FEDERAL RESERVE BANK of ATLANTA

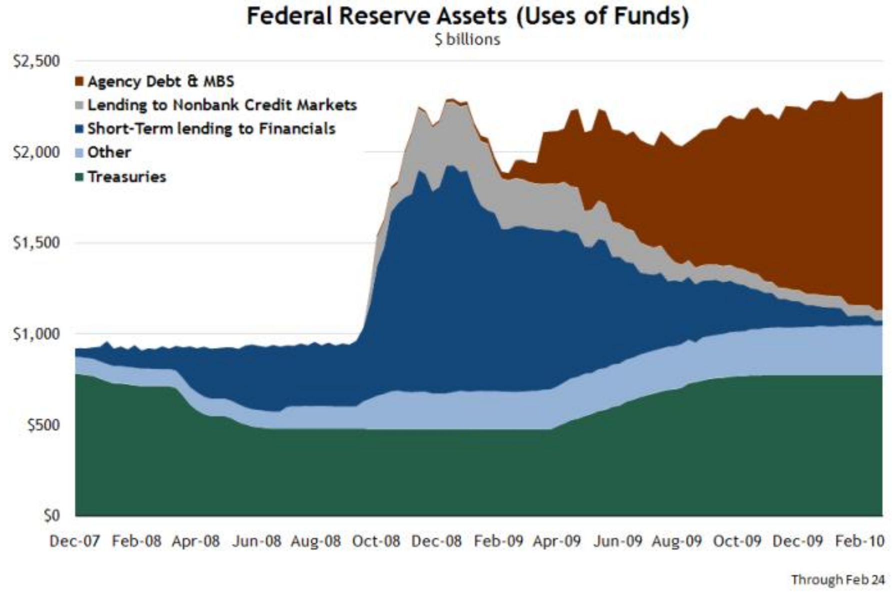
March 3, 2010

Financial Highlights

Federal Reserve

Summary

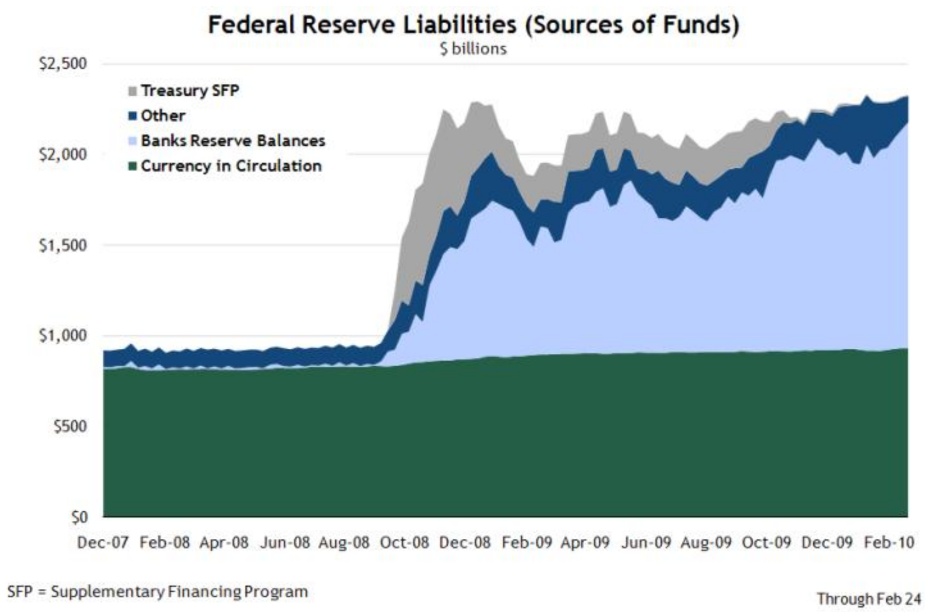
The balance sheet expanded $9.7 billion, to $2.3 trillion, for the week ended February 24.



