FEDERAL RESERVE BANK of ATLANTA

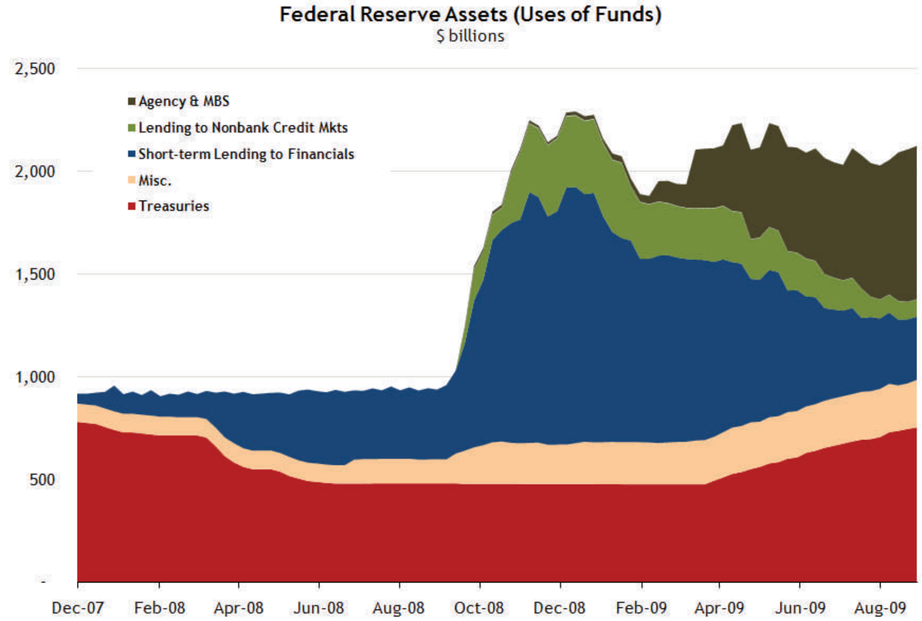
September 9, 2009

Financial Highlights

Federal Reserve

Summary

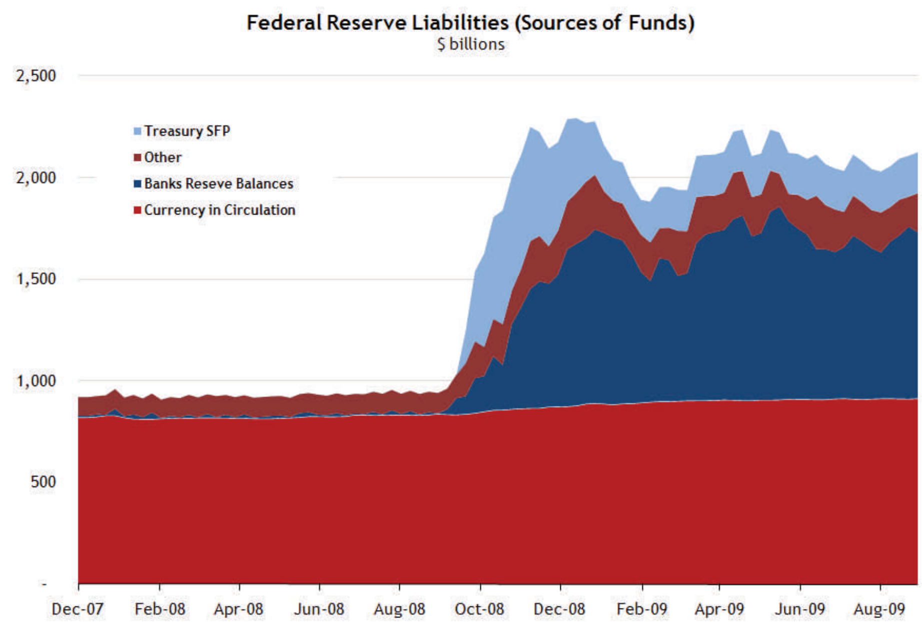
The size of the Fed's balance sheet has largely been flat since March, remaining within a range of $2 trillion to $2.2 trillion.



Source: Federal Reserve Board

- The overall size of the Fed's balance sheet has been flat 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 (MBS), and agency debt.
- The balance sheet has increased for four straight weeks from $2.03 trillion on August 5 to $2.12 trillion as of September 2, with weekly increases averaging $24 billion. The majority of these increases stem from Treasuries and MBS coming onto the balance sheet, each increasing by about $48 billion and $82 billion, respectively, since August 5.

