FEDERAL RESERVE BANK of ATLANTA

November 30, 2011

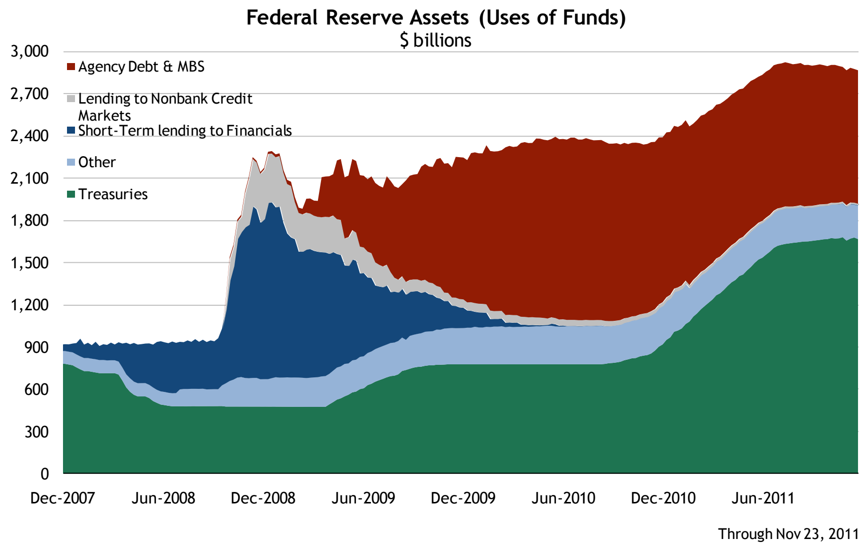
Financial Highlights

Federal Reserve

Summary

Between November 16 and November 23 the balance sheet decreased by $9.3 billion, remaining essentially unchanged at $2.9 trillion

On November 30, the Federal Reserve, along with other major central banks, announced that it would lower the pricing of 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.

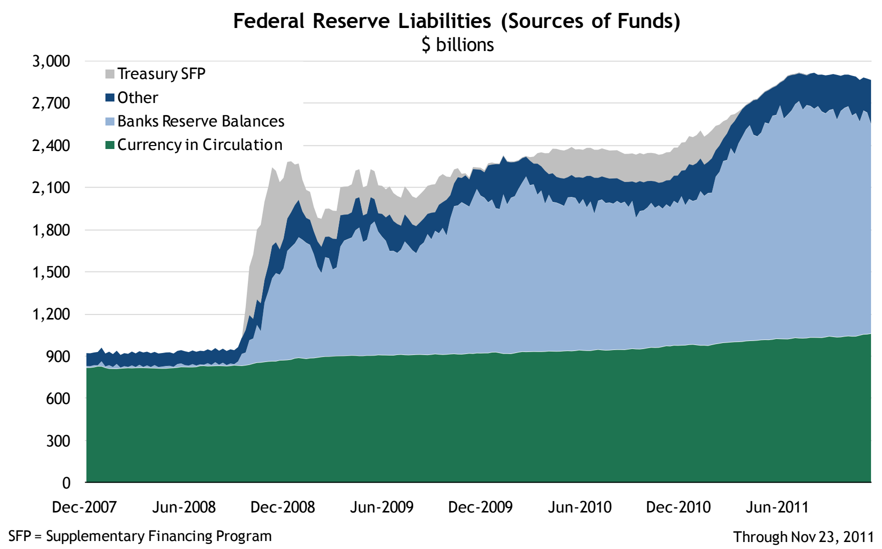


Source: Federal Reserve Board

- Treasuries decreased by $11 billion while agency debt and MBS decreased by $2 billion.
- According to the New York Fed's tentative outright Treasury operation schedule, and in line with the newly announced maturity extension program, the desk plans to purchase approximately $45 billion in Treasury securities with remaining maturities of six to 30 years and sell approximately $52 billion in Treasury securities with remaining maturities of three years or less over the month of December.
- 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.

