FEDERAL RESERVE BANK of ATLANTA

June 22, 2011

Financial Highlights

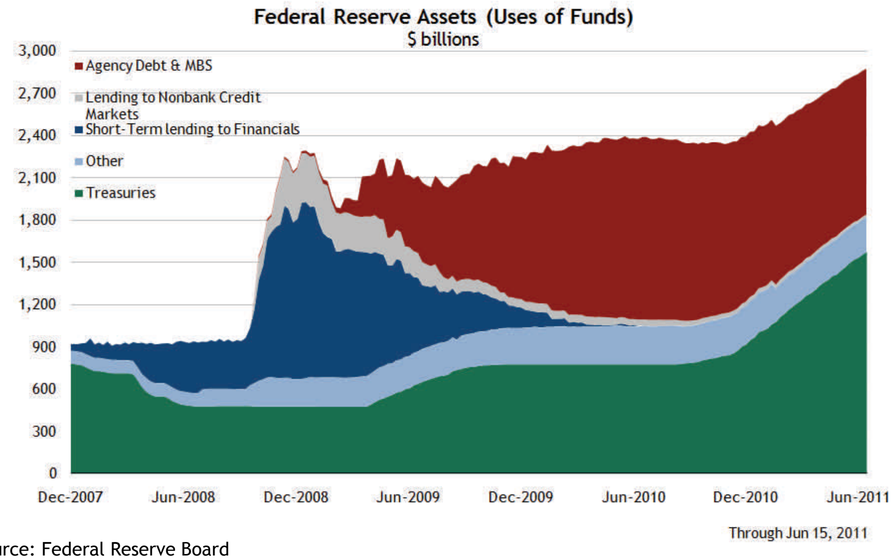
Federal Reserve

Summary

The balance sheet increased by $16 billion for the week ended June 15.

Since November 10, the balance sheet has increased $517 billion.

The $600 billion purchase program is expected to be completed by the end of June.



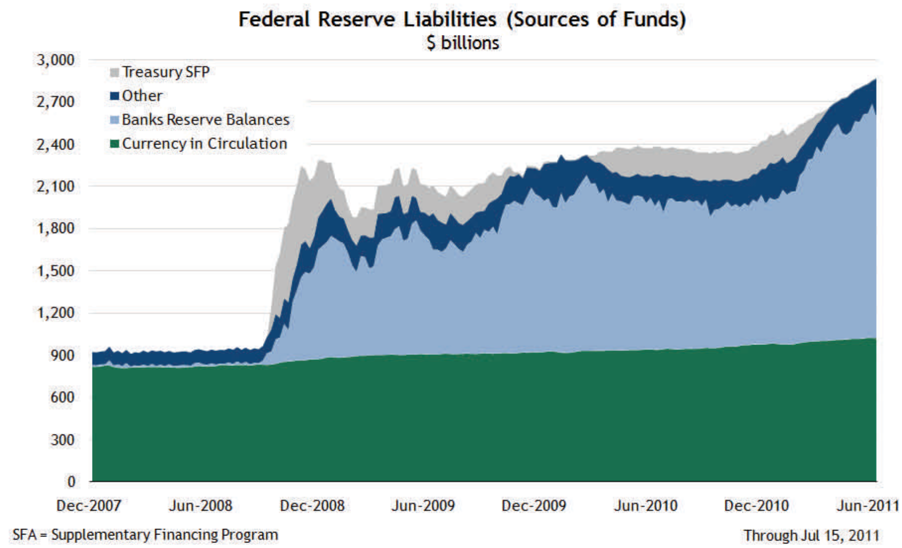
Source: Federal Reserve Board

- Treasuries increased by $21 billion while agency debt and MBS decreased $4 billion. Since November 10, Treasury securities have grown by $723 billion while agency debt and MBS have shrunk by $168 billion.
- According to the New York Fed's tentative outright Treasury operation schedule, the desk plans to purchase approximately $62 billion between mid-June and mid-July. Of that total, $50 billion is the last of the $600 billion purchase program and $12 billion is to replace the expected principal payments from agency debt and agency MBS.

