FEDERAL RESERVE BANK *of* ATLANTA

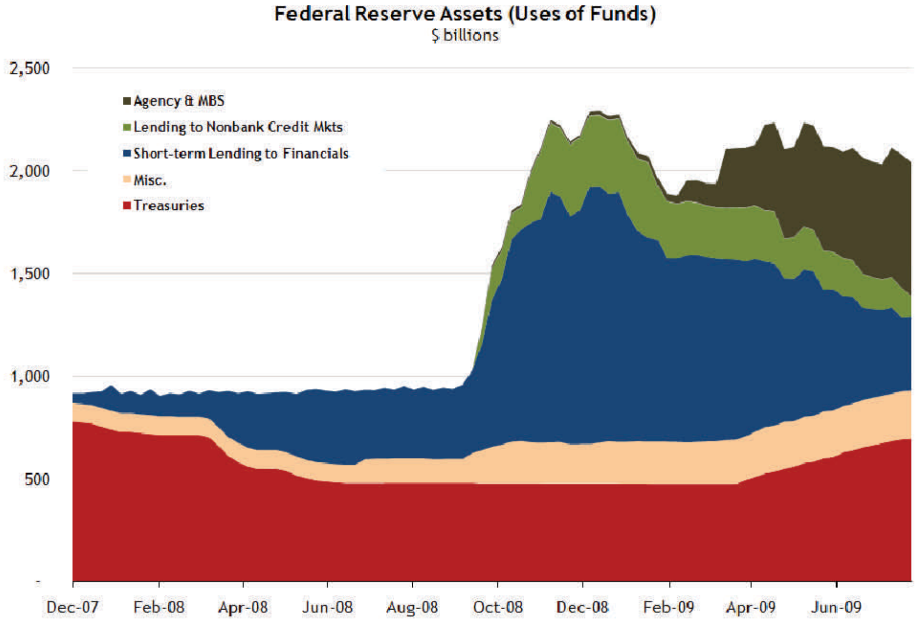
August 5, 2009

Financial Highlights

Federal Reserve

Summary

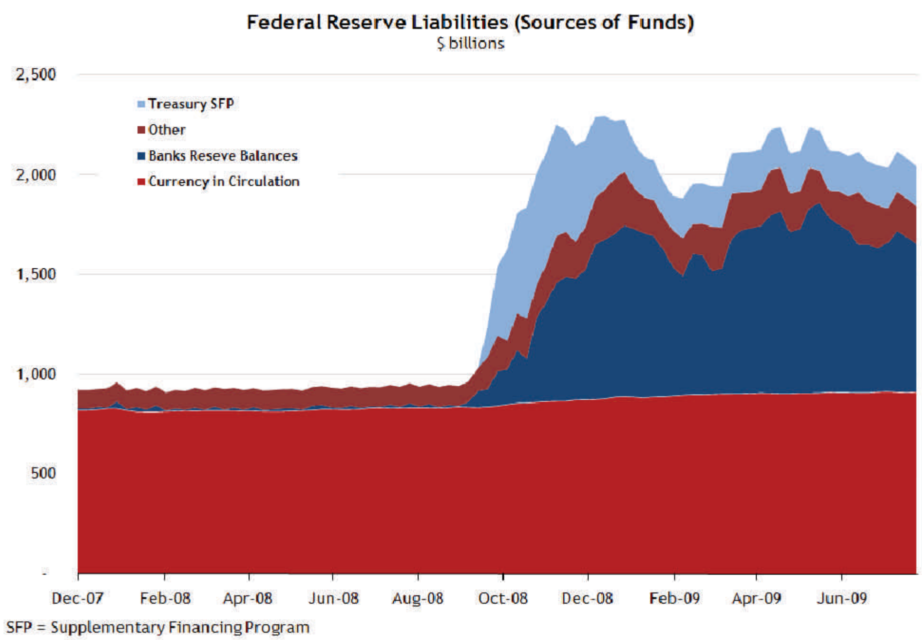
The size of the Fed's balance sheet has largely been flat since March, remaining within a range of $2 trillion to $2.2 trillion.



