FEDERAL RESERVE BANK of ATLANTA

January 18, 2012

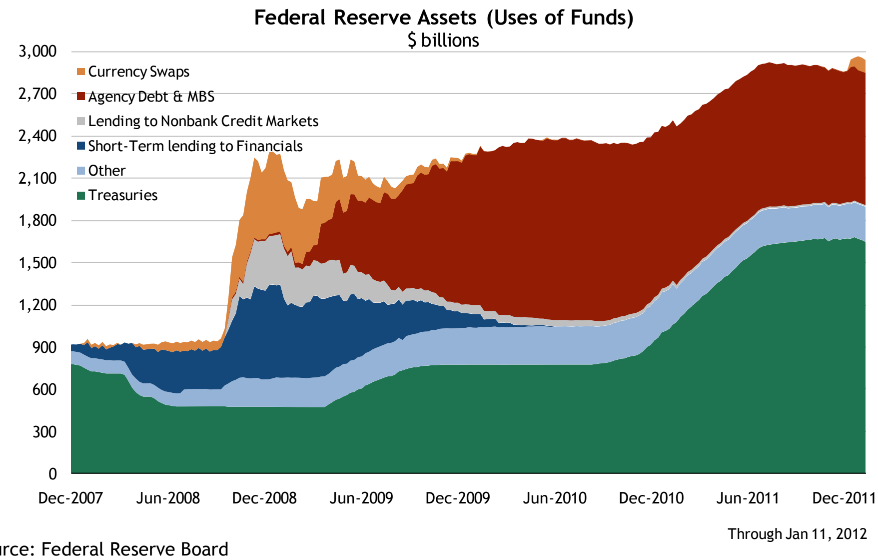
Financial Highlights

Federal Reserve

Summary

Between January 4 and January 11, the balance sheet decreased by $17.5 billion, remaining essentially unchanged at $2.9 trillion.

On November 30, the Federal Reserve, along with other major central banks, announced they would lower the pricing on U.S. dollar swap operations in order to ease strains in financial markets. The expiration of the dollar swap lines was also extended by six months.

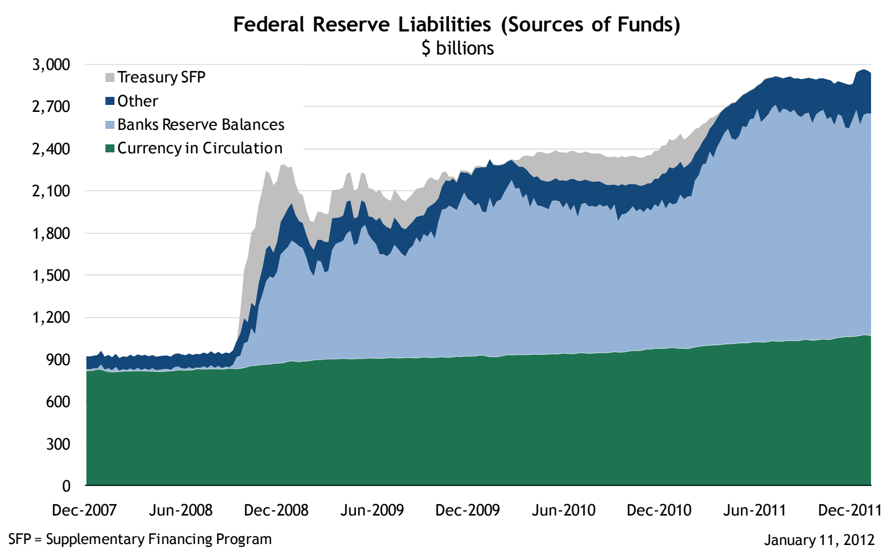


Source: Federal Reserve Board

- Treasuries decreased $12.6 billion, and agency debt and MBS increased $0.9 billion.
- Bank liquidity swaps declined $8.4 billion.
- According to the New York Fed's tentative outright Treasury operation schedule, and in line with the maturity extension program, the desk plans to purchase approximately $45 billion in Treasury securities with remaining maturities of from six to 30 years and sell approximately $44 billion in Treasury securities with remaining maturities of three years or less over the month of January.
- The Federal Reserve Bank of New York's statement outlining the implementation of the maturity extension program and changes in the reinvestment program for mortgage-backed securities can be found here.