Source: Federal Reserve Board

- Holdings of agency debt and mortgage backed securities, which rose by $8 billion, accounted for the majority of the expansion of the balance sheet and continue to replace lending to nonbank credit markets and short-term lending to financials.
- 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 24, banks' reserve balances increased $41 billion, to $1.2 trillion; they now make up 53% of the balance sheet. Other liabilities fell by $25 billion.



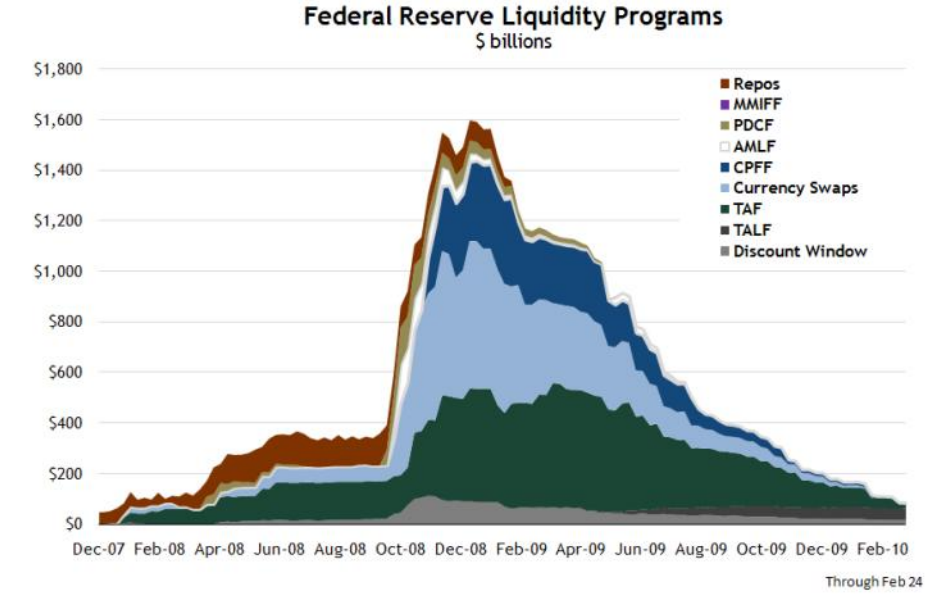
Source: Federal Reserve Board

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

Liquidity programs on the Federal Reserve's balance sheet have declined significantly since December 2008.



Source: Federal Reserve Board

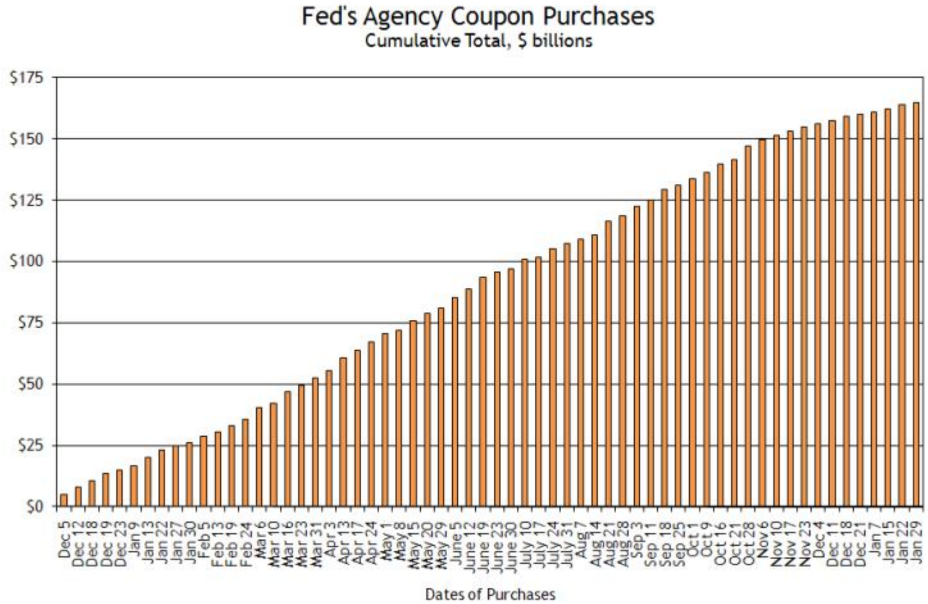
- Many of the liquidity facilities expired last month and were not extended because of the stabilization of markets as evidenced by the decline in the use of the facilities.
- Of the temporary liquidity facilities created to help support financial markets during the financial crisis only a few are still open. The expiration dates for the remaining facilities are TAF (March 8), TALF—new CMBS (June 30, 2010), and TALF—ABS and old CMBS (March 31, 2010).