Source: Federal Reserve Board

- The overall size of the Fed's balance sheet has been steady during the past few months and the broad trends remain little changed. That is, the sizeable declines in short-term lending to financials and nonbank credit markets have largely been offset by increases in holdings of Treasury securities, mortgage-backed securities, and agency debt.
- Taken together, lending to financials and nonbank credit markets excluding TALF total $430 billion, or about 21% of the balance sheet as of July 29. The remaining capacity of the MBS and Treasury purchase programs of roughly $548 billion and $64 billion, respectively, indicates that the Fed has the capacity to keep the balance sheet at its current level even if other lending and credit facilities continue to shrink.

On the liabilities side, bank reserve balances continue to make up a large portion of the balance sheet. So far this year, reserves have made up an average of about 38% of liabilities.



SFP = Supplementary Financing Program

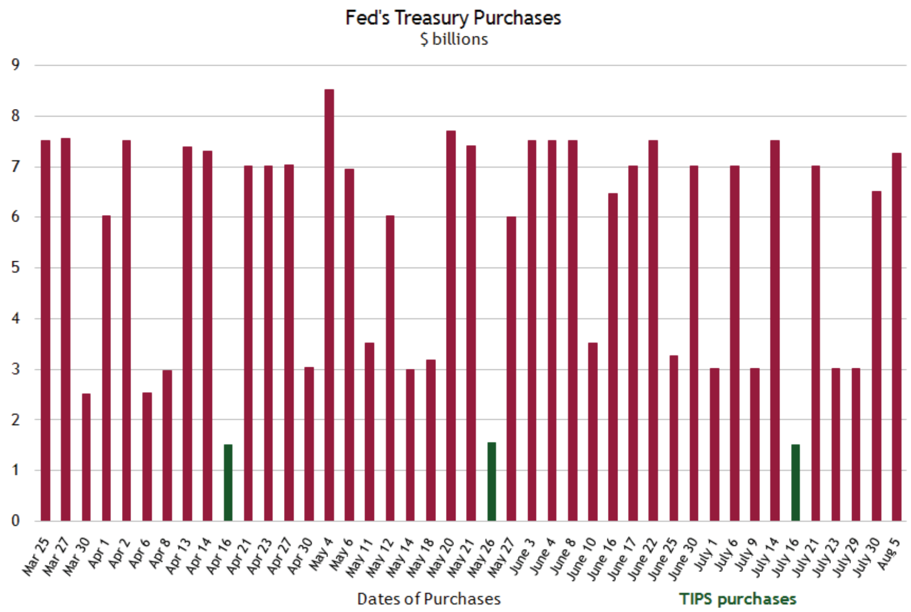
Source: Federal Reserve Board

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 Supplemental Financing Program.

Federal Reserve

Summary

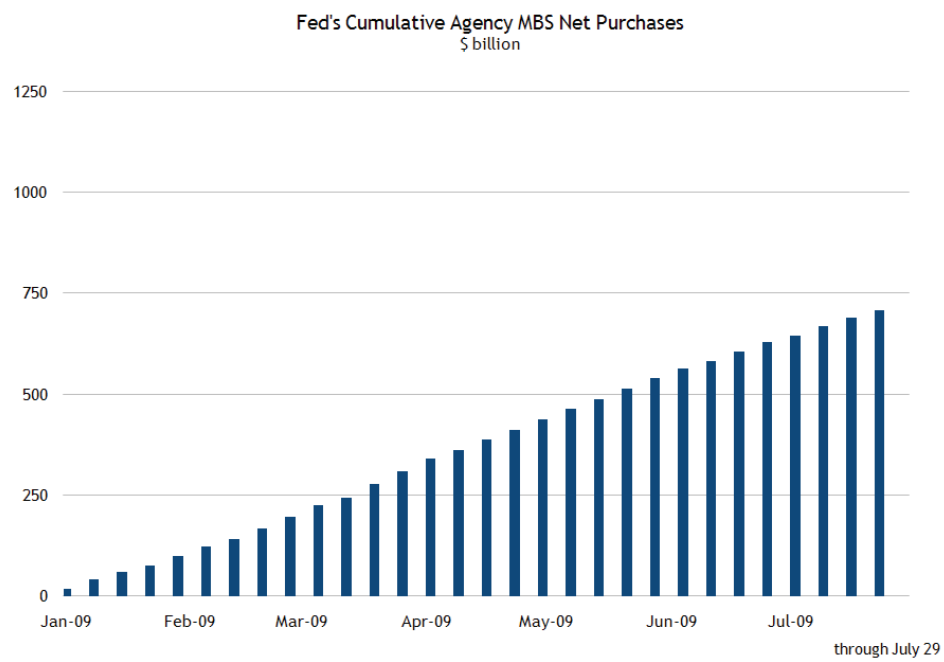
The Fed made two purchases of Treasury securities during the past week totaling more than $13.7 billion.