Bank reserve balances with the Federal Reserve decreased $86 billion and the Treasury's general account with the Federal Reserve decreased $10 billion. Offsetting much of the decline was a $88 billion increase in nonreserve deposits.

As of November 23, 2011, bank reserve balances are $1.5 trillion.



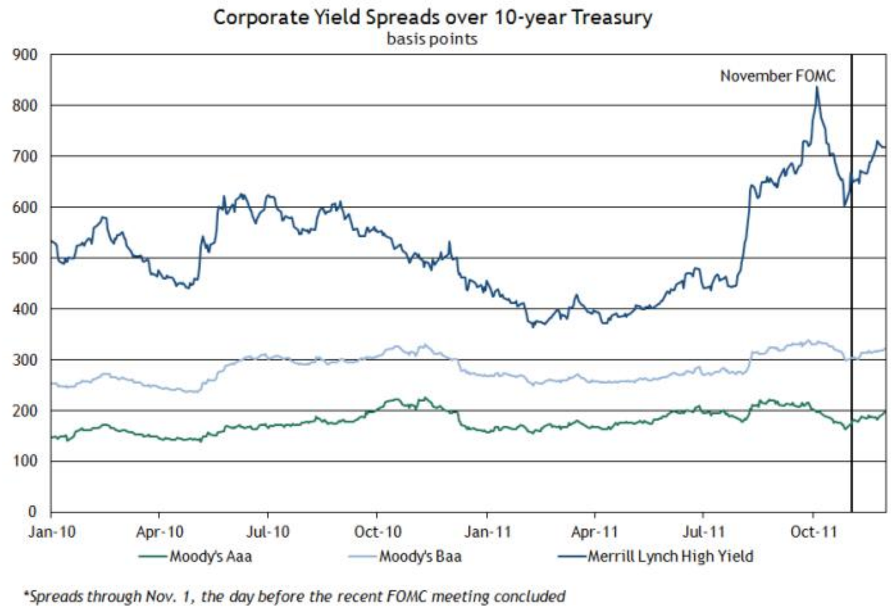
Source: Federal Reserve Board

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.

Corporate Bonds

Summary

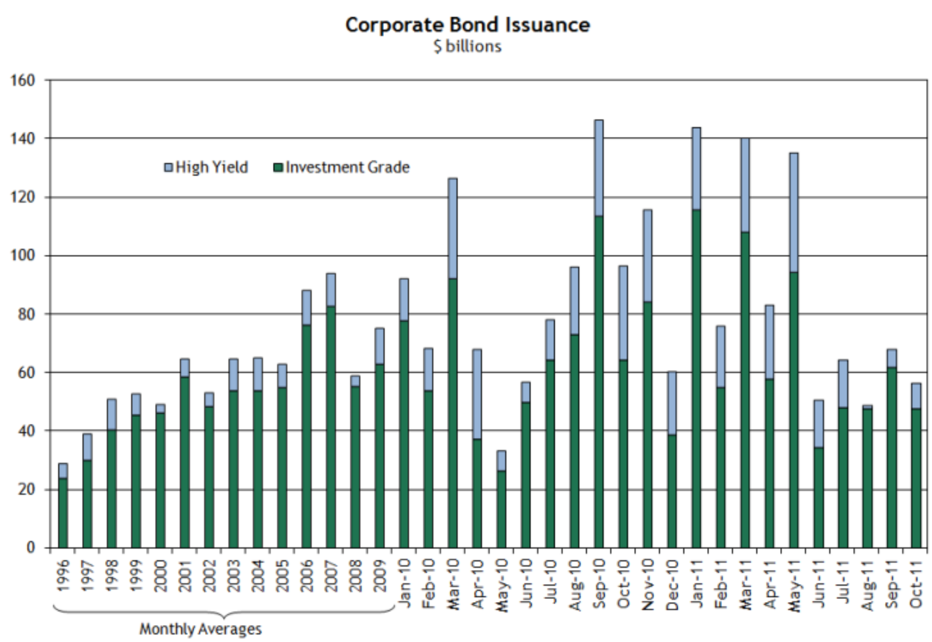
Since the November FOMC meeting, corporate bond spreads have risen slightly for investment-grade debt and about 50 basis points (bps) for junk debt.



