FEDERAL RESERVE BANK of ATLANTA

February 03, 2010

Financial Highlights

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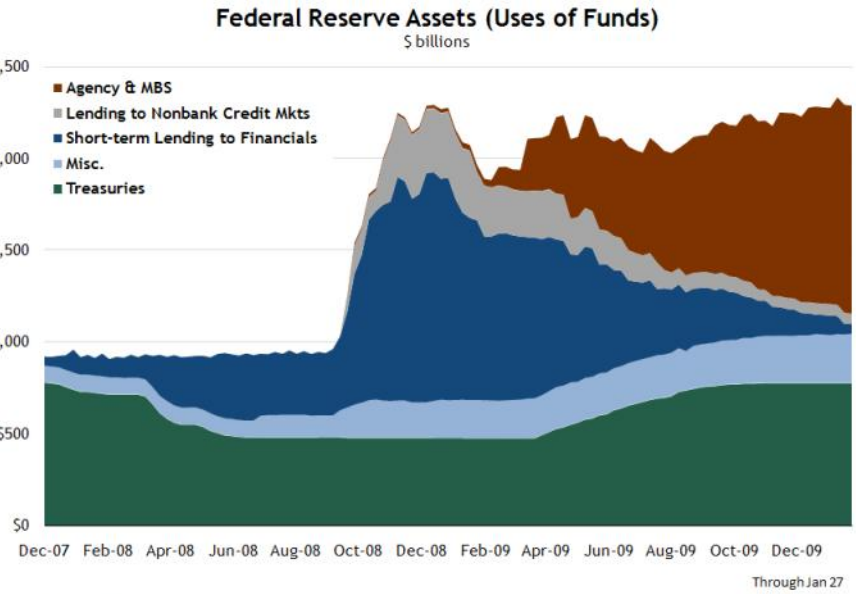
Federal Reserve

Summary

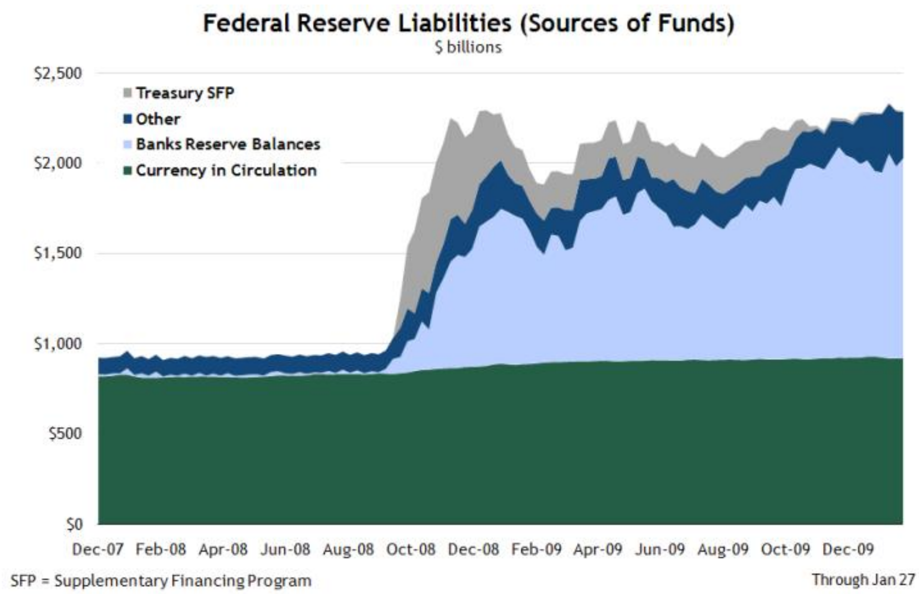
The balance sheet decreased slightly for the week ended January 27.



Source: Federal Reserve Board

- The balance sheet fell $3.8 billion from January 20 to January 27, driven mostly by a decline in lending to nonbank credit markets, specifically the Commercial Paper Funding Facility.
- The balance sheet is expected to peak during the first half of this year after the MBS purchase program is completed and purchases settle on the balance sheet.

Bank reserve balances increased by $47 billion while other liabilities declined by $50 billion.