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

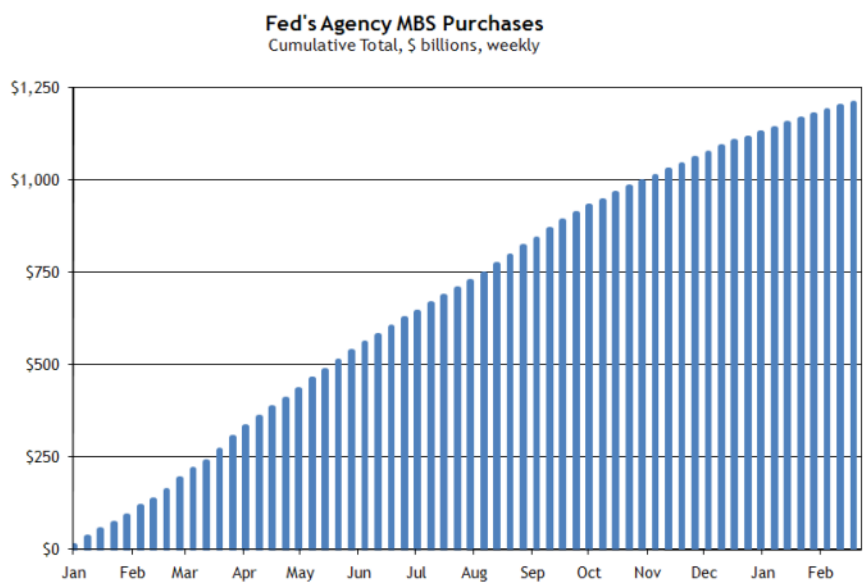
The Fed is nearing the completion of its agency debt purchase program, scheduled to conclude by the end of March 2010.



Source: NY Fed

- The Fed has completed $169.1 billion of its $175 billion agency debt purchase program through March 2 (making it 97% complete). The last purchase, on February 24, was made for $978 million.

The agency-backed MBS purchase program is also on schedule, with a net $11 billion purchased recently.



Source: NY Fed

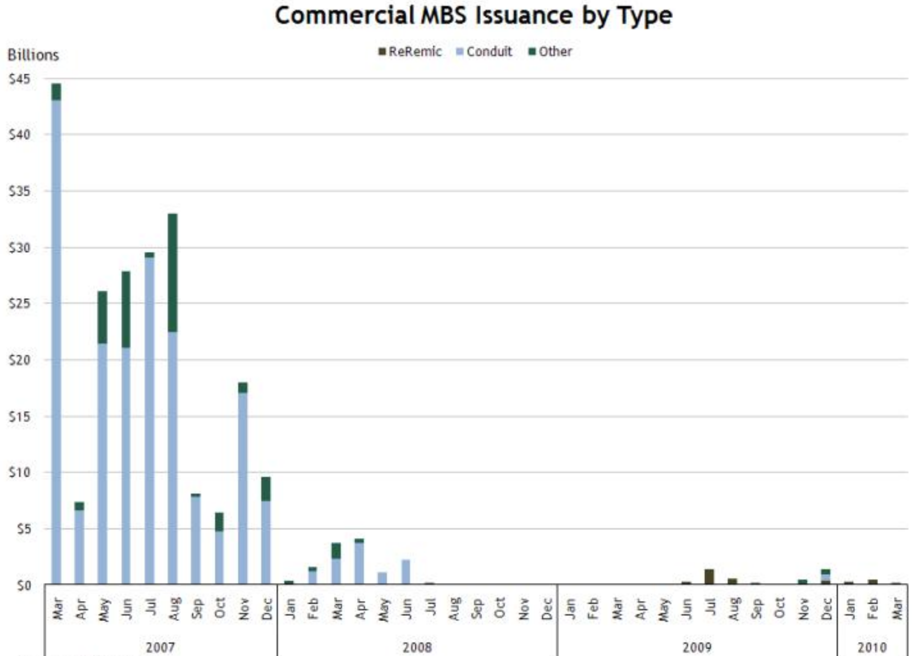
- The Fed purchased a net total of $11 billion of agency-backed MBS through the week of February 24, bringing its total purchases up to $1.210 trillion, and by the end of the first quarter 2010 the Fed will have purchased $1.25 trillion (thus, it is 97% complete).

