

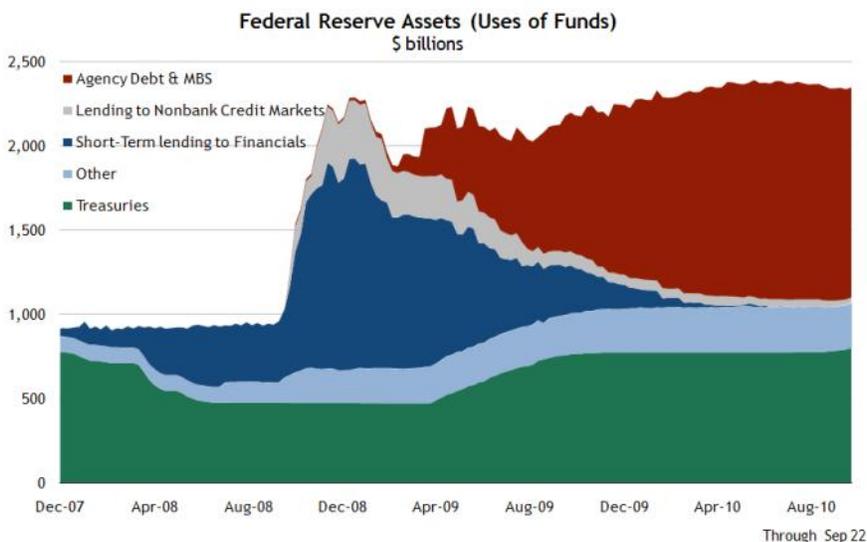
Financial Highlights

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Federal Reserve

Summary

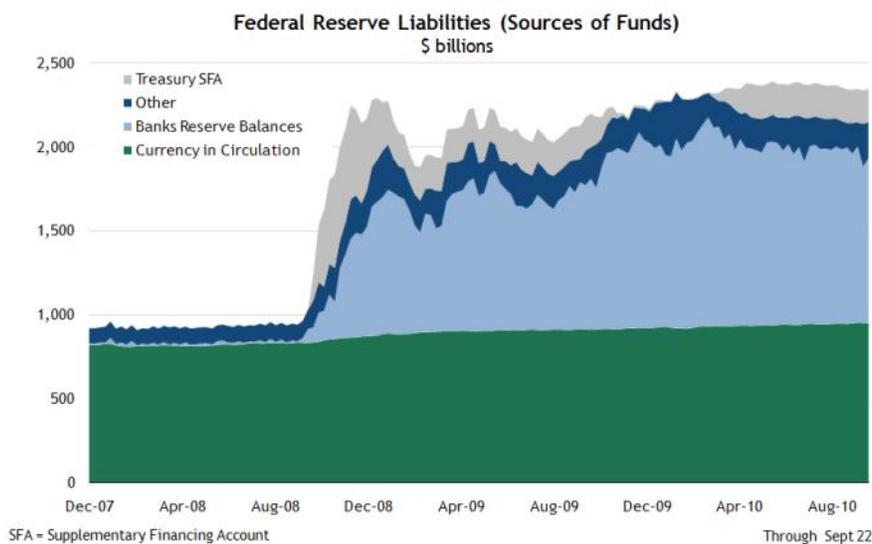
The balance sheet remained little changed, increasing by \$11 billion for the week ended September 22.



Source: Federal Reserve Board

- MBS and agency securities on the balance sheet declined by \$775 billion.
- Treasuries increased by \$10 billion.
- The TALF facility (part of lending to nonbank credit markets) declined by \$1.1 billion.

Bank reserve balances increased \$48 billion, offset mostly by a \$37 billion decrease in U.S. Treasury deposits with Federal Reserve banks (part of “Other”).