Source: NY Fed

- The Fed purchased $6.496 billion in Treasury securities on July 30, focused in the three-to-four year sector, and another $7.248 billion on August 5 with maturities between four and seven years.
- To date, the Fed has purchased $236 billion of Treasuries and will purchase up to $300 billion by autumn.

The Fed purchased $20.2 billion of MBS.

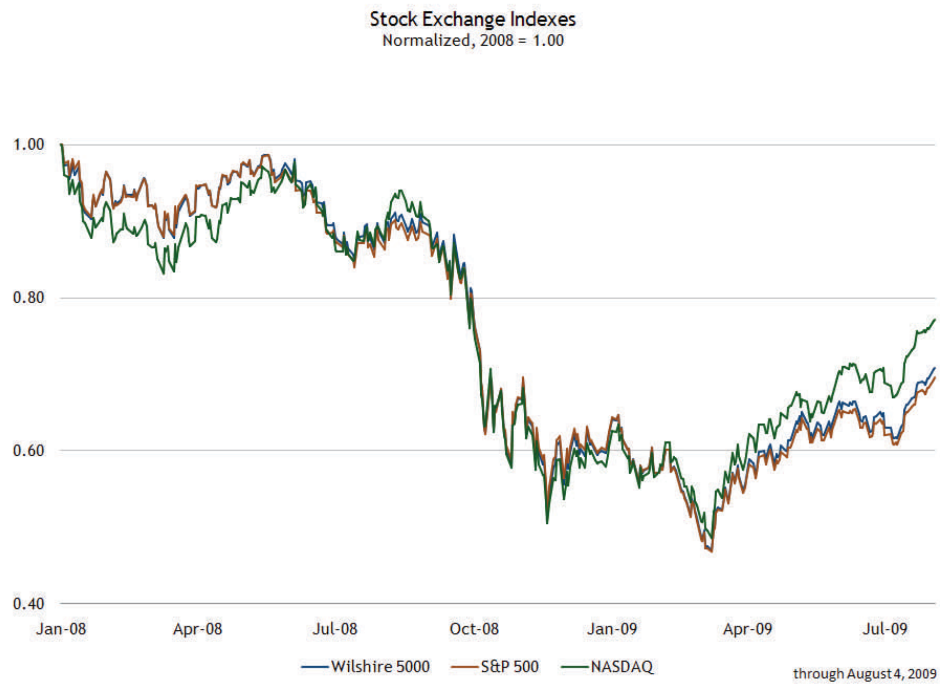


Source: NY Fed

- The Fed purchased a net total of 20.2 billion of agency-backed MBS between July 23 and 29, bringing its total purchases up to $702 billion. The Fed has agreed to purchase up to $1.25 trillion by year-end.

