FEDERAL RESERVE BANK of ATLANTA

November 18, 2009

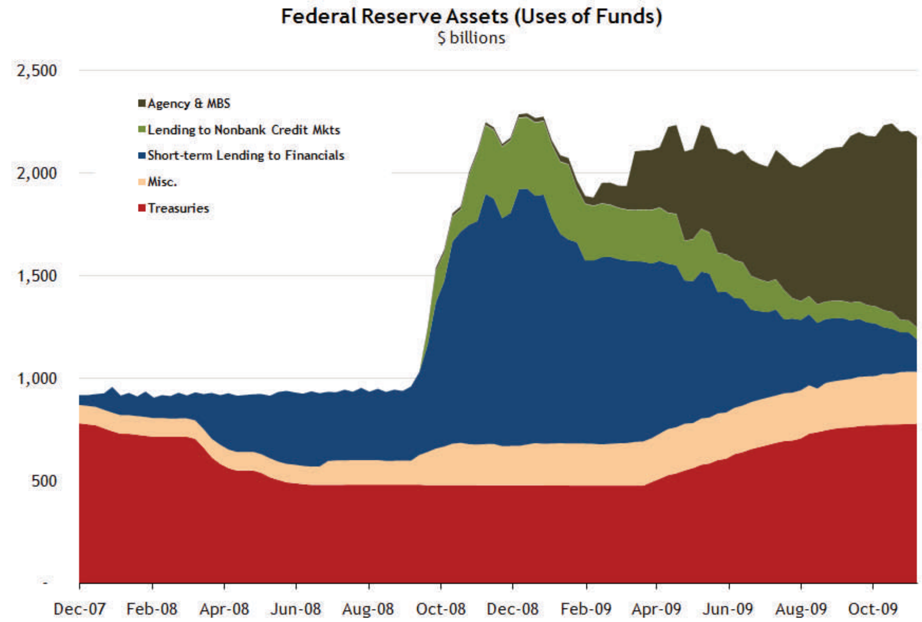
Financial Highlights

Federal Reserve

Summary

The size of the Fed's balance declined marginally to approximately $2.18 trillion for the week ended November 11.

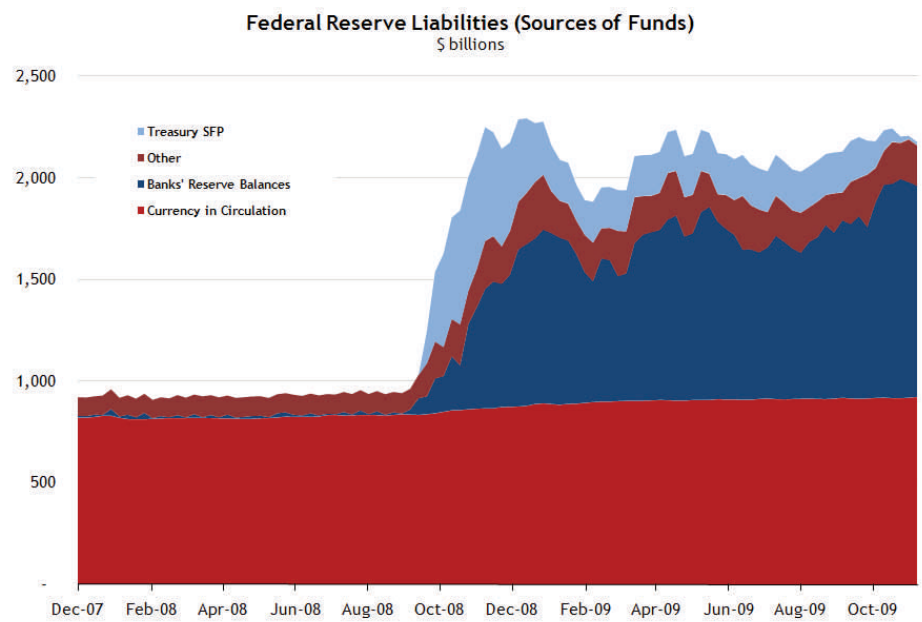
The week's decline was led by another drop in TAF credit.



Source: Federal Reserve Board

- On November 17, the Federal Reserve Board announced that it would reduce the maximum maturity of discount window loans from 90 days to 28 days, effective Jan. 14, 2010, and that primary credit loans would still be eligible for renewal. The change in maturity was approved "in light of the continued improvement in financial market conditions."
- Also indicative of improved funding conditions is the ongoing decline in usage of the Term Auction Facility (TAF). For the week ended November 11, the amount of TAF credit outstanding declined by about $30 billion to $109 billion, the lowest level since May 2008.

On the liabilities side, bank reserves declined marginally to about $1.04 trillion as of November 11. Reserves have remained with in a range of $1.04 to 1.08 trillion since October 14.