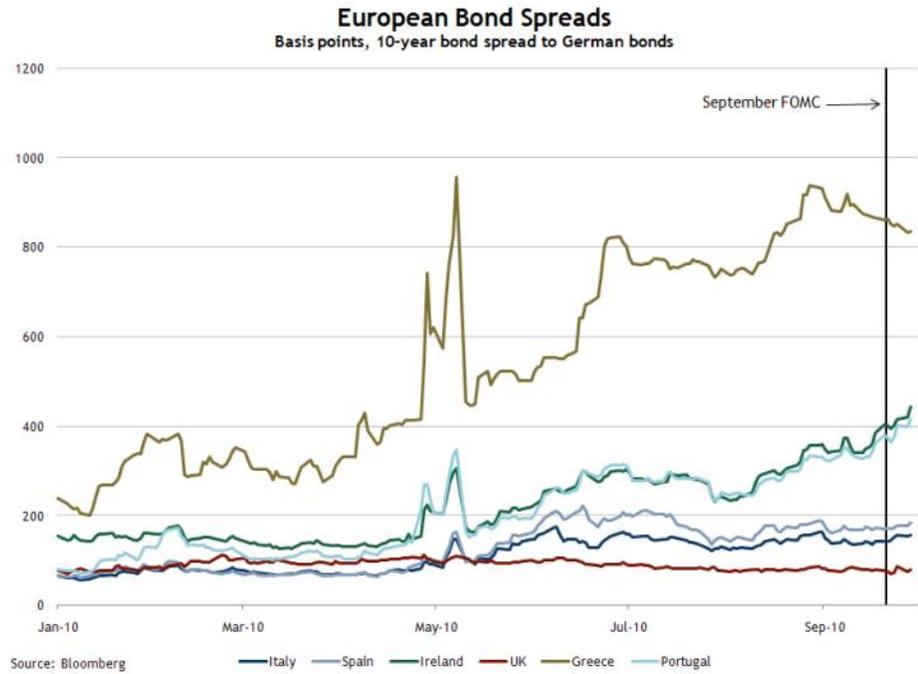
Source: Federal Reserve Board

Assets: Lending to nonbanks—TALF, CPFF, AMLF, and MMLFF; 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.

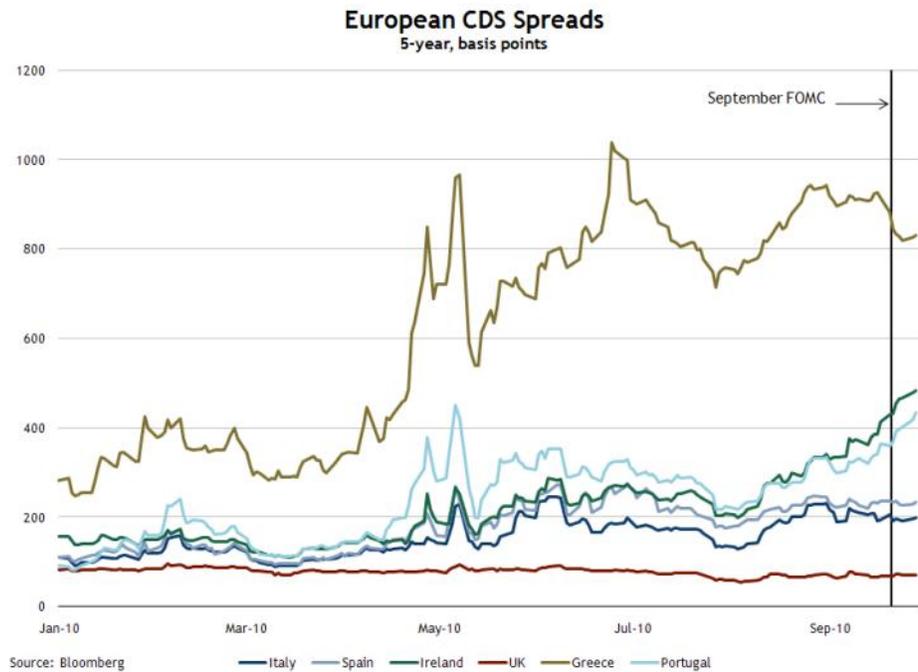
European Debt

Summary

In the past two weeks, European bond spreads have risen nearly 100 basis points (bps) for Ireland and Portugal, and remain elevated for Greece.



CDS spreads remain elevated for Greece and Portugal and have risen to new highs for Ireland.



