

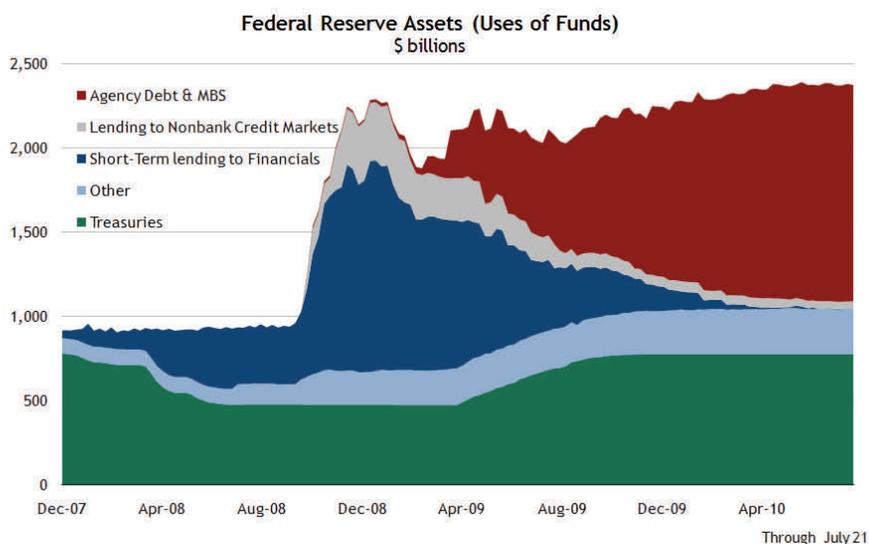
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Federal Reserve

Summary

The balance sheet remained essentially unchanged, declining \$8.3 billion for the week ending July 21.

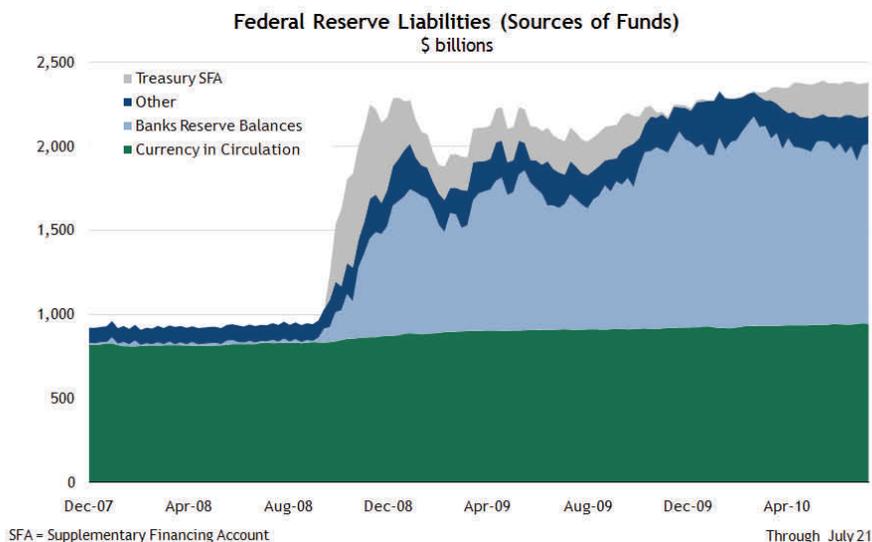


Source: Federal Reserve Board

- MBS on the balance sheet declined by \$4 billion.

Bank reserve balances decreased by \$23 billion while U.S. Treasury deposits with Federal Reserve banks decreased by \$36 billion, and other deposits with Federal Reserve banks declined by \$18 billion.

Term deposits, a potential reserve-draining tool, increased \$2.1 billion as test auctions continue.