SFP = Supplementary Financing Program

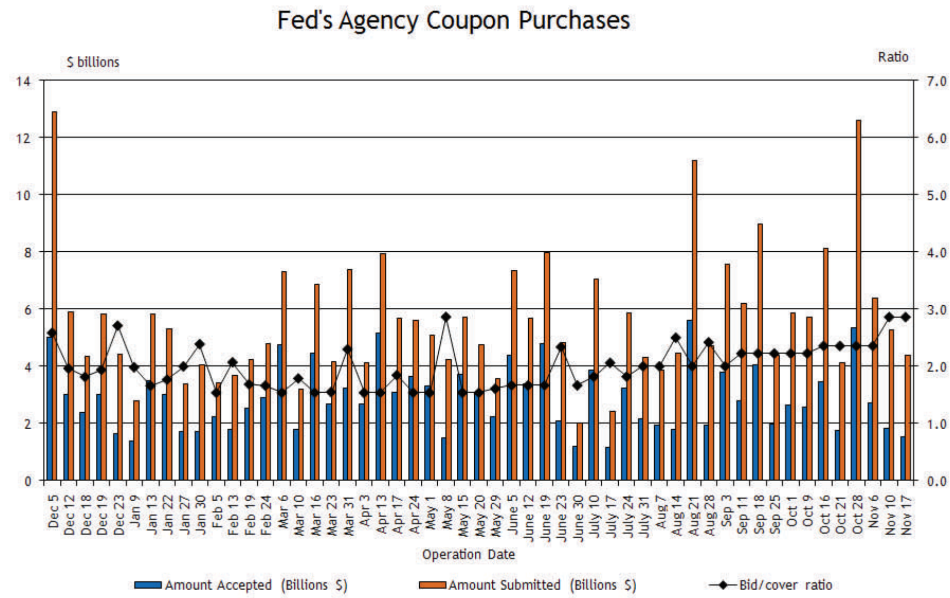
Source: Federal Reserve Board

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 Supplementary Financing Program.

Federal Reserve

Summary

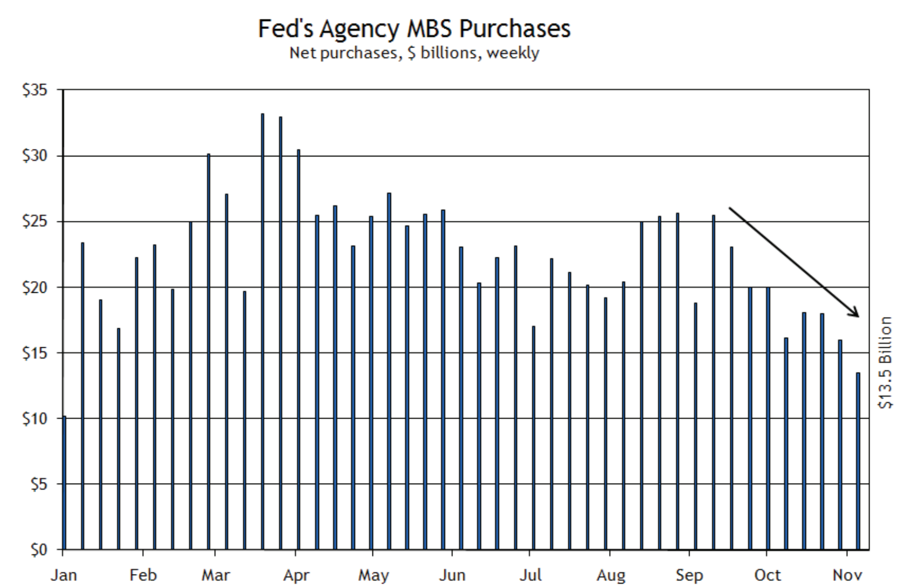
The Fed is nearly 90% complete with its agency debt purchase program, scheduled to conclude in March 2010.



Source: NY Fed

- The Fed has completed $153.05 billion of its $175 billion agency debt purchase program through November 18 (making it 87% complete). On November 17 it made a purchase for $1.531 billion, with a bid-to-cover ratio of 2.86 (one of the highest ratios in all the operations).

The Fed has now purchased over $1 trillion in agency-backed MBS through the week ended November 11.



