FEDERAL RESERVE BANK of ATLANTA

August 11, 2010

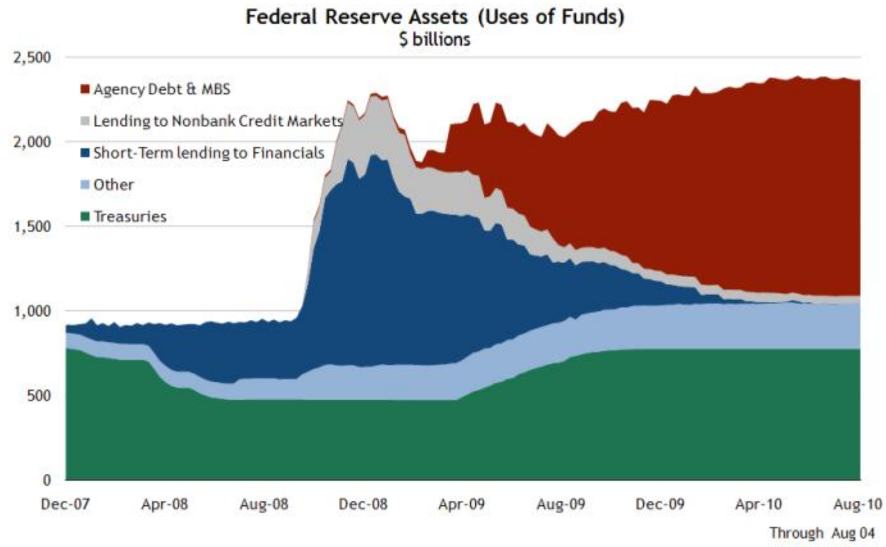
Financial Highlights

Federal Reserve

Summary

The balance sheet remained essentially unchanged, increasing by $1.1 billion for the week ending August 4.

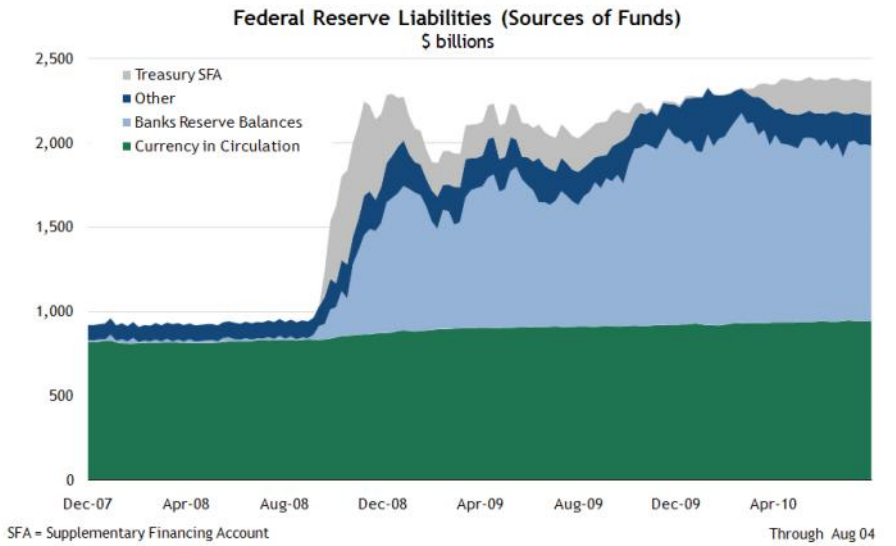
The recent FOMC statement released recently indicated that it would now reinvest MBS paydowns into Treasuries instead of letting them roll off the balance sheet.



Source: Federal Reserve Board

Treasury deposits with Federal Reserve banks increased by $13.6 billion, replacing a $10.7 billion decline in bank reserves.

Term deposits, a potential reserve-draining tool, declined by $2.1 billion from the week prior.