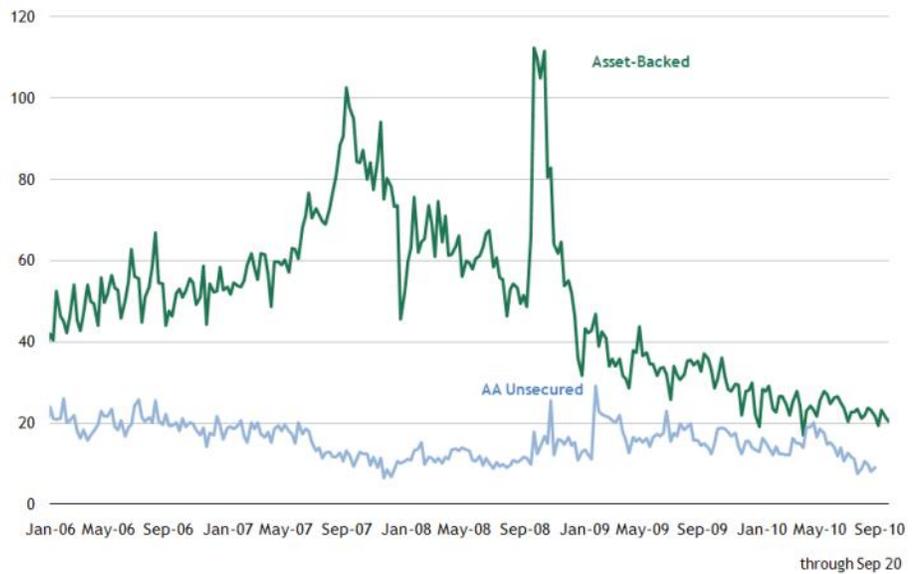
Commercial Paper

Summary

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

Commercial Paper New Issuance

Avg Weekly, Billions \$



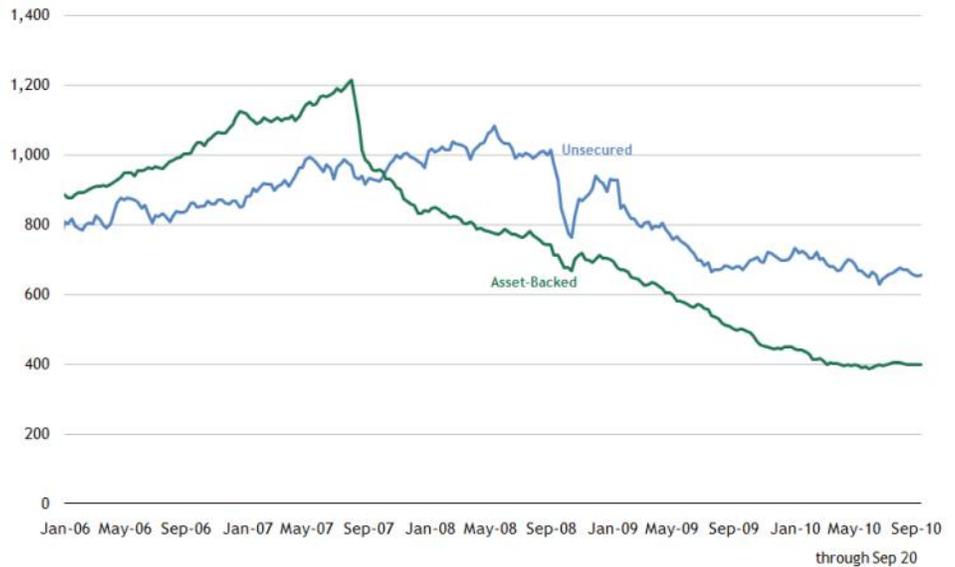
Source: Federal Reserve Board

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.

Outstanding amounts of both, and particularly asset-backed commercial paper, remain far below their precrisis levels.

