FEDERAL RESERVE BANK of ATLANTA

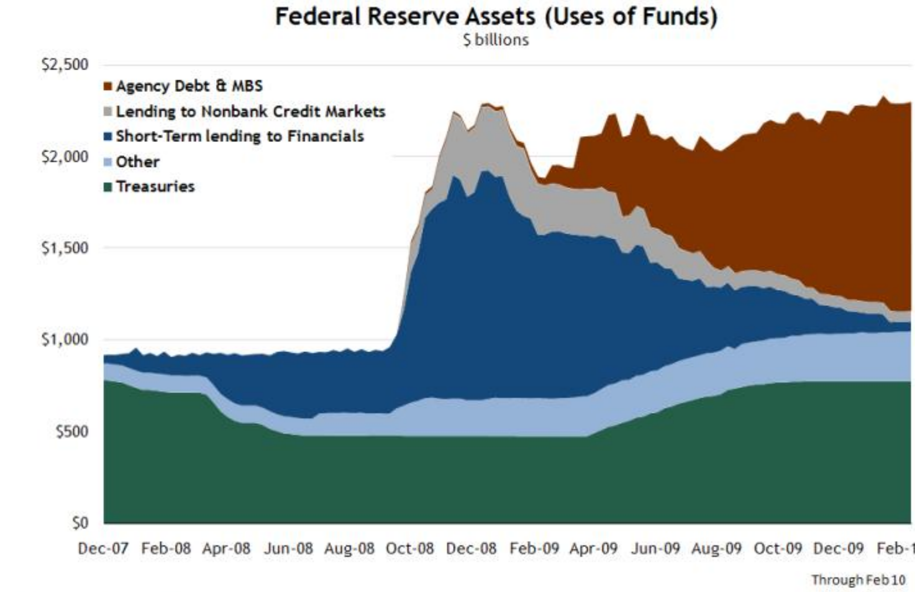
February 17, 2010

Financial Highlights

Federal Reserve

Summary

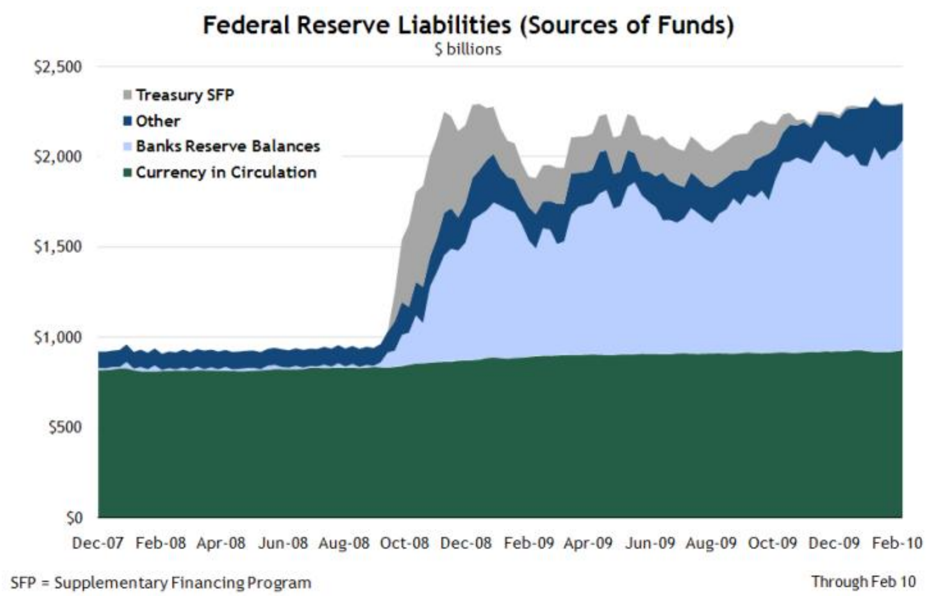
The balance sheet expanded slightly for the week ended February 3.