Bank reserve balances with the Federal Reserve decreased $94 billion while Treasury deposits with Federal Reserve Banks (part of "Other") increased $103 billion.

The Treasury's Supplemental Financing Program (SFP) remained at $5 billion.

As of June 15, 2011, bank reserves balances are $1.5 trillion.



Source: Federal Reserve Board

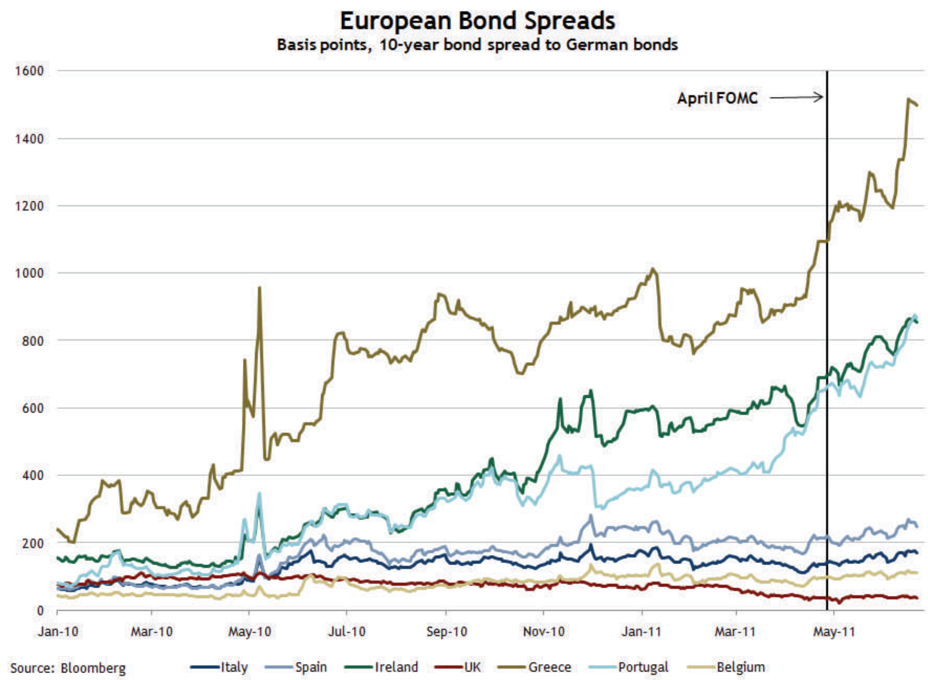
- The Treasury has announced that the Supplemental Financing Program (SFP) will be reduced to $5 billion to "provide flexibility" and delay the national debt from hitting the current ceiling of $14.29 trillion.
- The Treasury SFP was also reduced from $200 billion to $5 billion over the period September 23, 2009, to December 30, 2009, for the same reason.

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.