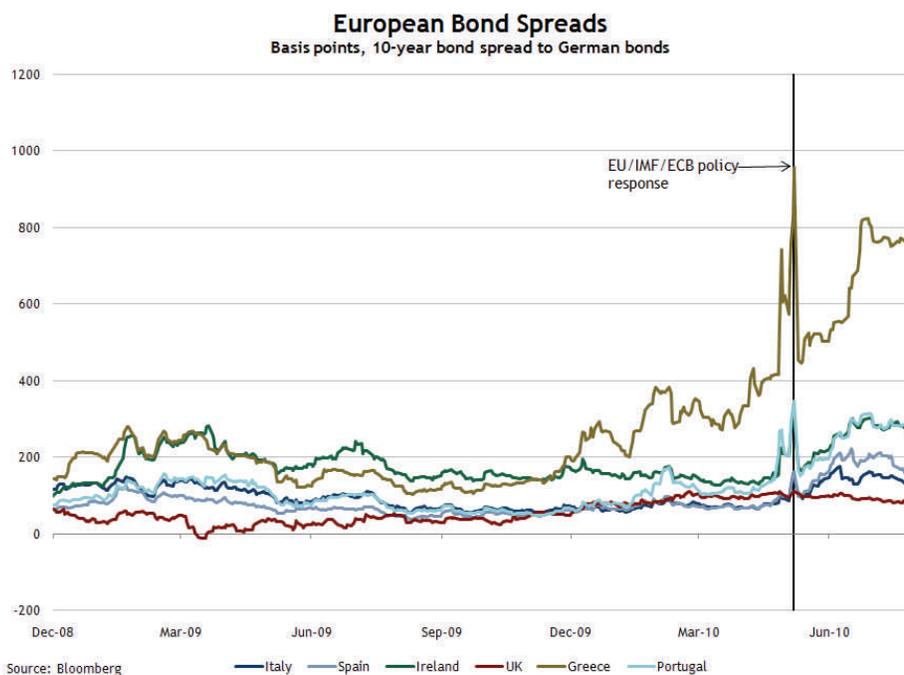
Source: Federal Reserve Board

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.

European Debt

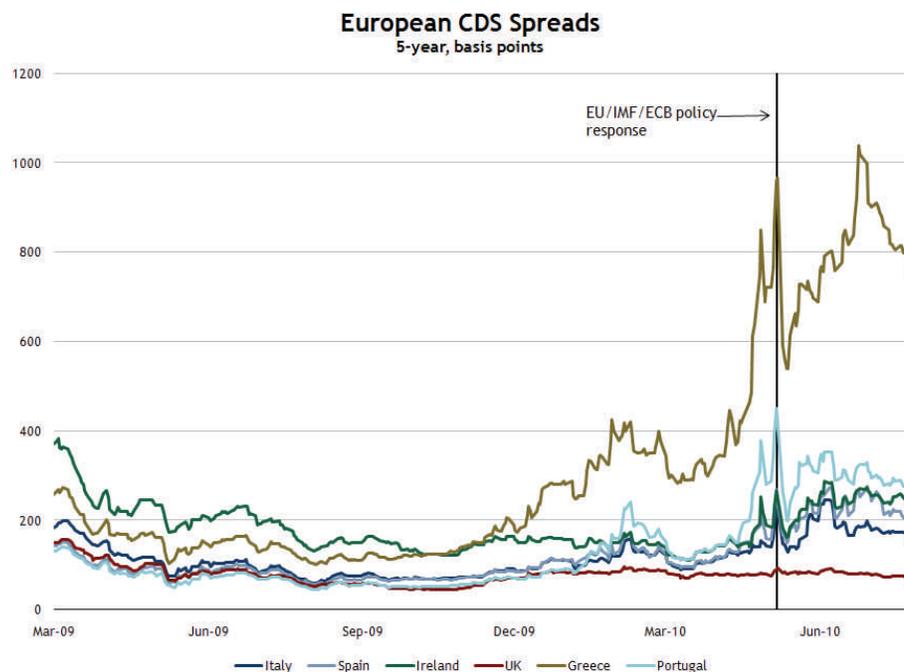
Summary

Peripheral European bond spreads (over German bonds) have declined from recent highs but remain extremely elevated.