On the liabilities side, bank reserve balances continue to make up a large portion of the balance sheet. Since March, reserves have averaged about $800 billion, accounting for 38% of liabilities.



SFP = Supplementary Financing Program

Source: Federal Reserve Board

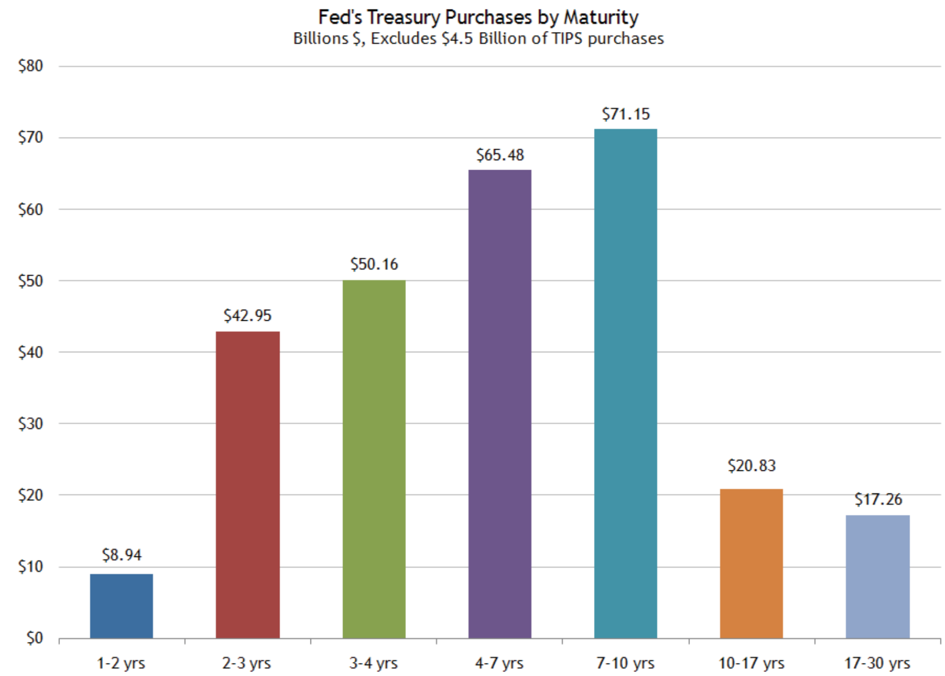
Assets: Lending to nonbanks: TALF, CPFF, AMLF, and MMIFF; Short-term lending to financials: discount window, TAF, currency swaps, PDCF, and repos; Misc: Maiden Lanes I, II, and III, credit to AIG, and other Fed assets. **Liabilities**: Other: Reverse repos, Treasury cash holdings, and deposits with Federal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

Federal Reserve

Summary

Decomposing the Fed's purchases of Treasury securities by maturity shows a heavy focus in the four-to-seven-year and seven-to-10-year sectors, together making up almost half of all purchases so far.

The Fed clarified its Treasury purchase program on August 12, announcing that it would purchase $300 billion in Treasury securities by the end of October.



