FEDERAL RESERVE BANK of ATLANTA

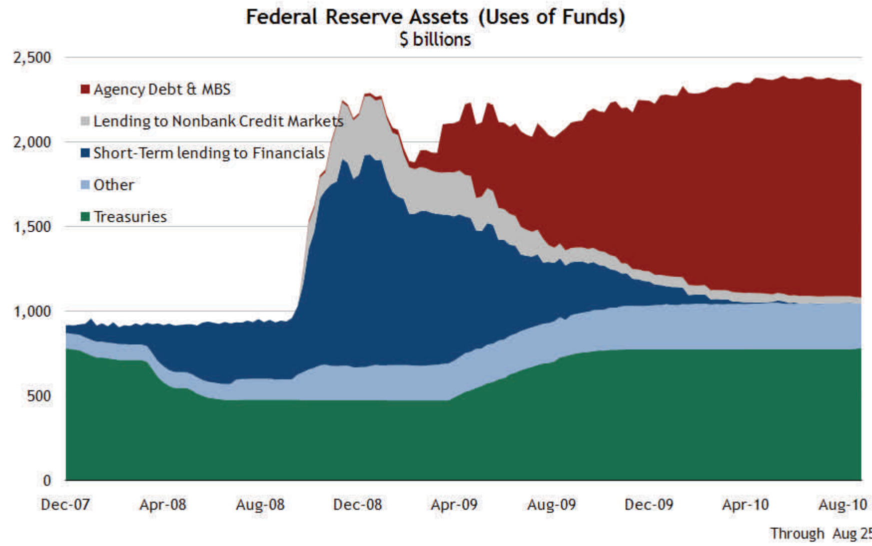
September 1, 2010

Financial Highlights

Federal Reserve

Summary

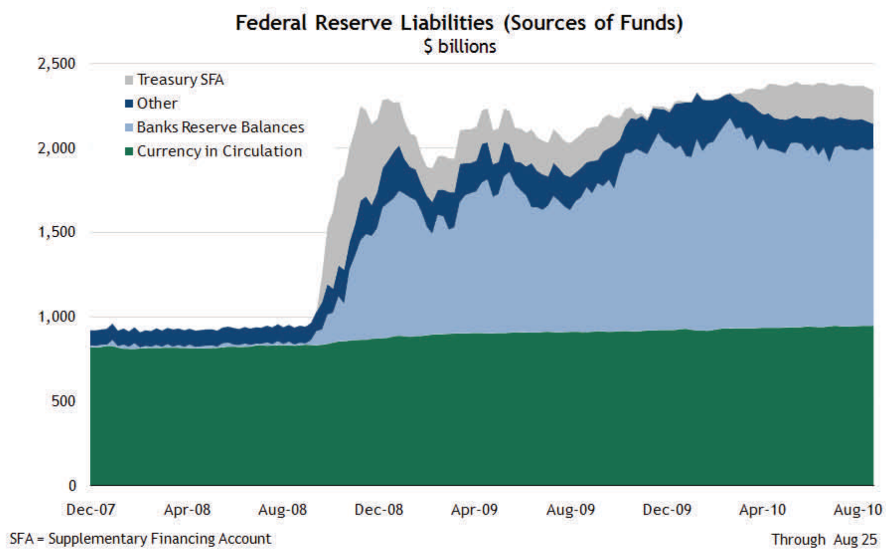
The balance sheet declined by $13 billion for the week ended August 25.



Source: Federal Reserve Board

- The biggest changes on the balance sheet came from MBS and agency securities, which together declined $10.6 billion.
- Treasuries increased by $5 billion as the Federal Reserve reinvests MBS paydowns instead of letting them roll off the balance sheet.

Bank reserve balances increased by $11.5 billion, replacing about half of the $24.2 billion decrease in Treasury deposits at Federal Reserve banks (part of "Other").