Source: Merrill Lynch, Moody's, Federal Reserve Board

- Since the November FOMC meeting, corporate yield spreads for junk debt have risen further: the Merrill Lynch High Yield Index is up 56 bps to 7.18 percent above the 10-year Treasury. But this index has fallen about 120 basis points (bps) since its recent peak on October 4.
- Higher-quality bond spreads have also risen, with the Moody's Aaa- and Baa-rated bond spreads up by 17 bps and 19 bps, respectively (over the 10-year Treasury).

U.S. corporations accessed the bond market for $56.2 billion in October, according to SIFMA. High-yield issuance rose for the second straight month, registering $8.8 billion in October but still below trend.



Source: SIFMA

- According to SIFMA, U.S. corporate bond issuance hit $56.2 billion in October 2011, and high-yield debt issuance was $8.8 billion of that.

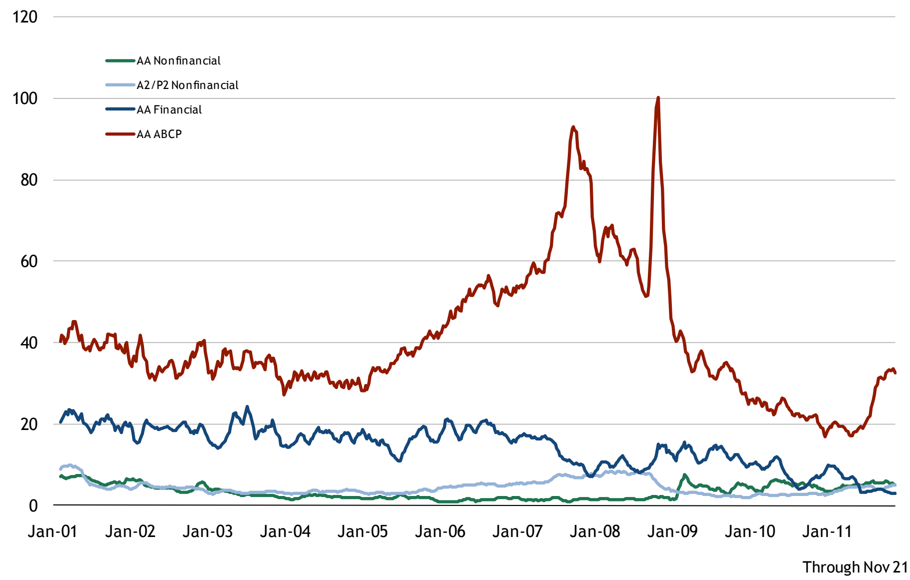
Commercial Paper

Summary

Since the end of 2010, issuance of asset-backed commercial paper has risen but remains far below issuance typical in 2007 and 2008. Nonfinancial commercial paper has steadily increased over the year and is close to issuance levels typical of 2007 and 2008.