Europe

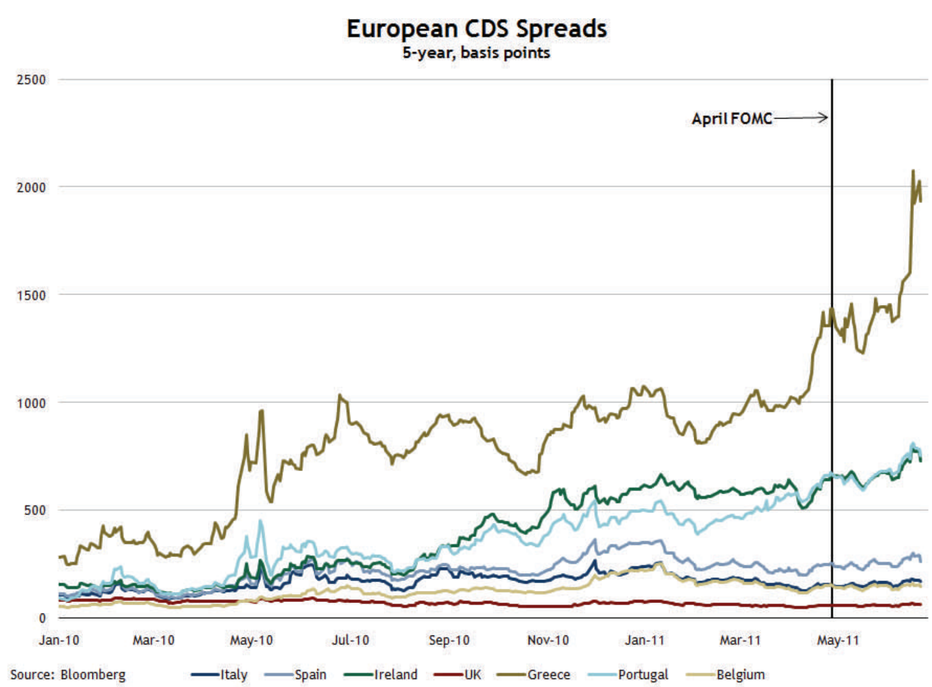
Summary

In the intermeeting period, peripheral European bond spreads (over German bonds) widened, with those of Greece, Ireland, and Portugal setting record highs.



- Since the April FOMC meeting, the 10-year Greece-to-German bond spread has widened by nearly 400 basis points (bps) through June 22. The spreads for Ireland and Portugal have soared by 157 bps and 199 bps, respectively, over the same period.

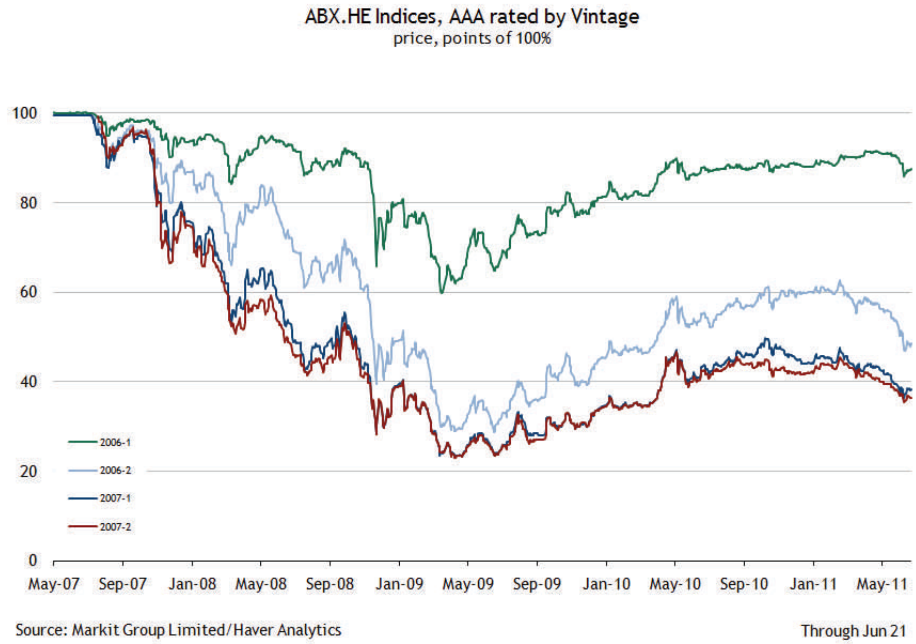
The CDS spread on Greek debt has widened about 500 basis points (bps) since the April FOMC meeting, while those on Portuguese and Irish debt continue to be high.