Source: NY Fed

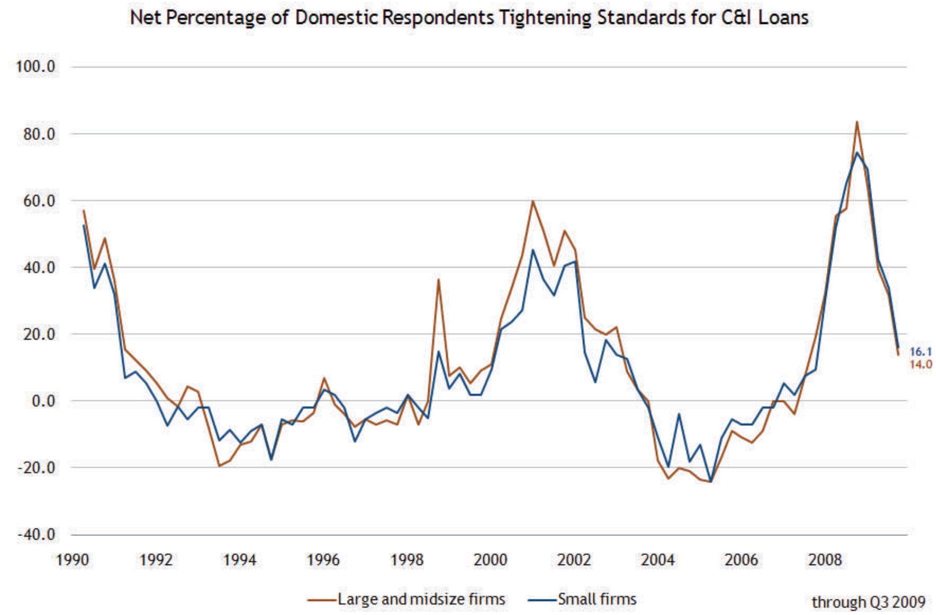
- The Fed purchased a net total of $13.5 billion of agency-backed MBS between November 5 and 11, bringing its total purchases up to $1.01 trillion; by the end of the first quarter 2010 the Fed will purchase up to $1.25 trillion (thus, it is 81% complete).
- In the last two months, the average weekly amount of MBS purchased has been smaller, averaging $18.1 billion over the last eight weeks versus the average of $23.4 billion a week since the start of the program.

Senior Loan Officer Opinion Survey

Summary

The Federal Reserve Board's October 2009 Senior Loan Officer Opinion Survey on Bank Lending Practices indicated that 14% (16%) of domestic banks tightened standards and terms on loans to large and midsize (small) businesses.

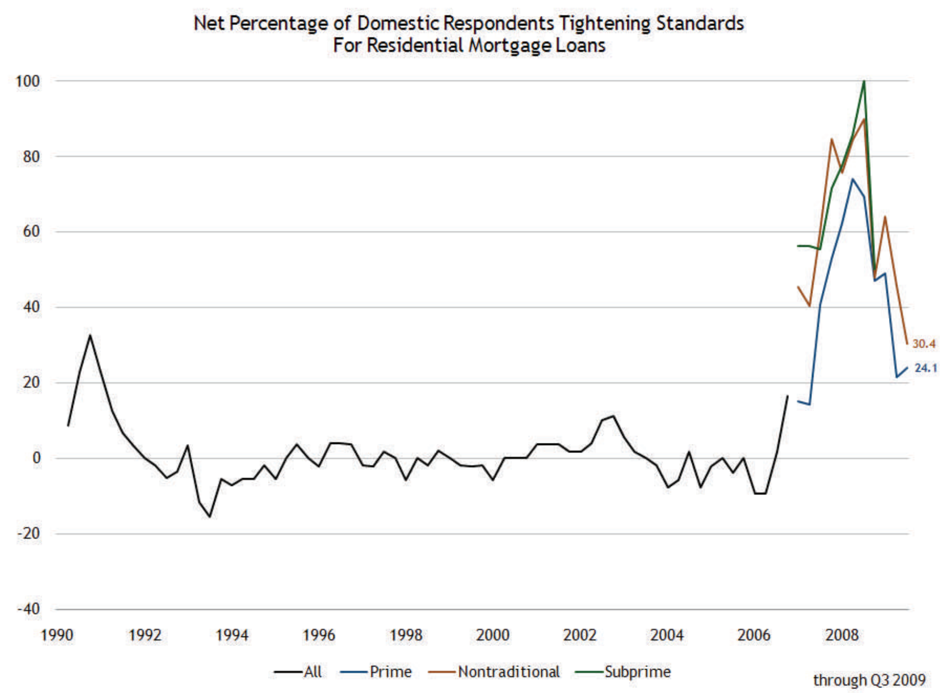
The net percentages of banks that tightened standards and terms for most loan categories continued to decline from the peaks reached late last year.



Source: Federal Reserve Board of Governors

- On net, 14 percent of domestic respondents reported tighter standards on C&I loans to large and midsize firms during the third quarter of 2009, continuing the decline that peaked above 80 percent in the October 2008 survey.
- On net, 16.1 percent of domestic respondents reported tighter standards on loans to small firms, down from more than 34 percent in July and 74.5 percent in the October 2008 survey.

The net percentage of domestic banks tightening standards on prime residential real estate increased to 24.1%, up slightly from the last survey but down from 69.2% one year ago.



