

# ECONOMIC AND FINANCIAL HIGHLIGHTS

## CONSUMER PRICES

Consumer Price Index (CPI)	2
Sticky and Flexible CPI	3

## PRODUCER PRICES

Finished Goods Producer Price Index	4
-------------------------------------	---

## MORTGAGE MARKET

Primary Mortgage Market Survey	5
Mortgage Loan Applications Volume Index	6

## REAL ESTATE

Sales and Months' Supply of Existing Single-Family Homes	7
U.S. Home Starts	8

## FEDERAL RESERVE BALANCE SHEET

Assets	9
Liabilities	10

## INTEREST RATES

LIBOR-OIS	11
Treasury Yields	12

FEBRUARY 22, 2012

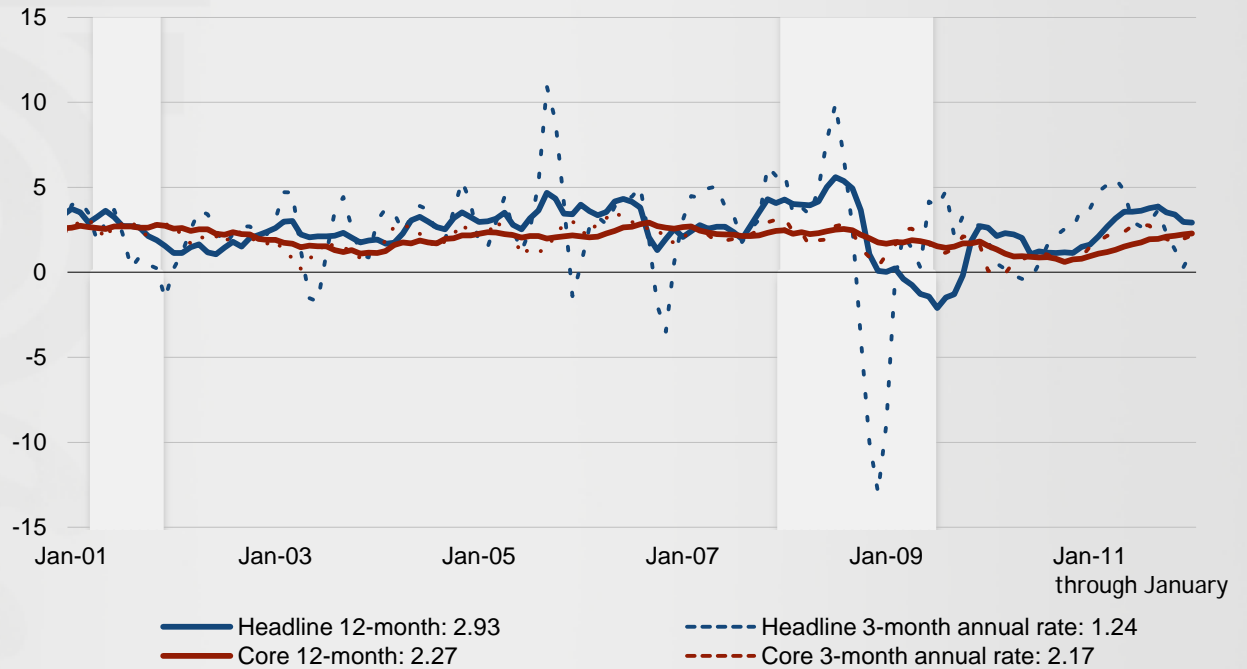


# CONSUMER PRICES

## SUMMARY

The headline consumer price index (CPI) rose at a 2.5 percent rate in January from December, supported by increases in the energy index and higher prices charged at restaurants. Excluding food and energy, core CPI posted a broad-based increase, accelerating to 2.7 percent from the previous month (annualized).