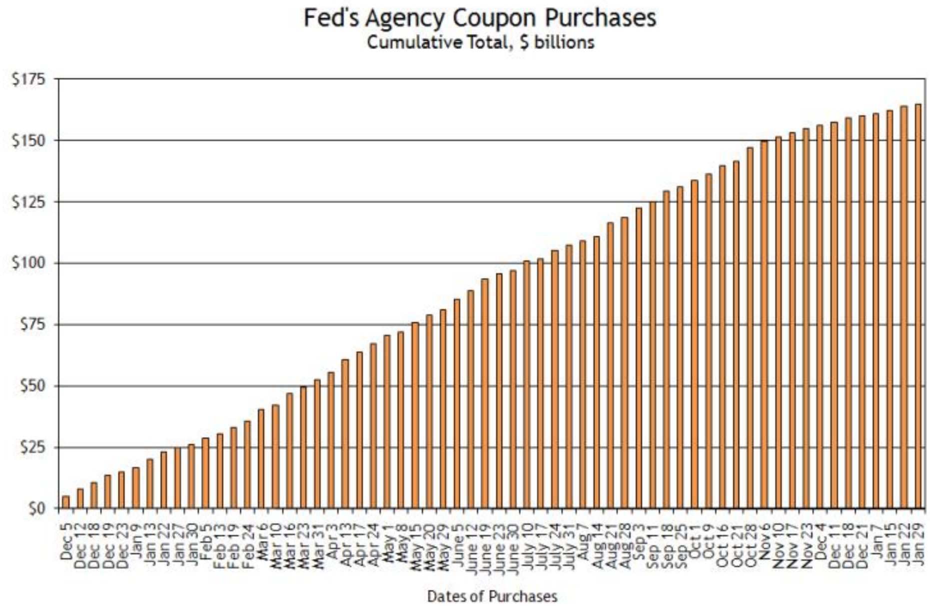
Source: Federal Reserve Board

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

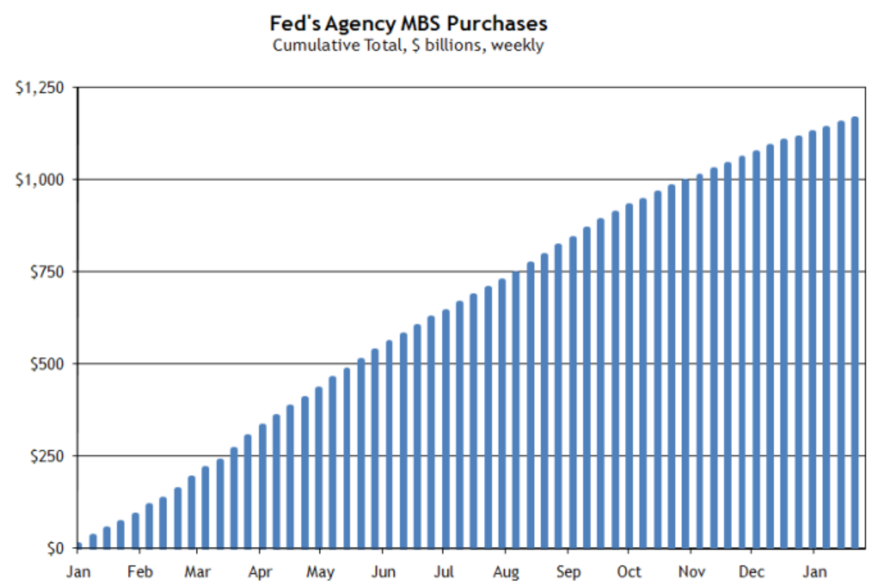
The Fed is nearing the completion of its agency debt purchase program, scheduled to conclude by the end of March 2010.



Source: NY Fed

- The Fed has completed $164.8 billion of its $175 billion agency debt purchase program through February 2 (making it 94% complete). The last purchase, on January 29, was made for $989 million.

And the agency-backed MBS purchase program is also on schedule, with a net $12 billion purchased recently.



