FEDERAL RESERVE BANK of ATLANTA

February 24, 2010

Financial Highlights

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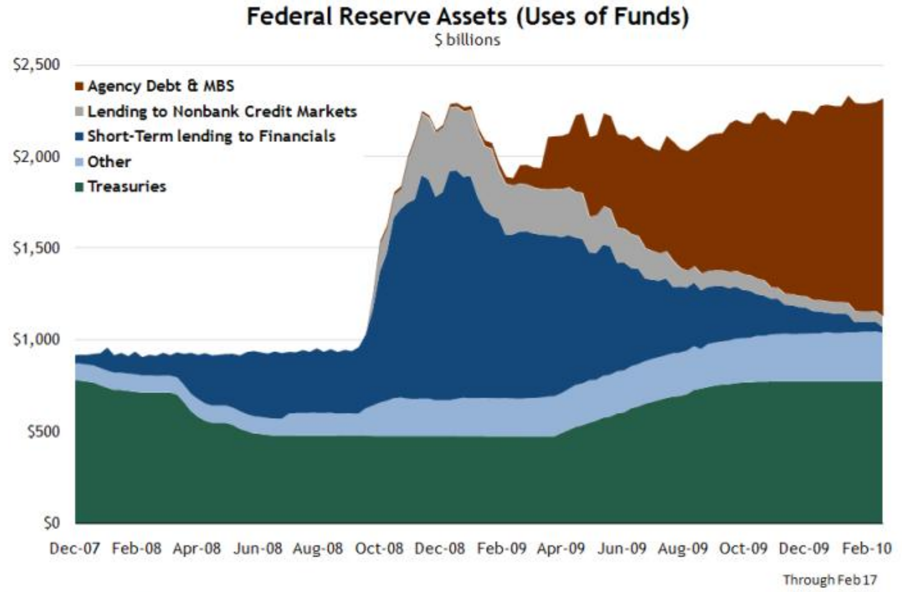
Federal Reserve

Summary

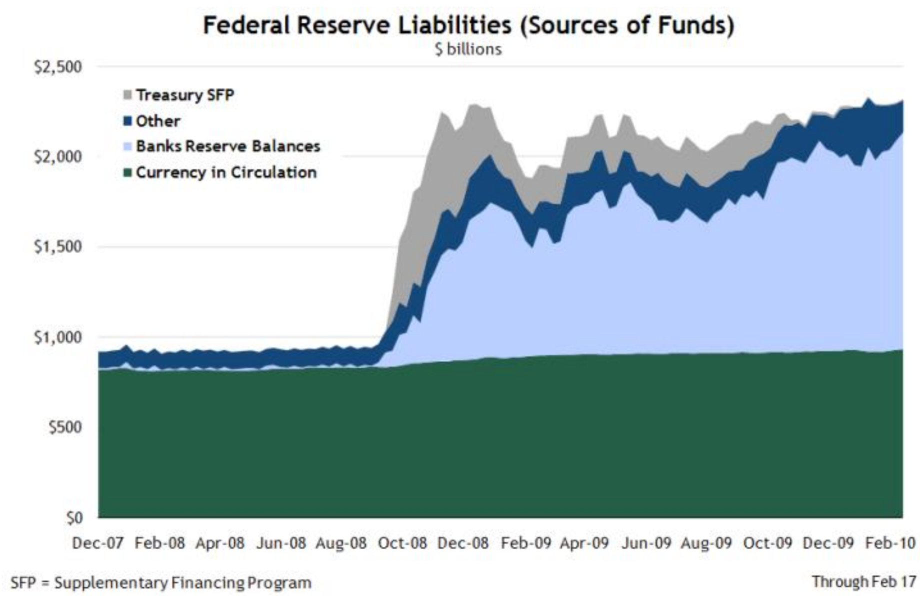
The balance sheet expanded $20 billion, to $2.3 trillion, for the week ended February 17.