**Consumer Price Index**  
percent change over given period



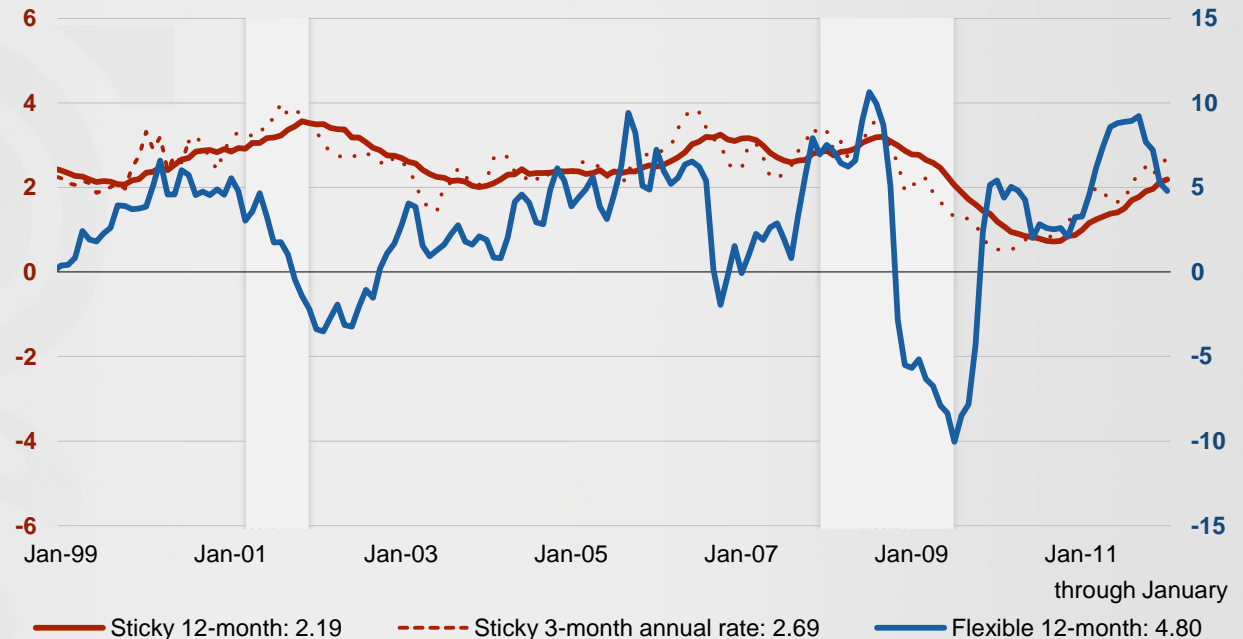
Source: Bureau of Labor Statistics

# CONSUMER PRICES

## SUMMARY

The Atlanta Fed's sticky price CPI rose at a 3 percent annualized pace in January and is up 2.7 percent on a 12-month basis.

**Sticky and Flexible CPI**  
percent change over given period



Source: Bureau of Labor Statistics, Atlanta Fed

## ADDITIONAL DETAIL

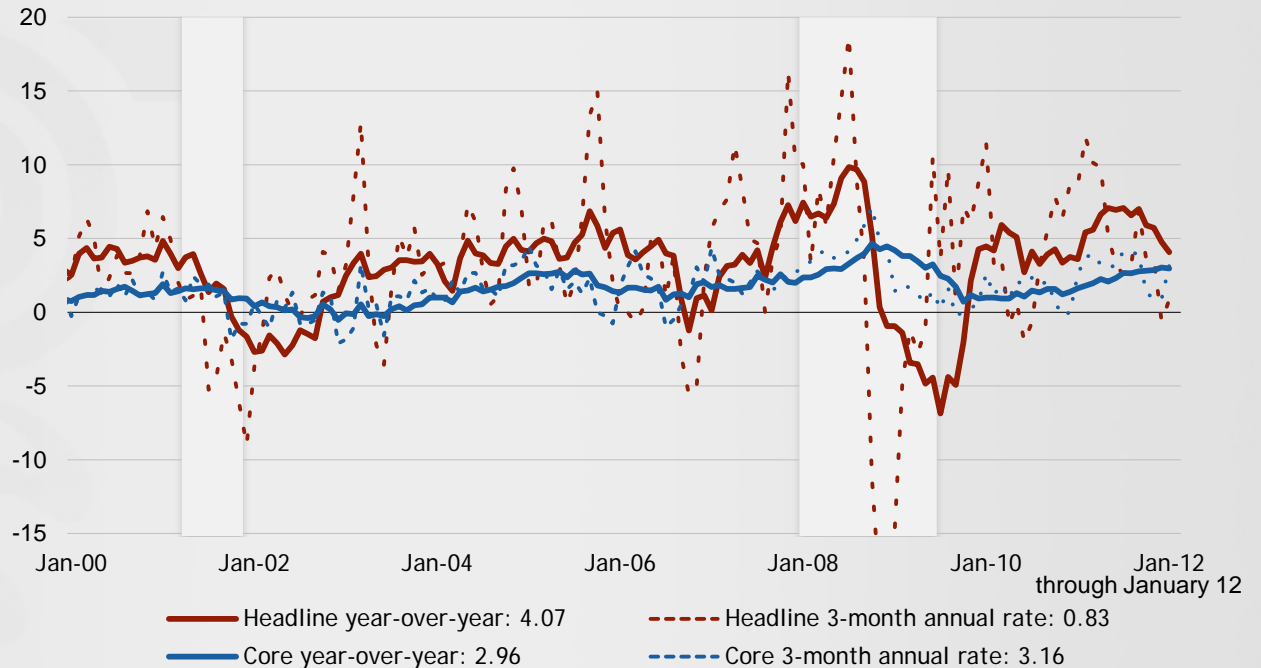
- The Atlanta Fed's sticky price CPI measure—the weighted basket of goods consumers purchase that change prices relatively infrequently—rose 3 percent in January (annualized), following 2.6 percent growth in December. The 12-month index rose 2.2 percent, the largest year-over-year increase since June 2009.
- The sticky price index increased 2.8 percent on a core basis (which excludes food and energy) in January (annualized), and the 12-month index rose 2.1 percent, continuing to accelerate since midyear 2010.
- The flexible cut of the CPI—a weighted basket of goods that change price relatively frequently—increased at a 1.4 percent rate in January (annualized) and was up 4.8 percent from year-earlier levels.