Source: NY Fed

- The Fed purchased a net total of $12 billion of agency-backed MBS through the week of January 27, bringing its total purchases up to $1.165 trillion. By the end of the first quarter of 2010, the Fed will have purchased $1.25 trillion (thus, it is 93% complete).

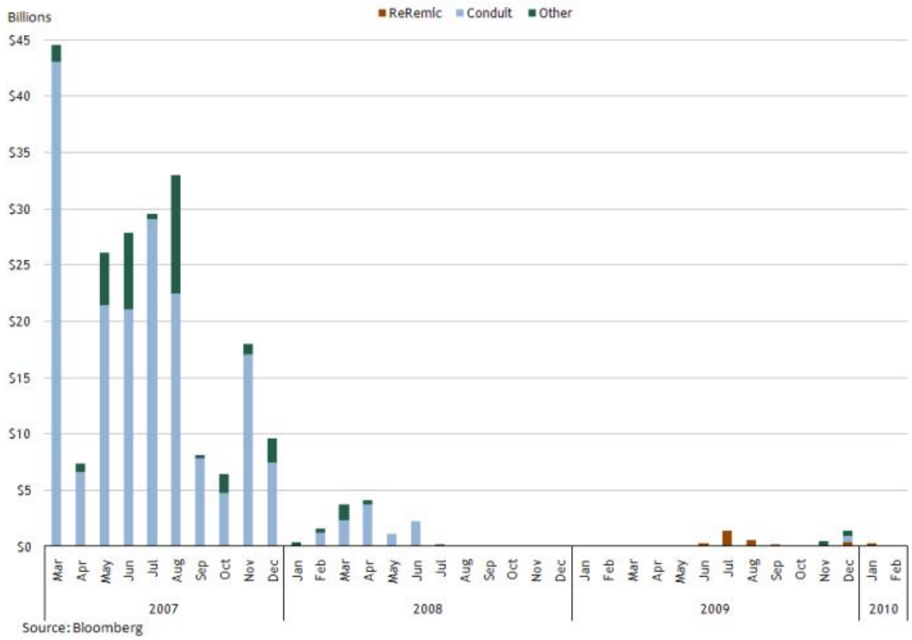
Commercial Mortgage Backed Securities

Summary

In November and December, after a year-long dry spell, $1.4 billion in commercial mortgage backed securities was issued.

The only activity in January was in the form of re-REMICs as investors continue to repackage securities to avoid ratings downgrades.

Commercial MBS Issuance by Type



Yield spreads on 7-10 year CMBS have narrowed 200 basis points (bps) since the first new issuance on November 25.

AAA-rated CMBS Yield Spreads to Treasury

Commercial Mortgage Backed Securities

Summary

The January TALF operation provided $1.326 billion in financing for legacy CMBS. No new CMBS were issued in the market between December 14 and January 20, and no financing for newly issued CMBS was provided at the January 20 operation.

TALF Operations					Market Operations	
Subscription Date	3-year Loan Rate	5-year Loan Rate	Newly Issued Amount (millions)	Legacy Amount (millions)	3-5 Year CMBS Rate	Newly Issued Amount (millions)*
6/16/09	3.27	4.13	$0.00	--	8.84	$0.00
7/16/09	3.03	3.87	$0.00	$668.94	6.48	$0.00
8/20/09	3.07	3.87	$0.00	$2,148.31	6.08	$0.00
9/17/09	2.95	3.80	$0.00	$1,351.10	5.84	$0.00
10/21/09	2.86	3.64	$0.00	$1,930.57	5.31	$0.00
11/17/09	2.72	3.54	$72.25	$1,329.53	5.26	$327.75
12/14/09	2.74	3.62	$0.00	$1,282.44	5.34	$960.00
1/20/10	2.78	3.73	$0.00	$1,325.98	4.93	$0.00