- Since the June FOMC meeting, the 10-year Greece-to-German bond spread has narrowed by over 40 basis points (bps) (from 8.01% to 7.58%), through July 26. Other European peripherals' spreads have also narrowed, with Portugal lower by 30 bps over the period and Spain 46 bps lower.

Similarly, CDS spreads have declined but remain relatively wide.



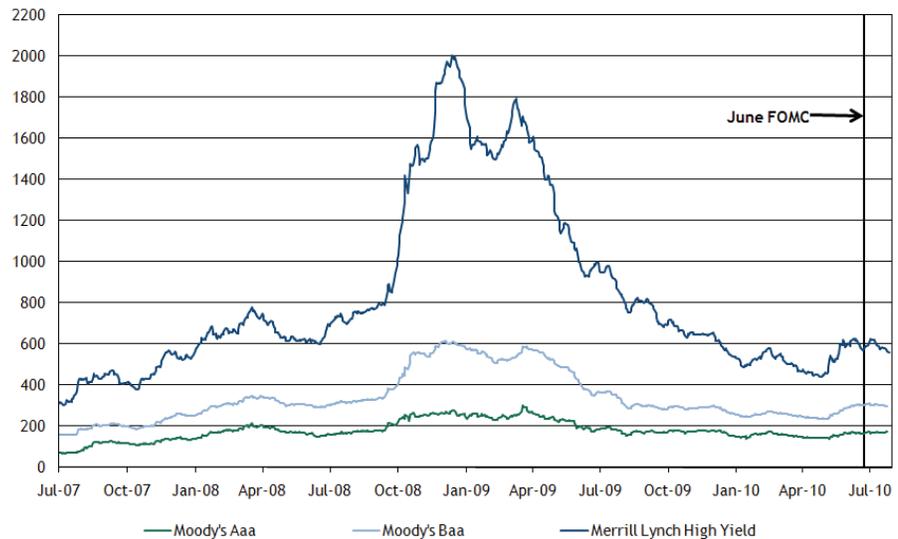
Source: Bloomberg

Corporate Bonds

Summary

Corporate yield spreads have declined for riskier securities, while remaining flat for Aaa-rated bonds.

Corporate Yield Spreads over 10-year Treasury
basis points

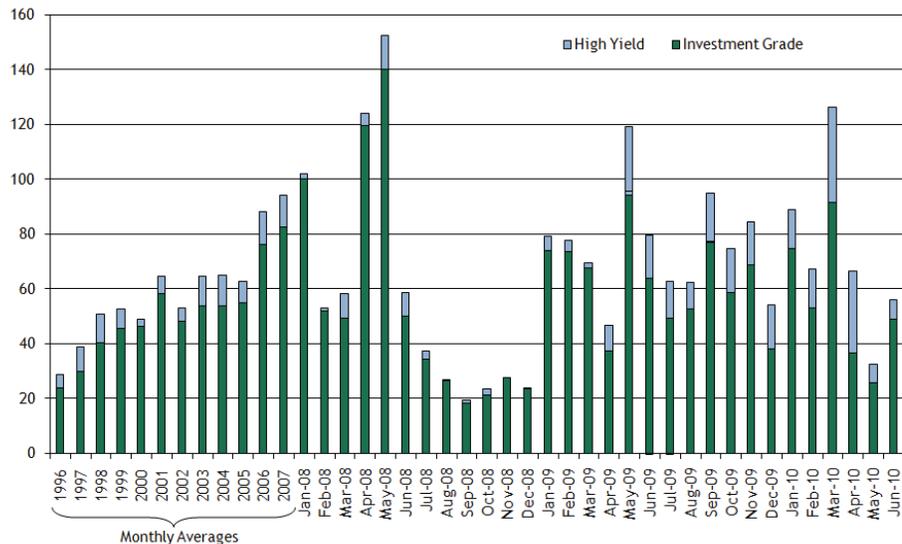


Source: Merrill Lynch, Moody's, Federal Reserve Board

- Since the June FOMC meeting, corporate yield spreads have mostly narrowed, by 27 bps for the Merrill Lynch High Yield Index and 10 bps for Moody's Baa-rated bonds. The Aaa-rated bonds, however, were up 3 bps.