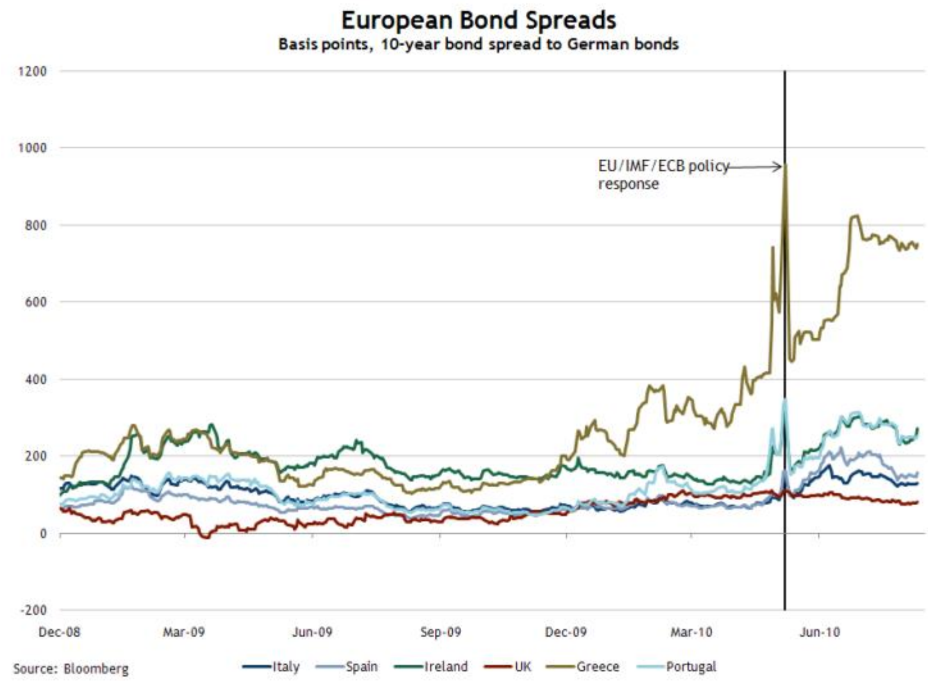
Source: Federal Reserve Board

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.

European Debt

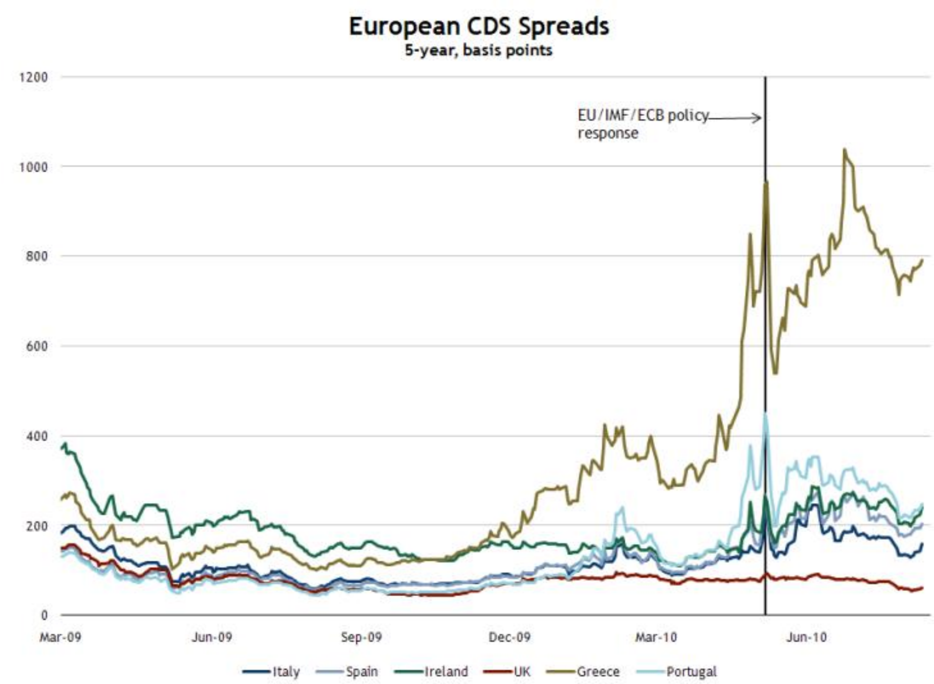
Summary

Peripheral European bond spreads (over German bonds) narrowed between the June and August FOMC meetings, though they were rising over the past week.