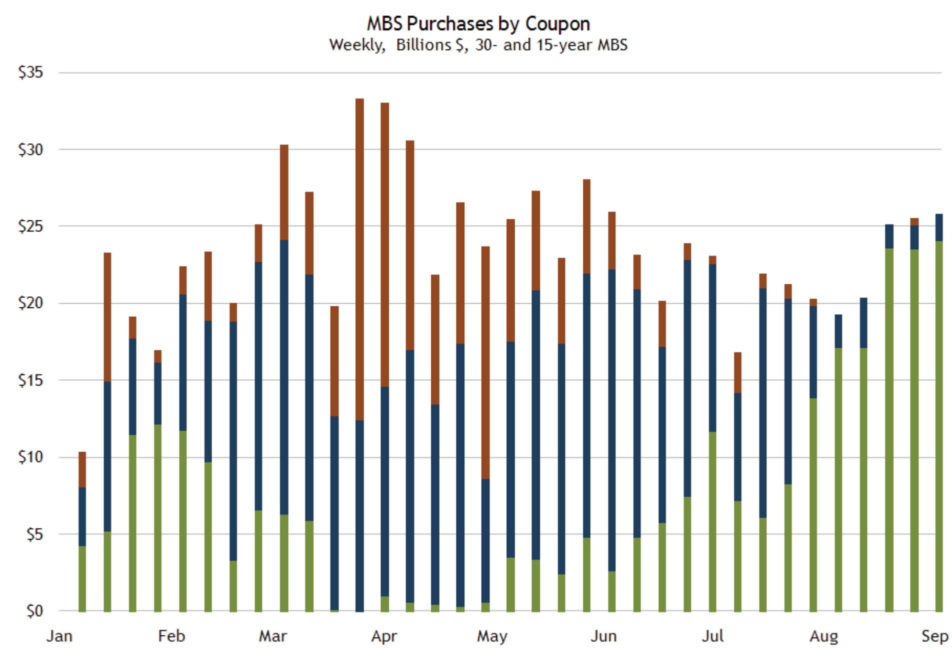
Source: NY Fed

- The Fed has purchased a total of $281.3 billion of Treasury securities through September 9. Of the $276.8 billion in non-TIPS securities, the Fed has focused on the four-to-seven-year and seven-to-10-year sectors the most, purchasing approximately $65 billion and $71 billion, respectively.
- The two-to-three-year and three-to-four-year sectors have also received a fair amount of attention, especially following two large purchases in each sector in late August. The Fed purchased $6.1 billion in the two-to-three-year sector on August 24, $2.3 billion on August 26 in the 17-30 year sector, and $5.6 billion on September 1 in the three-to-four-year sector.

Between August 27 and September 2, the Fed purchased $25.7 billion in MBS. Continuing a pattern seen the last five weeks, most of the MBS had a 5% or 5.5% coupon.

Earlier in the history of the purchase program, however, the Fed made most of its purchases in the 4% or 4.5% coupon areas.

As of September 2 the Fed had purchased $819 billion, and by year-end the Fed will purchase up to $1.25 trillion (thus, 66% of the purchases have been made).



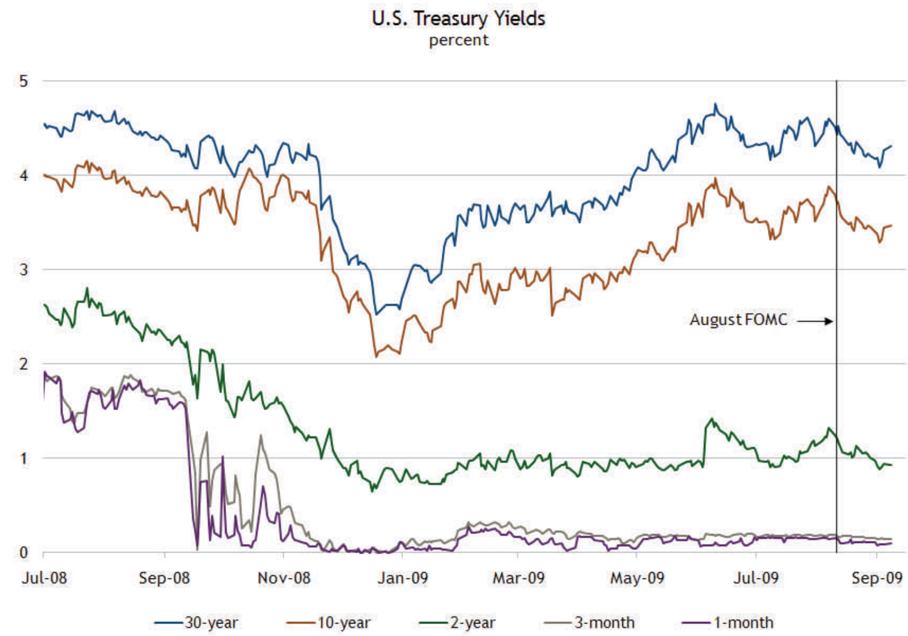
Source: NY Fed

- Between August 27 and September 2, it purchased $7.8 billion of 5.5% coupon MBS, $16.4 billion of 5%, and $1.5 billion of 4.5%.