U.S. corporations accessed the bond market for \$55.8 billion in financing during June 2010.

Corporate Bond Issuance
\$ billions



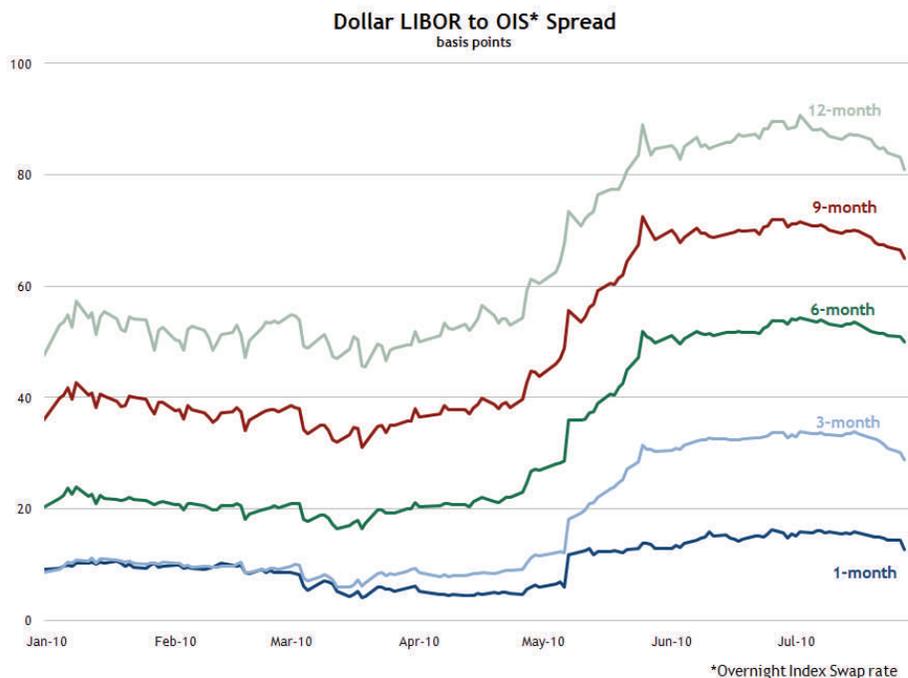
Source: SIFMA

- According to SIFMA, U.S. corporate bond issuance hit \$55.8 billion in June 2010, and high-yield debt issuance was \$7 billion.