Source: Federal Reserve Board

- The balance sheet expanded $7.7 billion from February 3 to February 10. The largest change in the balance sheet came from holdings of agency debt and mortgage backed securities; together, they increased by $6.8 billion.
- In Chairman Bernanke's February 10 statement on exit strategies, he said the Fed is "allowing agency debt and MBS to run off as they mature or are prepaid" and that the Fed is "currently rolling over all maturing Treasury securities."
- The balance sheet is expected to peak during the first half of this year after the MBS purchase program is completed and purchases settle on the balance sheet.

For the week ended February 10, changes in the category of "other liabilities" (with a decline of $45 billion) nearly offset the $47 billion increase in banks' reserve balances.



Source: Federal Reserve Board

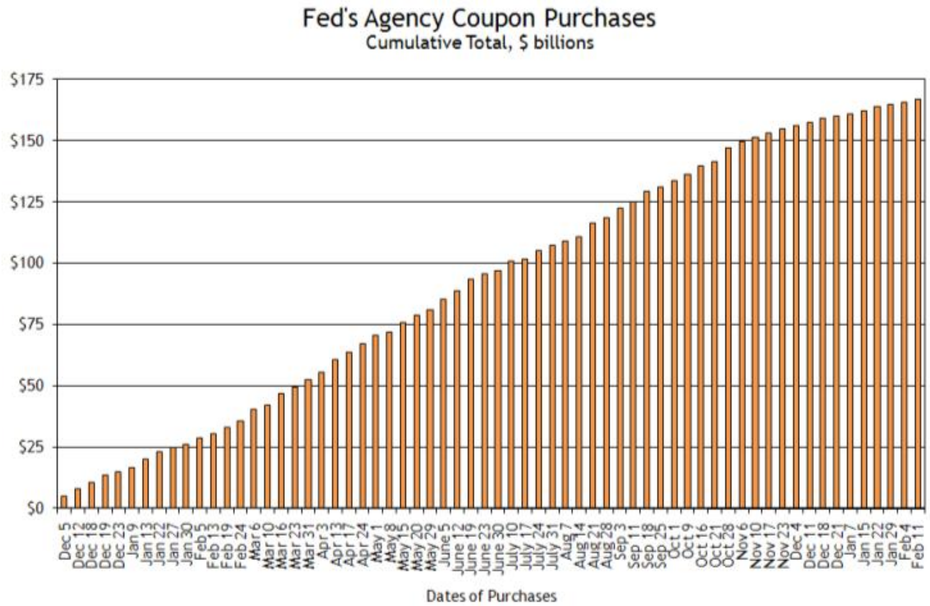
- In Fed Chairman Ben Bernanke's February 10 statement on exit strategies, he explained how reverse repos and a term deposit facility could be used "to drain hundreds of billions of dollars of reserves from the banking system quite quickly."

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

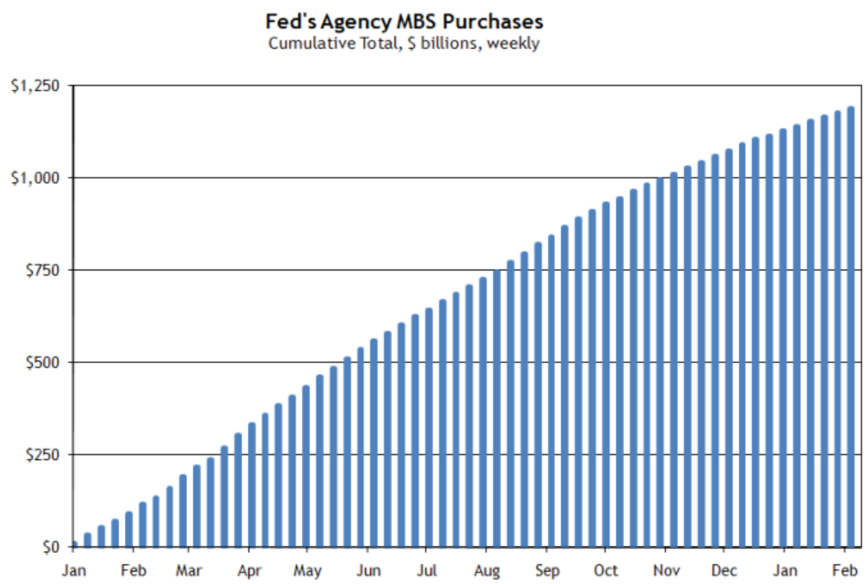
Purchases of agency debt continue, nearly reaching the Fed’s goal of $175 billion.