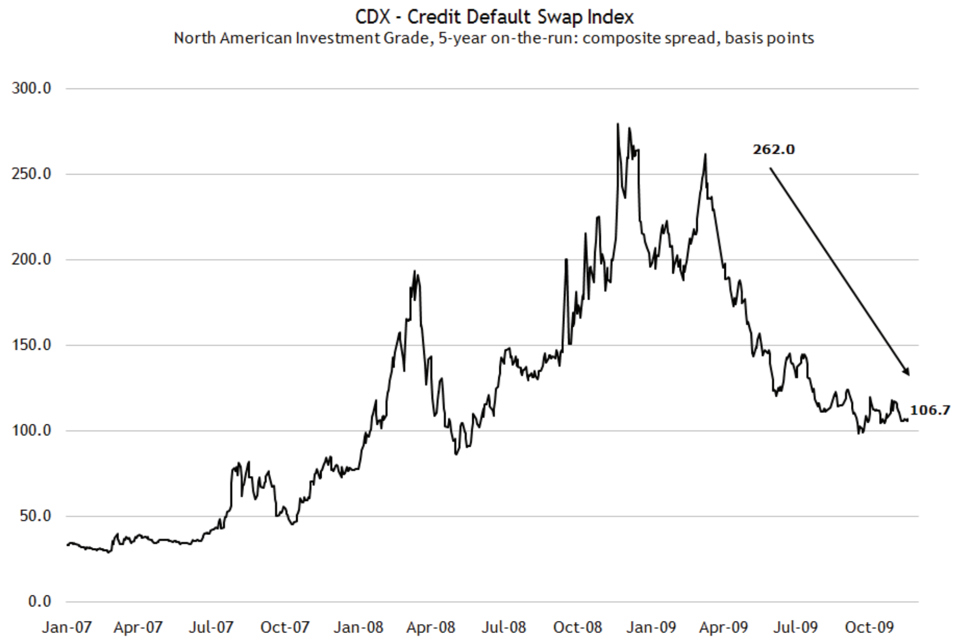
Source: Federal Reserve Board of Governors

- On net, 30.4 percent of domestic respondents reported having tightened their lending standards on nontraditional residential mortgages over the past three months compared with 45.8 percent in July.

Corporate Bonds

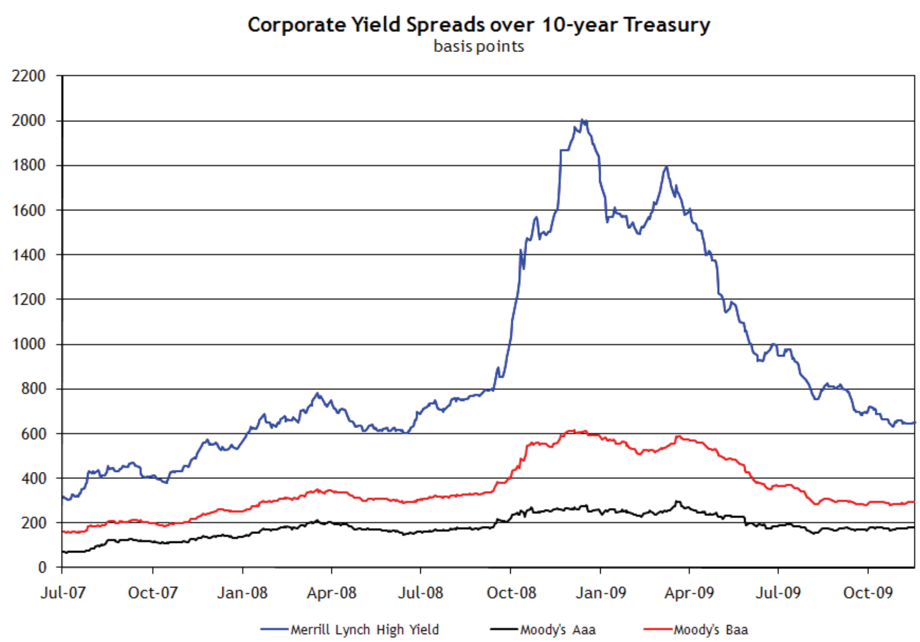
Summary

The CDX has trended downward since March, consistent with improvement in perceived default risk among investment-grade bonds. However, the index has been mostly flat since the beginning of October.



Source: Markit Group Limited/Haver Analytics

After declining sharply through most of 2009, yield spreads on corporate bonds have also been largely flat since October, indicating relatively little change in investors' perceived risk premia.

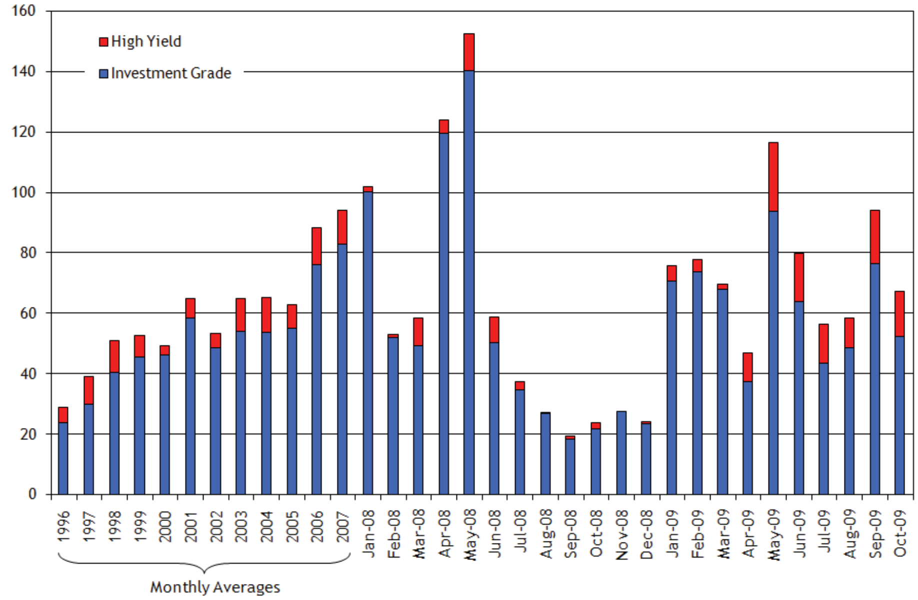


Source: Merrill Lynch, Federal Reserve Board

Corporate Bonds

Summary

U.S. corporations continued to access the bond market for financing, issuing about $67 billion in bonds over October.