Treasury Yields and LIBOR

Summary

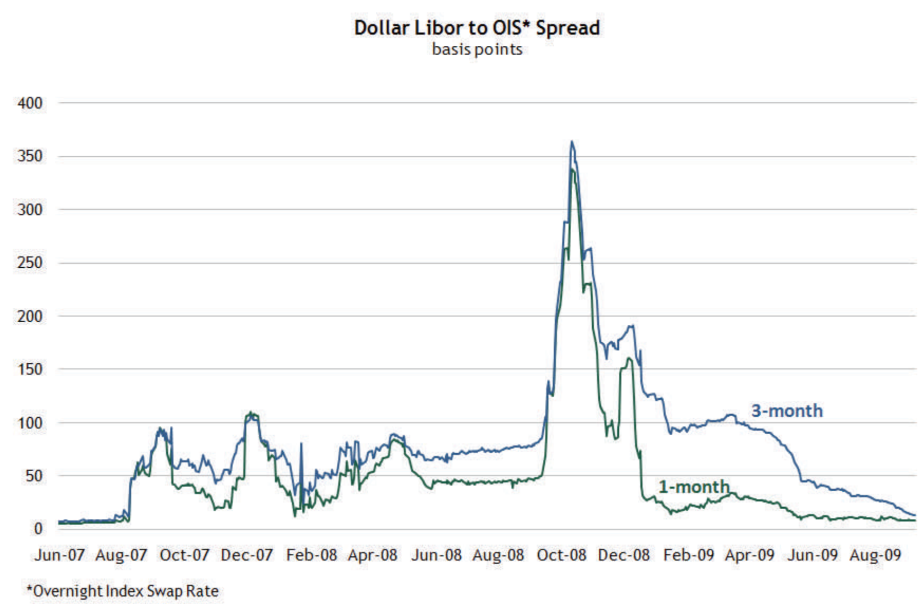
Longer-dated Treasury yields have risen during the past week but remain below the recent peak set just before the August FOMC meeting.



Source: Federal Reserve Board/Haver Analytics

- Since the last FOMC meeting on August 11, yields on longer dated Treasuries have fallen: The 30-year bond was down 13 basis points (bps) to 4.31%, the 10-year note fell 24 bps to 3.47%, and the two-year note declined 28 bps to 0.93%.
- T-bills were little changed and both were down 4 bps: The three-month yield was 0.14%, and the one-month was 0.10%.

LIBOR-to-OIS spreads continue to improve, setting record lows for interbank funding spreads.



Source: Bloomberg and British Bankers' Association

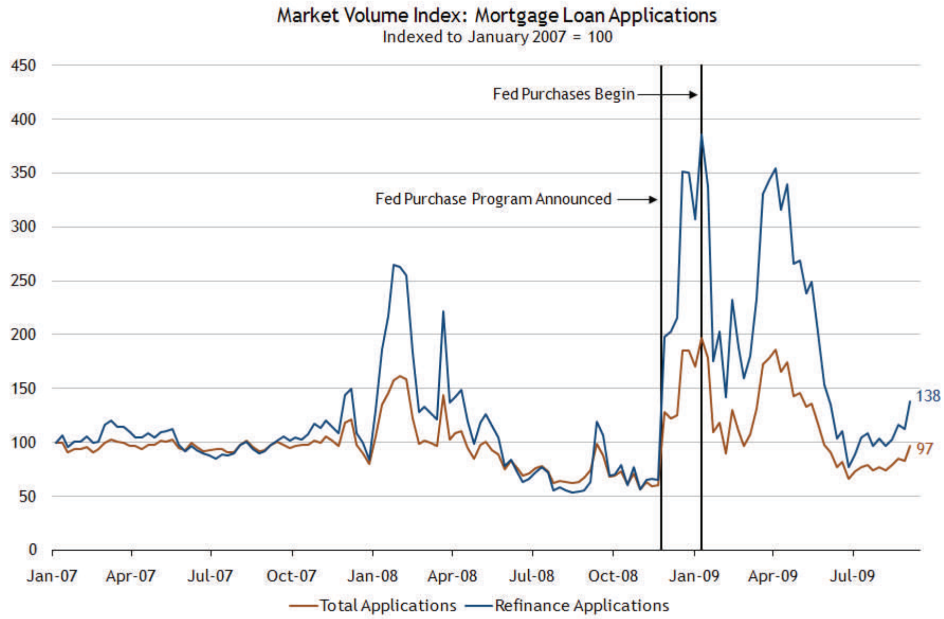
- Interbank funding spreads remain at or near the precrisis levels: As of September 8 the one-month dollar LIBOR-to-OIS spread was 9 bps, and the three-month was 13 bps.