# PRODUCER PRICES

## SUMMARY

The producer price index (PPI) for finished goods rose 1.2 percent in January (annualized), following a similarly sized decline in December. Finished core PPI accelerated to 5.5 percent, which more than offset declines in the indices for both finished foods and finished energy.

**Finished Goods Producer Price Index**  
percent change over given period



Source: Bureau of Labor Statistics

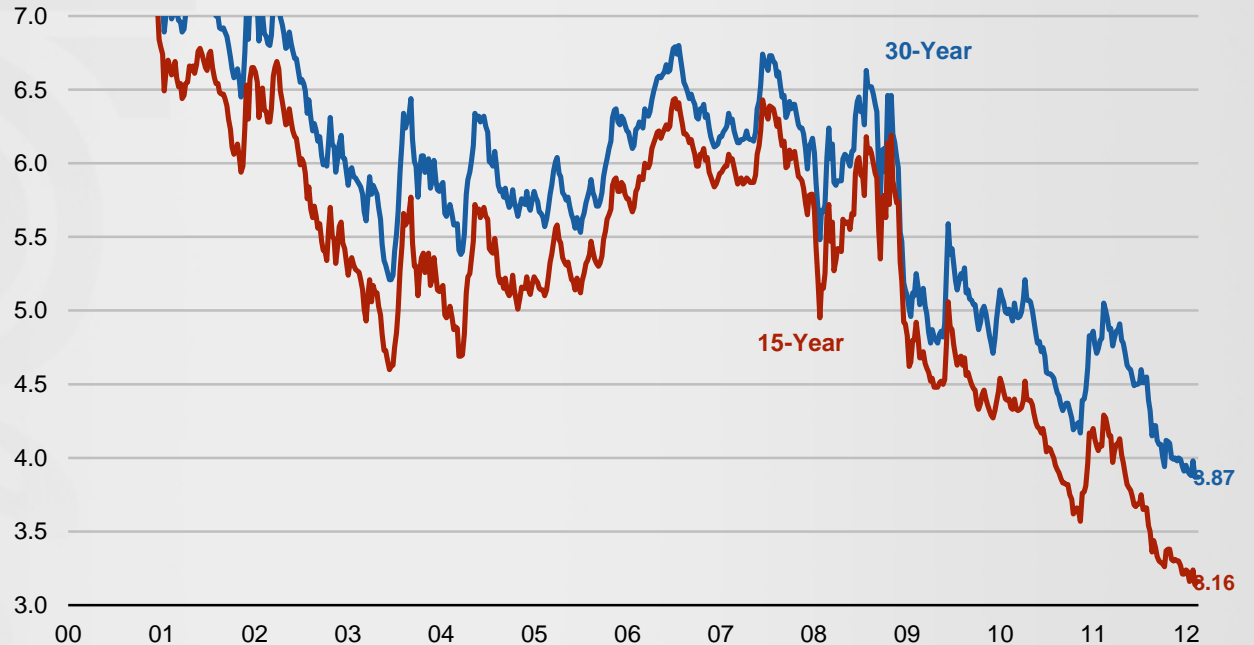
# MORTGAGE MARKET

## SUMMARY

Rates for 15-year, fixed-rate mortgages are unchanged from last week but down about 100 basis points (bps) compared with a year ago.

The average rate for a 30-year, fixed-rate mortgage has held steady at 3.87 percent during February.

Freddie Mac, Primary Mortgage Market Survey (PMMS)  
fixed-rate mortgage rates, percent



Source: Federal Home Loan Mortgage Corporation, Haver Analytics

through February 16, 2012

## ADDITIONAL DETAIL

- The current 3.87 percent average rate for a 30-year fixed-rate mortgage is the lowest ever recorded by the PMMS since it began in April 1971.