The Treasury's general account with the Federal Reserve decreased $21 billion while nonreserve deposits with the Federal Reserve increased $6.8 billion. Reverse repurchase agreements with foreign official and international accounts decreased by $3.5 billion.

Bank reserve balances increased $3.2 billion. As of January 11, 2012, bank reserve balances are $1.6 trillion.



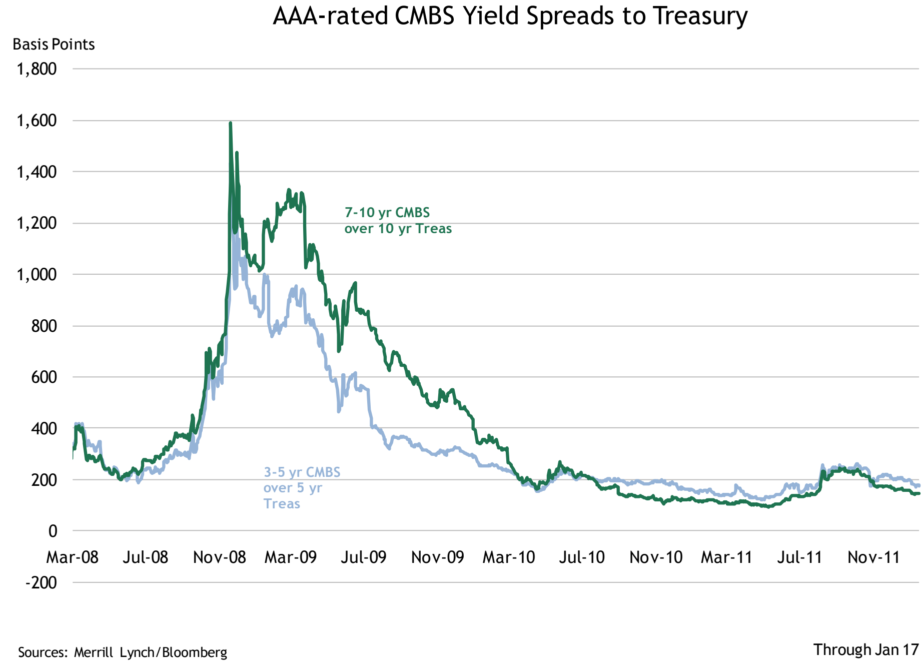
Source: Federal Reserve Board

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.

Mortgage Markets

Summary

Top-rated CMBS yield spreads have narrowed over the past few months.

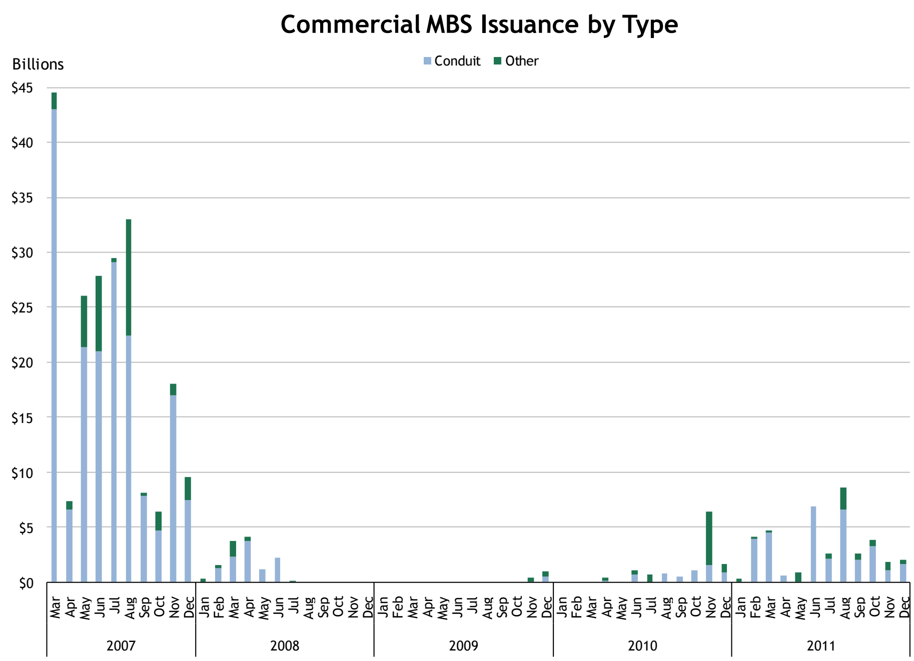


Sources: Merrill Lynch/Bloomberg

Through Jan 17

- Since October 7, 2011, three-to-five year CMBS spreads over five-year Treasuries have narrowed 76 basis points (bps), and seven-to-10 year CMBS spreads over 10-year Treasuries have narrowed 89 bps.