- Between the June and August FOMC meetings, the 10-year Greece-to-German bond spread has narrowed by 50 basis points (bps) (from 8.01% to 7.51%) through August 10, though it has risen by 12 bps in the past week. Similarly, with other European peripherals' spreads, Portugal's is lower by 54 bps during the period, and Spain's is lower by 37 bps, though both are up from the week prior.

Similarly, CDS spreads have widened recently after a period of stabilization of several weeks.



Source: Bloomberg

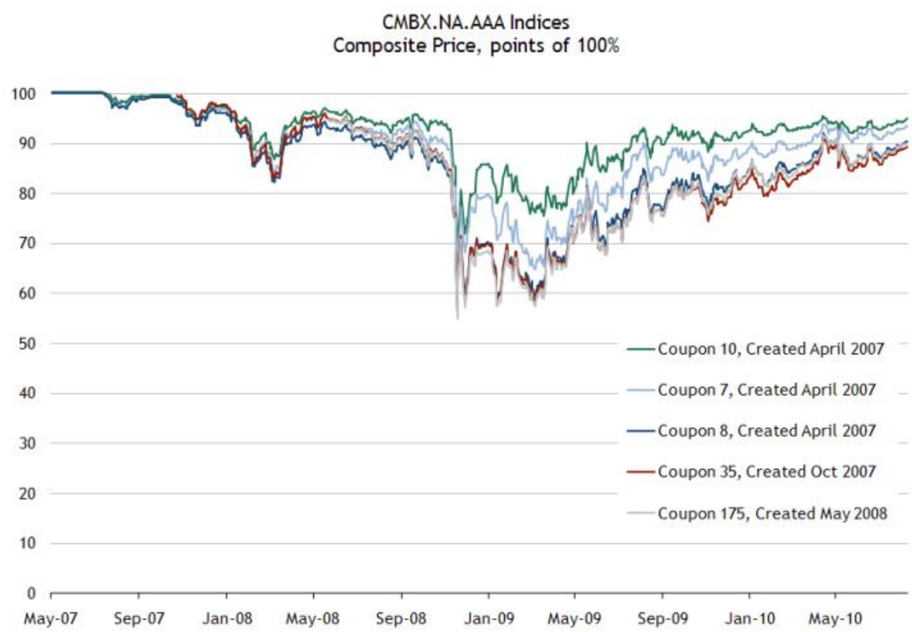
Securitized Markets

Summary

The ABX continues to rise across all vintages, indicating a decline in the cost to insure against default on the underlying home equity loans.

Source: Markit Group Limited/Haver Analytics

The same is true for the index value of commercial MBS credit default swaps. All vintages of the CMBX.NA.AAA continue to rise, indicating a lower cost to insure against default of commercial MBS.



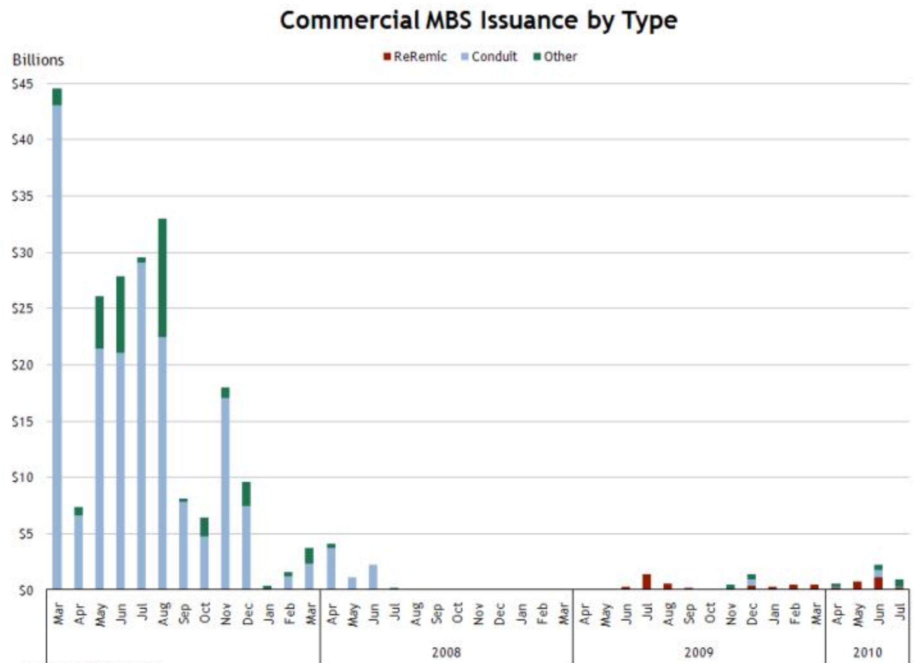
Source: Markit Group Limited/Haver Analytics