Commercial Mortgage Backed Securities

Summary

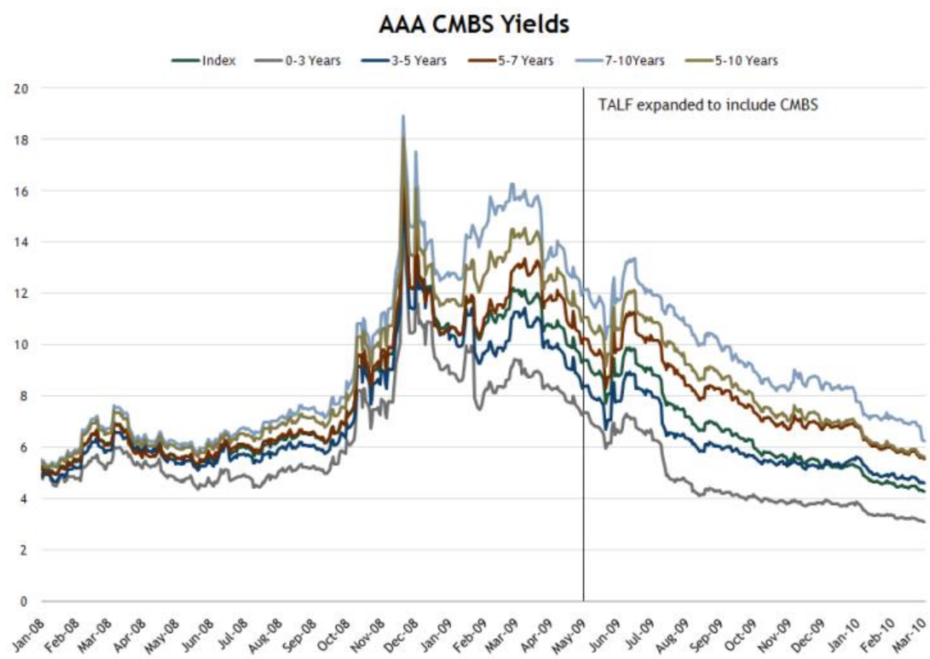
November and December of 2009 showed signs of improvement in the CMBS market. However, since then, there has been no new CMBS issuance.

The February 17 TALF operation provided $1.25 billion in financing for legacy CMBS, but nothing was requested for newly issued CMBS.



Source: Bloomberg

Yields on top-rated CMBS continue to improve.



Source: Bloomberg

- On February 17, the date of the last TALF operation, the market three-to-five-year yield on AAA CMBS was 4.79. By comparison, the three-loan loan rate for the TALF was 2.74, and the TALF five-year loan rate was 3.69.