Commercial Paper Outstanding

NSA, Weekly, Billions \$

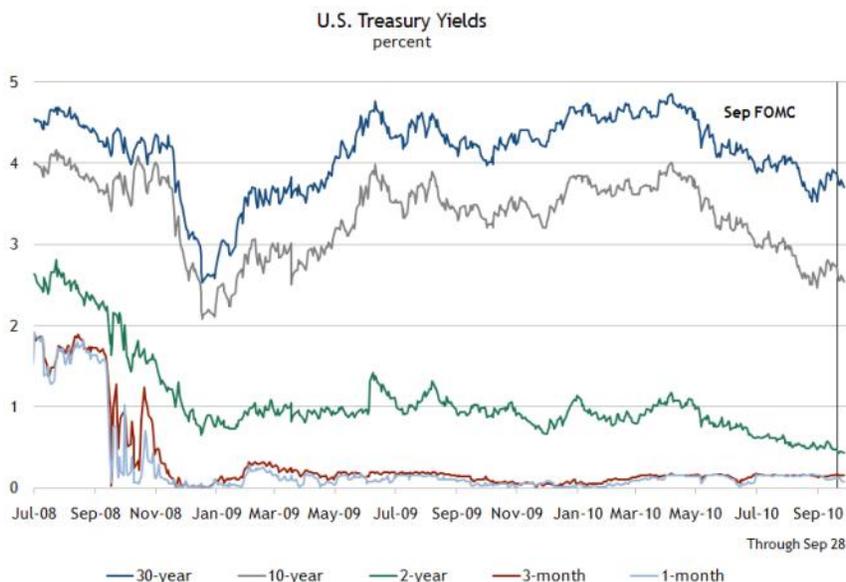


Source: Federal Reserve Board

Broad Financial Market Indicators

Summary

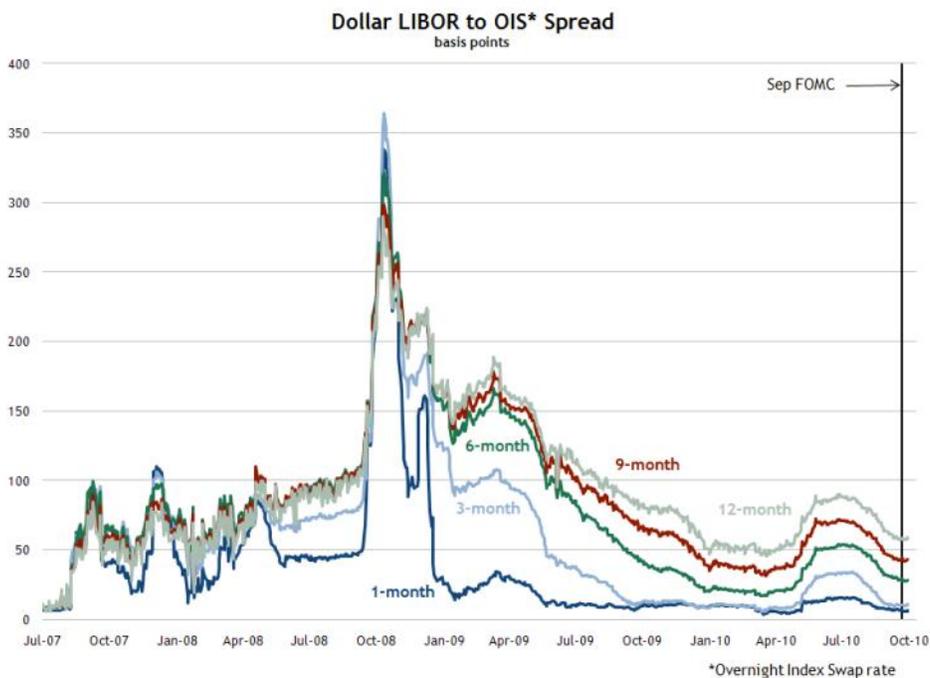
Longer-dated Treasury yields are slightly lower than the day of the September FOMC meeting.



Source: Federal Reserve Board/Haver Analytics

- 30-year Treasury bonds have declined 13 basis points (bps) to 3.66% since the September FOMC meeting; 10-year Treasury bonds have also declined 13 bps to 2.48%.

LIBOR to OIS spreads, after a period of normalization this summer, are relatively unchanged since the September FOMC meeting.



