

## Financial Highlights

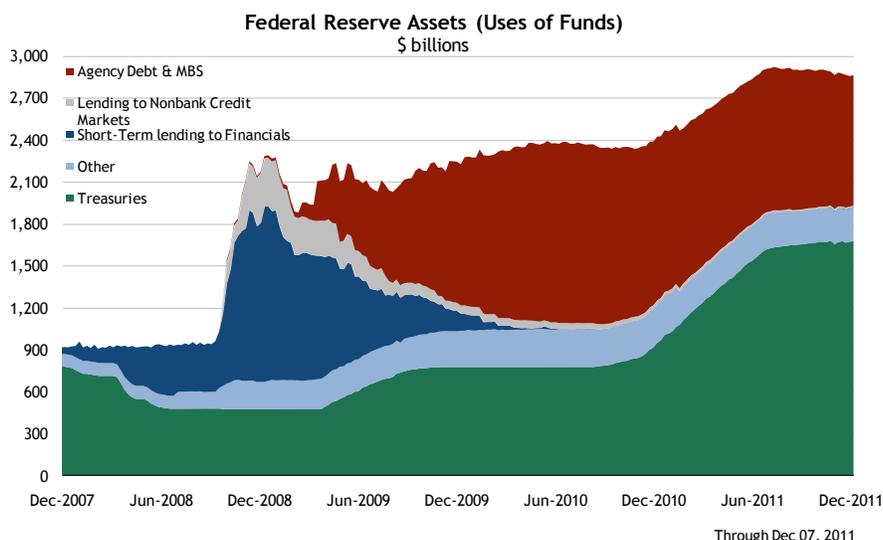
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# Federal Reserve

## Summary

Between November 30 and December 7 the balance sheet increased by \$6.2 billion, remaining essentially unchanged at \$2.9 trillion.



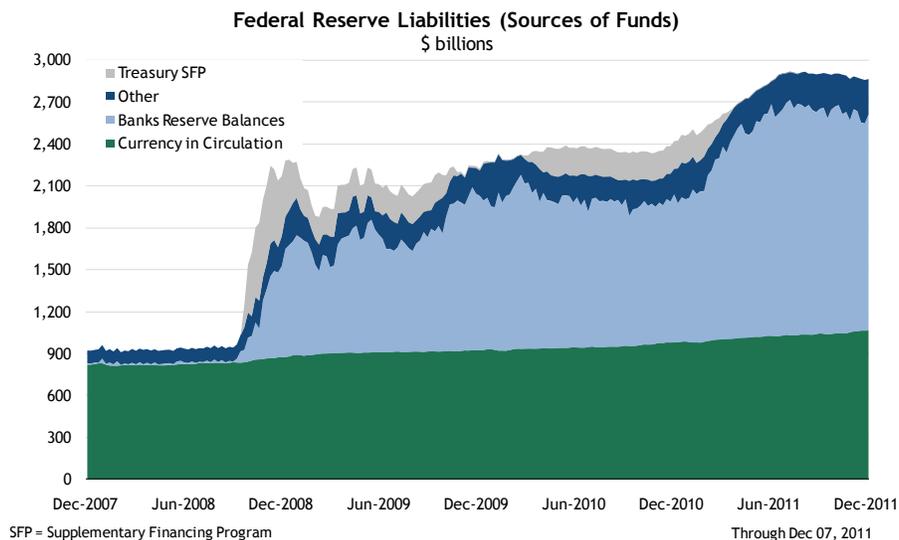
Source: Federal Reserve Board

- Treasuries increased by \$3 billion while agency debt and MBS remained the same.
- 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 years 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 increased \$62.7 billion. The Treasury's general account decreased by an almost equal amount of \$63.9 billion.

Nonreserve deposits with the Federal Reserve increased \$13.3 billion, and reverse repurchase agreements with foreign official and international accounts decreased \$7.8 billion.

As of December 7, 2011, bank reserve balances are \$1.55 trillion.