Broad Financial Market Indicators

Summary

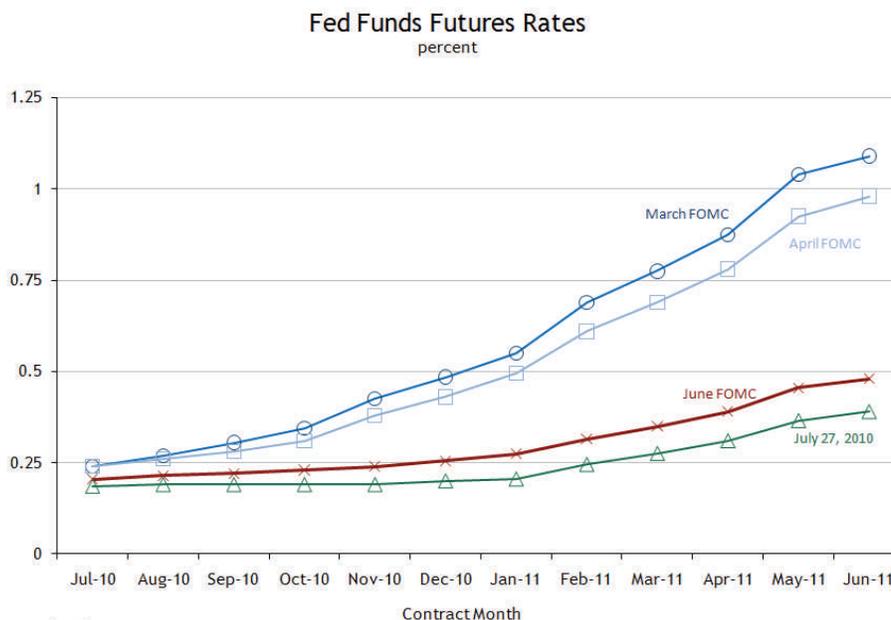
LIBOR to OIS spreads have narrowed slightly across all tenors, though they remain elevated relative to levels seen earlier this year.



Source: Bloomberg/British Bankers' Association

- Since the last FOMC meeting on June 23, dollar LIBOR to OIS spreads narrowed slightly across all tenors, but more so farther out on the curve. The one-, three-, and six-month spreads declined between 2 and 4 bps, while the nine- and 12-month spreads were lower by 6-7 bps.

The curve of expected rates from the fed funds futures market has flattened further since the June FOMC meeting, pushing back the first expected Fed rate increase to the second half of 2011.



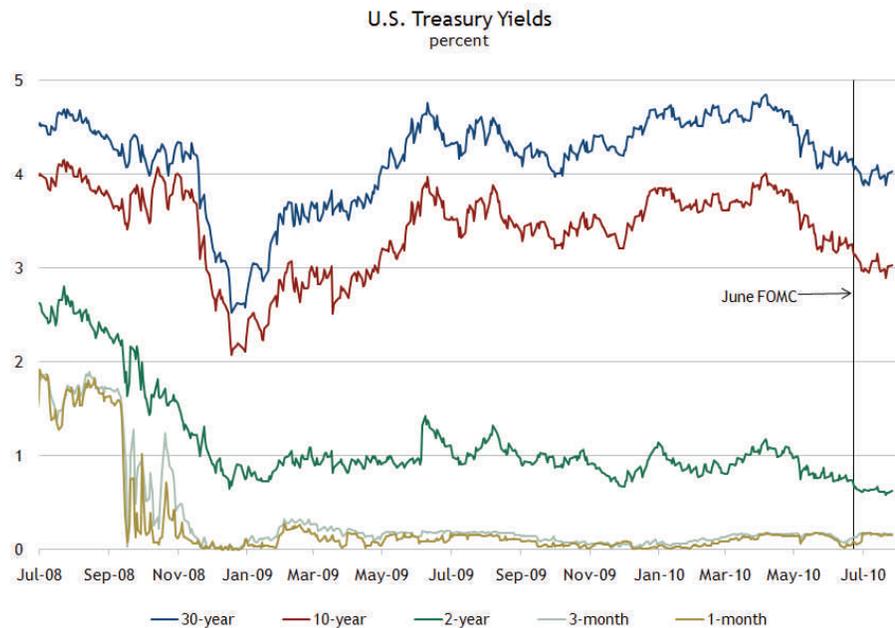
Source: Bloomberg

- Since the June FOMC meeting, the fed funds futures markets has pushed backed its expectation of a rate increase to late 2011.
- As of July 27, the futures market for fed funds indicates an implied rate of about 39 bps for the June 2011 contract.

Broad Financial Market Indicators

Summary

Longer-dated Treasury yields have declined slightly since the June FOMC meeting.