Source: NY Fed

- The Fed has completed $167.2 billion of its $175 billion agency debt purchase program through February 17 (making it 96% complete). The last purchase, on February 11, was made for $1.349 billion and had a bid-to-cover ratio of 3.34.

Similarly, the Fed purchased a net total of $11 billion of agency MBS.



Source: NY Fed

- The Fed purchased a net total of $1 billion of agency-backed MBS through the week of February 10. This purchase brings its total up to $1.188 trillion, and by the end of the first quarter of 2010, the Fed will have purchased $1.25 trillion (thus it is 95% complete).
- This total was the lowest weekly total of MBS purchases since the first week of the program, excluding the week during the December holidays, when $9.3 billion was purchased.

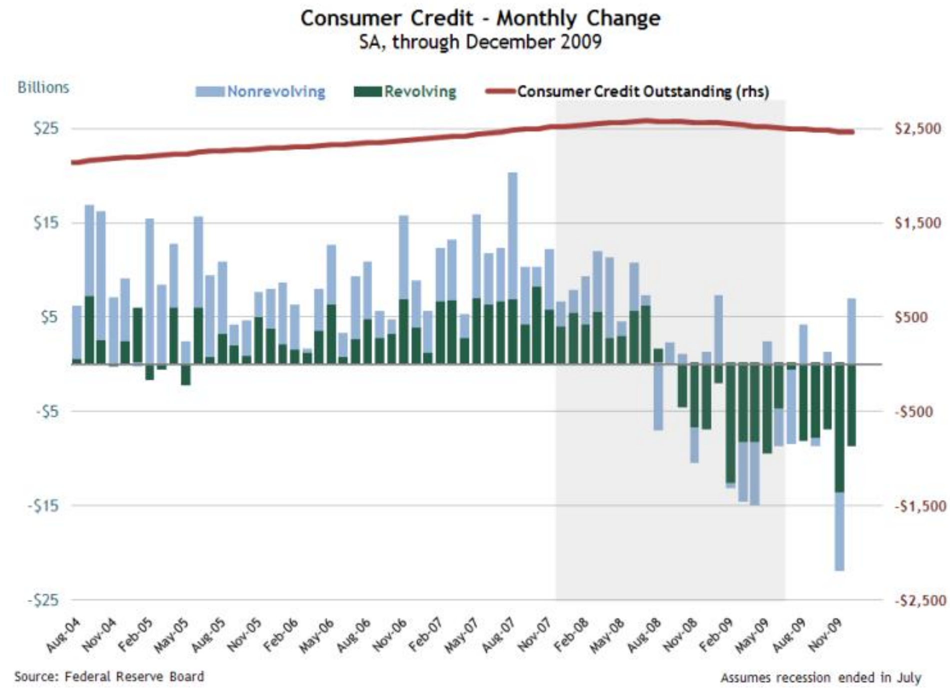
Consumer Credit

Summary

Consumer credit outstanding contracted $1.8 billion between November and December.