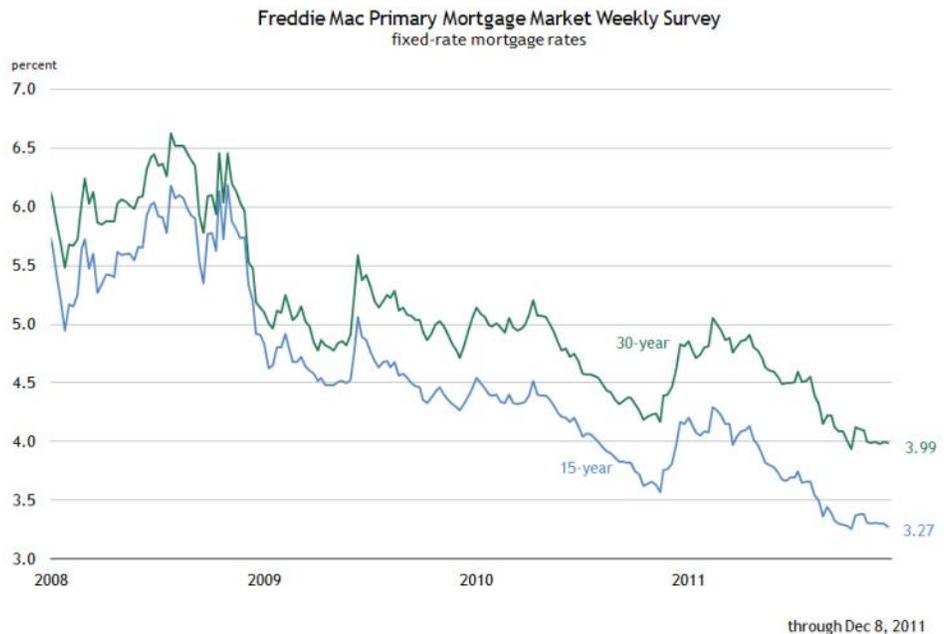
Source: Federal Reserve Board

**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

Mortgage rates changed very little from the previous week and remain near their record lows.



Source: Federal Home Loan Mortgage Corporation/Haver Analytics

- The 30-year fixed rate averaged 3.99 percent, down from 4 percent a week ago. At this time last year, the 30-year fixed rate averaged 4.61 percent.
- The 15-year fixed rate averaged 3.27 percent, down from 3.30 percent a week ago. At this time last year, the 15-year fixed rate mortgage averaged 3.96 percent.

Mortgage applications increased by 4 percent from the previous week according to the [survey](#) by the Mortgage Bankers Association for the week ending December 9.

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

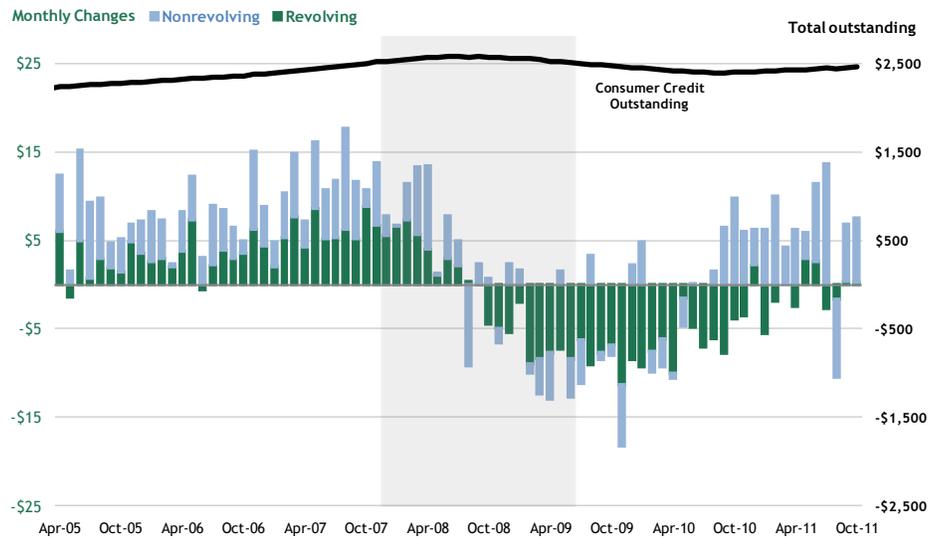
- Purchase applications decreased 8.2 percent while refinance applications increased 9.3 percent from the previous week.
- Refinance applications accounted for 79.7 percent of total applications.