Mortgage Refinances and Agency OAS

Summary

Total mortgage loan application volume and refinance application volume have trended upward in recent weeks as consumers take advantage of lower interest rates.

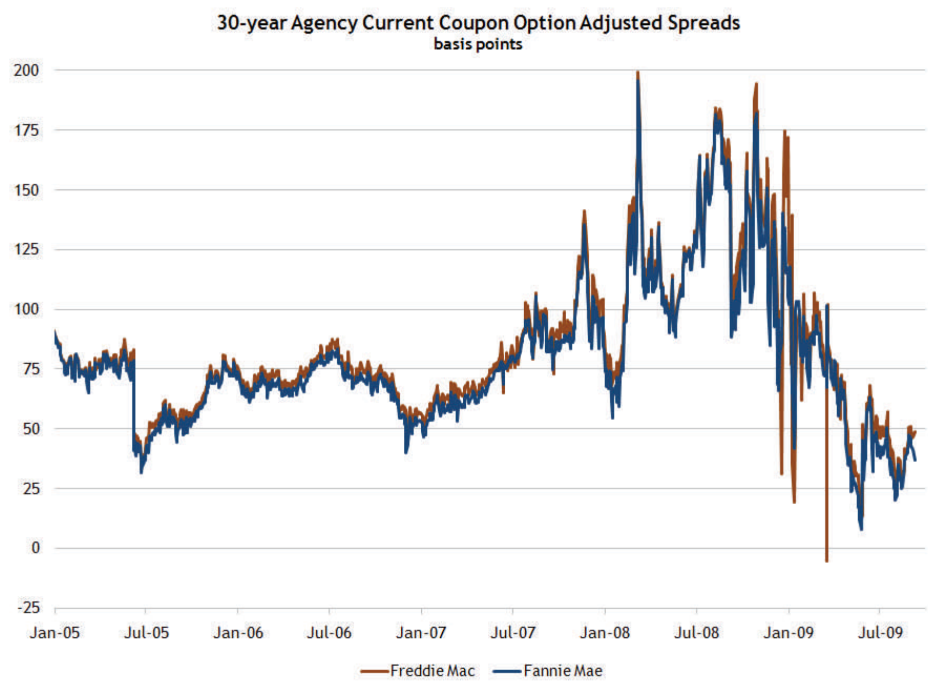
Both total and refinance volumes remain below their peaks in January and April.



Source: Mortgage Bankers Association/Haver Analytics

- For the week ending September 4, total mortgage application volume and refinance application volume increased from the previous week. Both are at their highest level since the week ending May 29.
- Refinance application volume is 38% above the January 2007 level while total mortgage application volume is 3% below the January 2007 level.

Agency coupon rates over OAS have trended down since August of last year.



Source: Bloomberg

- On September 8, the 30-year Freddie Mac OAS spread was 41.3 bps and the Fannie Mae OAS spread was 36.9 bps. Both spreads have narrowed considerably since this time last year, when the spreads were 101.5 bps for Freddie and 88.6 bps for Fannie.