Source: Federal Reserve Board

- Holdings of agency debt and mortgage backed securities increased $49 billion while short-term lending to financials, specifically the Term Auction Credit Facility, declined by $23 billion.
- 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 17 banks' reserve balances increased $41 billion to $1.2 trillion; they now make up 52% of the balance sheet. Other liabilities fell by $25 billion.



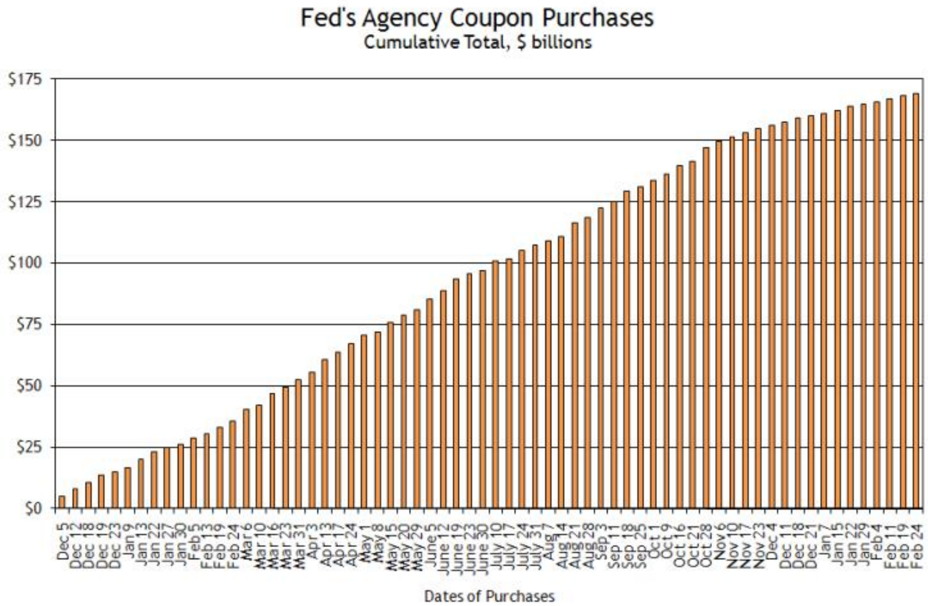
Source: Federal Reserve Board

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

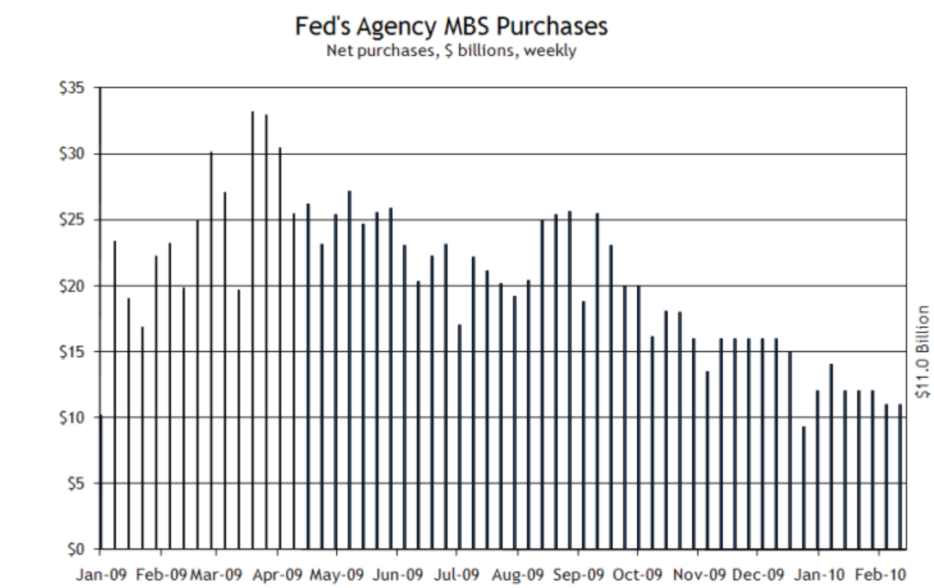
With its most recent agency debt purchase on February 24, the Fed is 97% of the way to its goal of $175 billion.