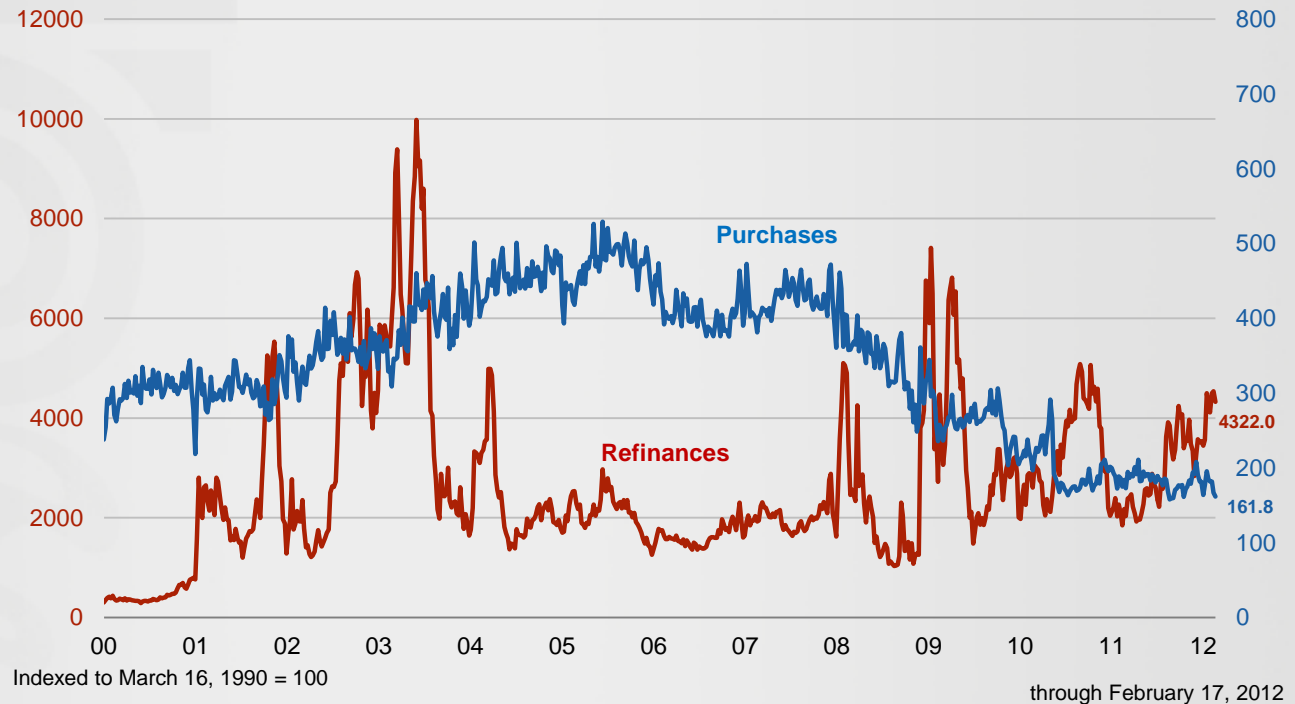
# MORTGAGE MARKET

## SUMMARY

The index of mortgage loan applications for home purchases declined approximately 12 percent since January 20.

However, the index for refinancing applications is up 1.3 percent over the same period and nearly 100 percent on a year-over-year basis.

### Mortgage Loan Applications Volume Index



Source: Mortgage Bankers Association, Haver Analytics

## ADDITIONAL DETAIL

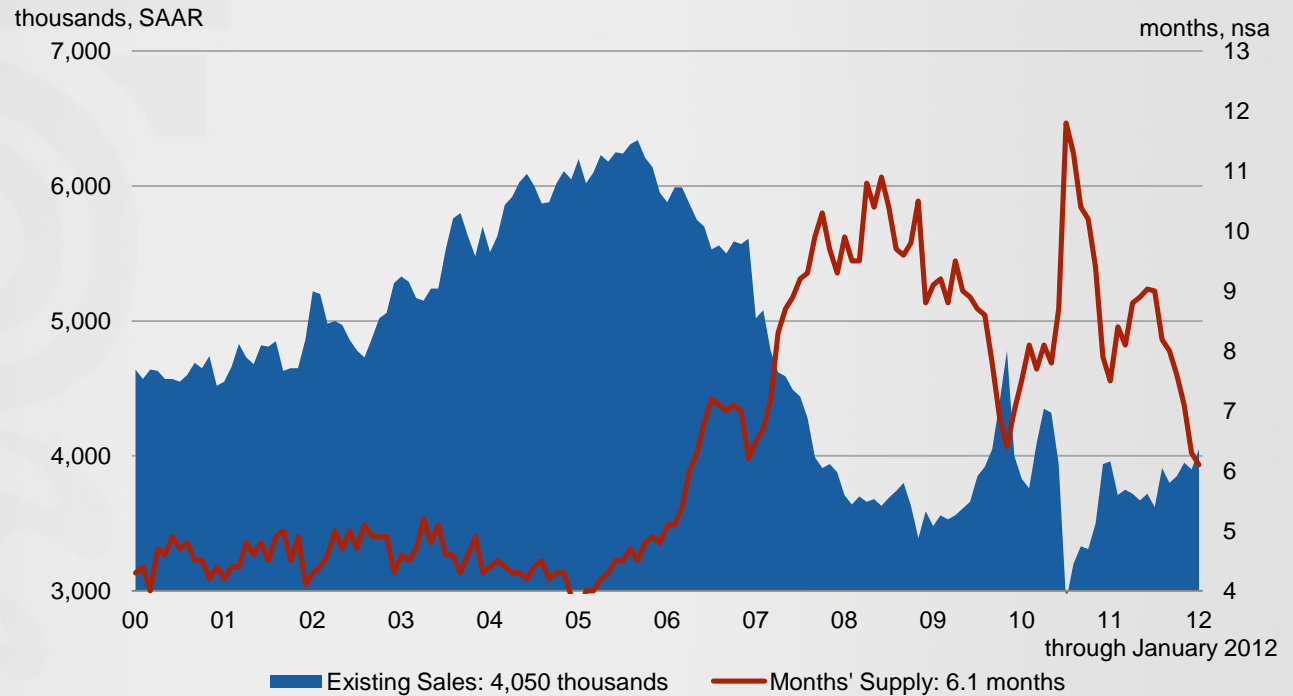
- Since June 2009, applications for refinancing have averaged approximately 70 percent of the overall volume of mortgage loan applications.