CMBS issuance in the form of conduits has increased relative to 2010, a sign of improvement in the CMBS market.



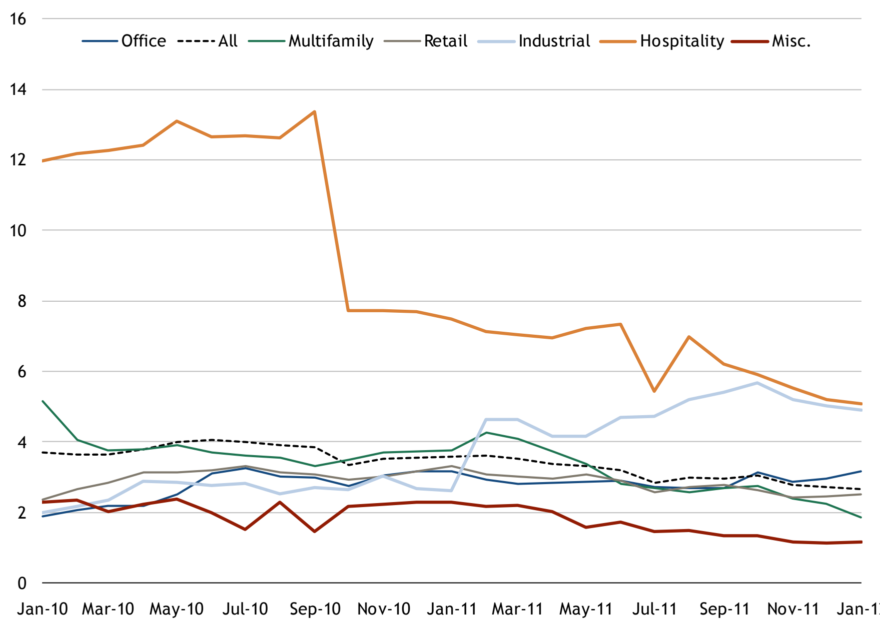
Source: Bloomberg

Mortgage Markets

Summary

Delinquency rates for most types of commercial real estate continues to steadily decline.

90+ Day CMBS Delinquency Rates by Property Type



Source: Bloomberg

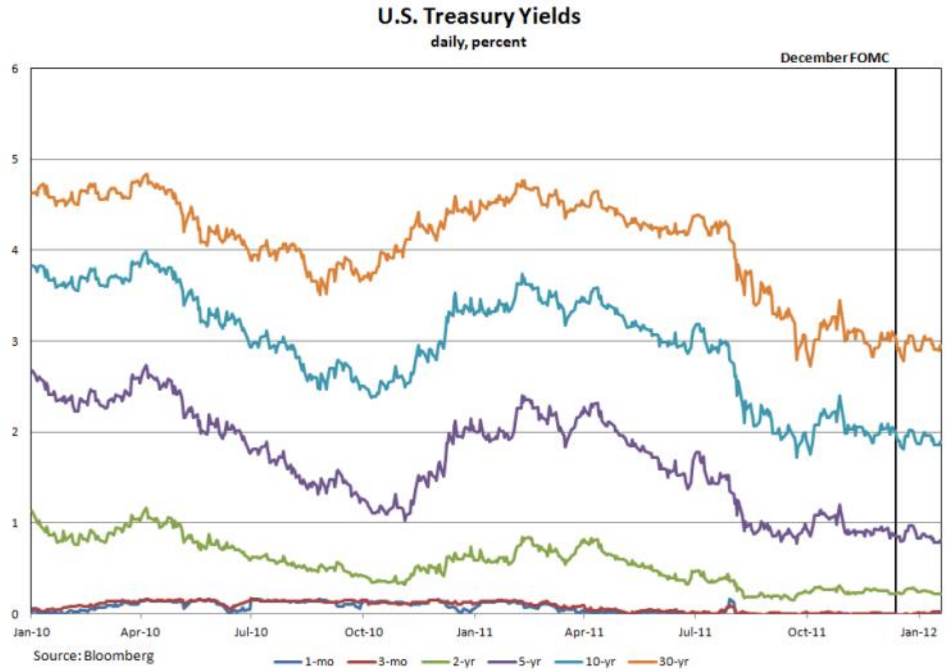
through Jan 18, 2012

- Delinquency rates on Industrial/warehouse properties have increased year over year, and all other property types have experienced a drop in 90-day delinquency rates.
- Overall, 90+ day delinquency rates have declined by 1.9 percentage points over the year.