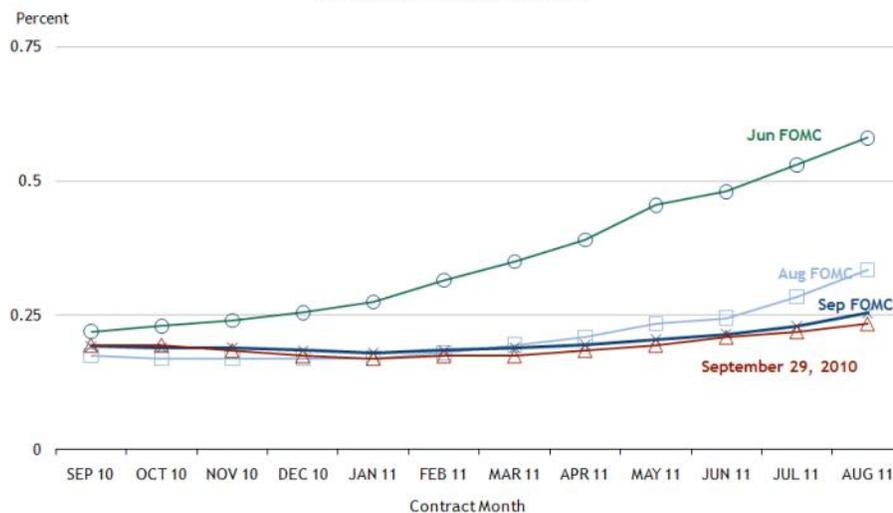
Source: Bloomberg

Broad Financial Market Indicators

Summary

The curve of expected rates from the fed funds futures market is slightly lower further out on the curve since the September 21 FOMC meeting.

Fed Funds Futures Rates



Source: Bloomberg

- The fed funds futures markets expect a rate increase around late 2011 or early 2012.
- As of September 29, the futures market for fed funds indicates an implied rate of about 24 bps for the August 2011 contract, about 34 bps lower than what followed the June FOMC meeting.

Breakeven inflation rates have risen nearly 40 bps in September but are down slightly since the FOMC meeting.

5-yr/5-yr Forward Breakeven Inflation Rates



Source: Bloomberg

- At the start of the month, breakeven inflation rates hovered around 2% but have since risen nearly 40 bps through September 29.
- Since the September 21 FOMC meeting, however, breakeven rates have declined about 10-12 bps.

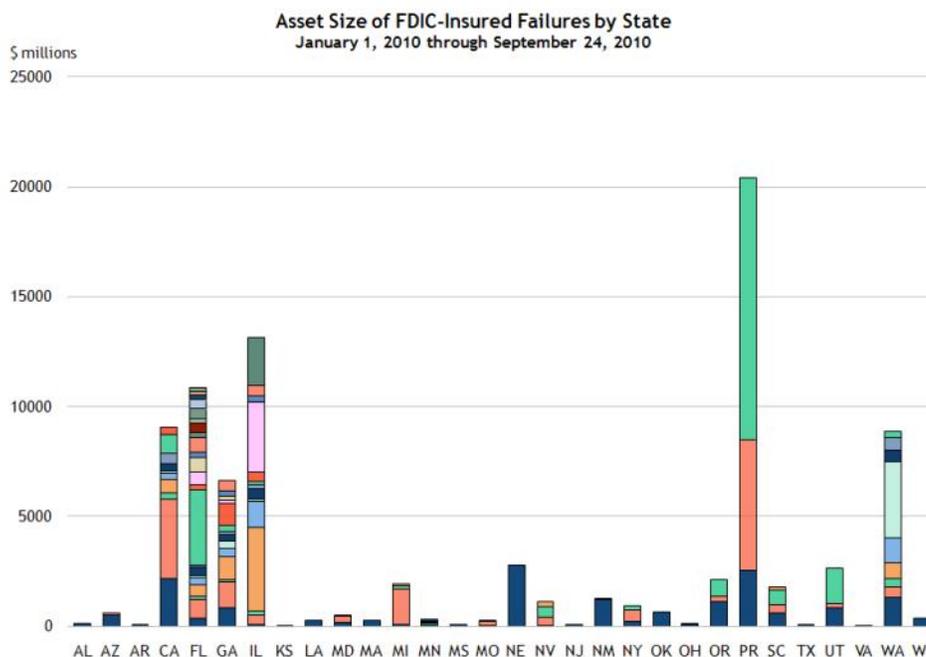
Bank Failures

Summary

State regulators closed banks in Florida and Washington on Friday, Sept. 24, bringing the number of FDIC-insured failures this year to 127.

Florida leads the nation with 24 bank failures this year, followed by Illinois with 15 and Georgia with 14. California and Washington round out the top five with 10 and nine failures, respectively.

Nationally, there have been 292 FDIC-insured failures since the beginning of 2008. Georgia leads the nation with 44 failures, followed by Florida with 40 and Illinois with 37.



Note: Each colored block represents one failed bank.

Source: FDIC press releases

- In the Sixth District, regulators closed Haven Trust Bank Florida (Ponte Vedra Beach, Fla.) on September 24.
- Through September 24, there have been 40 failures in the Sixth District compared with 42 District failures in all of 2009.