Equity Markets

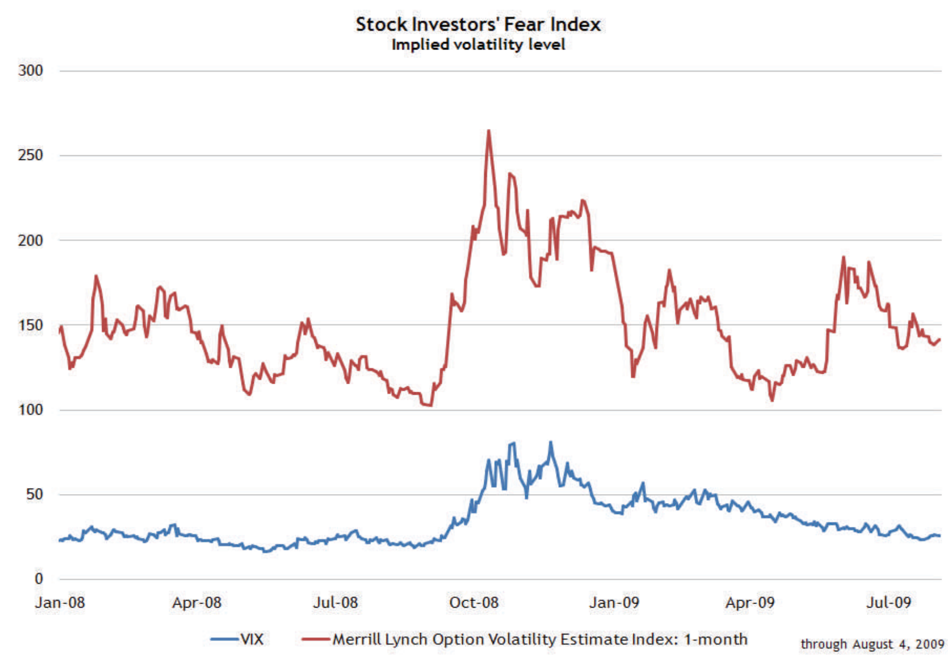
Summary



Source: Dow Jones, Standard and Poor’s, and Wall Street Journal/Haver Analytics

Equity markets have increased from their recent lows in March. The Wilshire Index is up 51%, and the S&P 500 and NASDAQ are up 49% and 23%, respectively.

- Year to date, the Wilshire Index is up 11%, the S&P 500 is up 8%, and the NASDAQ is up 23%.



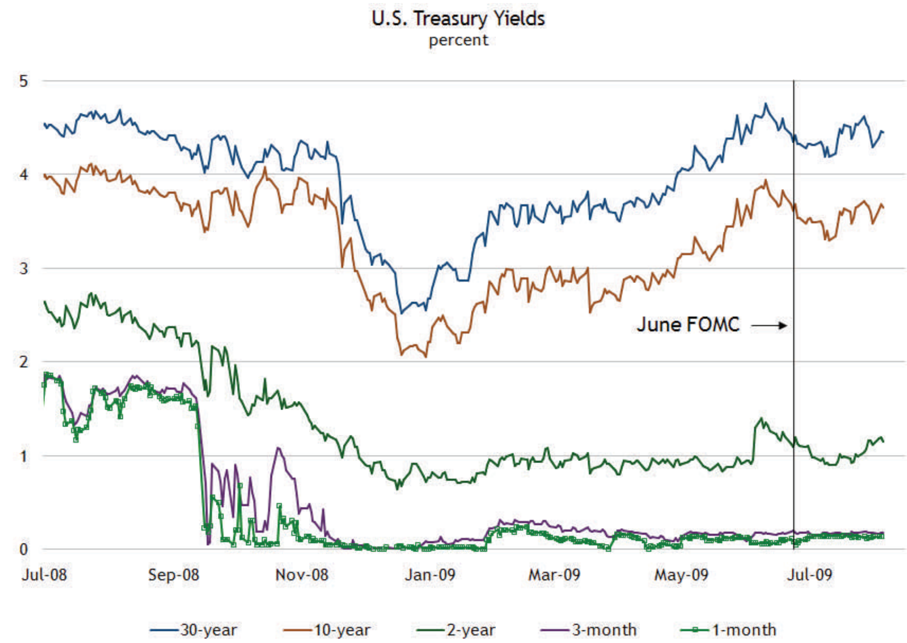
Source: Merrill Lynch and Wall Street Journal/Haver Analytics

The VIX and MOVE have trended downward.