# Consumer Credit

## Summary

Consumer credit outstanding increased \$7.7 billion in October.

SA Consumer Credit  
Monthly Change and Total Outstanding Billions \$



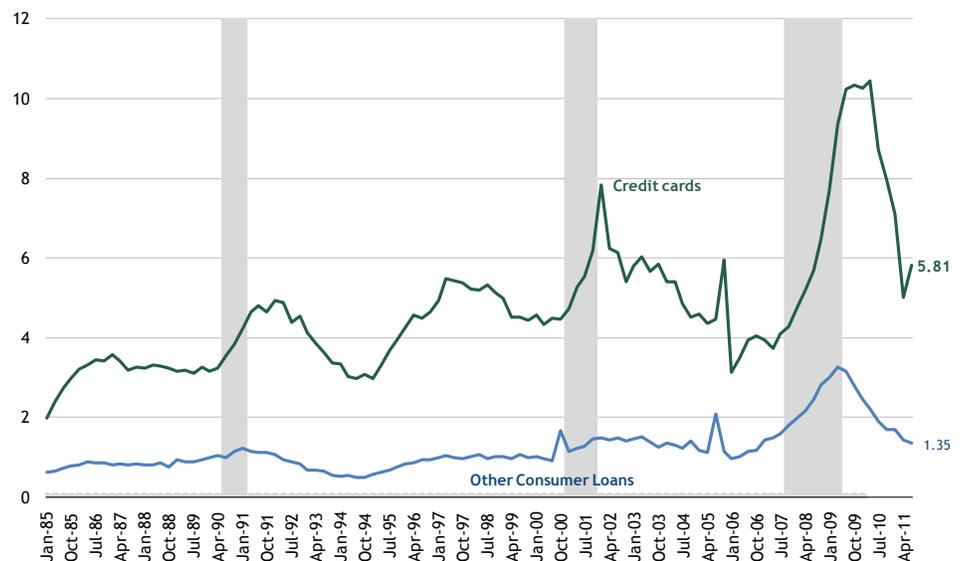
Source: Federal Reserve Board

Through October 2011

- Nonrevolving consumer credit outstanding increased \$7.3 billion while revolving increased \$0.3 billion.
- Relative to the peak in July 2008, revolving is 18 percent lower, and nonrevolving is 3 percent higher.

Charge-off rates for consumer credit cards at banks increased in the third quarter of 2011. The charge-off rate for consumer loans, however, continued on a downward trend.