Source: Federal Reserve Board

- Since the June FOMC meeting, longer-dated Treasury yields have moved lower across the two-to-30-year curve: Through July 26, the 30-year bond is down 2 bps to 4.03%, the 10-year bond is 10 bps lower at 3.03%, and the two-year note declined 4 bps to 0.62%.
- T-bill rates, however, have risen during this period. The three- and one-month bills are higher by 3 bps and 8 bps, respectively, at 0.16% and 0.15%, through July 26.

Consumer Credit

Summary

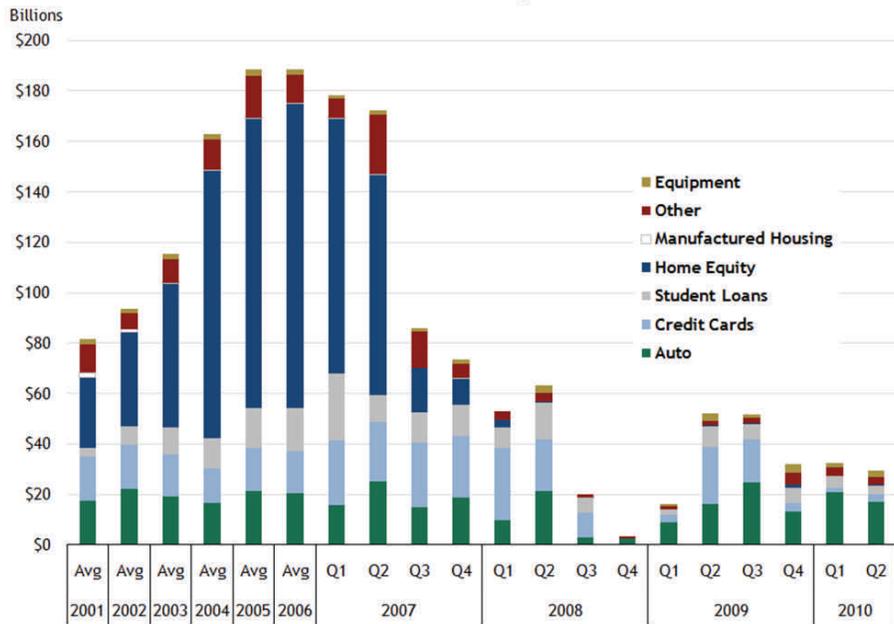
The finance bill signed last Wednesday has halted new issuance of ABS.

The new law makes rating agencies liable for ratings included in offering documents filed with the SEC.

According to a *Wall Street Journal* [article](#), Standard & Poor's, Moody's, and Fitch "are all refusing to allow their ratings to be used in documentation for new bond sales."

The SEC has issued temporary relief from ratings disclosure requirements for ABS offerings.

Asset Backed Security Issuance

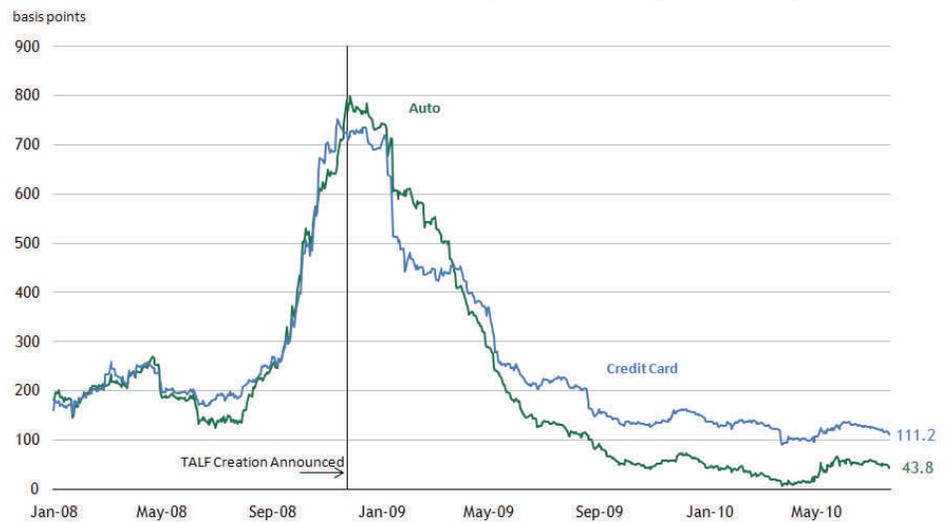


Source: SIFMA

- Issuance of asset-backed securities in the second quarter was similar to issuance in the first quarter.