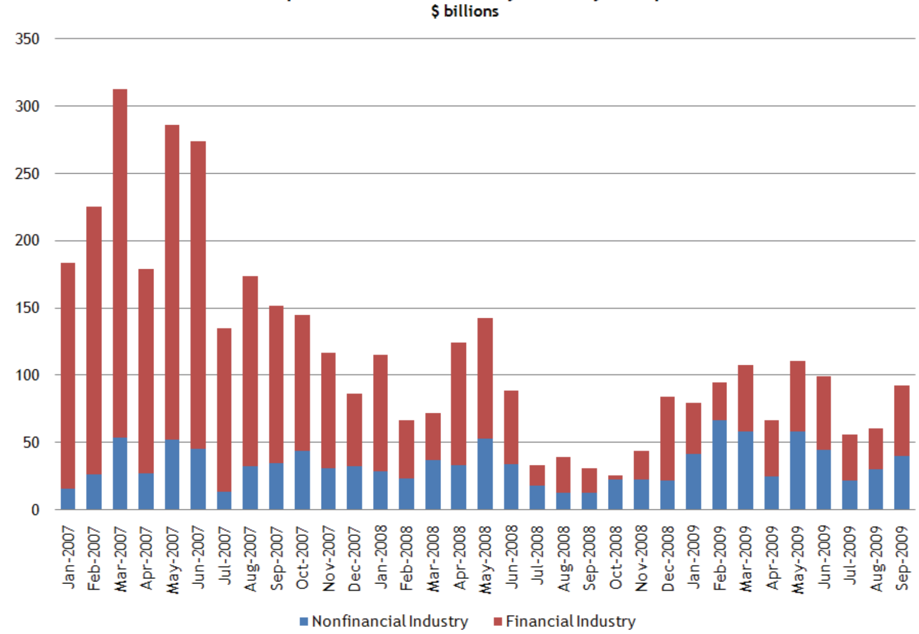


Source: SIFMA

- Bond issuance has rebounded in 2009, with investment-grade borrowers issuing about $626 billion and high-yield borrowers issuing about $81 billion from January through October.

Data by industry indicate that bond issuance during 2009 (through September) has been split about equally between financial and nonfinancial corporations.

Prior to the intensification of the financial market stress in the fall of 2008, bond issuance had been more heavily concentrated among financial firms.



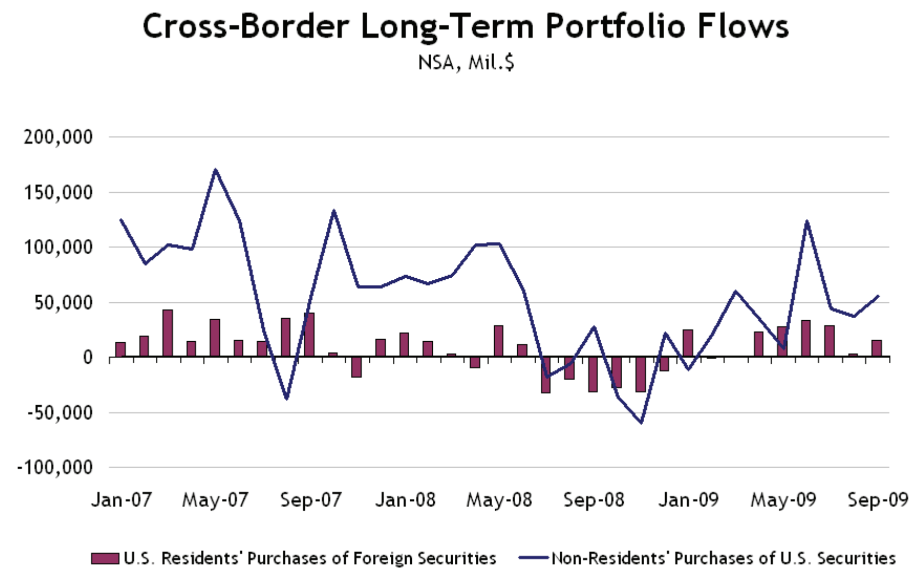
Source: Federal Reserve Board

- Bond issuance among nonfinancial firms has rebounded to precrisis levels as these firms have seen improved access to the bond markets compared with fall 2008. (Average monthly issuance was about $27 billion from 2000 to 2007 and has been about $43 billion in 2009 through September.)
- Financial firms, however, have continued to issue lower amounts of bonds when compared with precrisis levels. (Average monthly issuance was about $120 billion from 2000 to 2007 but has been only about $42 billion in 2009 through September.)