Consumer Credit Charge Off Rates  
Quarterly, SA Annual Rate, through Q3 11

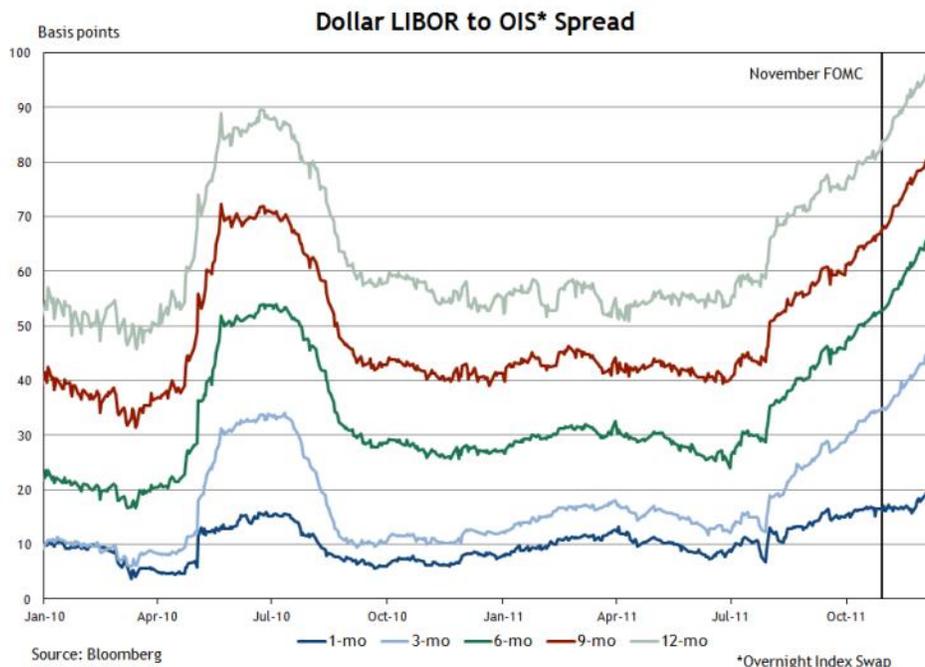


Source: Federal Reserve Board

## Broad Financial Market Indicators

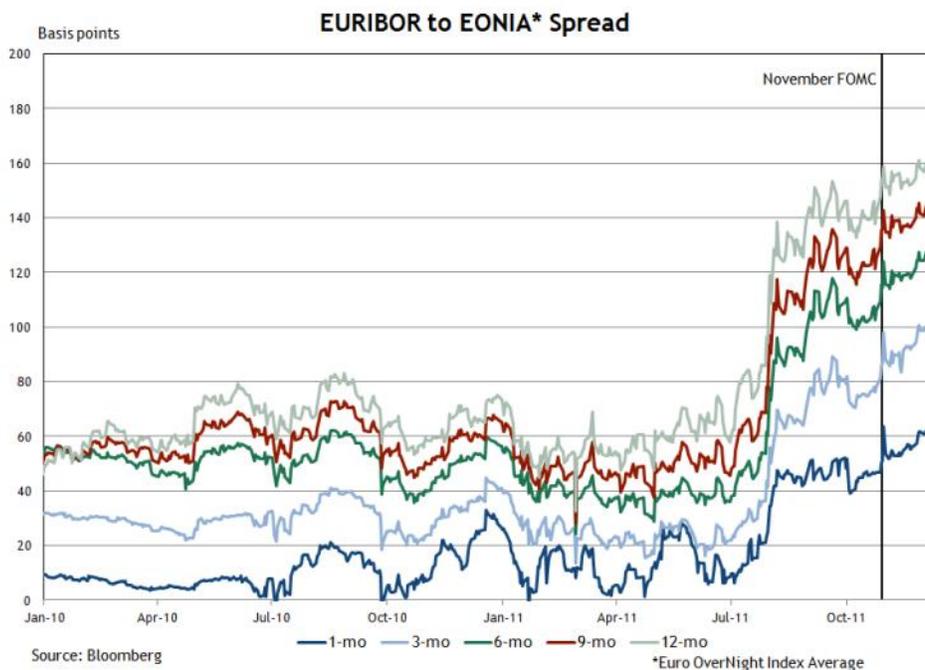
### Summary

LIBOR to OIS spreads for all tenors have continued their widening trend since late-August. Since the November FOMC meeting, spreads are about 12-14 basis points (bps) higher for the three-month to 12-month tenors and about 5 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 (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.

The euro-based Euribor-to-Eonia spread had risen further in November but is down a bit over the past week. Since December 7, spreads are narrower by 2-5 bps.