Treasury Yields and LIBOR

Summary

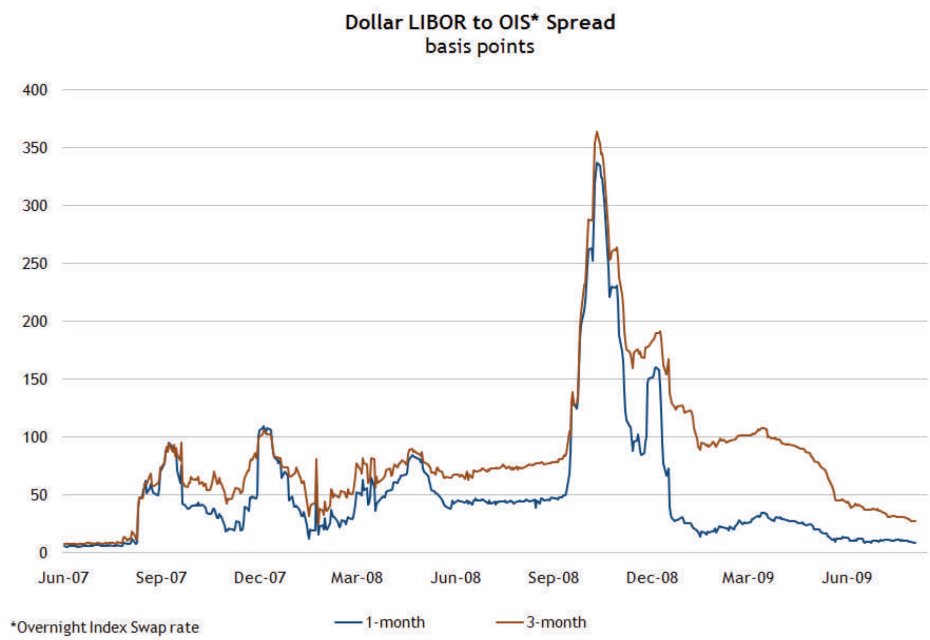
Though longer-dated Treasury yields increased during the week, they have been stable since the last FOMC meeting on June 23-24.



Source: Bloomberg

- Between July 29 and August 5, longer-dated Treasury yields fell: The 30-year bond was down 5 basis points (bps) to 4.46%, the 10-year and two-year notes were down less than 1 bp to 3.65% and 1.16%, respectively. T-bill yields were basically unchanged: The three-month yield was 0.18% and the one-month was up slightly to 0.14%.
- Since the last FOMC meeting on June 23-24, yields have dropped slightly for most Treasury securities, with the exception of the 30-year bond, rising 3 bps, and the one-month T-bill, which is up 5 bps.

LIBOR-to-OIS spreads are low and stable, narrowing about a basis point during the week.



Source: Bloomberg and British Bankers' Association

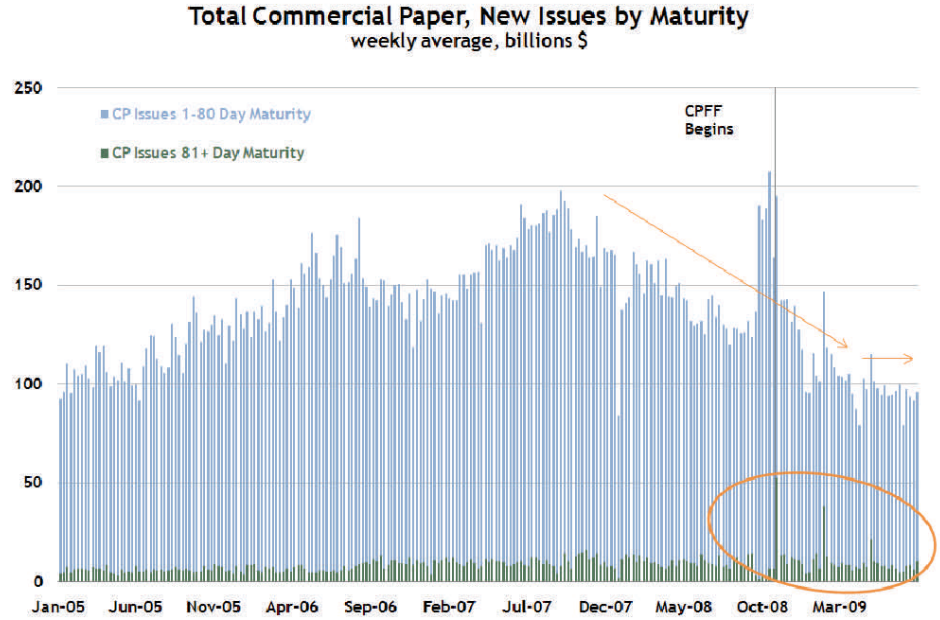
- Interbank funding spreads remain at or near the precrisis levels: The one-month dollar LIBOR-to-OIS spread was 9 bps as of August 5, and the three-month was 27 bps, both continuing to drop about a basis point lower during the week.