Securitized Markets

Summary

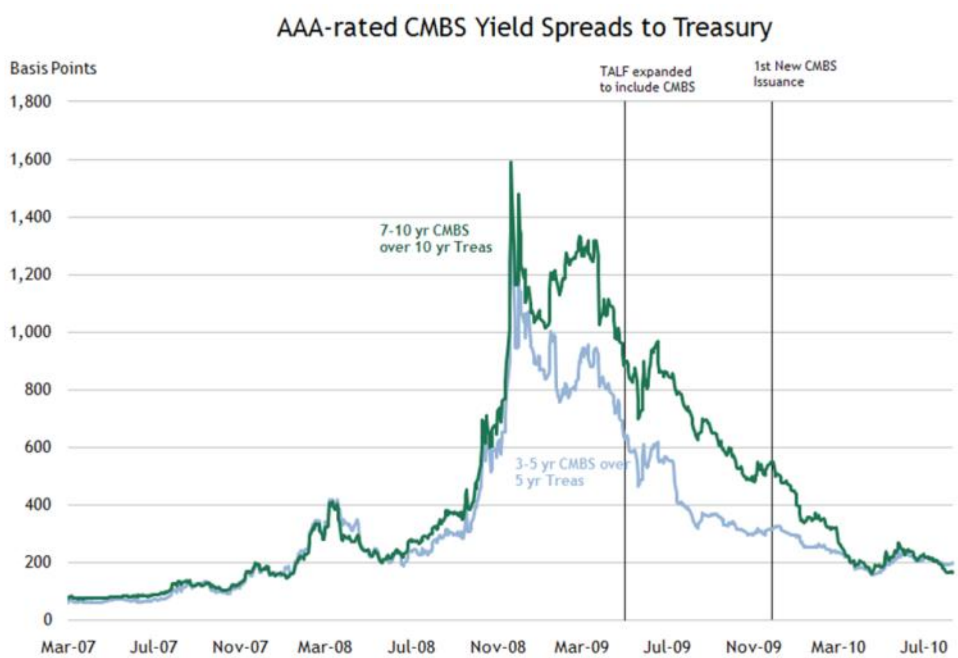
Issuance of CMBS picked up in June. There was less activity in July, but already there is a rather large conduit deal in the works of approximately $788 million.

Re-REMIC deals remain popular, with many securities still on a watchlist for a ratings downgrade.



Source: Bloomberg

CMBS yields over Treasuries have been relatively stable since March.