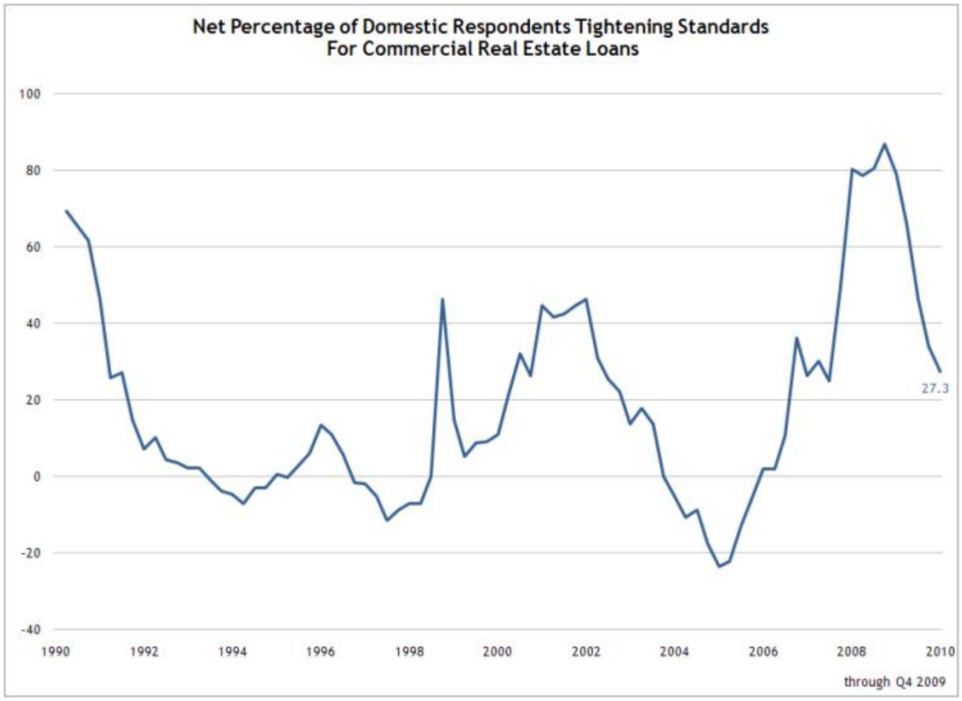
*Amount issued in market between subscription dates

Sources: Bloomberg, Merrill Lynch, NY Fed

Senior Loan Officer Opinion Survey

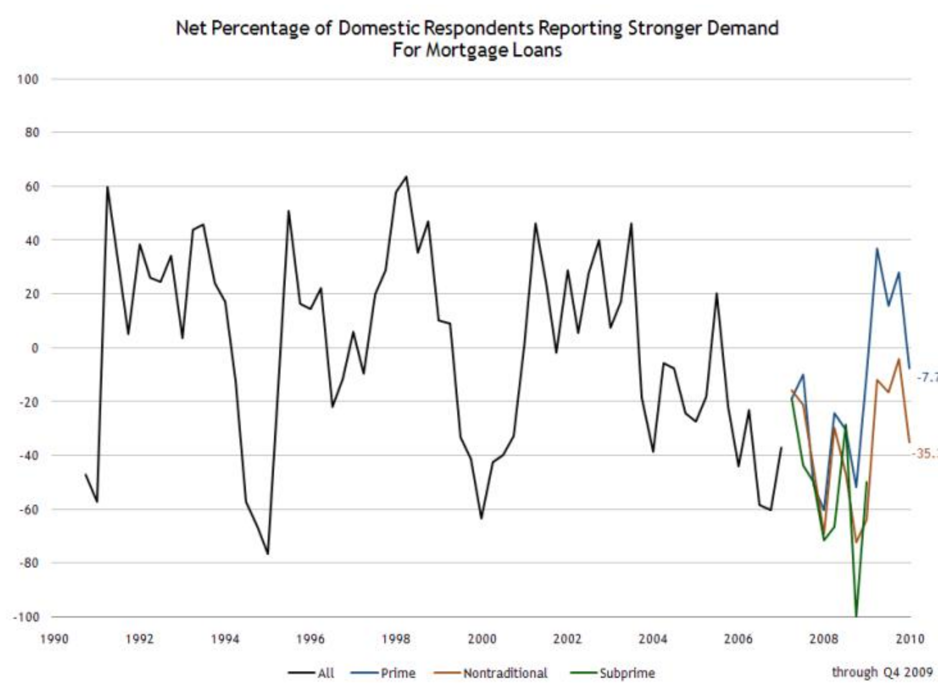
Summary

The January 2010 Senior Loan Officer Survey indicated that banks continued to tighten standards on commercial real estate (CRE) loans during the fourth quarter of 2009. Banks also reported continuing weaker demand for CRE loans.