Cross-Border Financial Flows

Summary

The September Treasury International Capital (TIC) report showed a $40.7 billion increase in net long-term securities transactions.



Source: U.S. Treasury

- The September Treasury International Capital (TIC) data showed a net $55.7 billion increase in foreign purchases of U.S. long-term securities, which include Treasury bonds and notes, agency bonds, corporate bonds, and equities. Net purchases by private foreign investors were $44.8 billion, and net purchases by foreign official institutions were $10.9 billion.
- Net foreign purchases of U.S. long-term securities were dominated by Treasuries and equities while foreign investors sold, on net, corporate bonds and agency bonds.
- Meanwhile, U.S. residents bought, on net, $15 billion in foreign bonds and equities in September.

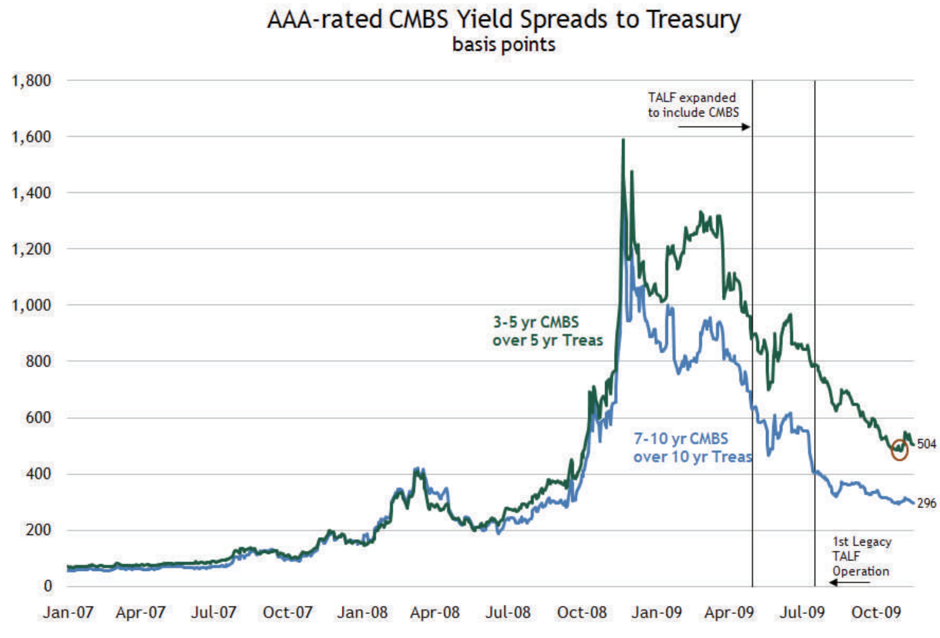
Commercial Mortgage Backed Securities

Summary

CMBS yield spreads over Treasuries continue to narrow, dipping during the last CMBS TALF operation on Oct 21.

The last TALF operation provided $1.93 trillion out of $2.12 trillion in requested financing for the purchase of Legacy CMBS. No loans were requested for new issues of CMBS.

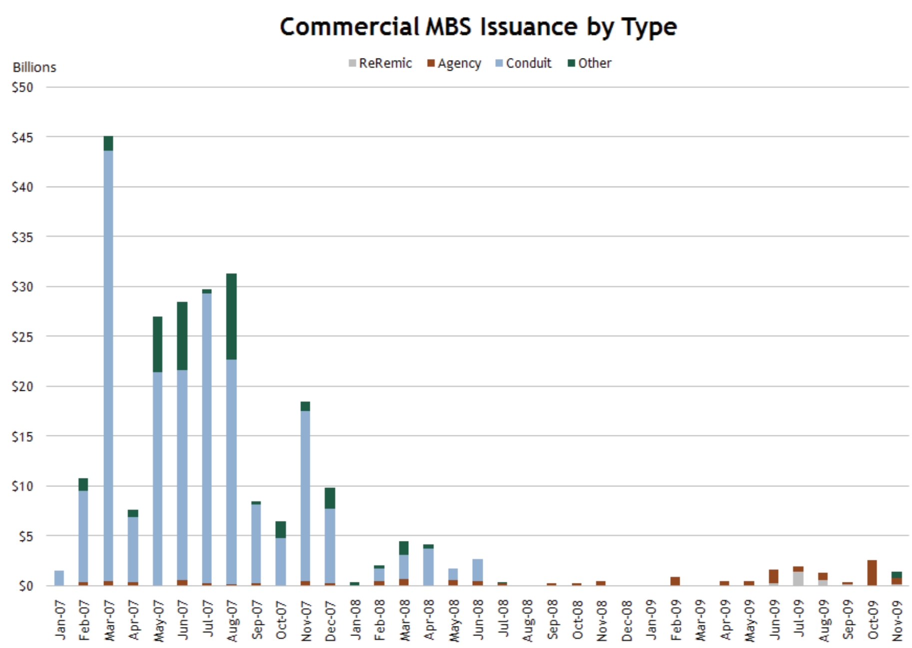
Five legacy CMBS bonds were rejected, resulting in a sudden increase in spreads, according to analysts at Bloomberg.