ABS yield spreads for autos and credit cards remain stable.

AAA-rated Consumer ABS Yield Spreads over 2-year Treasury



Source: Bloomberg and Merrill Lynch

through June 29

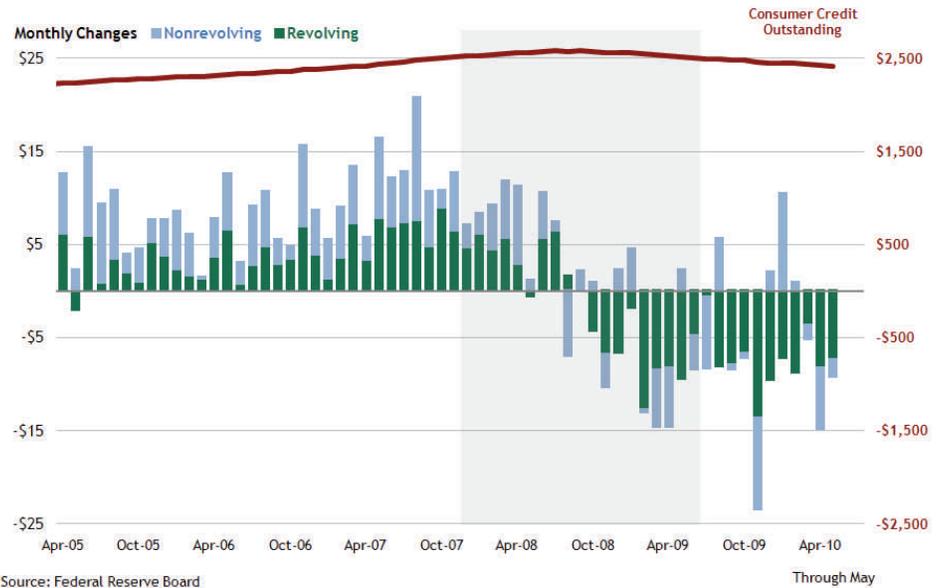
Consumer Credit

Summary

Consumer credit outstanding declined \$9.1 billion in May; revolving credit declined \$7.4 billion, and nonrevolving credit fell \$1.8 billion.

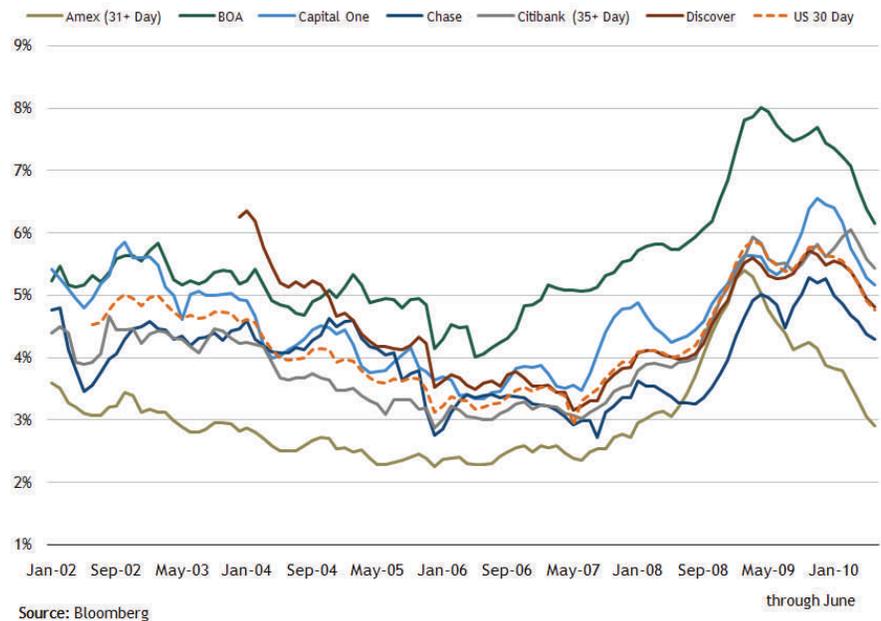
Revolving credit has declined for 20 consecutive months.