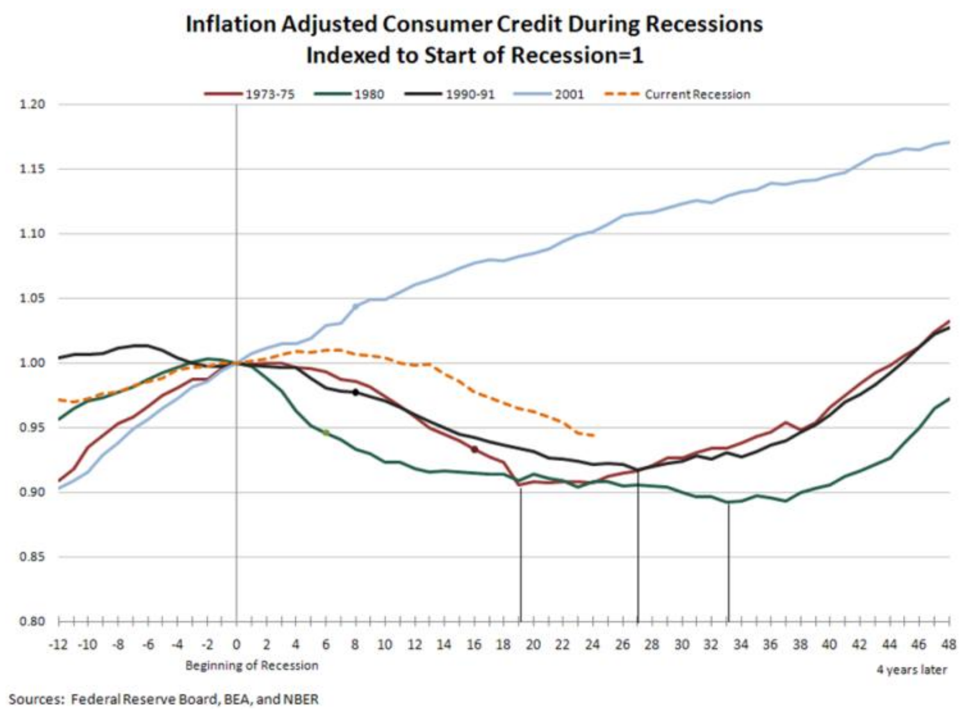
Changes in revolving and nonrevolving credit nearly offset each other, with revolving credit declining slightly more.

This month marks the fifteenth straight in which revolving credit has declined.



- Revolving consumer credit contracted $8.5 billion and fell an at annualized rate of 11.1%.
- Nonrevolving, which includes loans for autos, mobile homes, school loans, boats, etc., expanded $6.8 billion and increased at an annualized rate of 5.3%.

Inflation-adjusted consumer credit is down 6% since the beginning of the recession. Three of the past recessions took between 19 and 33 months (counting from the beginning of the recession) to reach bottom. We are in month 24.

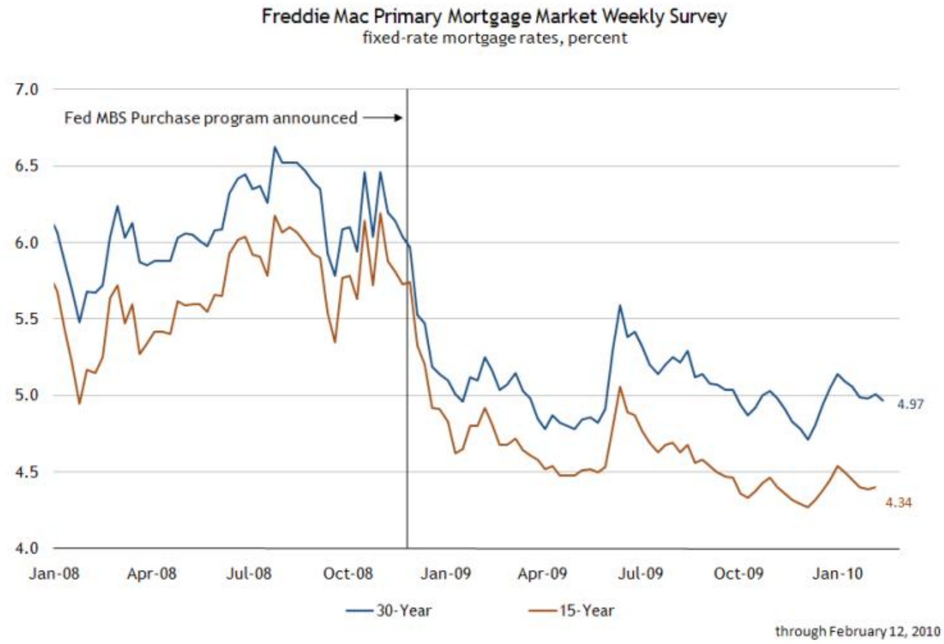


Recession	Decline From Beginning of Recession
1973-75	9%
1980 and 81-82	11%
1990-91	8%
Current Recession	6%