Commercial Paper New Issuance

6 week moving average, Billions $



Source: Federal Reserve Board

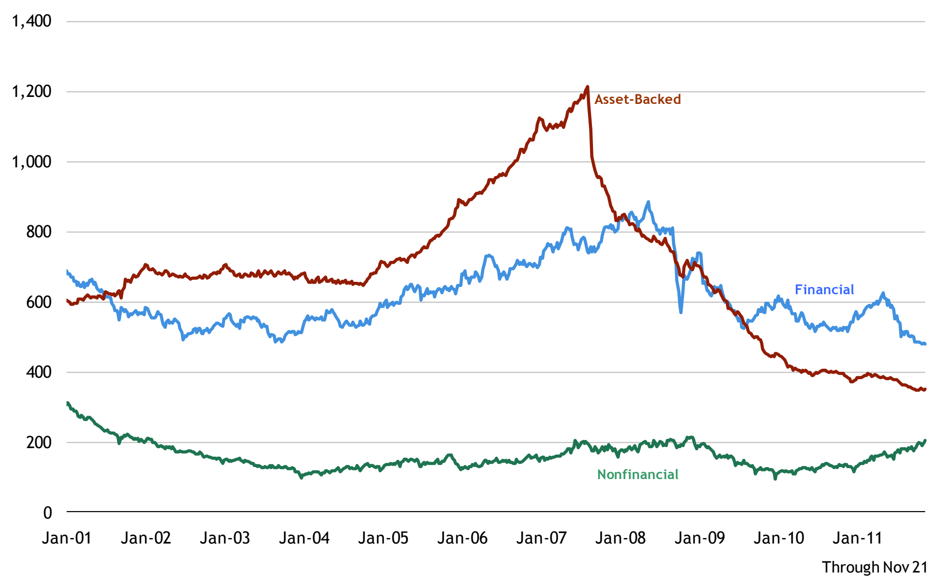
- Year to date, the six-week moving average of asset-backed commercial paper issuance is 80 percent higher and issuance of nonfinancial paper is 60 percent higher.
- Issuance of financial paper has declined 70 percent.

Despite a pick-up in issuance of asset-backed commercial paper, the outstanding amount has trended down since the beginning of the year.

Nonfinancial commercial paper outstanding, however, has been trending up.