# REAL ESTATE

## SUMMARY

The National Association of Realtors reported that existing home sales increased from December to January while months' supply edged down to 6.1 months.

### Sales and Months' Supply of Existing Single-Family Homes



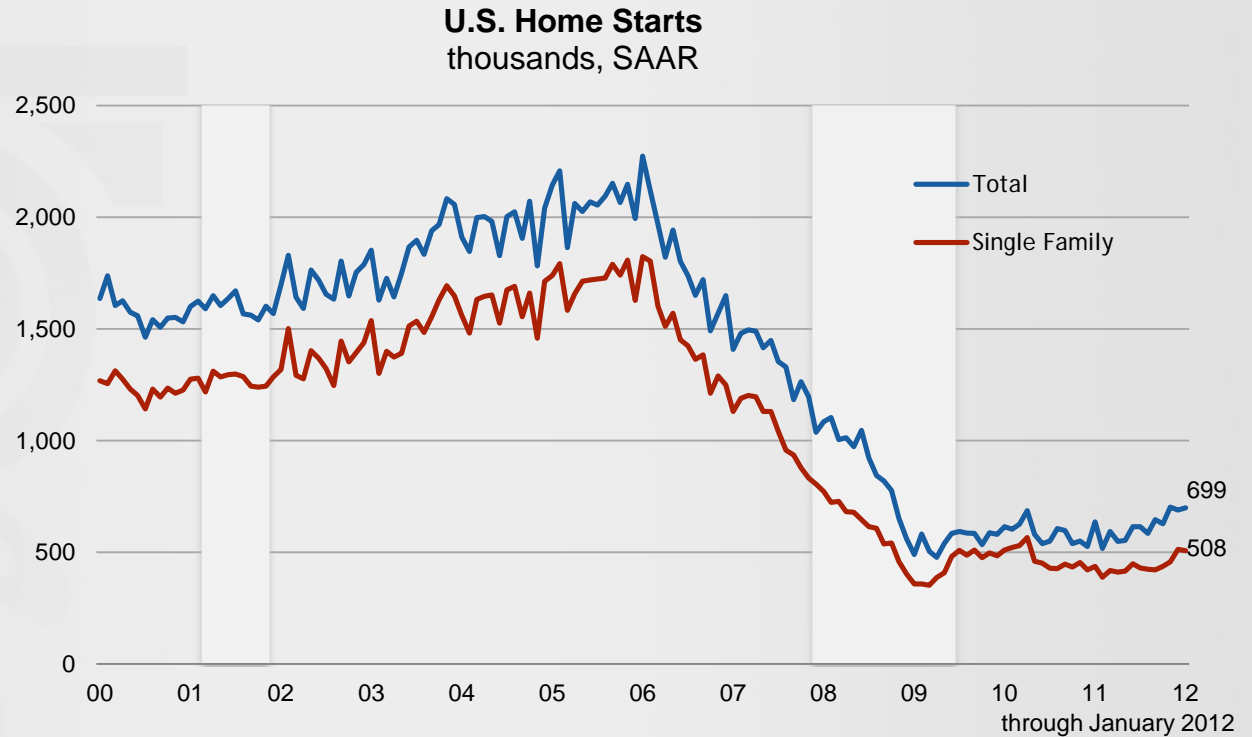
Source: National Association of Realtors

	January 2012 Home Sales		
	Thousands, SAAR	Yr/yr change	mo/mo change
<b>Existing total:</b>	4,570	0.7%	4.3%
<b>Single Family:</b>	4,050	2.3%	3.9%
<b>Multifamily:</b>	520	-10.3%	8.3%

# REAL ESTATE

## SUMMARY

The U.S. Census Bureau and the Department of Housing and Urban Development jointly reported that home starts rose nearly 1 percent from December to January and remained ahead of year-earlier levels.