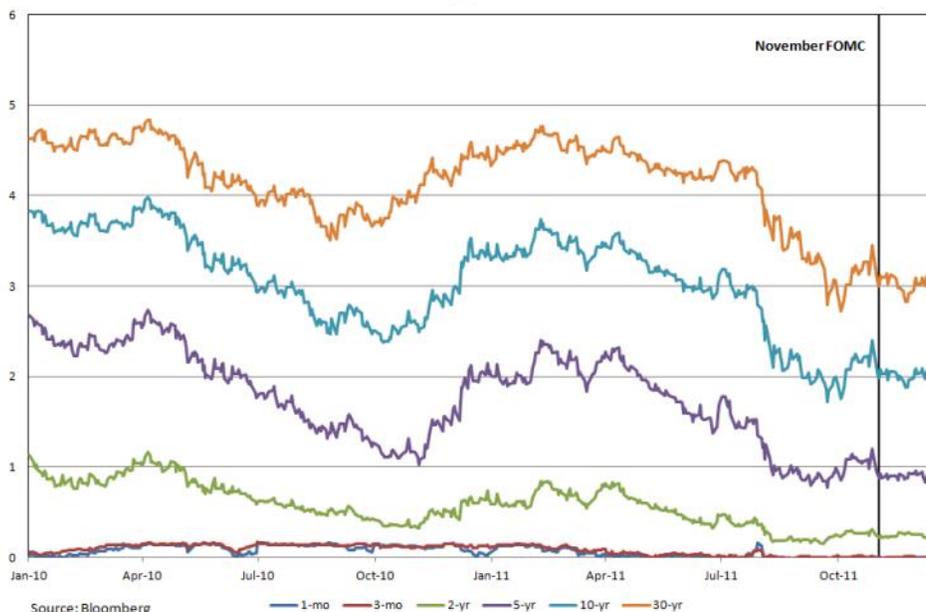
- The Euribor rates are offered interbank lending rates, denominated in euros and for a set of given maturities. The Euribor rate is determined by surveying 44 banks with the highest volume of business in the euro area, including 4 non-European banks. Eonia is the Euro Overnight Index Average swap rate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

# Broad Financial Market Indicators

## Summary

Longer-term Treasury yields have fallen over the past week after being relatively stable in November.

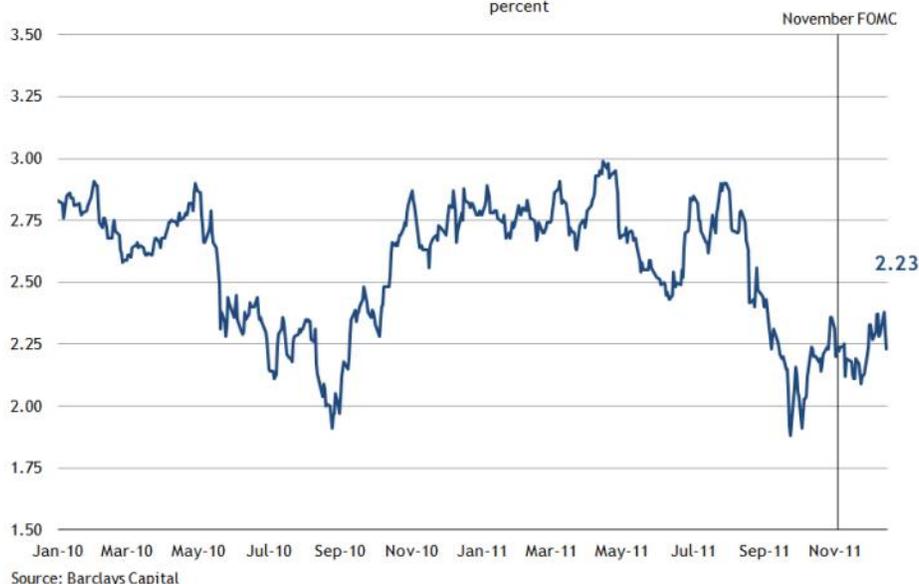
**U.S. Treasury Yields**  
daily, percent



- Since December 7, the 30-year Treasury bond yield is down 15 basis points (bps) to 2.91 percent, and the 10-year bond is 13 bps lower to 1.90 percent. The two-year note is flat at 0.24 percent. The three-month and one-month T-bill rates are both little changed near 0.00 percent.

In the past two weeks, the five-year breakeven inflation rate has declined to 2.23 percent, at the level seen during the November FOMC meeting.

**Barclays 5-yr/5-yr Forward Breakeven Inflation Rate**  
percent



- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.23 percent as of December 14, 2011, which is about 14 bps lower from a week ago but is at the same level seen during the November FOMC meeting.