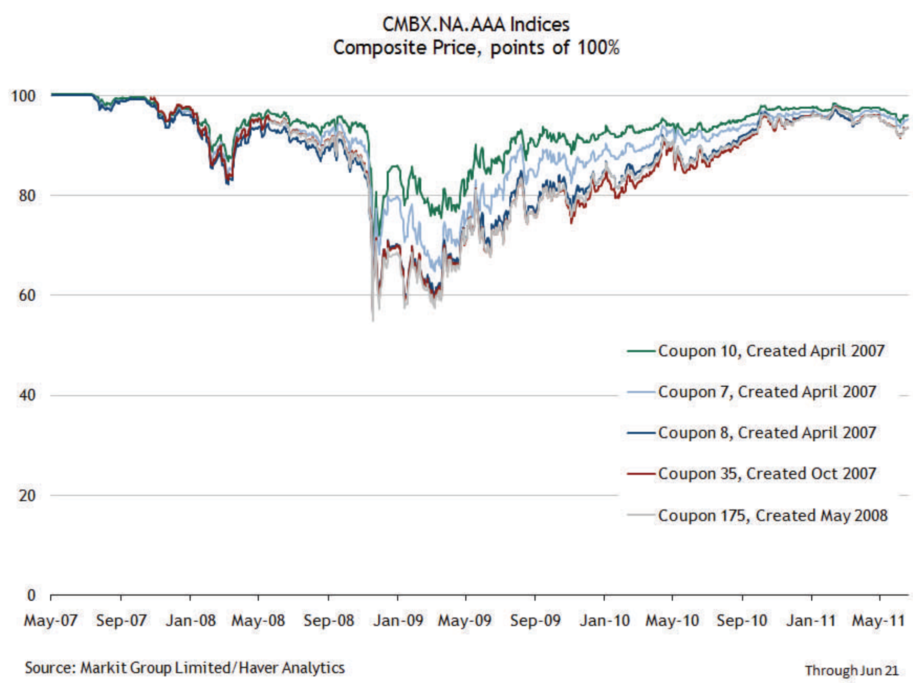
Securitization Markets

Summary

Most vintages of the AAA ABX.HE have stumbled in recent months, indicating an increase in the cost to insure against default on the underlying home equity loans.



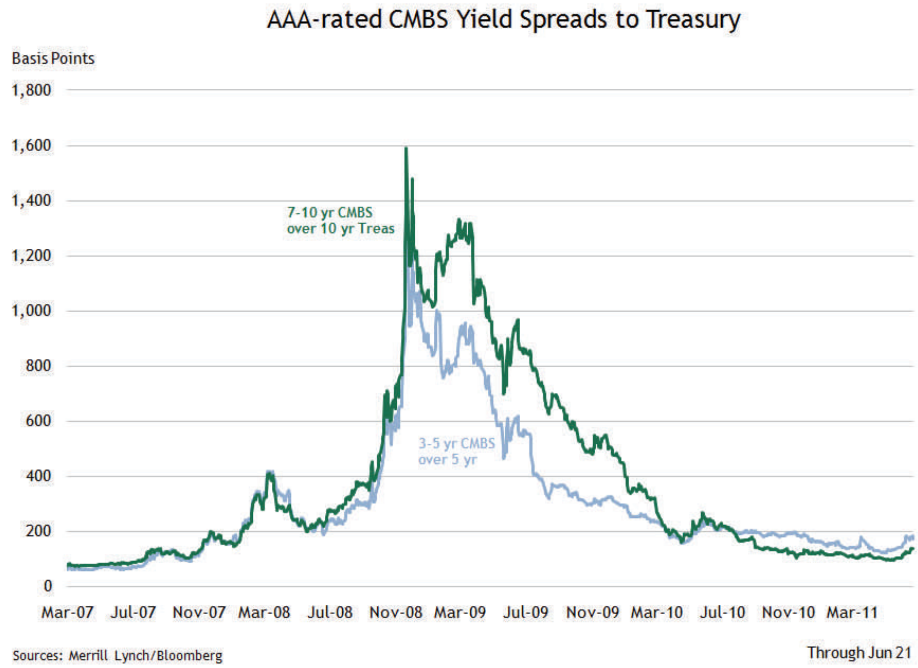
The index value of commercial MBS credit default swaps have declined somewhat in the past month. All vintages of the CMBX.NA.AAA remain close to prerecession levels. Increases in the index indicate a decrease in the cost to insure against default of commercial MBS.