Source: NY Fed

- The Fed has completed $169.1 billion of its $175 billion agency debt purchase program through February 24 (making it 97% complete).
- The last purchase, on February 24, was made for $0.98 billion and had a bid-to-cover ratio of 3.34.

Similarly, the agency MBS purchase program nears its goal of $1.25 trillion, with the last two weeks seeing $11 billion in purchases.



Source: NY Fed

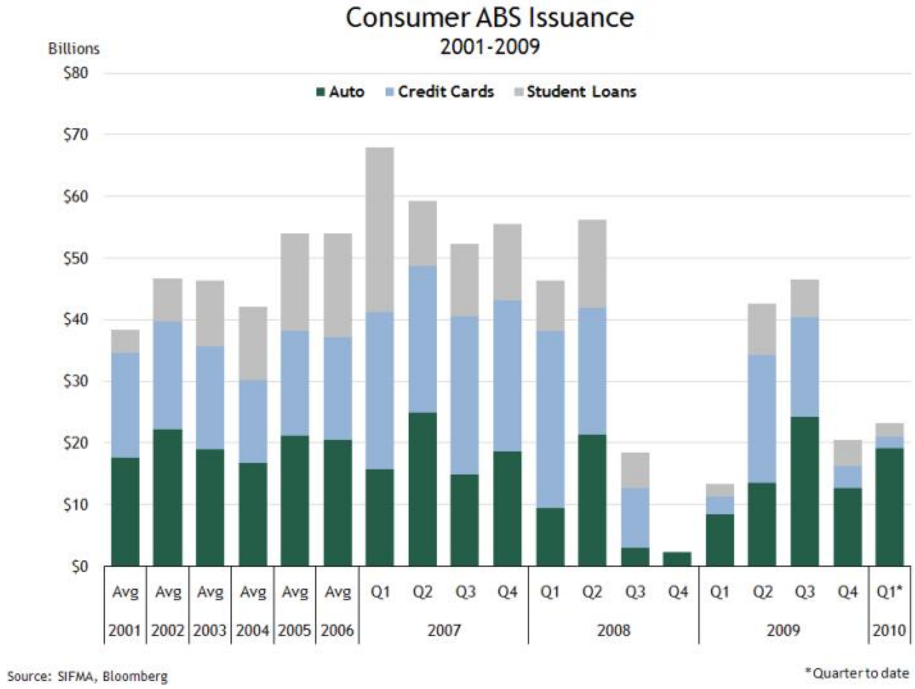
- The Fed purchased a net total of $11 billion of agency-backed MBS through the week of February 17. This purchase brings its total purchases up to $1.199 trillion, and by the end of the first quarter of 2010 the Fed will have purchased $1.25 trillion (thus, it is 96% complete).