Mortgage Market

Summary

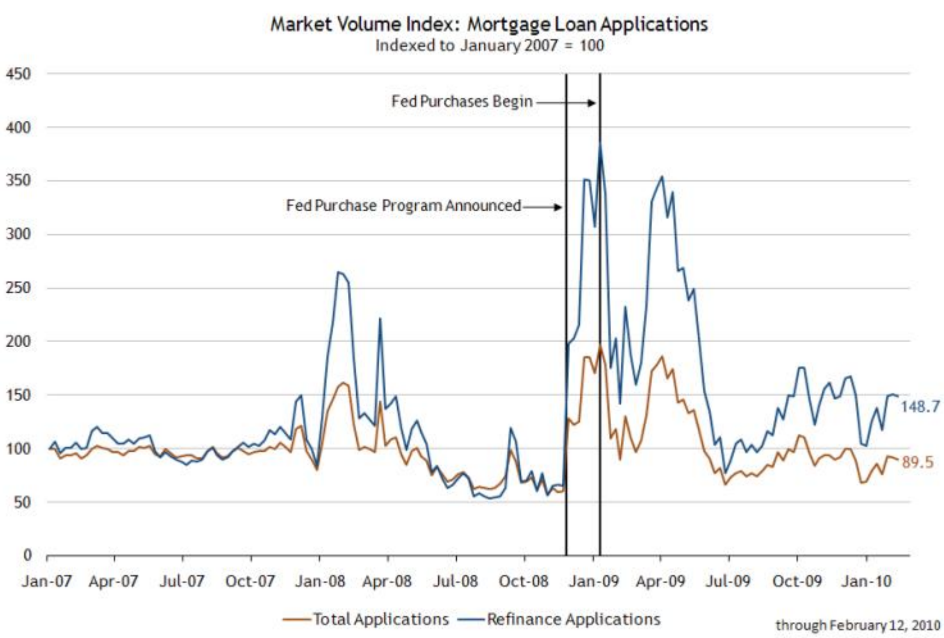
Rates on 15-year fixed-rate mortgages remained below 4.5% for the fifth consecutive week; 30-year fixed-rate mortgages dipped below 5% for the third week this year.



Source: Federal Home Loan Mortgage Corporation/Haver Analytics

- The 30-year fixed rate averaged 4.97%, down from 5.01% a week ago; the 15-year fixed rate averaged 4.34%, down from 4.40% a week ago.
- At this time last year, the 30-year fixed rate averaged 5.16%; the 15-year fixed rate averaged 4.81%.

Total mortgage loan application volume and refinance application volume remain well below the peaks set in January and April 2009.



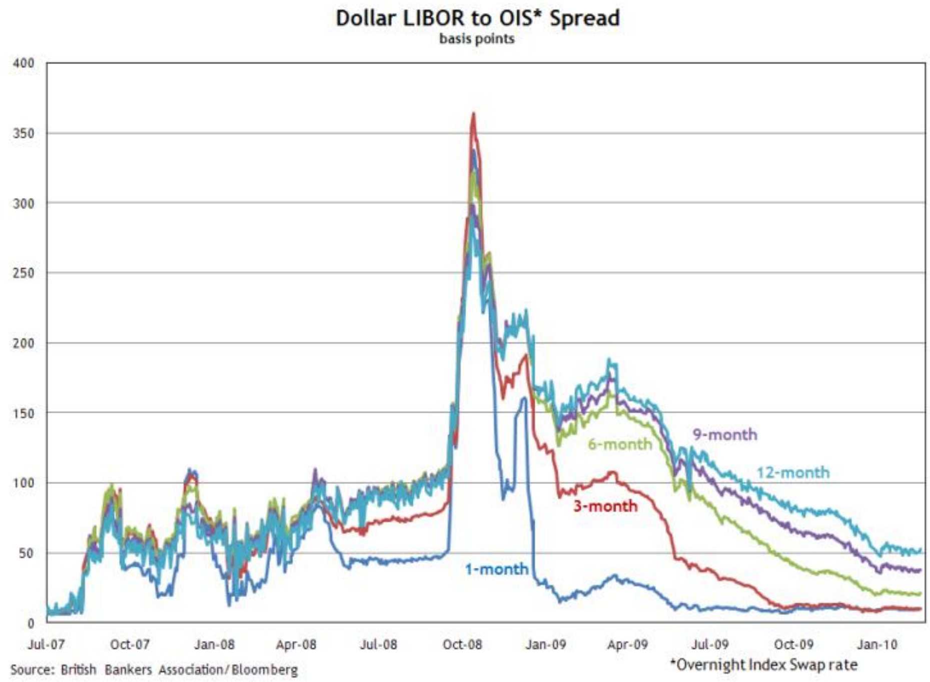
Source: Mortgage Bankers Association/Haver Analytics