Commercial Paper Outstanding

NSA, Weekly, Billions $

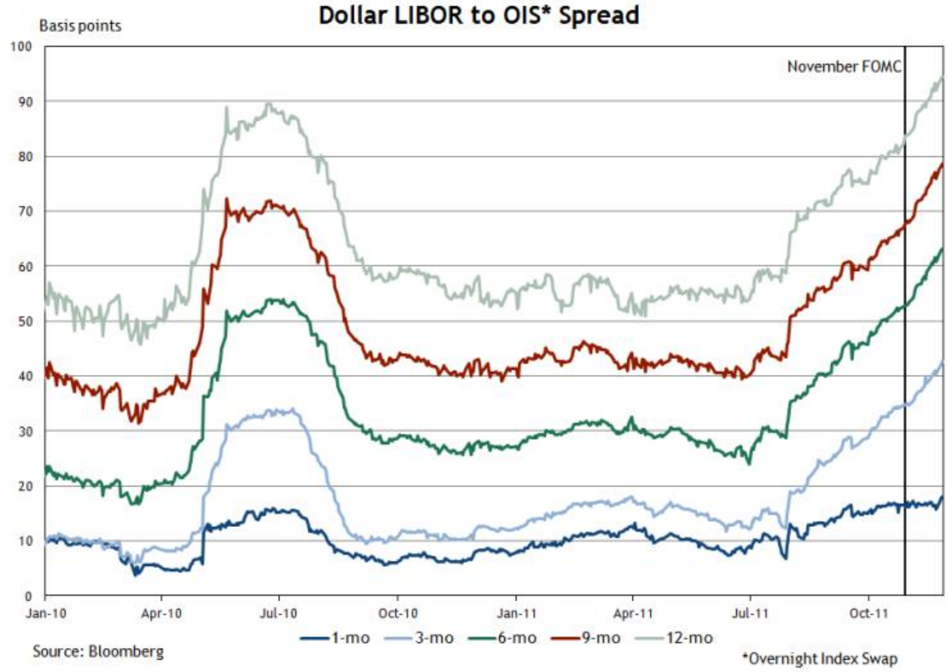


Source: Federal Reserve Board

Broad Financial Market Indicators

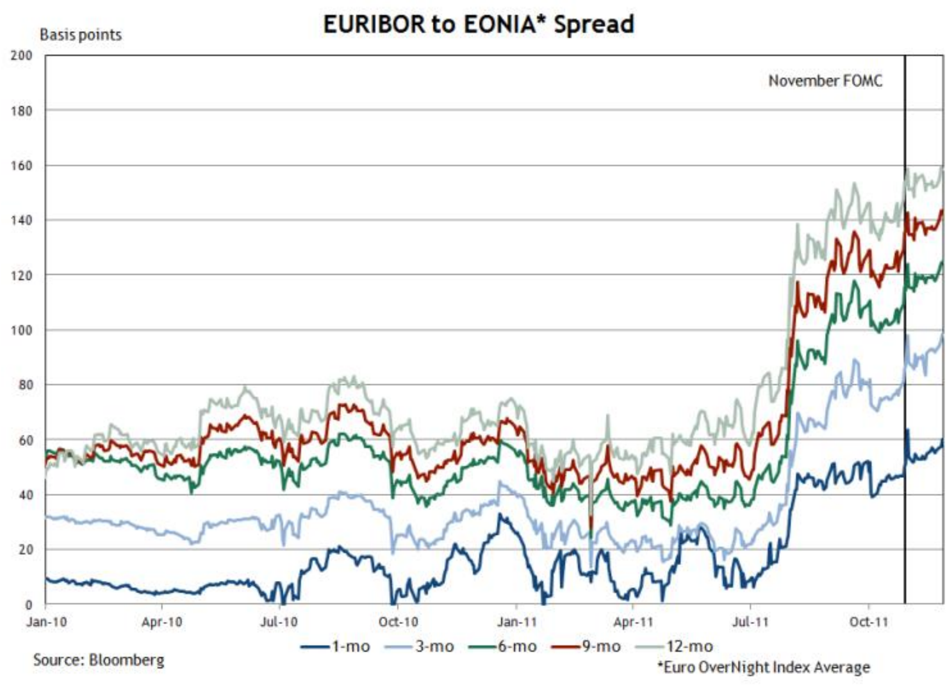
Summary

LIBOR to OIS spreads for all tenors have continued their widening trend since late August. Since the November FOMC meeting, spreads are about 7-11 bps higher for the 3- to 12-month tenors and about 2 bps higher for the one-month tenor. The levels of the spreads have exceeded the recent peaks of last summer.



- 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 rate (OIS). 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.

The euro-based Euribor-to-Eonia spread has risen further since the November FOMC meeting, up 9-10 bps at the shorter maturities and 5-6 bps farther out.