Source: Board of Governors

Demand for both prime and nontraditional mortgages weakened further during the fourth quarter of 2009. A small net fraction of banks continued to tighten standards on prime mortgage loans, and a somewhat larger net fraction tightened standards on nontraditional mortgage loans.

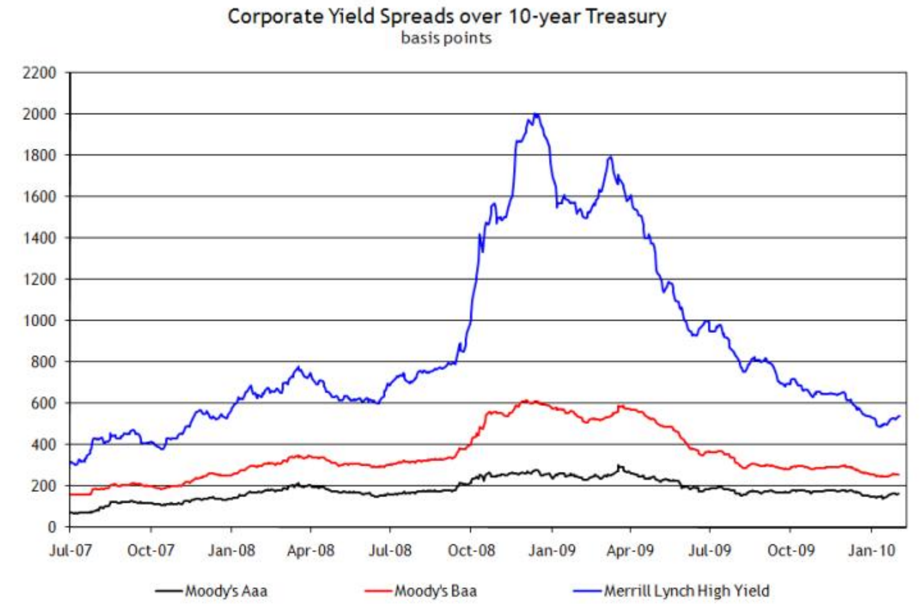


Source: Board of Governors

Corporate Bonds

Summary

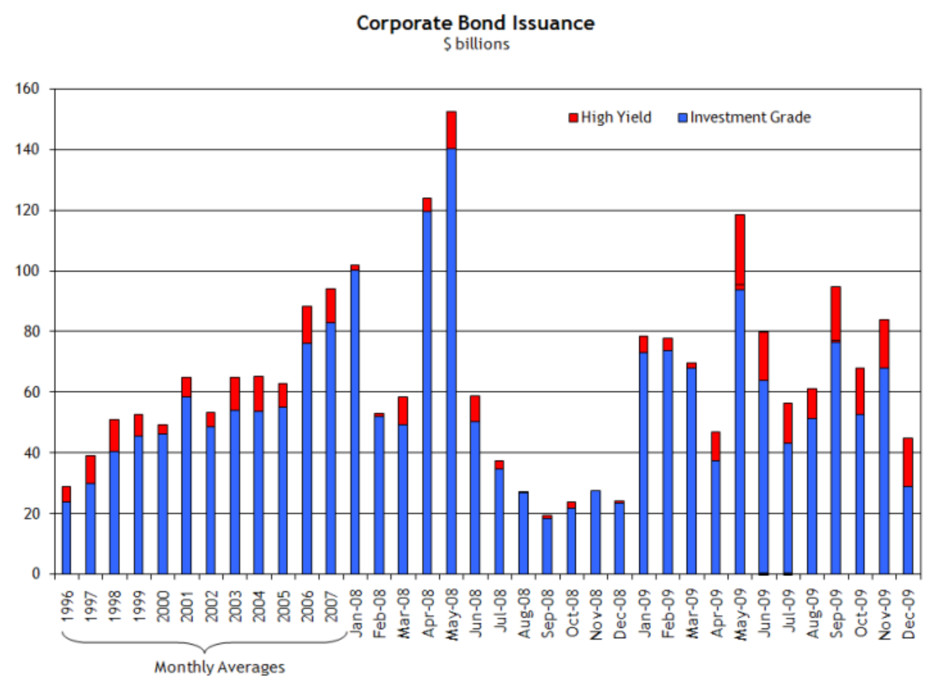
Corporate yield spreads widened during January.