Securitization Markets

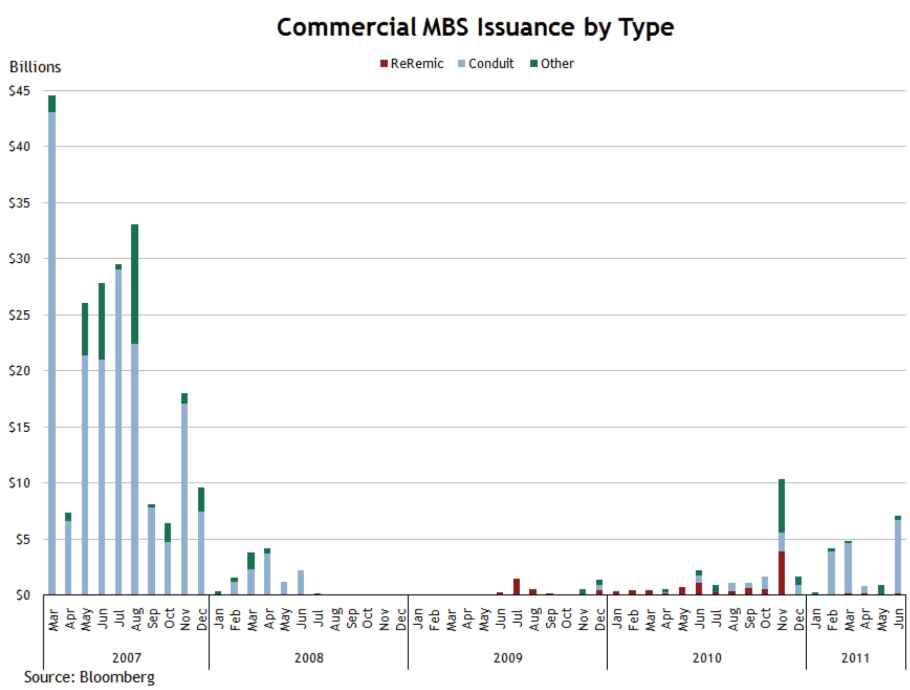
Summary

Top-rated CMBS yield spreads have risen over the past two months.



- Three-to-five year CMBS over five-year Treasuries are up 47 bps since April 21. Seven-to-ten year CMBS over ten-year Treasuries are up 39 bps since April 21.

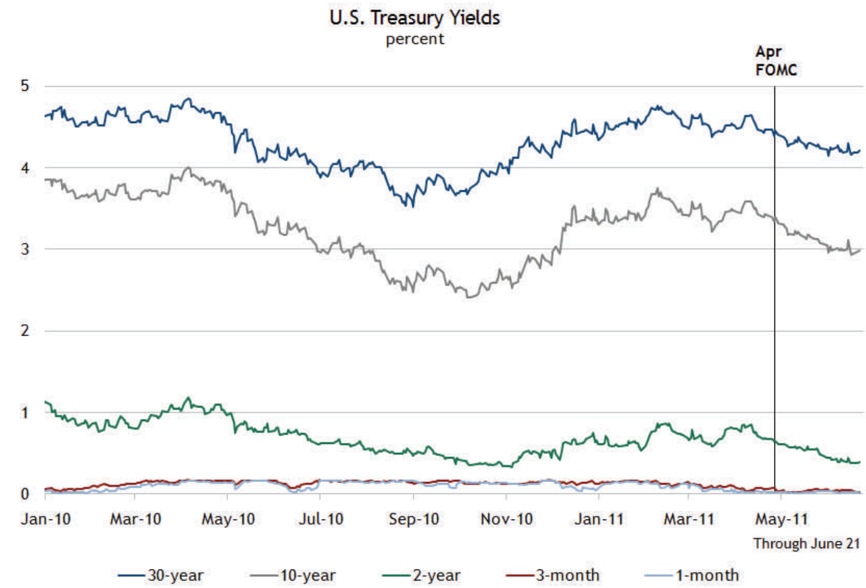
Several conduit deals were issued in February, March, April, and June, representing a sign of improvement in the CMBS issuance market.