Asset-Backed Securities

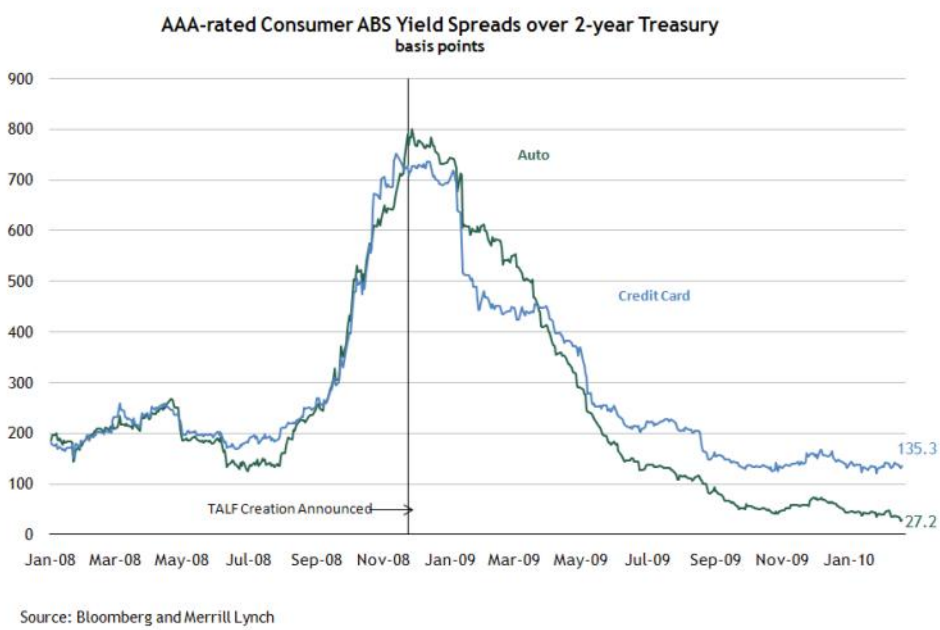
Summary

Consumer ABS issuance for the first quarter of 2010 (as of February 22) has already surpassed that of the fourth quarter of 2009.

So far this quarter, issuance of securities backed by auto loans is similar to averages of previous years. Issuance backed by credit cards and student loans, however, was weak in the fourth quarter and has remained very weak so far this quarter.



Consistent with the ongoing improvement in the ABS market, risk spreads on consumer ABS have continued to edge lower.



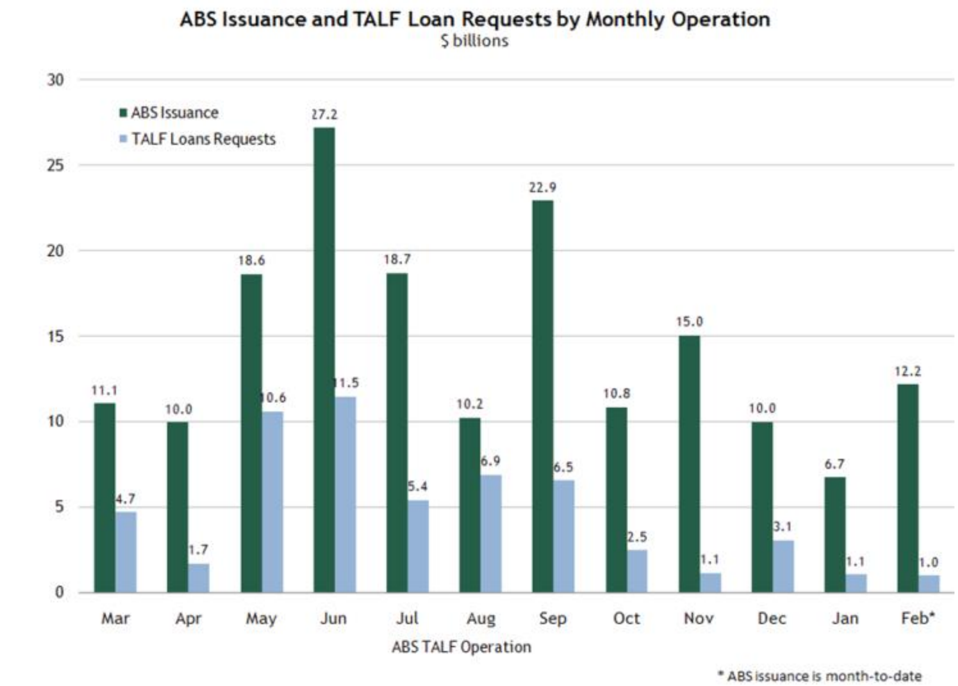
- As of February 22, ABS backed by autos were 27 basis points (bps) higher than two-year Treasuries while ABS backed by credit cards were 135 bps higher than Treasuries.