Source: Merrill Lynch, Federal Reserve Board

- Corporate yield spreads have widened during the calendar year through February 2 by 13 bps for the Merrill Lynch High Yield Index, 15 bps for Moody's Aaa-rated bonds, and 4 bps for Baa-rated bonds.

U.S. corporations accessed the bond market for only $44.5 billion in financing during December 2009, the lowest amount of issuance since the previous December. Of this amount, $15.9 billion was high-yield bonds.



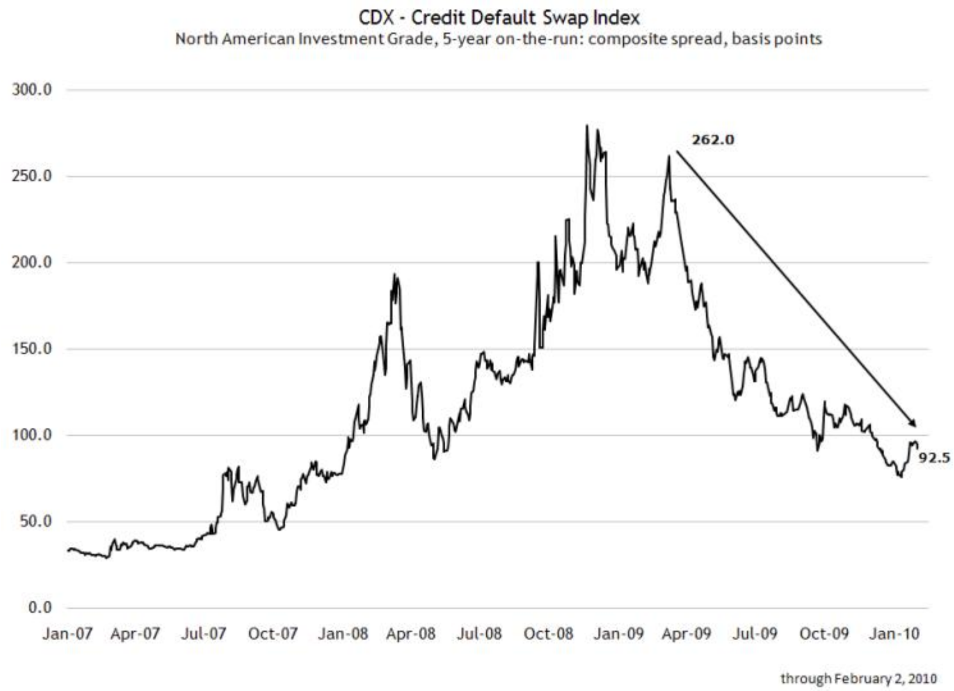
Source: Merrill Lynch, Federal Reserve Board

Corporate Bonds

Summary

The CDX has trended downward since March, consistent with improvement in perceived default risk among investment-grade bonds.

At 92.5 on February 2, the index is slightly higher than it was this time last month.