Broad Financial Market Indicators

Summary

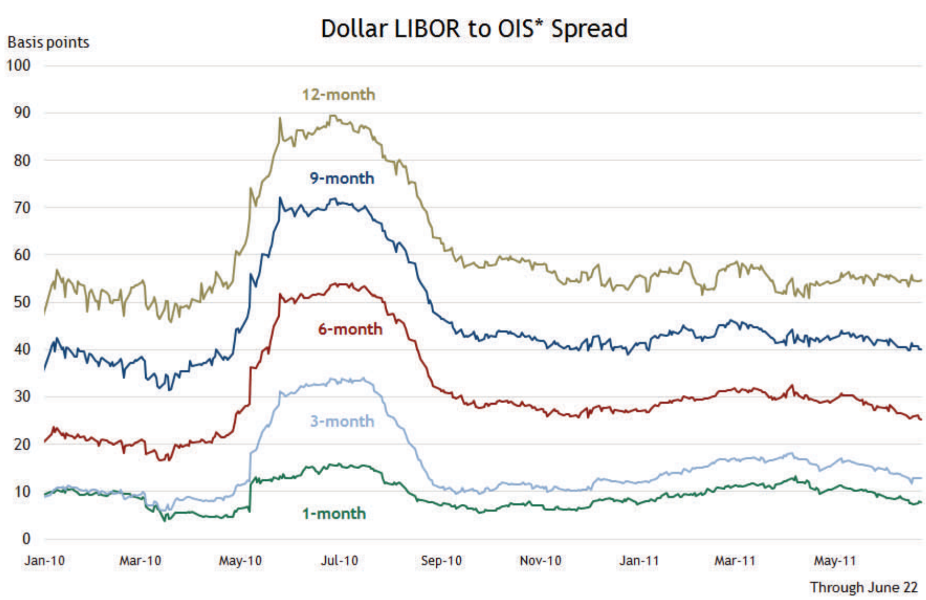
Since the April FOMC meeting, Treasury yields are lower across the curve.



Source: Federal Reserve Board/Haver Analytics

- Since the April FOMC meeting, the 30-year Treasury bond yield is down 24 bps to 4.21 percent, the 10-year note's yield is lower by 40 bps to 2.99 percent, and the two-year note is down 25 bps to 0.40 percent.

LIBOR to OIS spreads from one to nine months have narrowed between 2 bps and 3.6 bps since the April FOMC meeting, with the one- and three-month spreads currently at 7.8 bps and 13 bps, respectively.