Sources: Merill Lynch/Bloomberg

The first new issue of CMBS in more than a year occurred this week and is likely to be partially financed through TALF at the November subscription.

Developers Diversified Realty Corp. issued $400 million in CMBS backed by retail properties, marking the first new issuance since June of 2008.



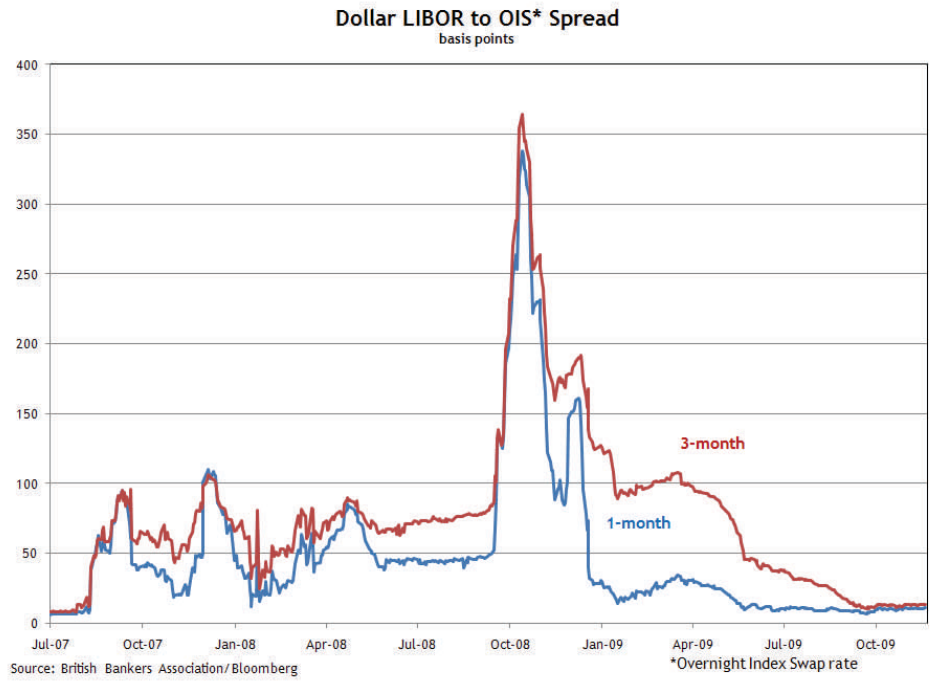
Source: Bloomberg

- From June 2008 to October 2009 the only CMBS issuance was in the form of agency-backed commercial loans and re-REMICs, the repackaging of existing loans into new CMBS to reduce the risk of a downgrade.

Broad Financial Market Indicators

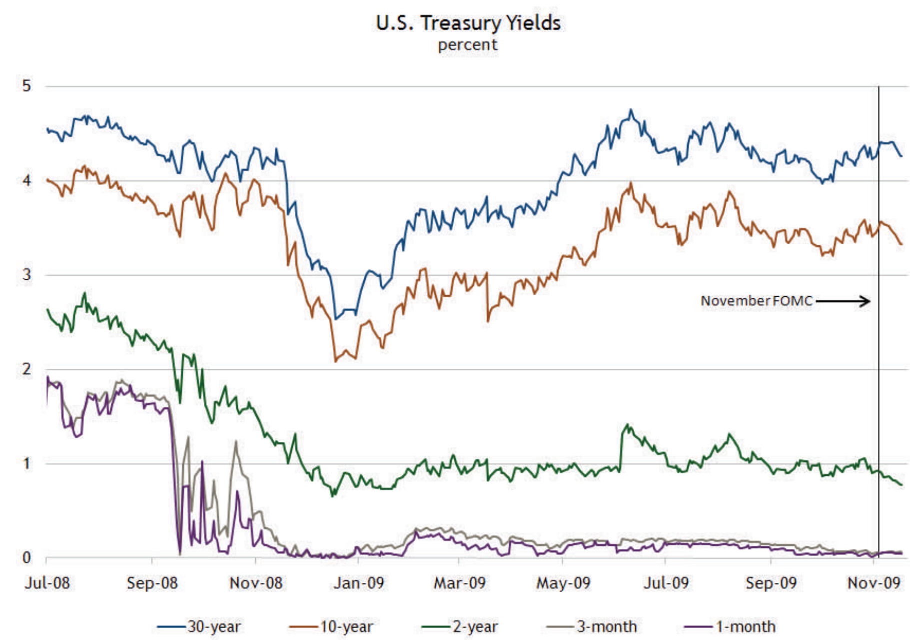
Summary

LIBOR-to-OIS spreads continue to be stable.



- The one-month and three-month Dollar LIBOR-to-OIS spreads are relatively stable at 11.1 and 13.3 basis points (bps), respectively.