SA Consumer Credit - Monthly Change and Total Outstanding
Billions \$



Thirty-day delinquency rates have been trending down. The U.S. 30-day index produced by Bloomberg was 4.8% in June, down from 5.9% in March of last year.

United States 30+ Day Delinquency Rates, by Bank



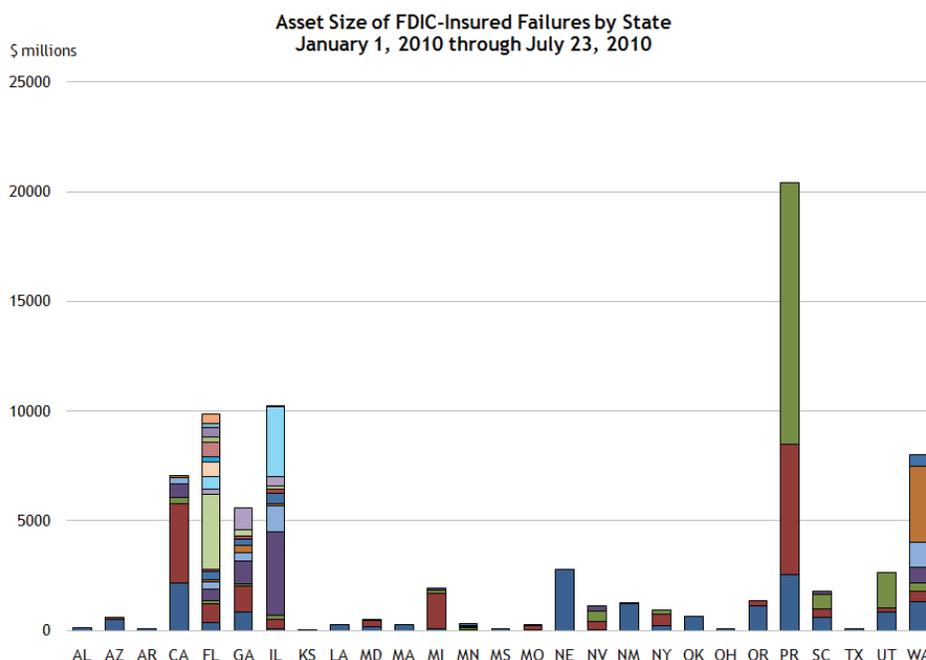
Bank Failures

Summary

Two Sixth District banks were among the seven closed by regulators last week, bringing the district's total number of FDIC-insured failures in 2010 to 103.

Florida leads the nation with 18 bank failures during 2010, followed by Illinois with 12, and Georgia with 10.

Nationally, there have been a total of 268 FDIC-insured bank failures since the beginning of 2008. Georgia leads the nation with 40 failures, followed by Illinois and Florida with 34 each.



Source: FDIC press releases

- In the Sixth District, state regulators closed Sterling Bank (Lantana, Fla.) and Crescent Bank and Trust Company (Jasper, Ga.) on Friday, July 23. Regulators also closed banks in South Carolina, Kansas, Minnesota, Nevada, and Oregon.
- Through July 23 there have been 30 failures in the Sixth District compared with 42 District failures in all of 2009.