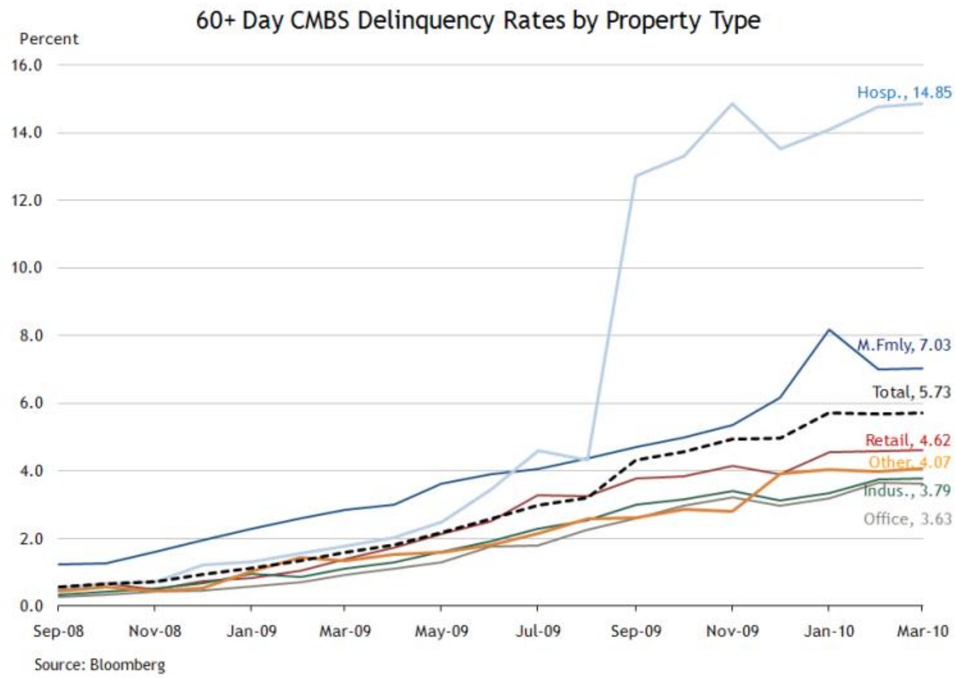
Commercial Mortgage Backed Securities

Summary

CMBS delinquency rates on all property types remain elevated.

The average delinquency rate for all properties is currently 5.73%, about 3.6 times as high as this time last year.

Delinquency rates on CMBS backed by hospitality properties is especially high, at nearly 15%.

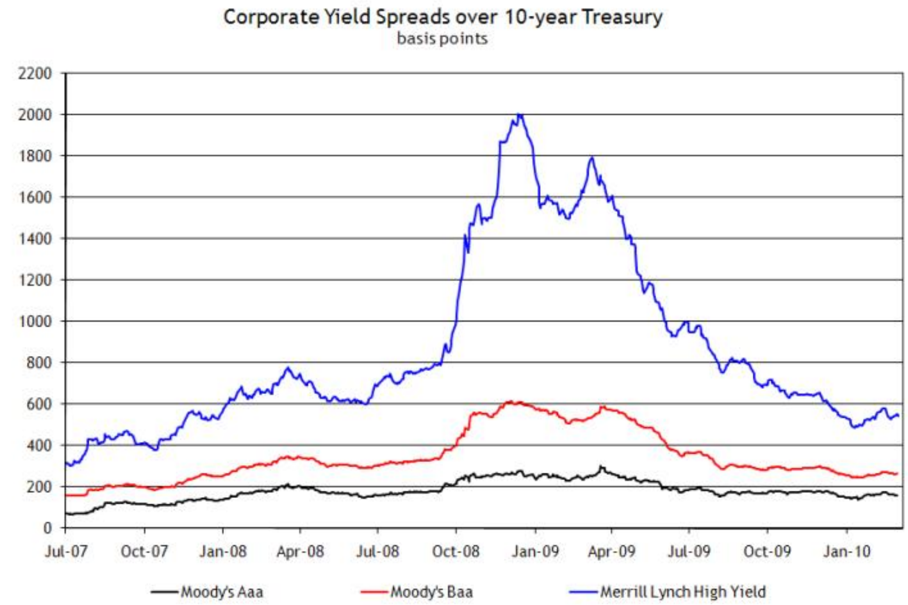


- On average, 22% of all CMBS are on watch for possible downgrade. Of the CMBS backed by hospitality-type properties, 36% are currently on watch for downgrade.