Asset-Backed Securities

Summary

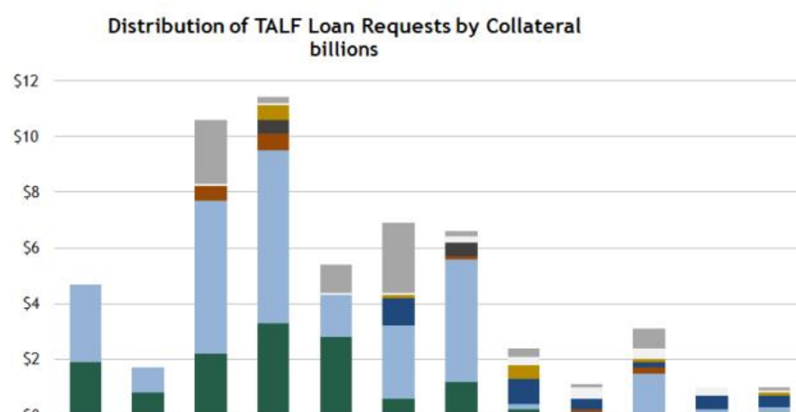
A total of $1 billion in financing was requested in the February operation. When compared to the $12.2 billion issued so far this month, only a small fraction of all ABS issuance is being financed through the TALF.

The February operation should be the second to last since the nonmortgage ABS TALF is set to expire March 31, 2010.



Source: Bloomberg/NY Fed

The type of TALF loans has shifted over time. At first requests were dominated by securities backed by autos and credit cards. In recent months, however, the mix of loans has become more diverse, and the amount requested has shrunk overall.



	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Student Loan	0	0	2.3	0.2	1	2.5	0.2	0.3	0.1	0.7	0	0.1
Small Business	0	0	0.1	0.1	0.1	0.1	0.2	0.3	0.4	0.4	0.3	0.1
Servicing Advances	0	0	0	0.5	0	0.1	0	0.5	0	0.1	0	0.1
Premium Finance	0	0	0	0.5	0	0	0.5	0	0	0	0	0
Floorplan	0	0	0	0	0	1	0	0.9	0.4	0.2	0.5	0.4
Equipment	0	0	0.5	0.6	0	0	0.1	0	0.1	0.2	0	0
Credit Card	2.8	0.9	5.5	6.2	1.5	2.6	4.4	0.2	0.1	1.5	0.2	0.2
Auto	1.9	0.8	2.2	3.3	2.8	0.6	1.2	0.2	0	0	0	0.1

Source: NY FED

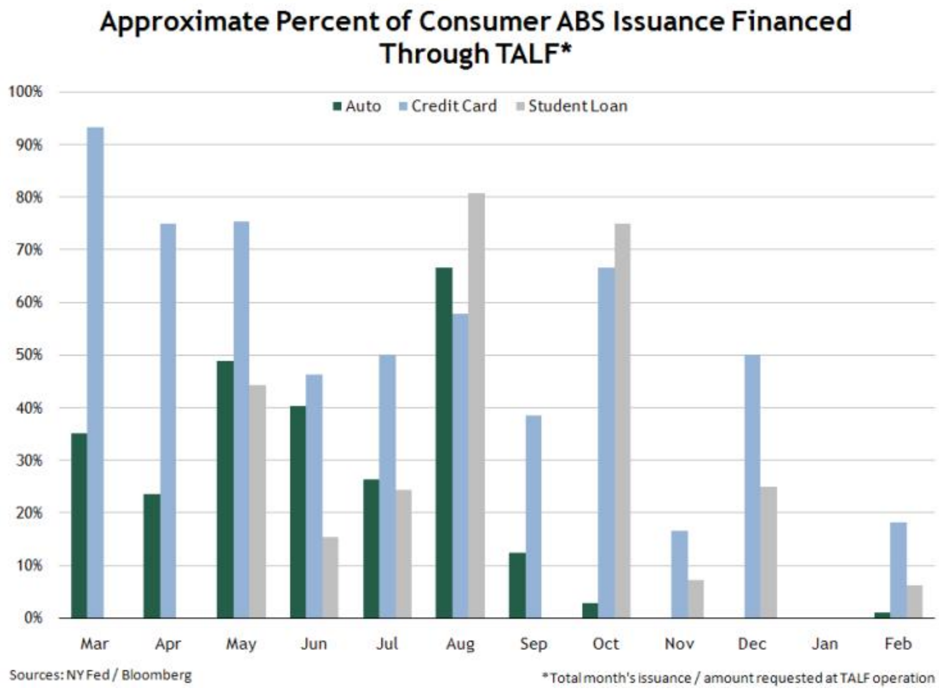
Asset-Backed Securities

Summary

Consumer ABS markets were heavily supported by the TALF when the program first began.