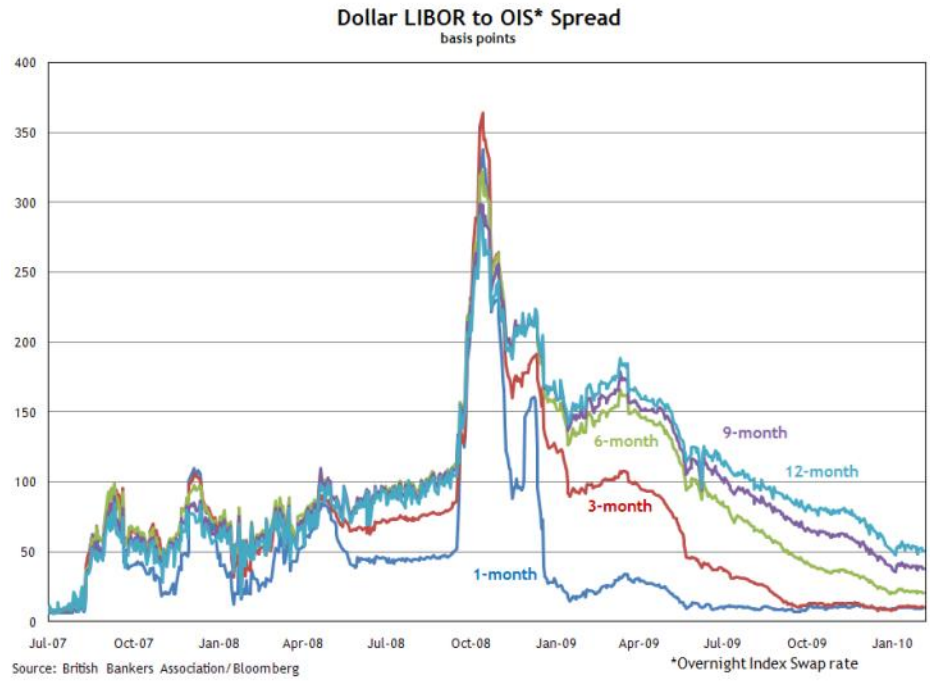


Source: Markit Group Limited/Haver Analytics

Broad Financial Market Indicators

Summary

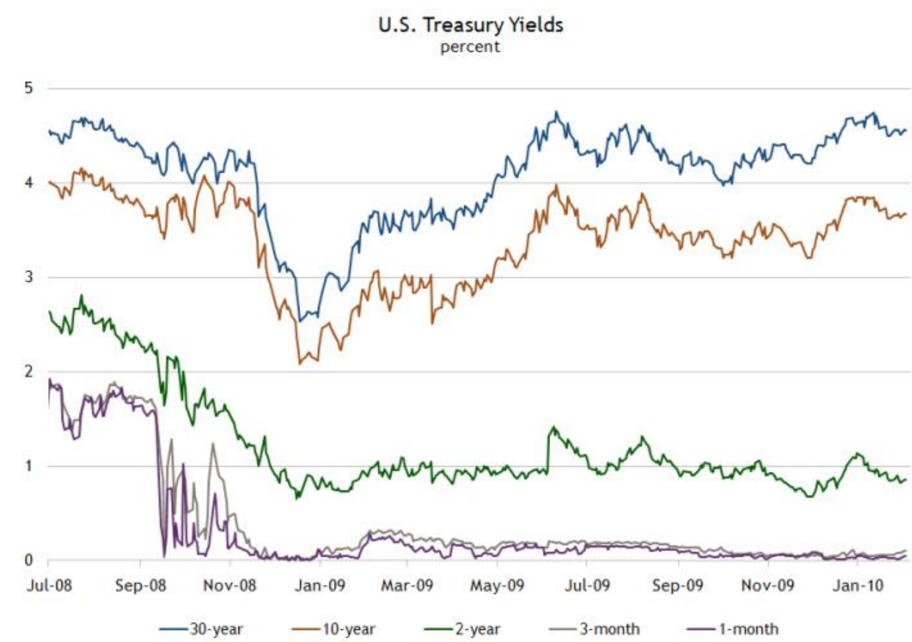
LIBOR to OIS spreads have trended slightly lower since last week's FOMC meeting.



Source: Bloomberg and British Bankers' Association

- As of February 3, the one-month and three-month Dollar LIBOR to OIS spreads are relatively stable since last week's FOMC meeting, currently at 9.2 and 9.6 bps, respectively. The 6-, 9-, and 12-month spreads are also relatively stable at 19.8, 36.6, and 48.7 bps, respectively.

Treasury yields, too, were stable during the week.



Source: Bloomberg

- As of February 2, the 30-year bond yield is 4.55%, the 10-year is 3.67%, and the two-year note is 0.86%. The three– and one-month T-bill yields are 0.10% and 0.04%, respectively.