- For the week ending February 12, total mortgage application volume and total refinance application volume decreased from the previous week. Total mortgage application volume decreased 2.1% from the previous week; total refinance application volume decreased 1.2% from one week earlier.
- The refinance share of mortgage activity represented 69.3% of total applications.

Broad Financial Market Indicators

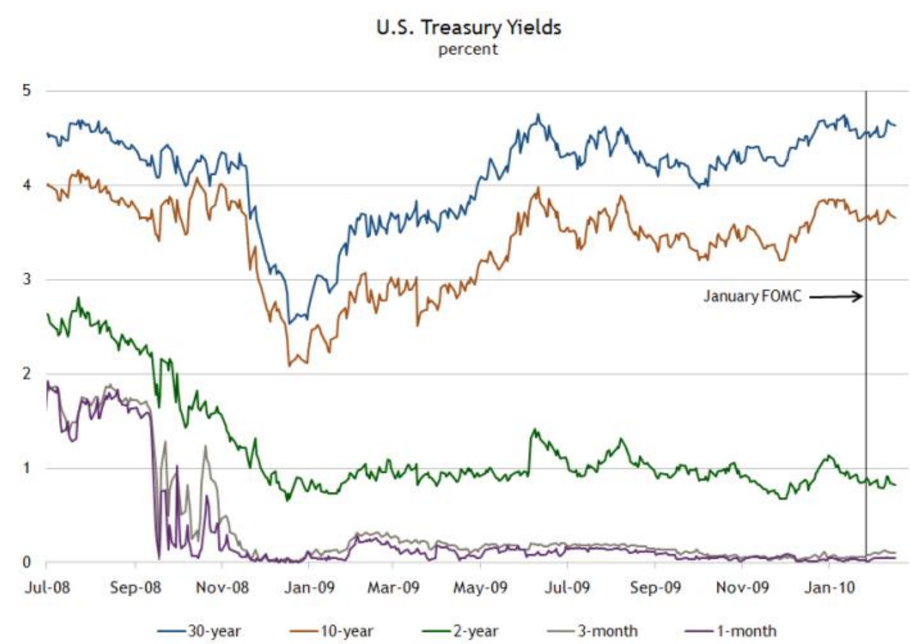
Summary

LIBOR to OIS spreads remain stable.



- Since the January FOMC meeting, dollar LIBOR to OIS spreads are relatively stable. The one-month and three-month spreads are 9.7 and 10.2 basis points (bps), respectively. Through February 17, the 6-, 9-, and 12-month spreads are 20.3, 37.1, and 50.9 bps, respectively.

The two-to-30-year yield curve steepened to its largest margin ever.



Source: Bloomberg

- The two-to-30-year Treasury yield curve has steepened 12 bps in the last two weeks, with the 30-year bond up 8 bps to 4.63% and the 2-year note down 4 bps to 0.82%. This spread now stands at an all-time high of 382 bps. The 10-year note is stable at 3.66%.