Source: U.S. Census Bureau and the Department of Housing and Urban Development



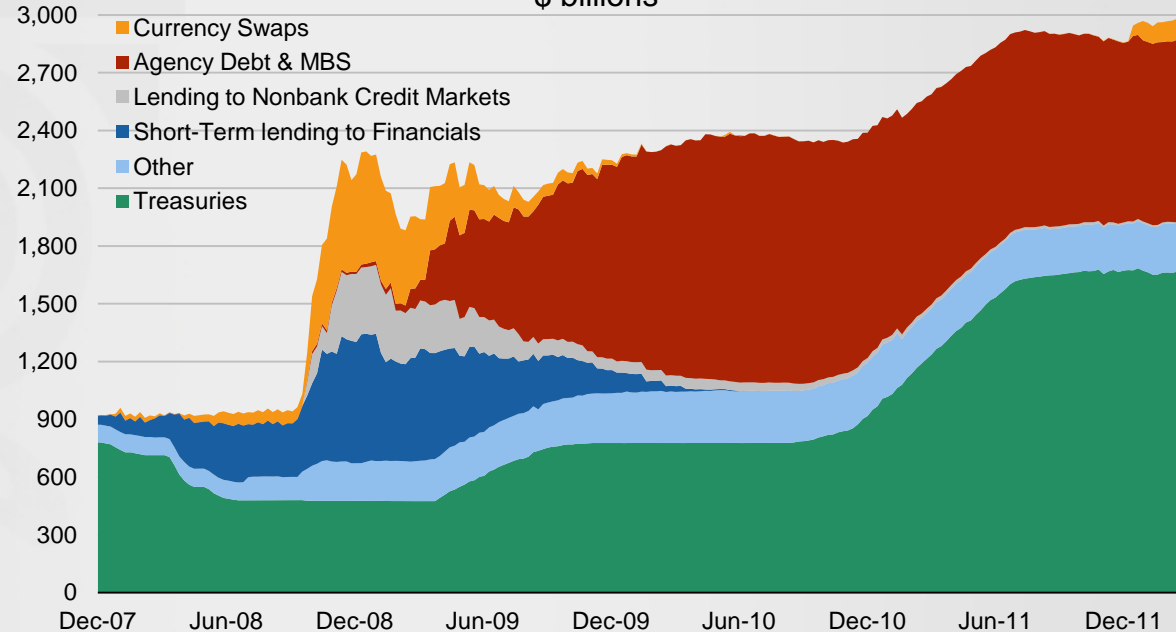
# FEDERAL RESERVE BALANCE SHEET

## SUMMARY

Between February 8 and February 15, the balance sheet increased by \$9.8 billion, remaining essentially unchanged at \$3 trillion.

The increase over the past two months has stemmed from increased use of dollar swap lines by foreign central banks.

Federal Reserve Assets (Uses of Funds)  
\$ billions



Source: [Federal Reserve Board](#)