Source: Federal Reserve Board

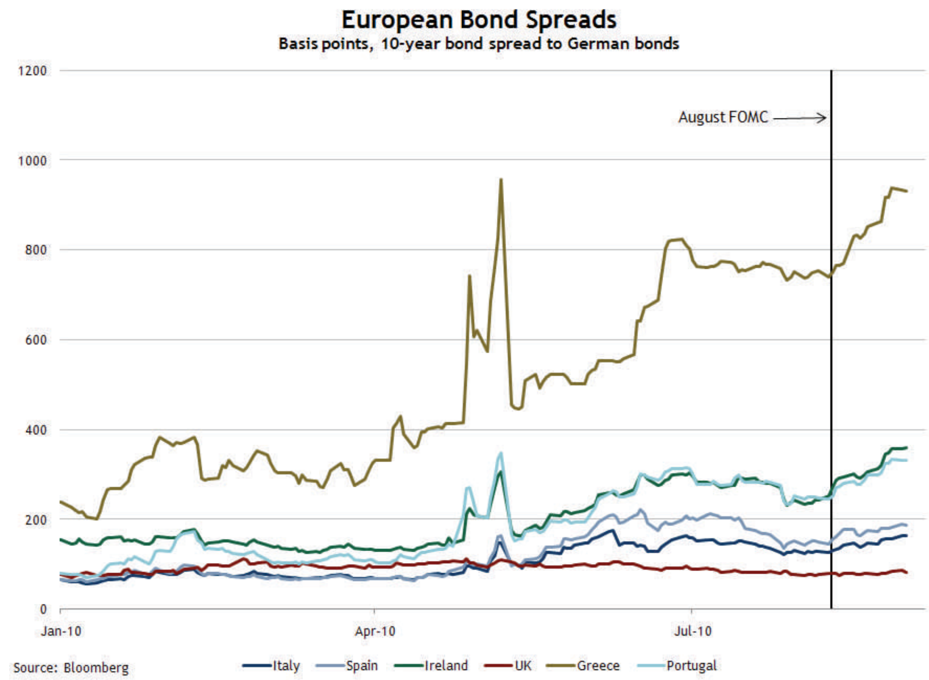
Assets: Lending to nonbanks—TALF, CPFF, AMLF, and MMIFF; Short-term lending to financials—discount window, TAF, currency swaps, PDCF, and repos; Misc.—Maiden Lanes I, II, and III, credit to AIG, and other Fed assets. **Liabilities**: Other—Reverse repos, Treasury cash holdings, and deposits with Federal Reserve Banks other than reserve balances and excluding the Supplementary Financing Program.

European Debt

Summary

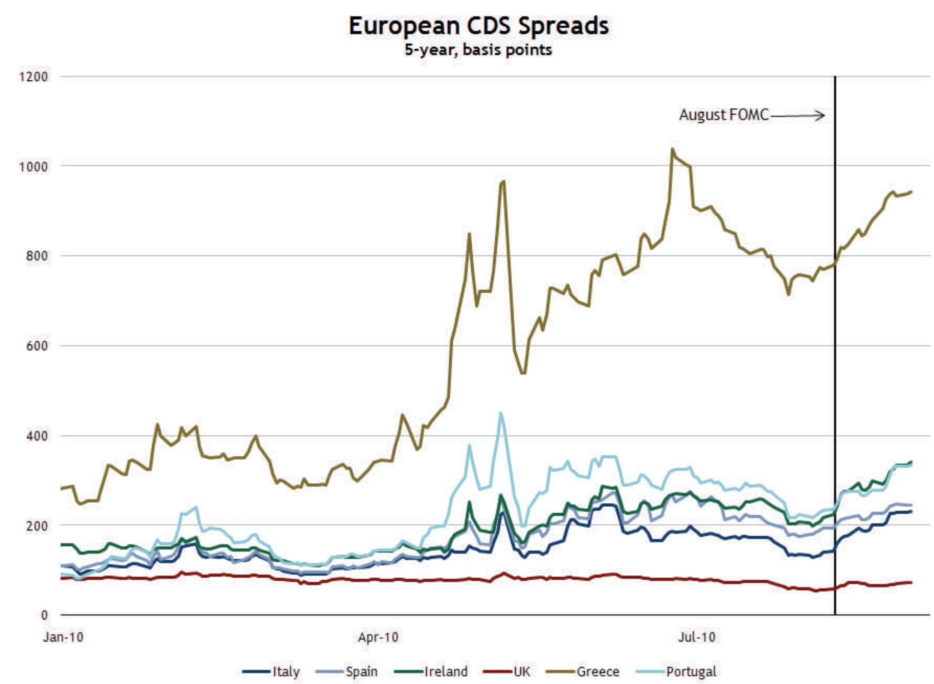
Peripheral European bond spreads (over German bonds) have risen since the August FOMC meeting.