The percent of ABS backed by autos has significantly dropped off from its August high of 67%, largely the result of declines in auto spreads.

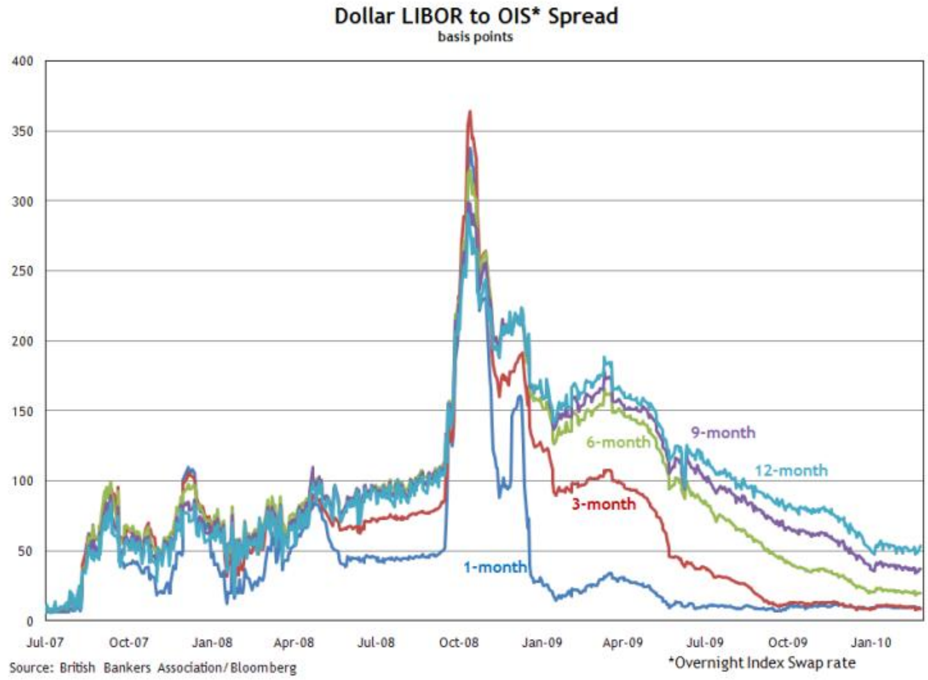
The percent of ABS backed by credit cards and student loans still seems to be relying somewhat on the TALF as yield spreads have not declined by as much as autos and issuance levels remained depressed.