Corporate Bonds

Summary

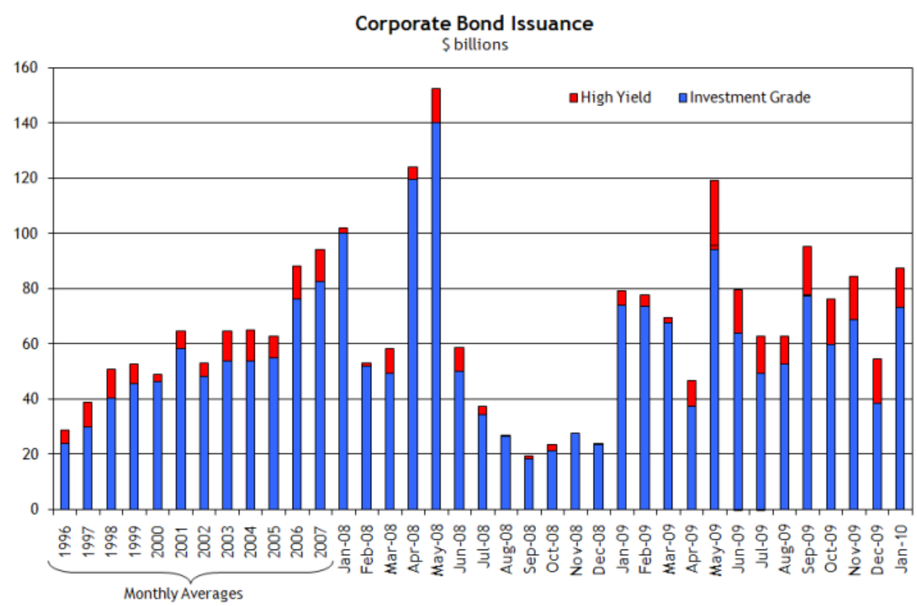
Corporate yield spreads widened slightly since the beginning of the year.



Source: Merrill Lynch, Federal Reserve Board

- Corporate yield spreads have widened in in the calendar year through March 2: by 20 basis point (bps) for the Merrill Lynch High Yield Index, 14 bps for Moody's Aaa-rated bonds, and 12 bps for Baa-rated bonds.

U.S. corporations accessed the bond market for nearly $90 billion in financing during January 2010. Of this, $14.4 billion was high-yield bonds.



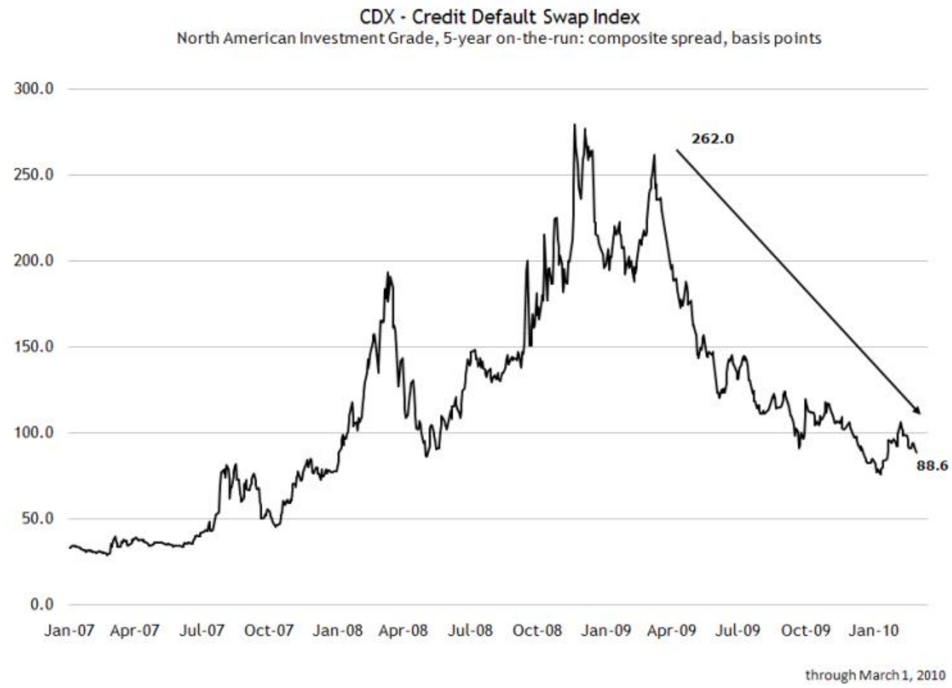
Source: Merrill Lynch, Federal Reserve Board