Treasury yields have moved lower since the November FOMC meeting.



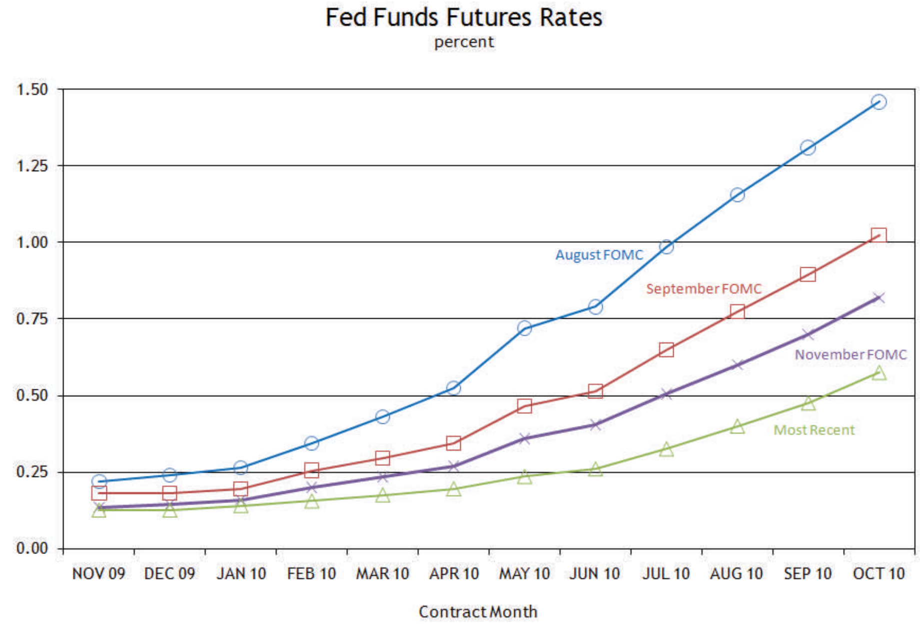
Source: Bloomberg

- Following the last Federal Open Market Committee statement on November 4, Treasury yields have moved lower: Through November 17, the 30-year bond is down 15 bps to 4.26%, the 10-year 24 bps has moved lower to 3.33%, and the two-year note has fallen 13 bps to 0.78%.
- The two-year note is at its lowest point since January.

Fed Funds and Eurodollar Futures

Summary

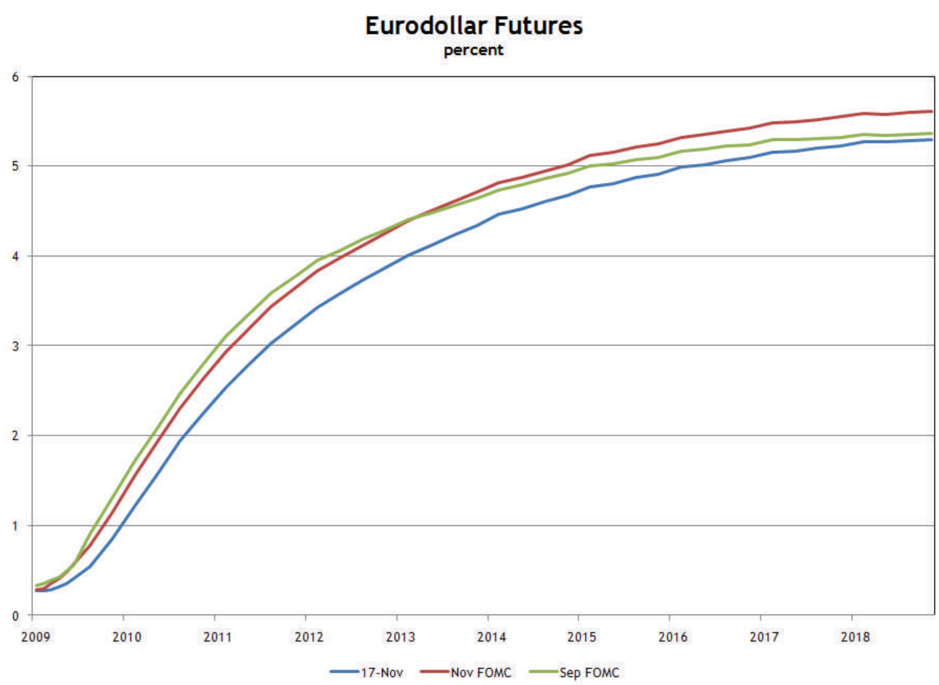
Over the past few FOMC meetings, the market for federal funds futures has indicated that market participants increasingly expect interest rates to remain low further into 2010.



Source: Bloomberg

- The futures market continues to push out the first expected rate increase farther into 2010.
- Since the last FOMC meeting ended on November 4, futures rates have moved lower across the curve. (The “Most Recent” line shows rates as of November 17.) Currently, markets expect about 69 bps of tightening by December 2010.

Similarly, Eurodollar futures have moved lower over the last few FOMC meetings.



Source: Bloomberg