Broad Financial Market Indicators

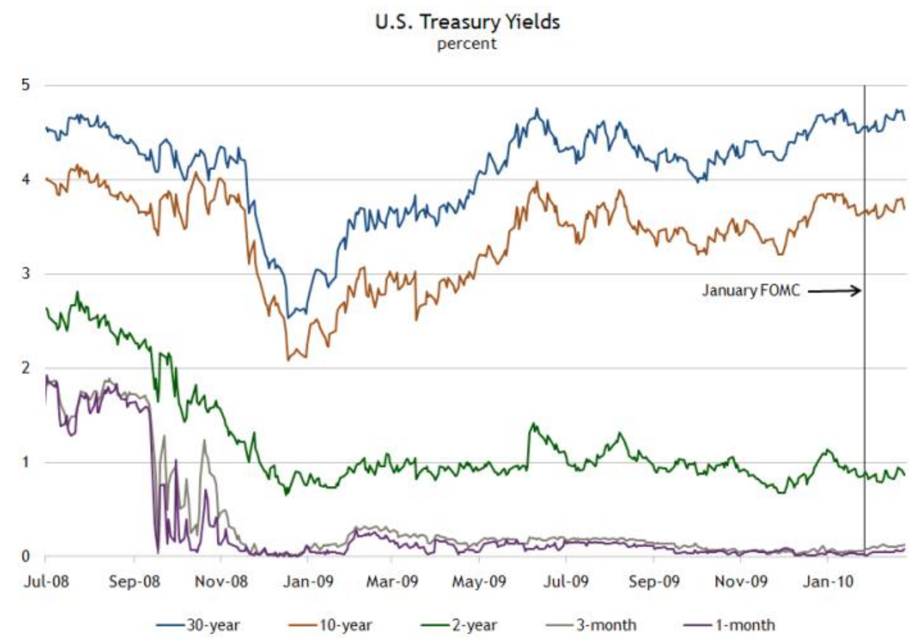
Summary

LIBOR to OIS spreads continue to be stable at shorter horizons, but less so further out.



- The one-month and three-month dollar LIBOR to OIS spreads are about 1 bps narrower at 8.5 and 8.7 bps, respectively, since the January FOMC meeting. Further out, the 6– and 9-month spreads have decreased slightly to 19.3 and 36.3 bps, respectively, but the 12-month spread has increased 3.4 bps to 51.5 bps.

Treasury yields have moved slightly higher since the January FOMC meeting, though they fell sharply on February 23.



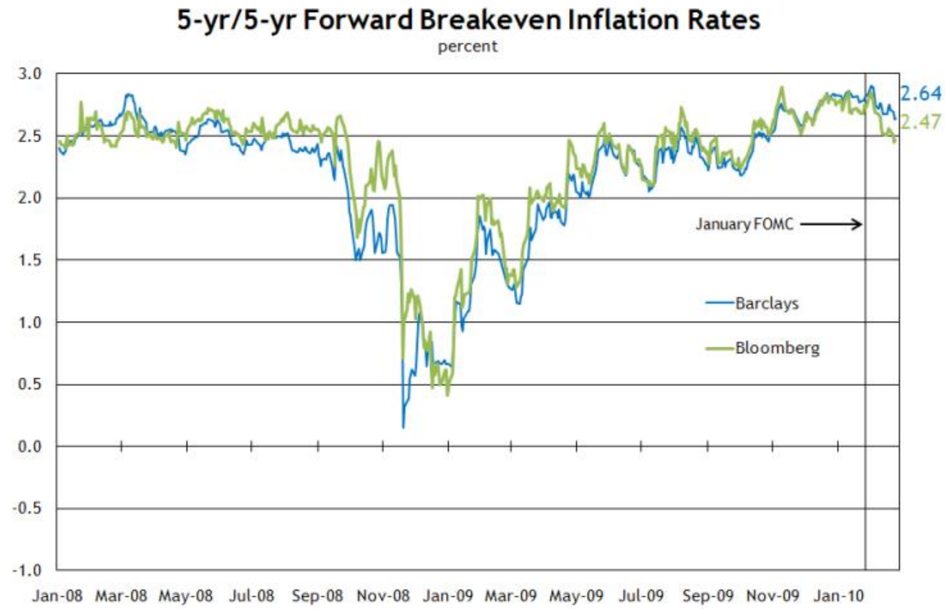
Source: Bloomberg

- Since the January FOMC, longer-dated Treasury yields have moved slightly higher: Through February 23, the 30-year bond is up 8 bps to 4.63%, the 10-year 3 bps moved higher to 3.69%, but the two-year note was down 3 bps to 0.87%.
- On February 23, both the 30-year bond and 10-year note fell more than 10 bps.

Broad Financial Market Indicators

Summary

Since the January FOMC meeting, measures of expected inflation have receded, according to the TIPS market.



Source: Barclays Capital, Bloomberg

- Since the last FOMC meeting on January 27, the Barclays 5-year/5-year forward breakeven inflation rate has fallen 18 bps to 2.64% as of February 24.
- A more generic market measure from Bloomberg shows a fall of 25 bps, settling at 2.47%.