Corporate Bonds

Summary

The CDX has trended downward during the past year, consistent with improvement in perceived default risk among investment-grade bonds.

At 88.6 basis points on March 1, the index is at the lowest point since mid-January.

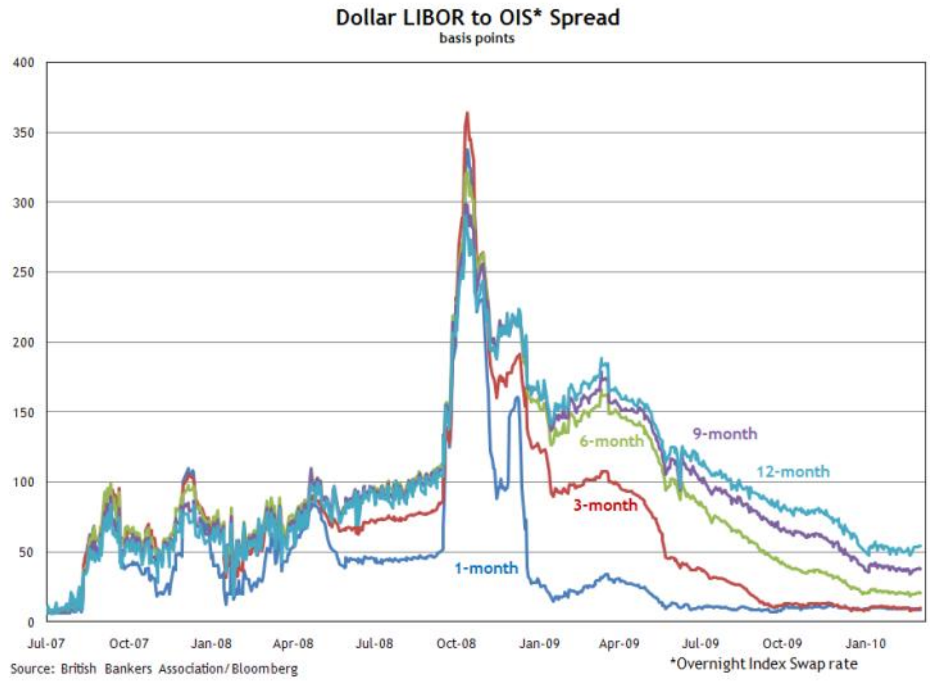


Source: Markit Group Limited/Haver Analytics

Broad Financial Market Indicators

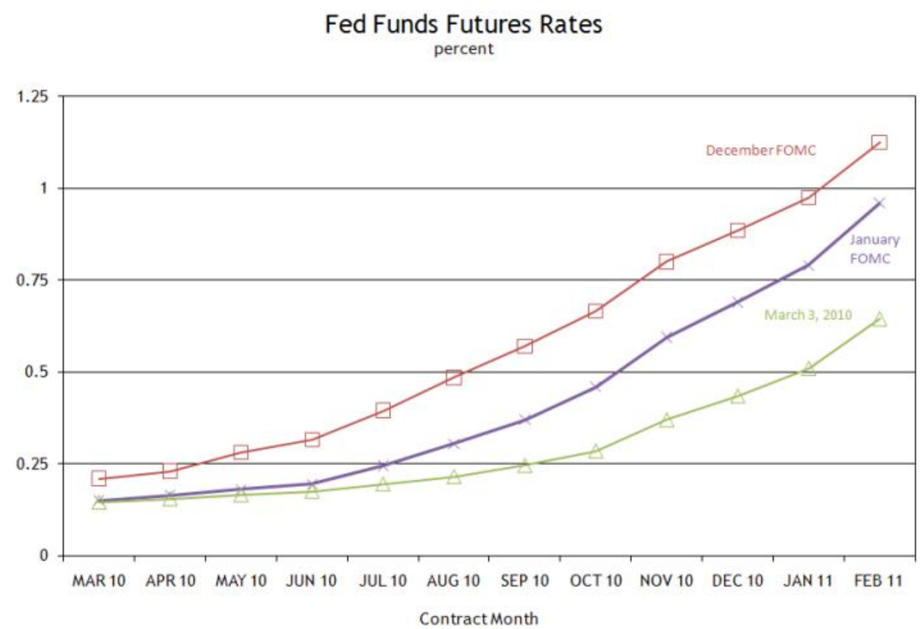
Summary

LIBOR to OIS spreads are stable since the last FOMC meeting.



- As of March 3, the one-month and three-month dollar LIBOR to OIS spreads are relatively stable since the last FOMC meeting, currently at 8.5 and 9.1 bps, respectively. The 6-, 9-, and 12-month spreads are at 20.8, 37.4, and 53.6 bps, respectively.