Source: British Bankers Association/Bloomberg

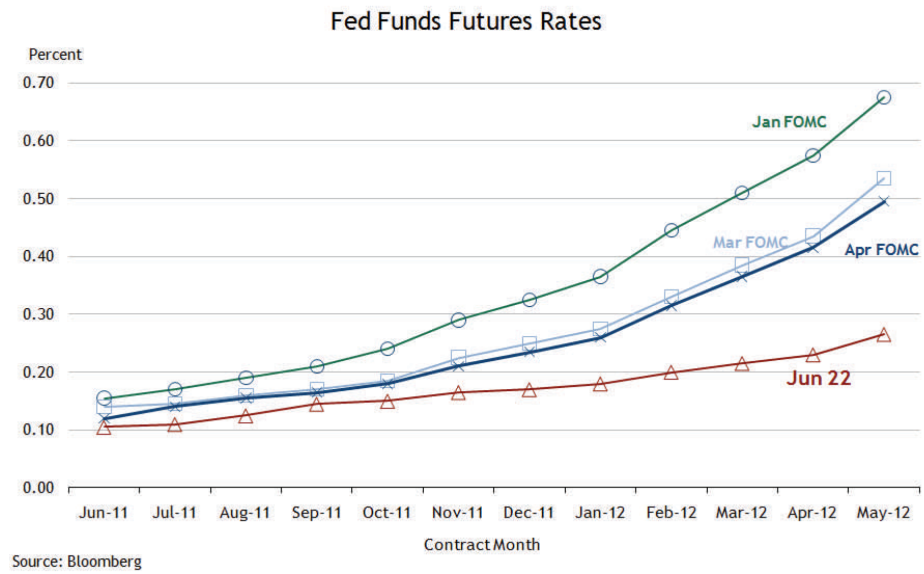
*Overnight Index Swap rate

Broad Financial Market Indicators

Summary

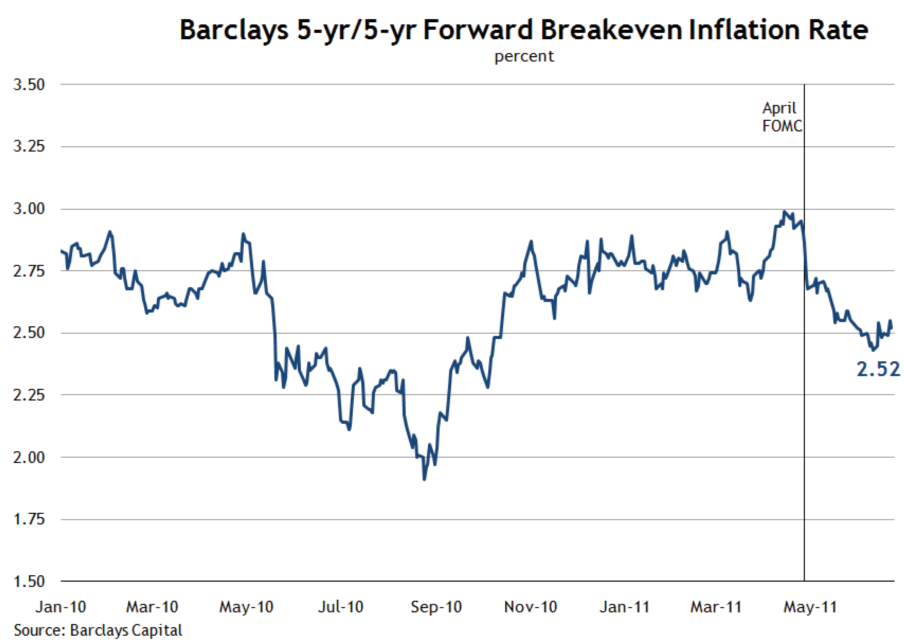
The long end of the curve of expected rates has moved significantly lower since the April FOMC meeting, with no rate increase expected in the next year.

The short end of the curve is lower, at least partially, as a result of the anticipated runoff of the SFP and the FDIC assessment change.



- As of June 22, 2011, the futures market for fed funds indicates an implied rate of about 27 bps for the May 2012 contract, about 23 bps lower since the April FOMC meeting.

Breakeven inflation rates have fallen sharply since the April FOMC meeting.