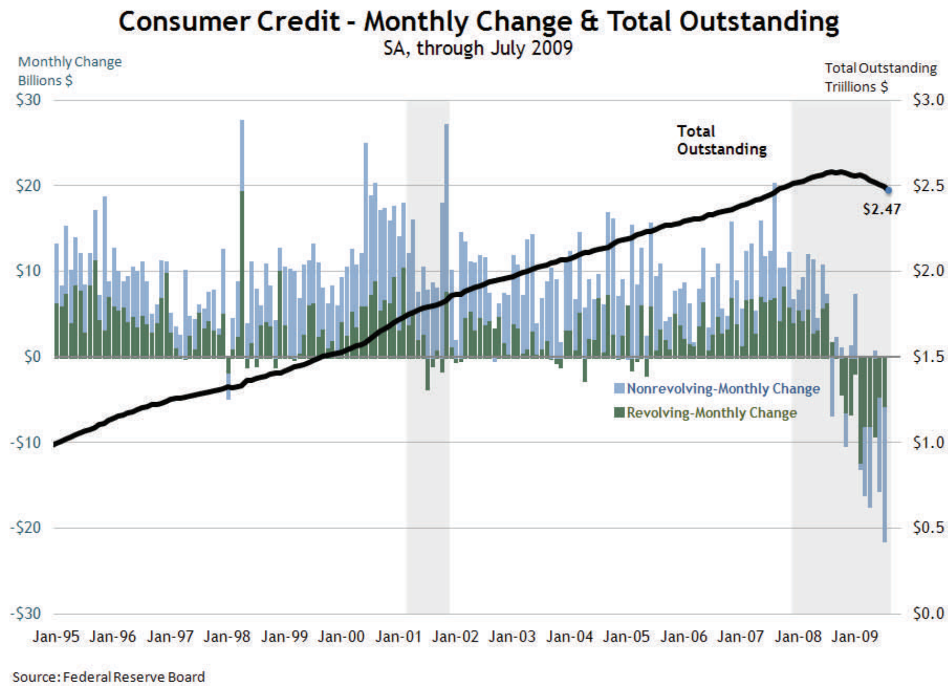
Consumer Credit

Summary

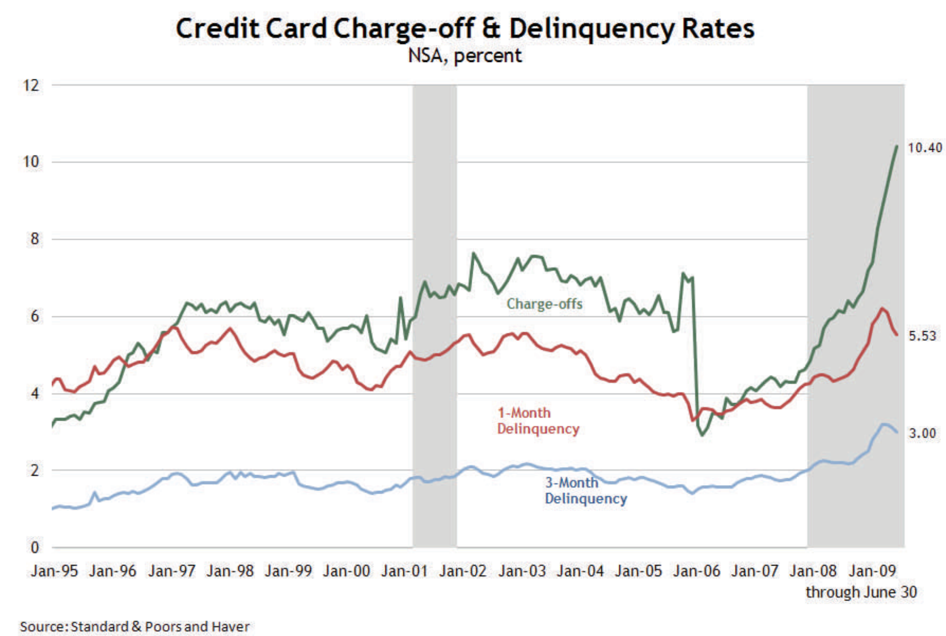
From to June to July, total consumer credit outstanding declined a record $21.5 billion at an annualized rate of 9.8%.

The decline was significantly more than some reported forecasts (e.g., a Bloomberg survey of economists expected a $4 billion drop in July).

The decline came mostly from a drop in nonrevolving credit despite the increase in auto sales resulting from the Cash for Clunkers program. Nonrevolving credit declined $15.4 billion, and revolving credit declined $6.1 billion.



One-month and three-month delinquency rates have fallen in recent months. If they continue to decline, the charge-off rate will eventually come down as well.