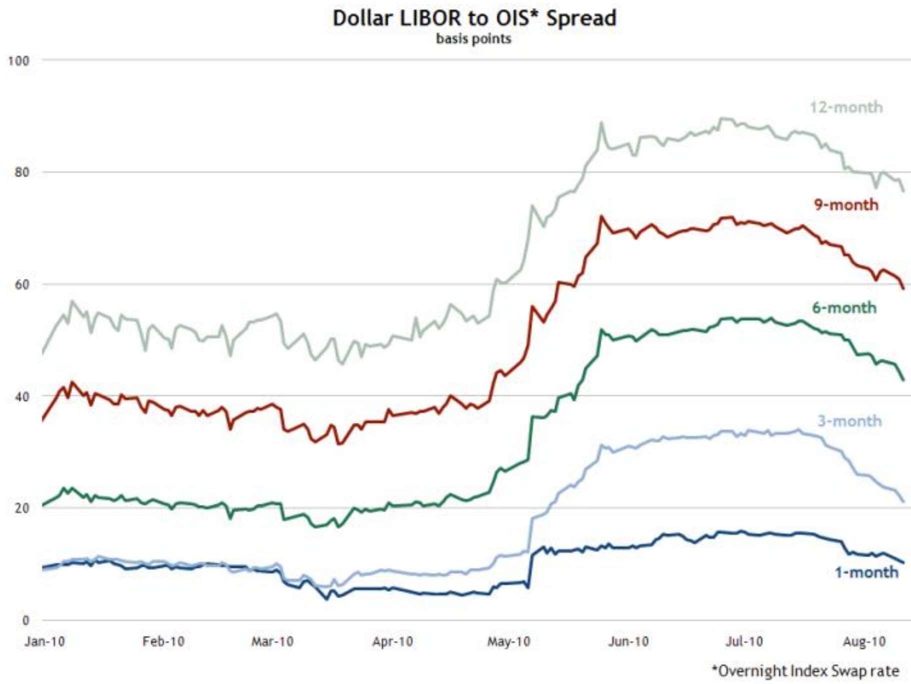


Sources: Merrill Lynch/Bloomberg

Broad Financial Market Indicators

Summary

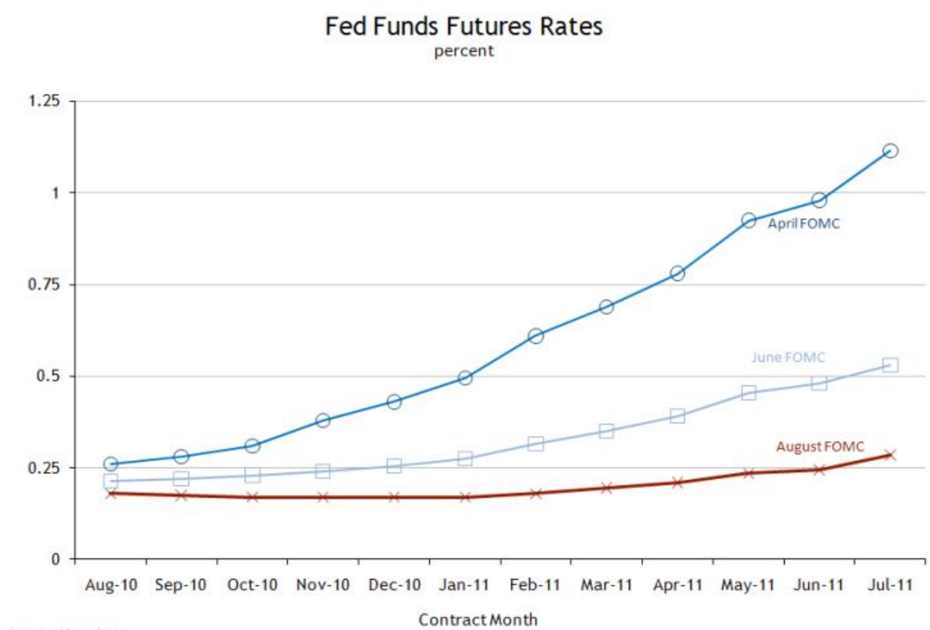
Amid broader stabilization in credit markets, LIBOR to OIS spreads narrowed across all tenors between the June and August FOMC meetings.



Source: Bloomberg/British Bankers' Association

- Between the June and August FOMC meetings, dollar LIBOR to OIS spreads have narrowed across all tenors, but more so further out on the curve. The one-, three-, and six-month spreads declined between 4 bps and 11 bps, while the nine- and 12-month spreads were lower by 9-10 bps.

The curve of expected rates from the fed funds futures market flattened further over the intermeeting period, pushing back the first expectation of a Fed rate increase into the second half of 2011, if not into 2012.