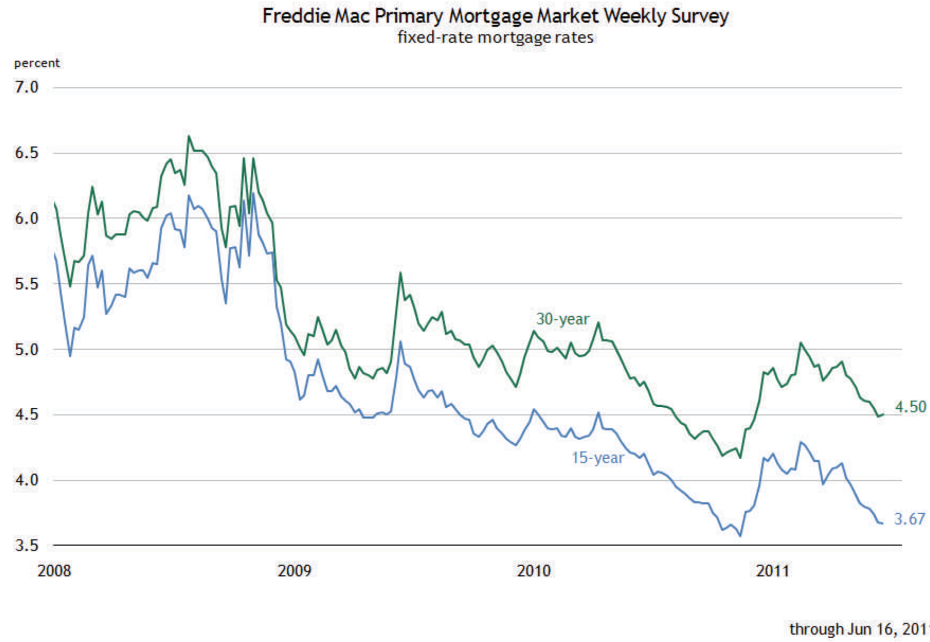


- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.52 percent, as of June 22, 2011, which is 34 bps lower than what followed the April FOMC meeting.

Mortgage Rates

Summary

Rates on fixed-rate mortgages were little changed for the survey week ending June 16, 2011. The 30-year fixed rate ticked up after declining eight consecutive weeks while the 15-year fixed rate continued to decline.

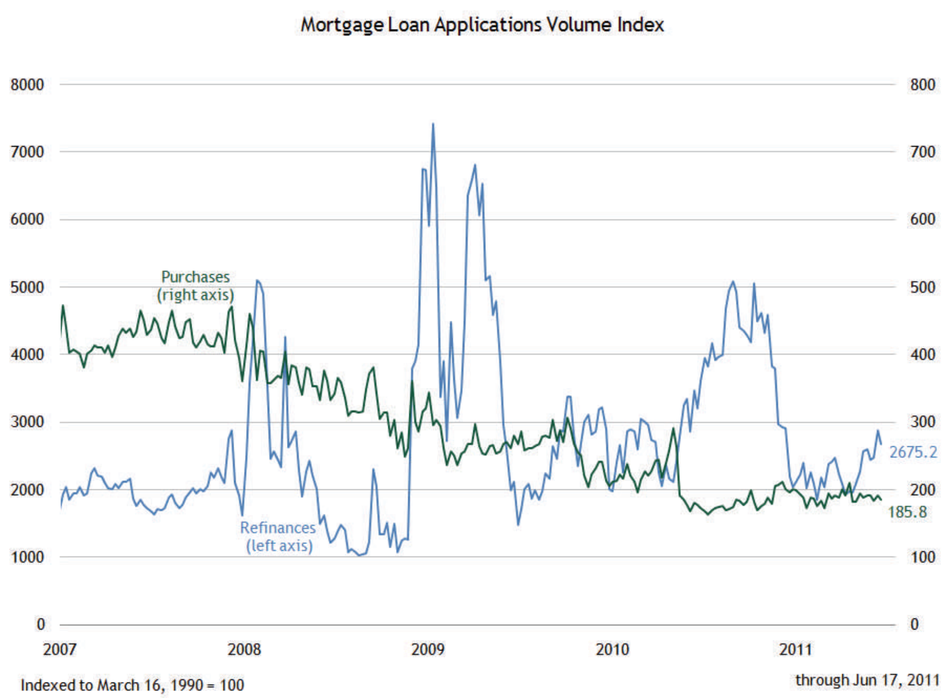


Source: Federal Home Loan Mortgage Corporation/Haver Analytics

- The 30-year fixed rate averaged 4.50 percent, up slightly from 4.49 percent a week ago. At this time last year the 30-year fixed rate averaged 4.75 percent.
- The 15-year fixed rate averaged 3.67 percent, down from 3.68 percent a week ago. At this time last year the 15-year fixed rate mortgage averaged 4.20 percent.

Total mortgage loan application volume declined 5.9 percent from the previous week, according to the MBA survey for the week ending June 17, 2011; both the Refinance Index and the Purchase Index fell slightly.

The Purchase Index and Refinance Index are measures of loan application volume reported in the MBA's Weekly Application Survey. The survey has been conducted weekly since 1990 and covers more than 50 percent of all U.S. retail residential mortgage applications.



Source: Mortgage Bankers Association/Haver Analytics

- The refinance share of mortgage activity decreased to 69.2 percent from 70 percent the previous week.