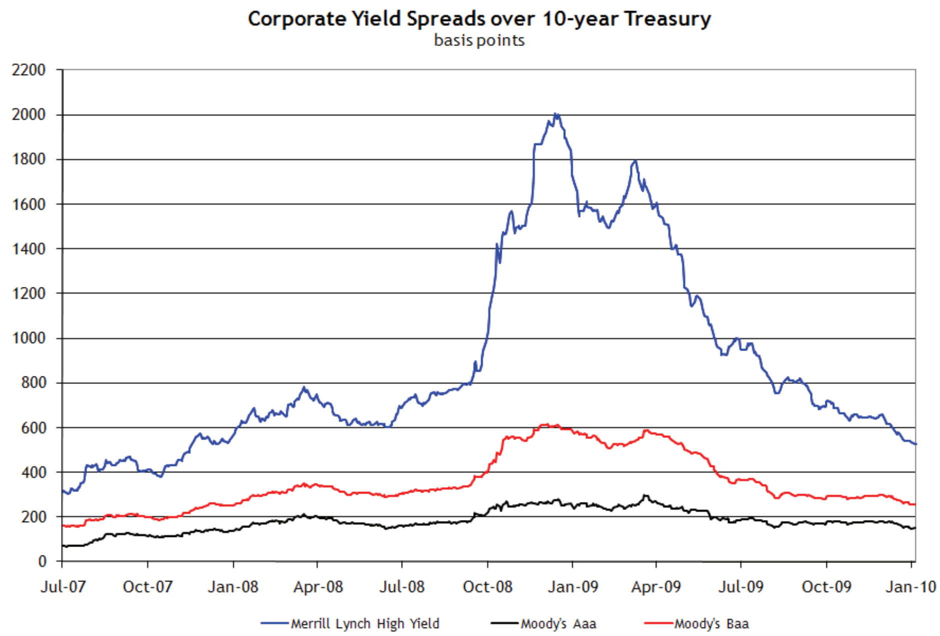
Source: Bloomberg

- Since the December FOMC, longer-dated Treasury yields have moved higher: Through January 5, the 30-year bond is up 7 bps to 4.59%, the 10-year moved 16 bps higher to 3.77%, and the two-year note is also up 16 bps to 0.01%.

Corporate Bonds

Summary

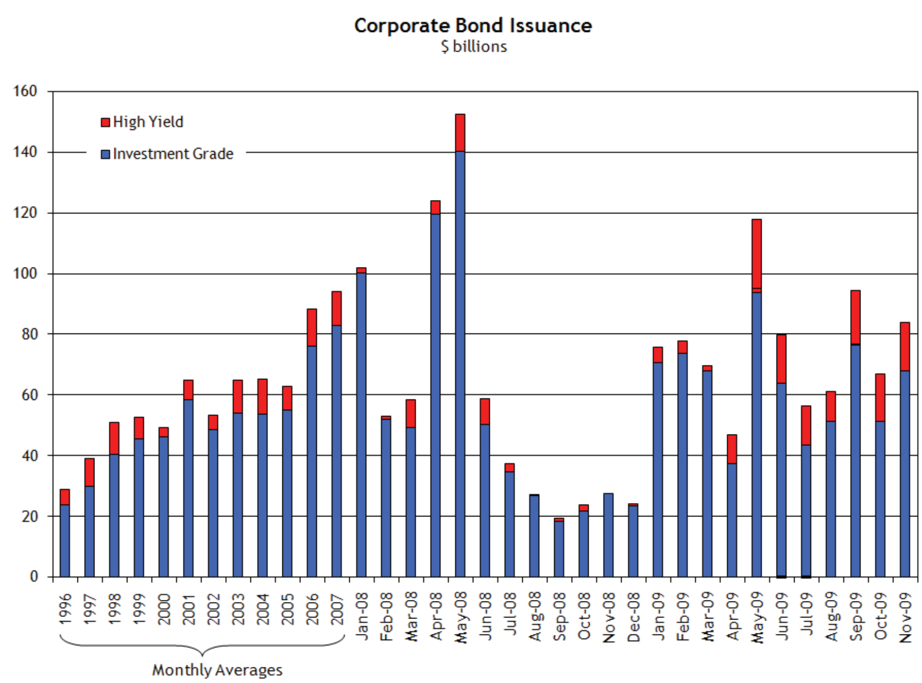
Yield spreads narrowed during the past month, indicating little change in investors' risk premia.



Source: Merrill Lynch, Federal Reserve Board

- Since the last FOMC meeting on December 16, corporate yield spreads have narrowed by 46 bps for the Merrill Lynch High Yield Index, 23 bps for Moody's Baa-rated bonds, and 19 bps for Aaa-rated bonds.

U.S. corporations continued to access the bond market for financing, issuing about $84 billion in bonds in November, of which $16 billion were high yield bonds.



Source: Merrill Lynch, Federal Reserve Board

Corporate Bonds

Summary

The CDX has trended downward since March, consistent with improvement in perceived default risk among investment-grade bonds. At 80.7 on January 5, the index is at the lowest point since Dec. 31, 2007.

CDX - Credit Default Swap Index
North American Investment Grade, 5-year on-the-run: composite spread, basis points

Source: Markit Group Limited/Haver Analytics