Commercial Paper

Summary

New issuance of commercial paper has remained stable in recent months but is still far below average issuance in 2006 and 2007.

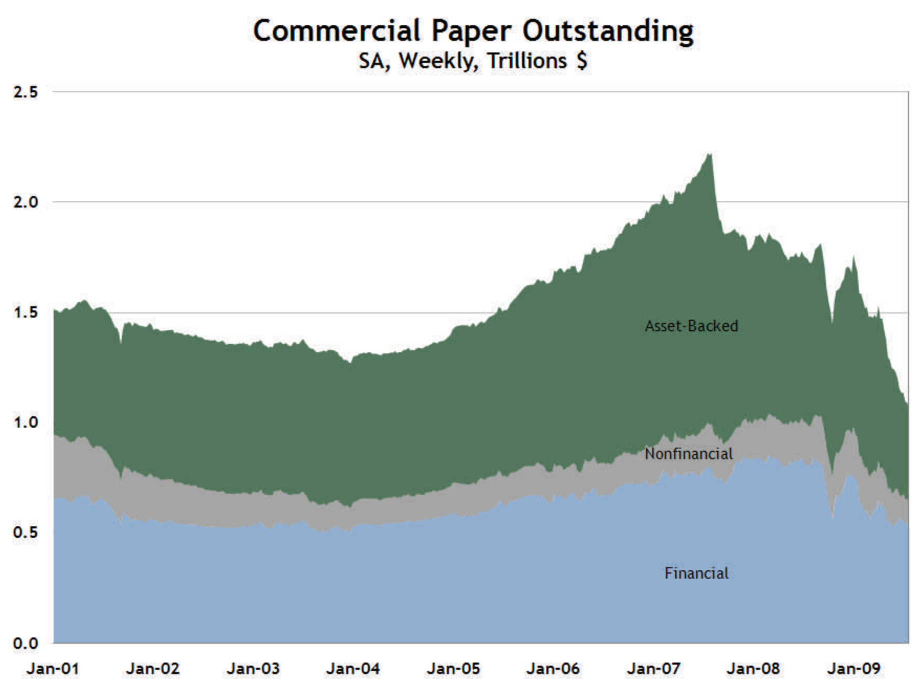
Use of the Fed's CPFF (the facility that allows market participants to sell commercial paper directly to the Fed) has declined as spreads in the private market have declined. Some firms may also be shifting to longer-term debt to meet their funding needs.



Source: Federal Reserve Board of Governors

- When the CPFF was first introduced on Oct. 27, 2008, it was very popular with issuers who were having difficulty issuing paper into the private market. The amount of original purchases resulted in a large spike in 81+ day issuance, and every 90 days much of that paper has been "rolled over" through the CPFF when it matures; the amount rolled over has declined and is evidenced by the near absence of an 81+ day issuance spike at the most recent roll date.
- Total new CP issues were $98.6 billion for the week ended July 29, and $10 billion of that amount was 81+ day paper.

Total seasonally adjusted commercial paper outstanding fell to $1.07 trillion for the week ended July 29.



Source: Federal Reserve Board of Governors

- Asset-backed paper fell to $438 billion, nonfinancial paper fell to $110 billion, and financial paper fell to $517 billion.