through February 15, 2012

## ADDITIONAL DETAIL

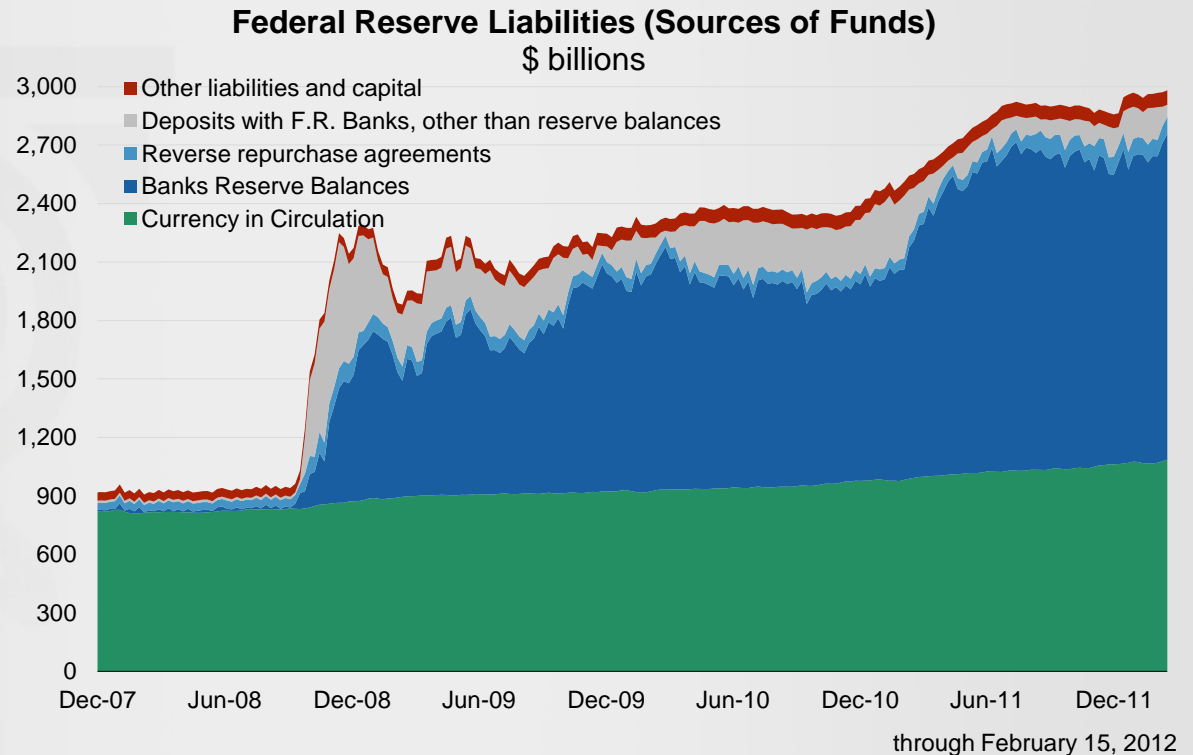
- Treasuries increased by \$6.4 billion and agency debt and MBS increased by \$11.8 billion.
- Central bank liquidity swaps increased by \$0.3 billion.
- According to the [New York Fed's tentative outright Treasury operation schedule](#), and in line with the [Maturity Extension Program](#), the desk plans to purchase approximately \$45 billion in Treasury securities with remaining maturities of from six to 30 years and sell approximately \$43 billion in Treasury securities with remaining maturities of three years or less over the month of February.

# FEDERAL RESERVE BALANCE SHEET

## SUMMARY

Between February 8 and February 15, bank reserve balances with the Federal Reserve increased by \$40.1 billion.

As of February 15, 2012, bank reserves are \$1.67 trillion.



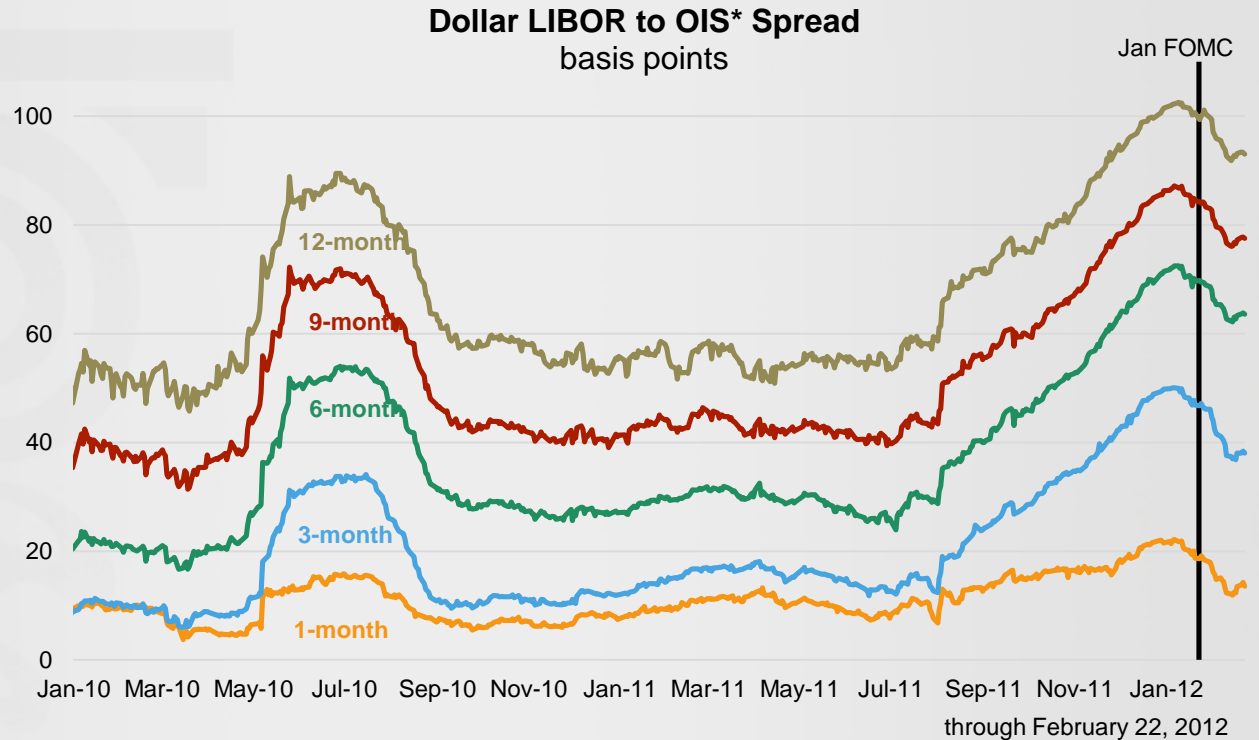
## ADDITIONAL DETAIL

- [Reverse repurchase agreements](#) with foreign officials and international accounts increased by \$0.4 billion.
- Nonreserve deposits with the Federal Reserve decreased by \$35.9 billion.