Greek, Spanish, and Portuguese bond spreads are near their all-time highs, while those for Ireland and Italy are already there.



- Since the August FOMC meeting, the 10-year Greece-to-German bond spread has risen by 179 basis points (bps) (from 9.30% to 7.52%), through August 31. Similarly, with other European peripherals' spreads, Portugal's is higher by 79 bps over the period, and Spain's is higher by 31 bps.

Similarly, CDS spreads have been widening over the past few weeks.

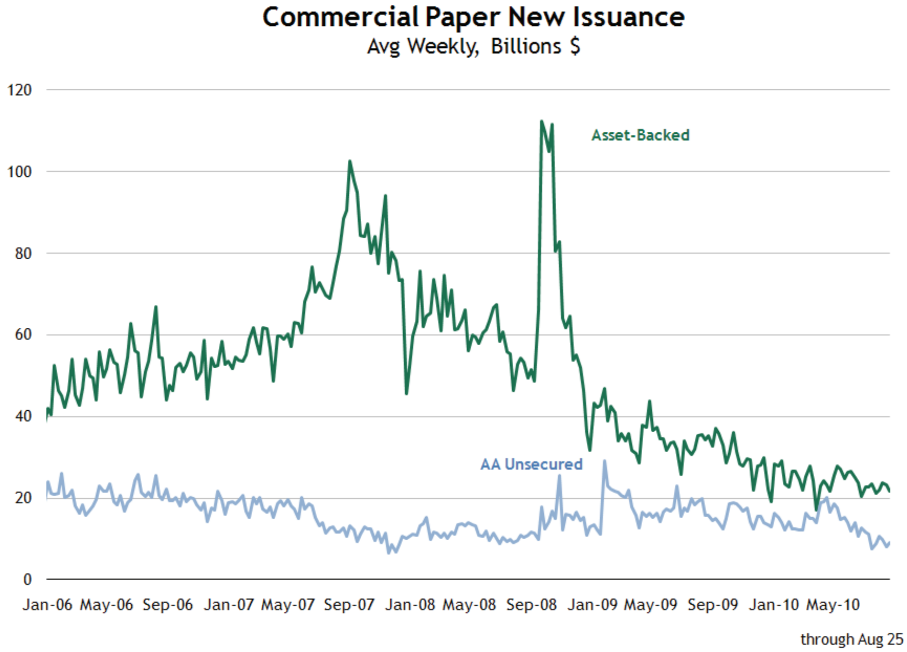


Source: Bloomberg

Commercial Paper

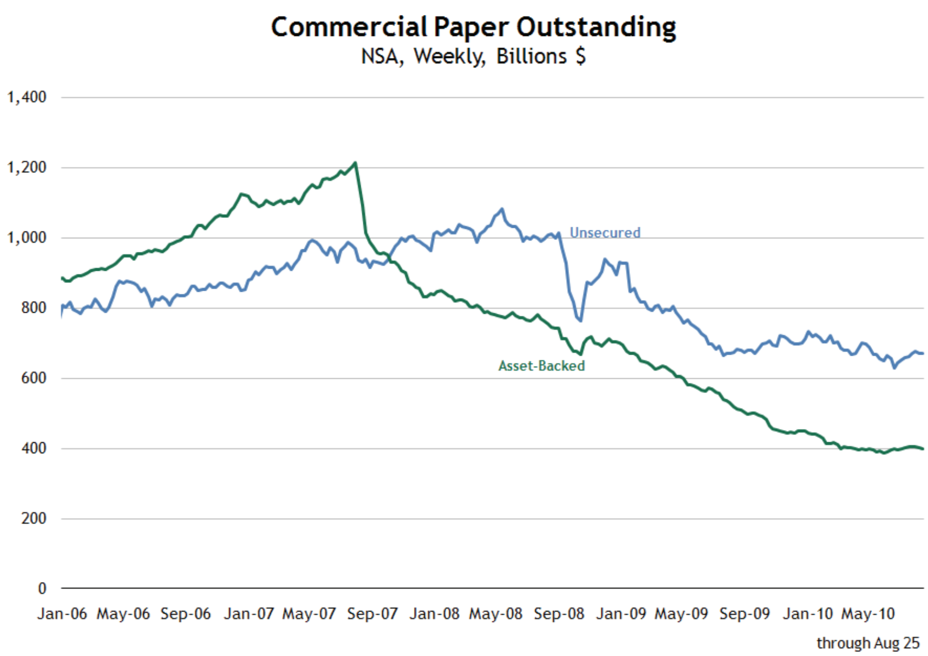
Summary