Broad Financial Market Indicators

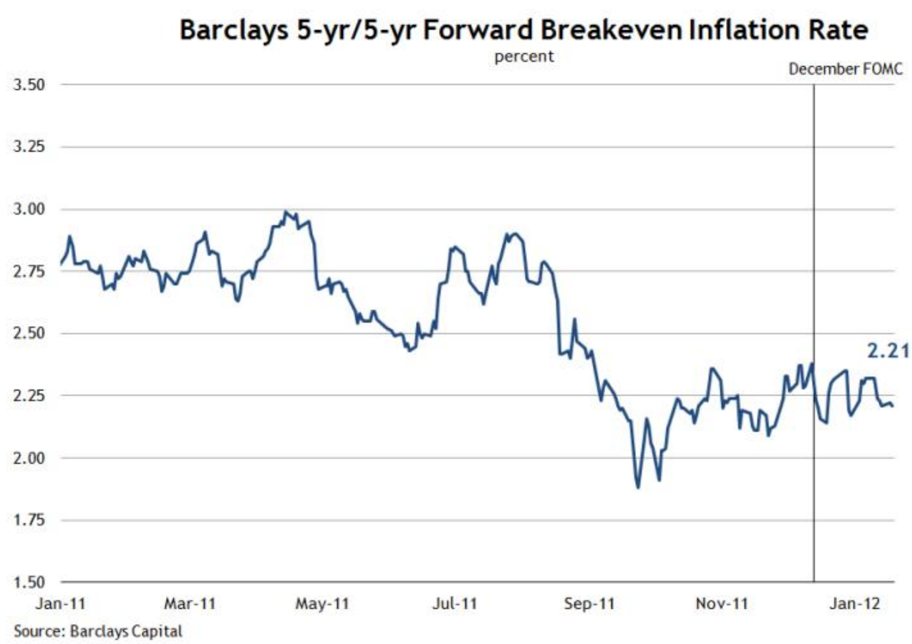
Summary

Long-term Treasury yields are down slightly over the past few weeks since the December 13, 2011, FOMC meeting.



- Since December 13, 2011, the 30-year Treasury bond yield is down 6 bps to 2.96 percent, and the 10-year yield is 7 bps lower to 1.90 percent. The two-year note is flat at 0.23 percent. The three- and one-month T-bill rates are both little changed near 0.0 percent. (All data are through January 18, 2012.)

Since the December 13, 2011, FOMC meeting, the breakeven rate has fluctuated but remained mostly in the 2.2 percent to 2.3 percent range.