# INTEREST RATES

## SUMMARY

Since the January FOMC meeting, LIBOR to OIS spreads have narrowed 7 bps, on average.



Source: British Bankers Association/Bloomberg

\*Overnight Index Swap rate

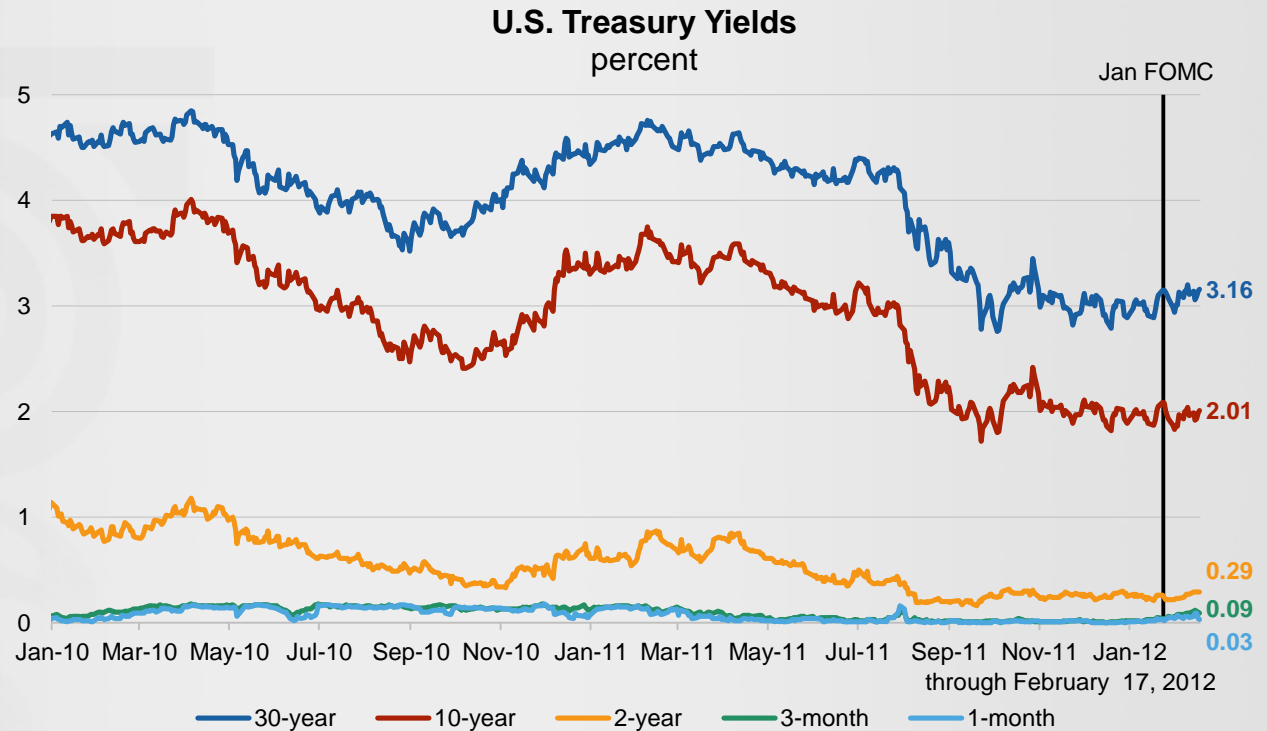
## ADDITIONAL DETAIL

- The LIBOR-OIS series shown above is denominated in U.S. dollars and reflects the spread between interbank lending rates offered and the overnight index swap (OIS) rate. The LIBOR panel used to create the rate is made up of 19 large international banks based in the United States, Europe, and elsewhere. The OIS rate is a proxy measure for the expected effective rate on federal funds held over a given maturity.

# INTEREST RATES

## SUMMARY

Treasury yields have changed little since the January FOMC meeting.



## ADDITIONAL DETAIL

- Relative to levels on January 24, 2012, the 30-year Treasury bond yield is up 1 bp to 3.16 percent. The 10-year note is down 7 bps to 2.01 percent, the two-year note is up 5 bps to 0.29 percent, and the three-month and one-month notes are up 5 bps and 1 bp, respectively.