Issuance of unsecured commercial paper has declined during the past few months, while the decline in issuance of asset-backed paper appears to have stabilized.



Source: Federal Reserve Board

As a result of recent issuance trends, unsecured commercial paper outstanding remains relatively stable while the decline in asset-backed commercial paper appears to have leveled off.

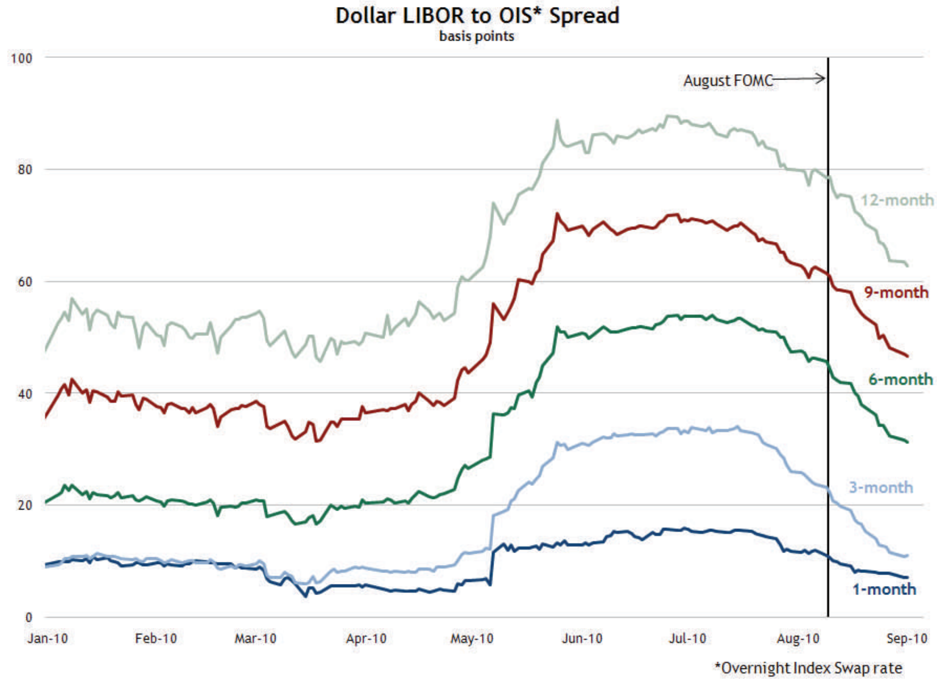


Source: Federal Reserve Board

Broad Financial Market Indicators

Summary

Amid broader stabilization in credit markets, LIBOR to OIS spreads have narrowed further since the August FOMC meeting.