Fed funds futures indicate the market has pushed the likelihood of a Fed rate hike until late 2010 or even early 2011.

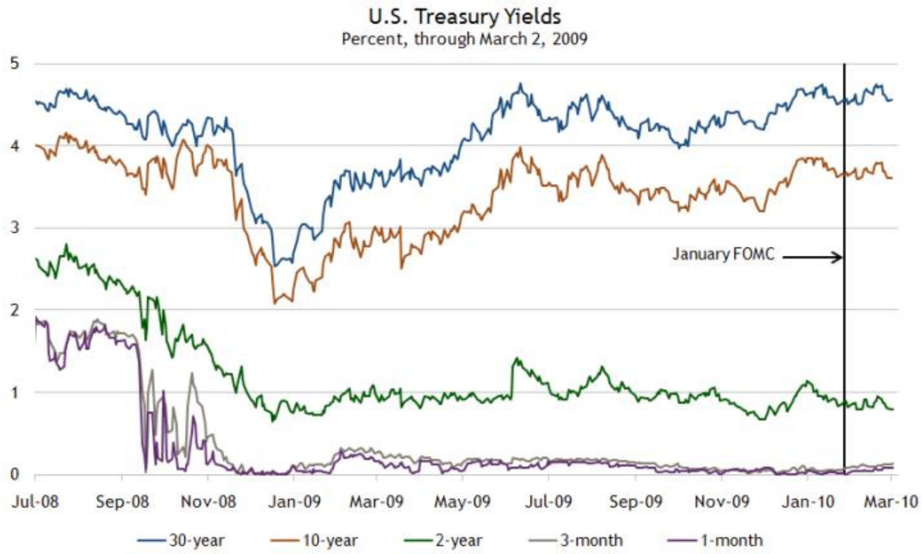


Source: Bloomberg

Broad Financial Market Indicators

Summary

Treasury yields have been stable since the January FOMC meeting.



Source: Bloomberg

- As of March 2, the 30-year bond yield is 4.57%, the 10-year is 3.62%, and the two-year note is 0.80%. The three– and one-month T-bill yields are 0.14% and 0.09%, respectively.
- Yields are little changed since the January FOMC meeting, with the greatest movement coming in the two-year note, which is down 10 bps.