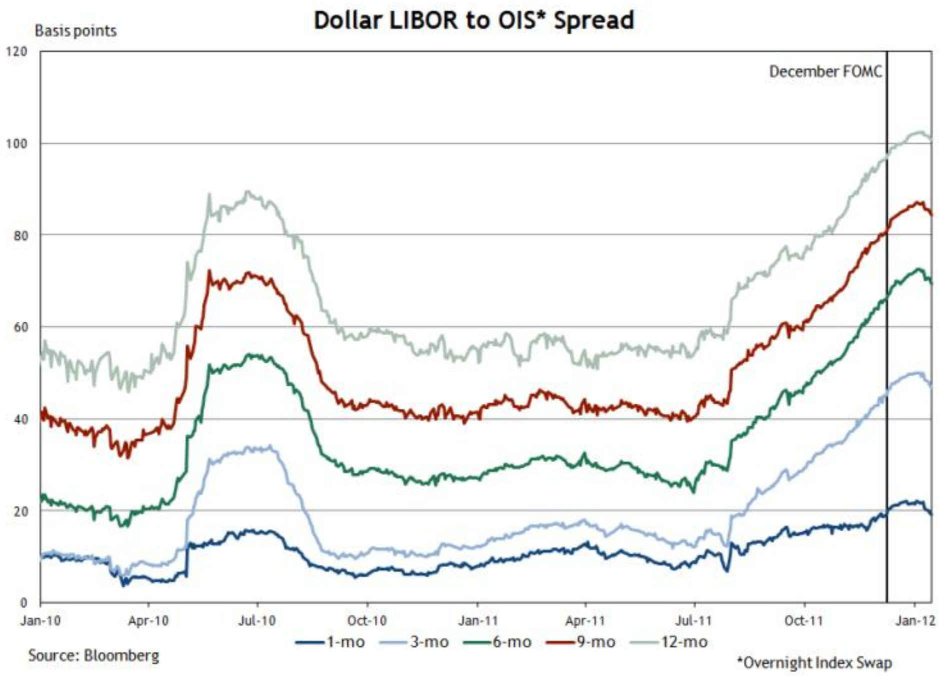


- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.21 percent as of January 18, 2012, which is a bit below the 2.30 percent rate seen at the December FOMC meeting.

Broad Financial Market Indicators

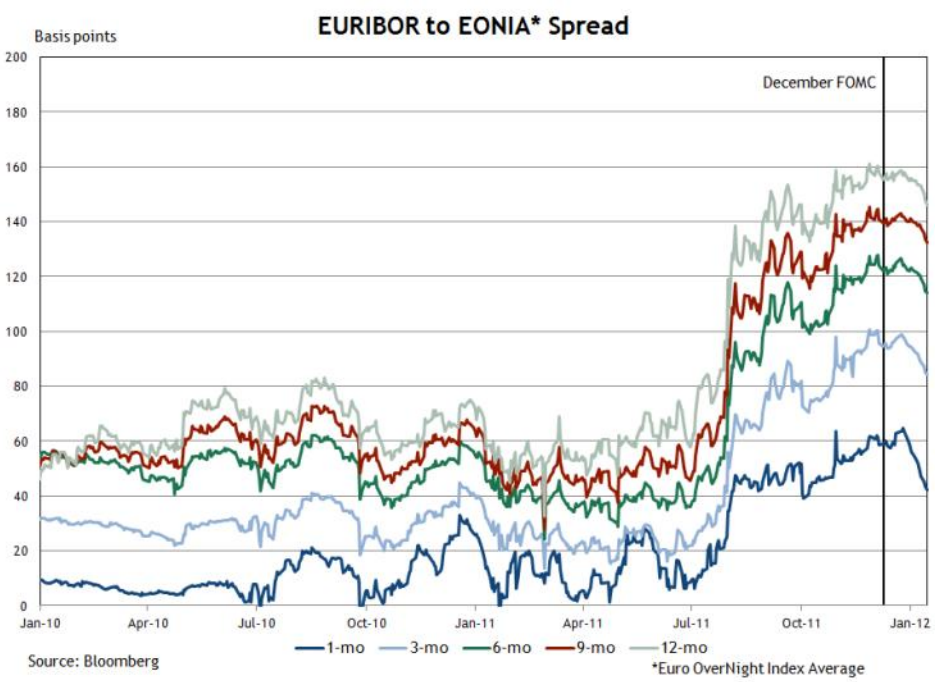
Summary

LIBOR to OIS spreads for all tenors have narrowed over the past week, by 1.7 to 3.2 basis points (bps) across the one-to-12-month curve. This change is the first significant one from the trend of widening spreads that began in August 2011.



- The LIBOR-OIS series shown above is denominated in U.S. dollars and reflects the spread between interbank lending rates offered and the overnight index swap (OIS) rate. The LIBOR panel used to create the rate is made up of 19 large international banks based in the United States, Europe, and elsewhere. The OIS rate is a proxy measure for the expected effective rate on federal funds held over a given maturity.

Over the past week, the euro-based Euribor-to-Eonia spread has narrowed across all tenors, dropping sharply for the one-month tenor (down 8.4 bps), and lower by 6-7 bps farther out on the curve.



- The Euribor rates are offered interbank lending rates, denominated in euros and for a set of given maturities. The Euribor rate is determined by surveying 44 banks with the highest volume of business in the euro area, including 4 non-European banks. Eonia is the Euro Overnight Index Average swap rate on unsecured interbank lending in the euro area.