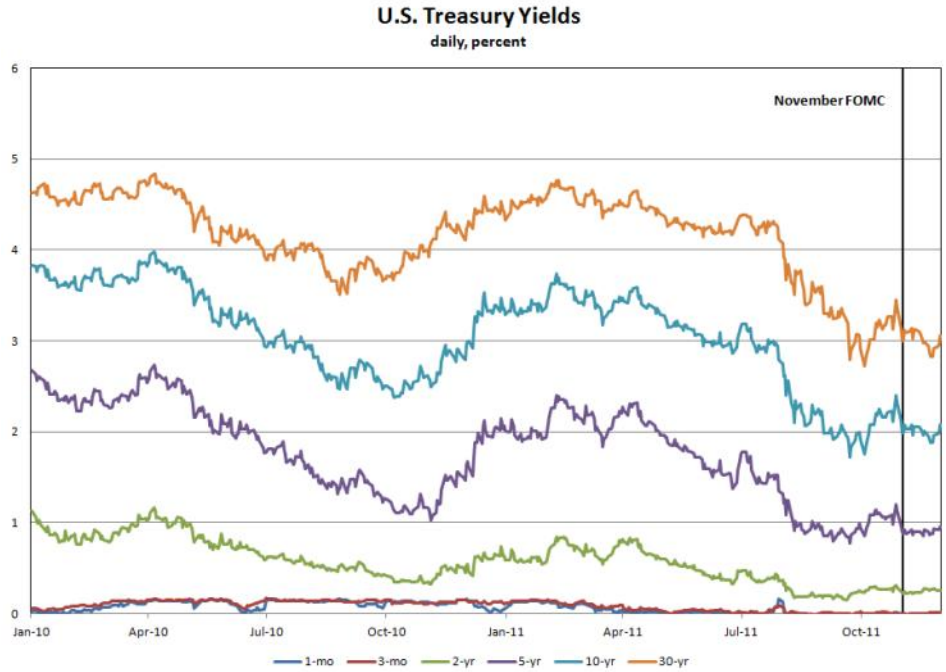


- The Euribor rates are offered interbank lending rates, denominated in euros and for a set of given maturities. The Euribor rate is determined by surveying 44 banks with the highest volume of business in the euro area, including four non-European banks. Eonia is the Euro Overnight Index Average swap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

Broad Financial Market Indicators

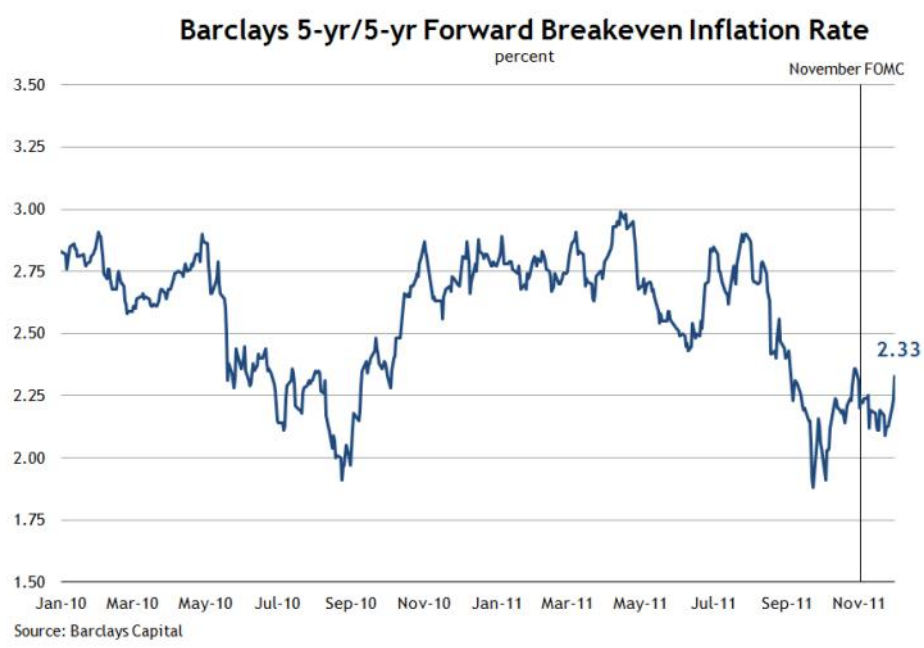
Summary

Treasury yields have been relatively stable for much of the past few weeks but rose noticeably on November 30 following the coordinated action of global central banks to reduce the rate of dollar funding though liquidity swaps.



- Over the past four weeks, the 30-year Treasury bond yield is up 5 bps to 3.06% and the 10-year 9 bps higher to 2.07%. The 5- and 2-year are up 8 and 2 bps, respectively, at 0.96% and 0.25%. The 3- and 1-month T-bill rates are both little changed near 0.00%.

After declining for much of the last few months, the five-year breakeven inflation rate has remained somewhat stable the past few weeks, staying roughly in the 2.1 to 2.25 percent range. However, this rate jumped 20 bps between November 25 and 30, settling at 2.33 percent.



- One measure calculated by Barclays suggests investors see CPI inflation 5 to 10 years out as averaging about 2.23 percent as of November 30, 2011, which is about 9 bps higher from the day before and up 20 bps from November 25.