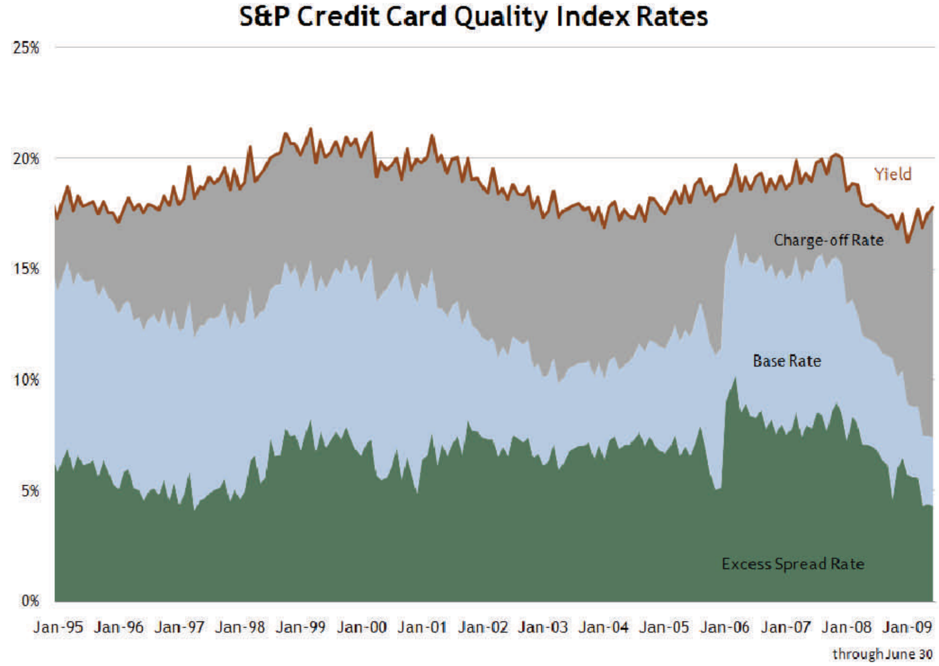
- The charge-off rate increased 40 basis points in June to 10.4%. The one-month delinquency rate decreased 17 bps to 5.53%, and the 3-month delinquency fell 10 bps to 3%.

Consumer Credit

Summary

The S&P credit card excess spread, a measure of the profitability of consumer credit provision, reached near-record lows in June, a result of a 40 bps increase in the charge-off rate combined with no change in the base rate (a measure of funding costs), and a 30 bps increase in yield.

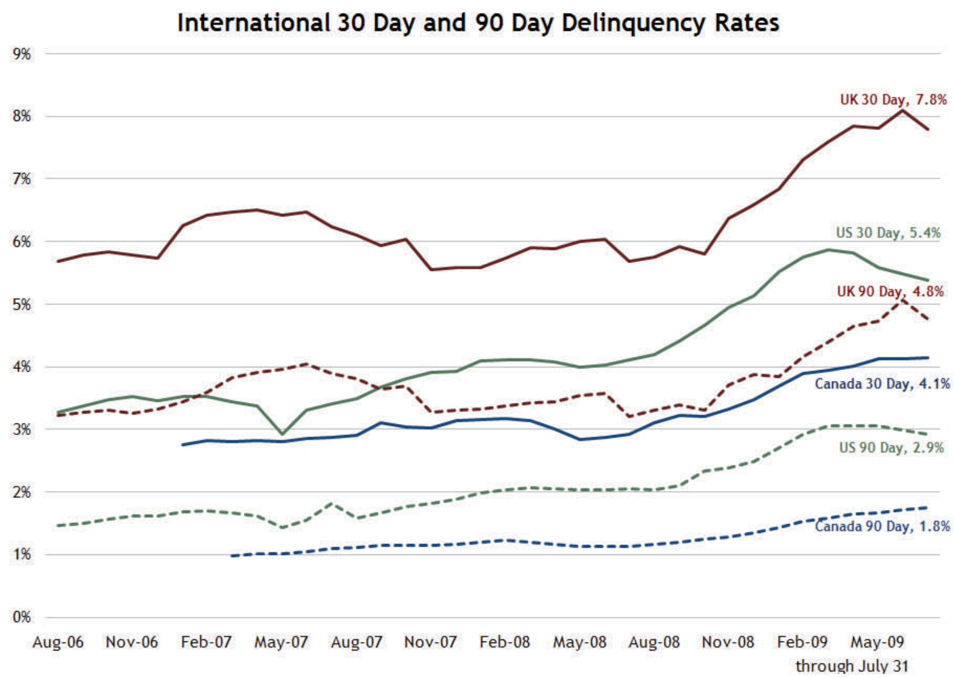
The excess spread rate on credit cards has narrowed 52% since November 2007.



Source: Standard & Poor and Haver Analytics

- In June, the excess spread declined 10bp to 4.3%.
- The credit quality index yield increased to 17.8% in June, the charge-off rate increased to 10.4% , and the base rate remained historically low at 3.1% .

Delinquency rates in the United Kingdom have shown a similar trend to the United States in recent months: Both 30- and 90-day U.K. rates have fallen in recent months after reaching relatively high levels. Delinquency rates in Canada look to be leveling off.



Source: Bloomberg

- The United Kingdom has the worst 30-day and 90-day delinquency rates out of the three countries at 7.8% and 4.8%, respectively, followed by the United States and Canada.