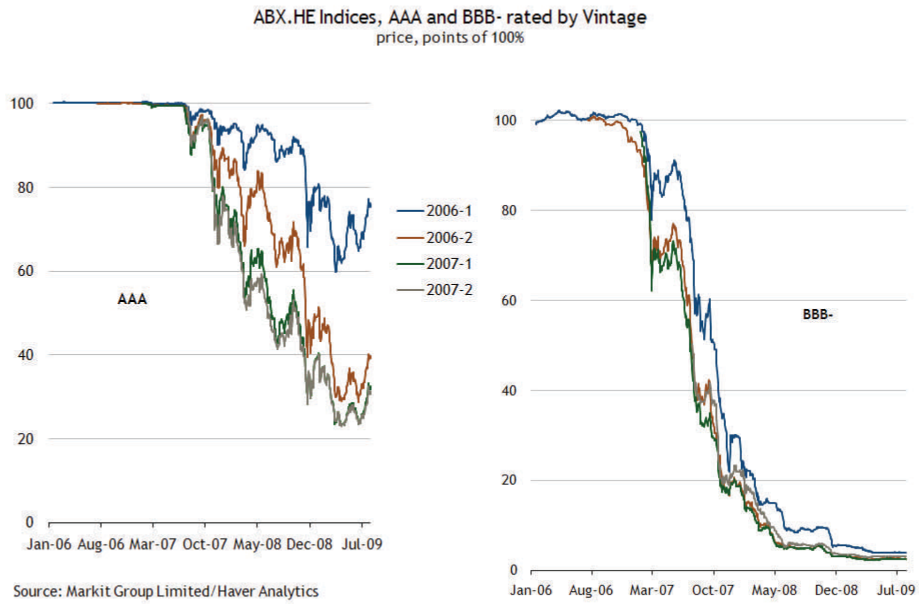
ABX and CMBX

Summary

The ABX indices provide information on the current valuation of securities backed by subprime residential mortgages (RMBS). The vintages represent the origination date of the underlying mortgages.

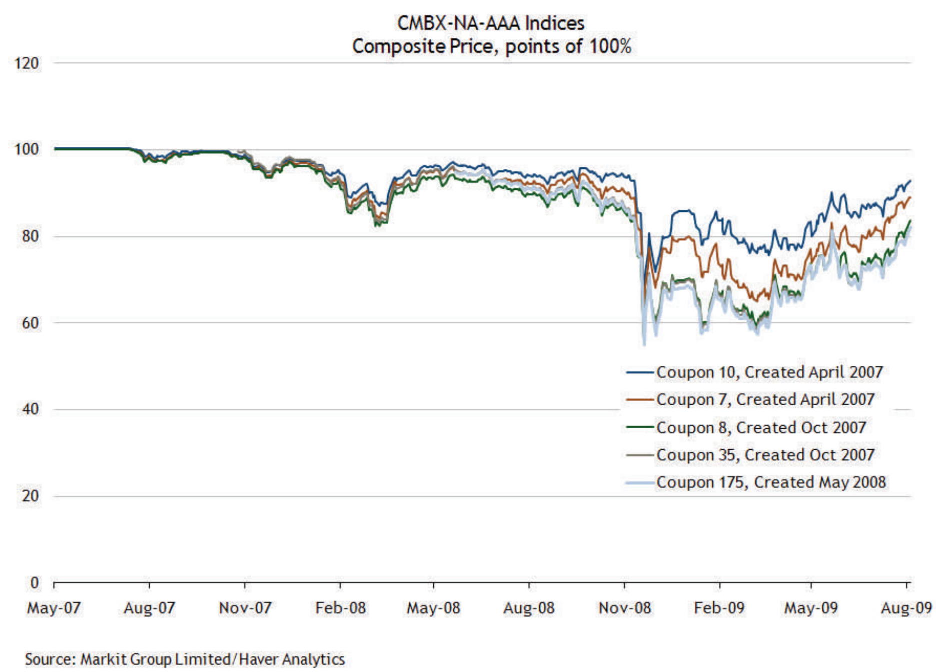
The AAA index has trended upwards during the past two months for all vintages.

The BBB- index has been flat since November for all vintages.



- The AAA index traded at 30.7%, 32%, 39.3%, and 75.4% for the 2007-2, 2007-1, 2006-2, and 2006-1 indices.
- The BBB- index traded at 3% , 2.5%, 2.52%, and 4% for the 2007-2, 2007-1, 2006-2, and 2006-1 indices.
- The value of the AAA ABX indexes continues to vary by vintage, with the later indices valued lower, coinciding with higher default rates for CDOs created at the height of the housing bubble. The lower-rated indexes do not have such large differences by vintage.

The CMBX indices provide information on the valuation of securities backed by commercial mortgages (CMBS). The AAA index has trended upwards since November 2008.



- Analysts at JP Morgan have said government programs that accept AAA rated CMBS (such as the TALF and PPIP) could be influencing the recent uptick.