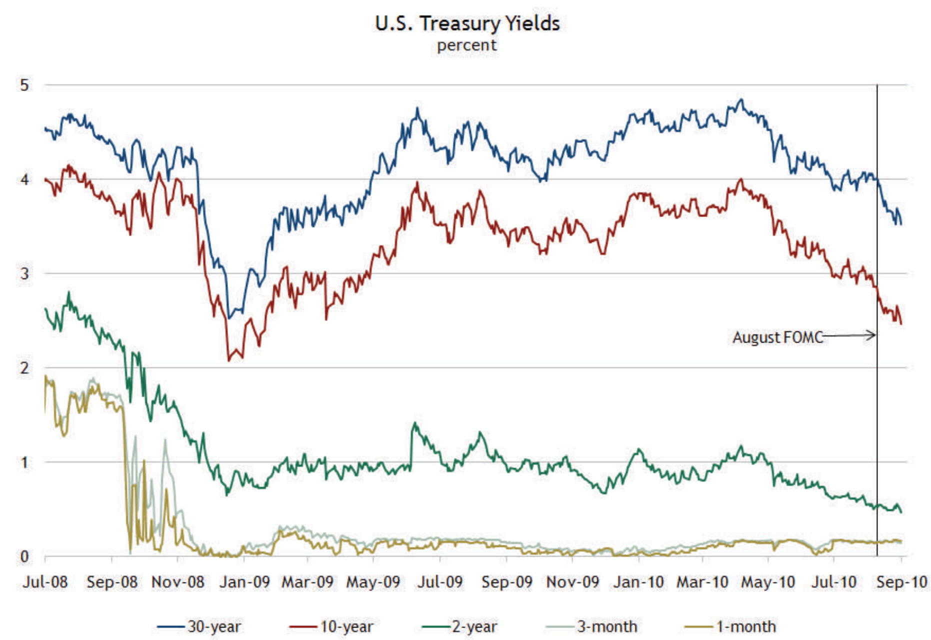


Source: Bloomberg/British Bankers' Association

- Since the August FOMC meetings, dollar LIBOR to OIS spreads have narrowed across all tenors, but more so further out on the curve. While the one-month spread declined by 4 bps, the three-, six-, nine-, and 12-month spreads are lower by 11 bps to 16 bps.

Longer-dated Treasury yields declined sharply since the August FOMC meeting.

The two-year note fell to its all-time low at 0.47%, while the 10- and 30-year notes are at their lowest points since January 2009.