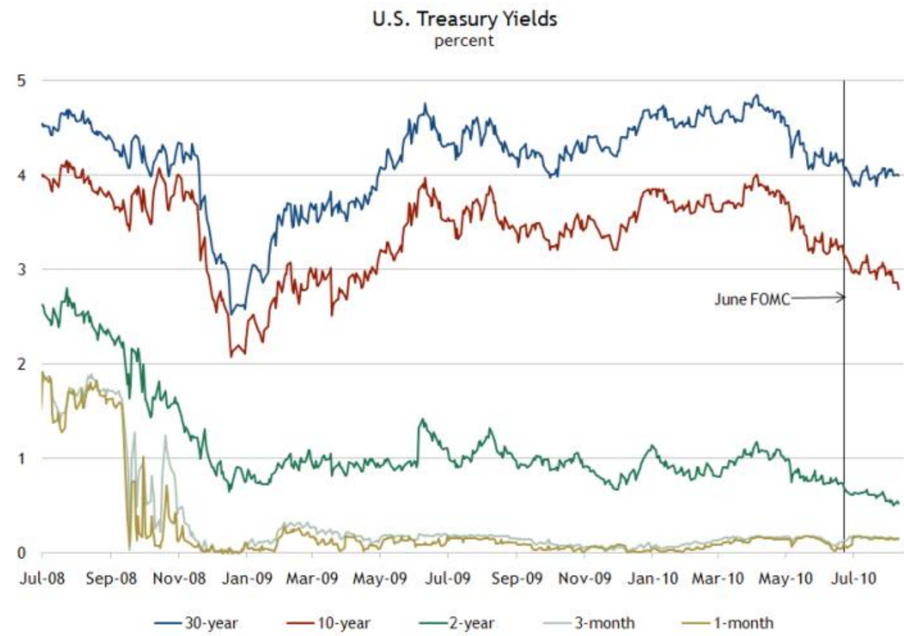
Source: Bloomberg

- In the intermeeting period, the fed funds futures markets has pushed backed its expectation of a rate increase to late 2011, if not early 2012.
- As of August 10, the futures market for fed funds indicates an implied rate of about 28 bps for the July 2011 contract.

Broad Financial Market Indicators

Summary

Longer-dated Treasury yields declined over the intermeeting period, especially for the 10-year note.



Source: Federal Reserve Board

- During the intermeeting period, the two-to-30-year curve of Treasury yields has steepened: The 30-year bond is 5 bps lower at 4%, but the 10-year and two-year notes have fallen by 34 bps and 14 bps, respectively, to 2.79% and 0.52%.
- T-bill rates have risen over this period. The three– and one-month bills are higher by 2 bps and 8 bps, respectively, at 0.15% , through August 10.

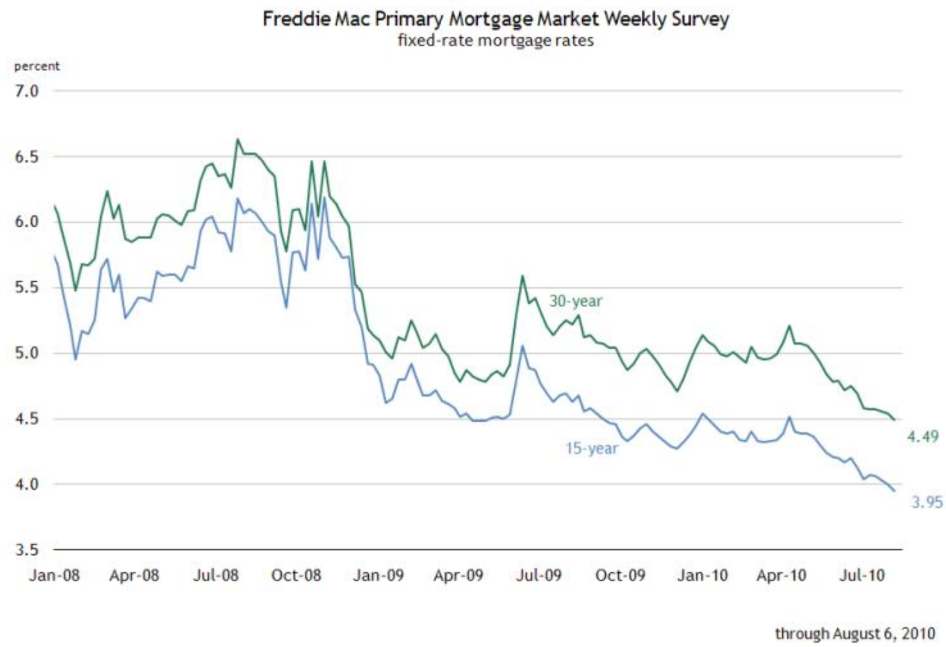
Broad Financial Market Indicators

Summary

Fixed mortgage rates for 30- and 15-year loans fell again, reaching record low rates for the survey.

At 4.49%, the 30-year fixed rate has not been lower in the 39-year history of the survey.

The 15-year rate dipped below 4% for the first time since tracking began in 1991.



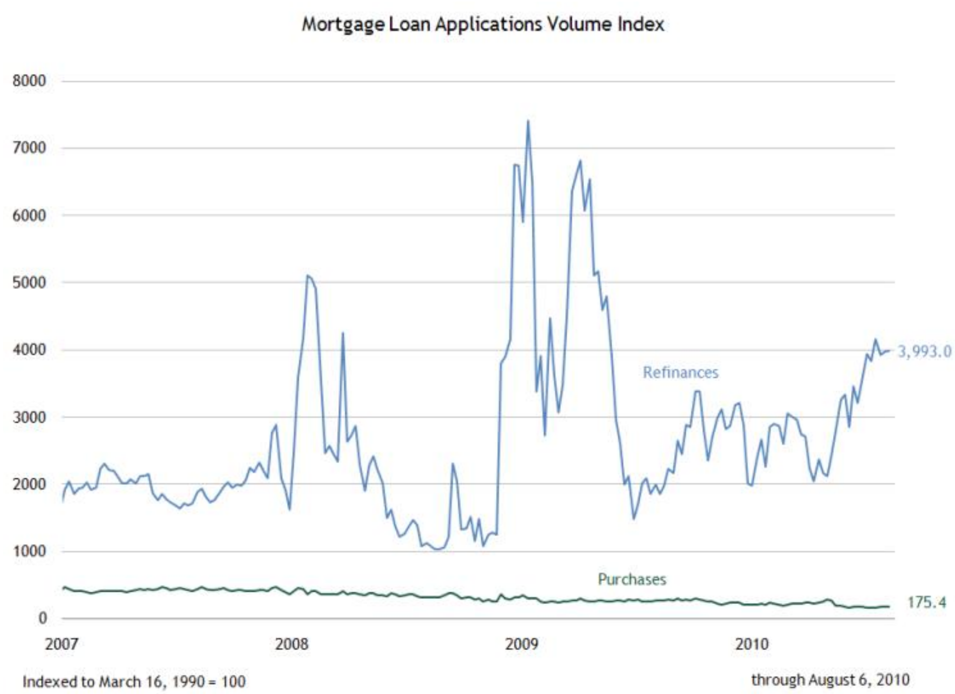
Source: Federal Home Loan Mortgage Corporation/Haver Analytics

- The 30-year fixed rate averaged 4.49%, down slightly from 4.54% a week ago; the 15-year fixed rate averaged 3.95%, down from 4% a week ago.
- At this time last year, the 30-year fixed rate averaged 5.22%; the 15-year fixed rate averaged 4.63%.

Purchase application volume remains flat despite historically low interest rates. The purchase index is up just 0.3% from one week earlier.

The refinance index increased 0.6% from the previous week and remains well below the peaks set in January and April 2009.

The purchase index and refinance Index are measures of loan application volume reported in the MBA's Weekly Application Survey.



Source: Mortgage Bankers Association/Haver Analytics

- For the week ending August 6, total mortgage application volume increased 0.6% from one week earlier.
- The refinance share of mortgage activity increased to 78.1% from 78.0% the previous week.