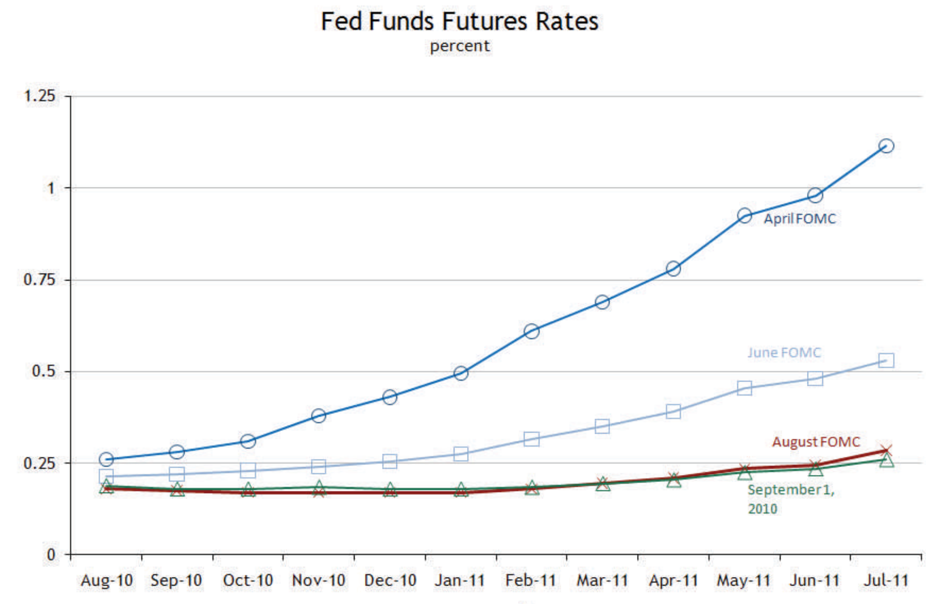
Source: Federal Reserve Board

- Since the August FOMC meeting, the two-to-30-year curve of Treasury yields has steepened further: Through August 31, the 30-year bond is 48 bps lower at 3.52%, the 10-year is 32 bps lower at 2.47%, while the two-year note has fallen by only 5 bps, to 0.47% (an all-time low).
- T-bill rates have been roughly unchanged, with the three- and one-month bills at 0.14% and 0.16%, respectively, through August 31.

Broad Financial Market Indicators

Summary

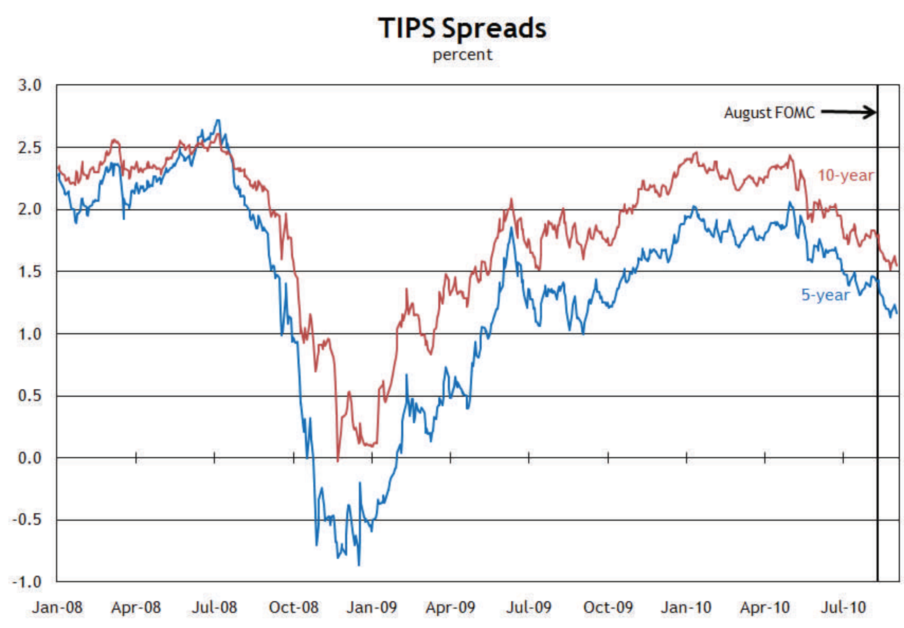
The curve of expected rates from the fed funds futures market is relatively unchanged since the August 10 FOMC meeting.



Source: Bloomberg

- Holding steady since the August 10 FOMC meeting, the fed funds futures markets shows an expectation of a rate increase in late 2011, if not early 2012.
- As of August 31, the futures market for fed funds indicates an implied rate of about 26 bps for the July 2011 contract.

TIPS spreads have drifted downward recently, dropping by 25 basis points to 30 basis points since the August FOMC meeting.



Source: Bloomberg

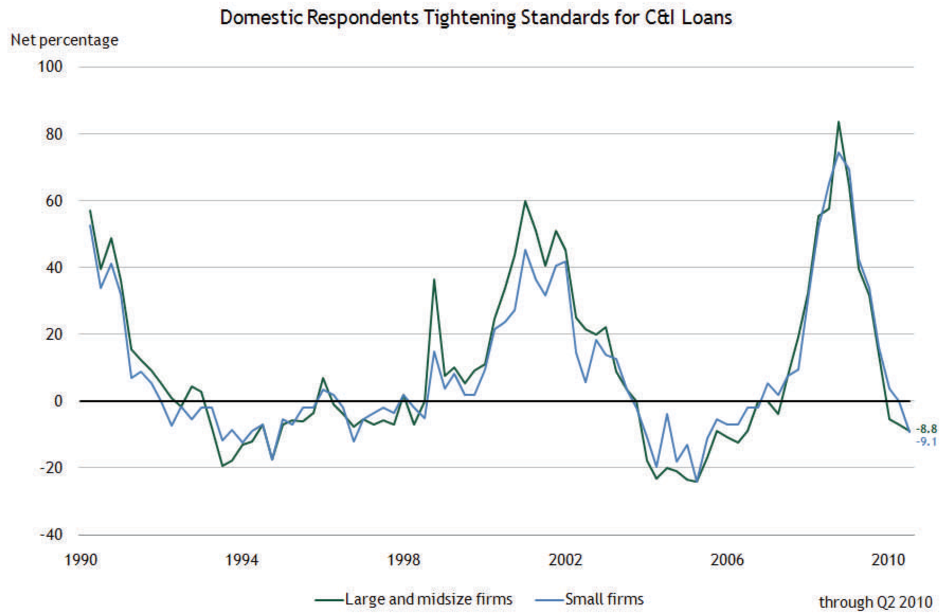
- Since the August 10 FOMC meeting, TIPS spreads (the difference between yields on TIPS and comparable Treasuries) have fallen: The five-year spread fell by 28 bps, and the 10-year spread was down by 25 bps.

Senior Loan Officer Survey

Summary

The July 2010 Senior Loan Officer Survey indicated banks had relaxed credit lending standards for small businesses for the first time since late 2006.

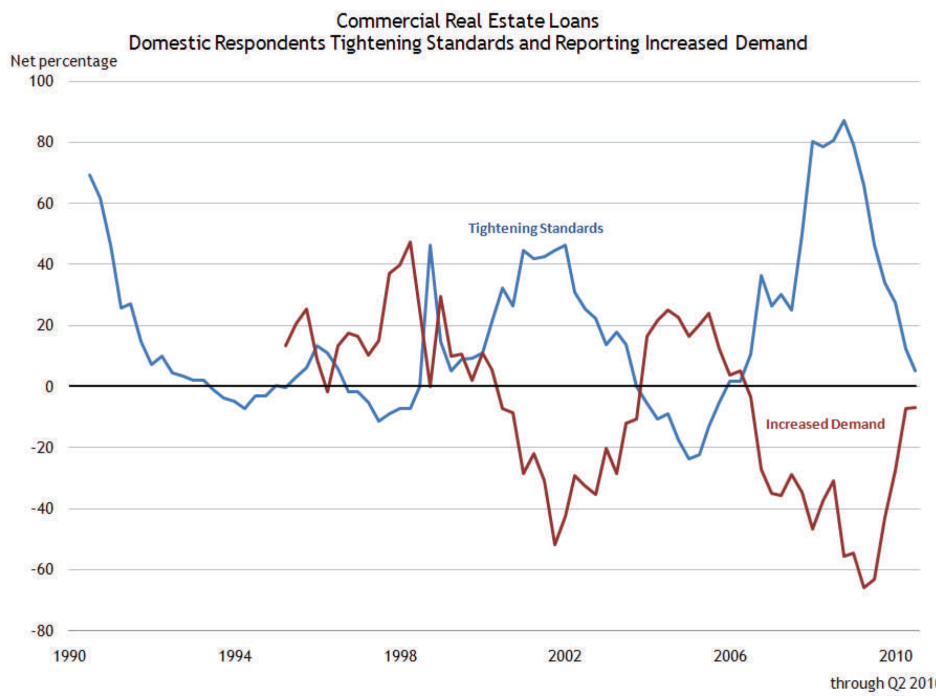
Banks cited increased competition from other banks and nonbank lenders as an important factor behind the recent easing of terms and standards.



Source: Board of Governors

The net percentage of banks reporting tighter standards on CRE loans was small and dropped significantly from the April survey.

The net fraction of banks reporting decreasing demand for CRE loans continued to be small.



Source: Board of Governors