

ECONOMIC AND FINANCIAL HIGHLIGHTS

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MARCH 14, 2012

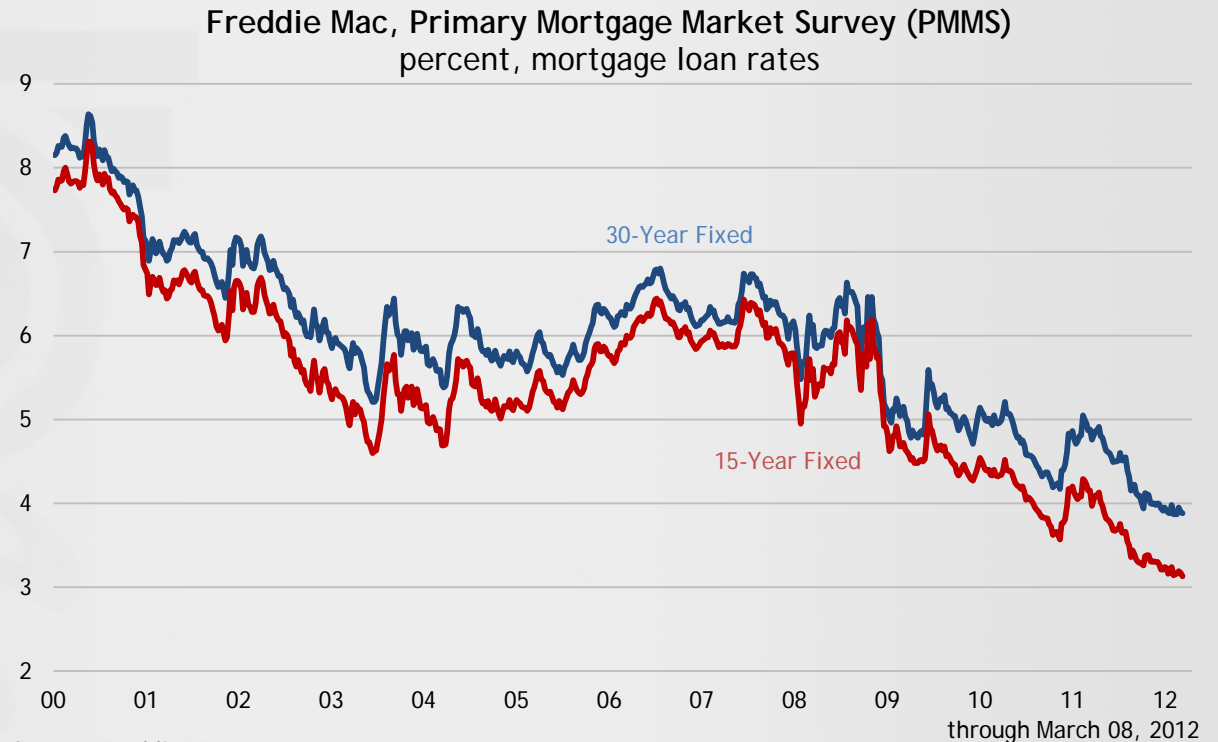


MORTGAGE MARKET

SUMMARY

The average rate for a 15-year fixed-rate mortgage reached 3.13 percent—its lowest level since the Primary Mortgage Market Survey began in 1971.

The average rate for 30-year fixed-rate mortgage, 3.88 percent, hovers just above the series' low of 3.87 percent.



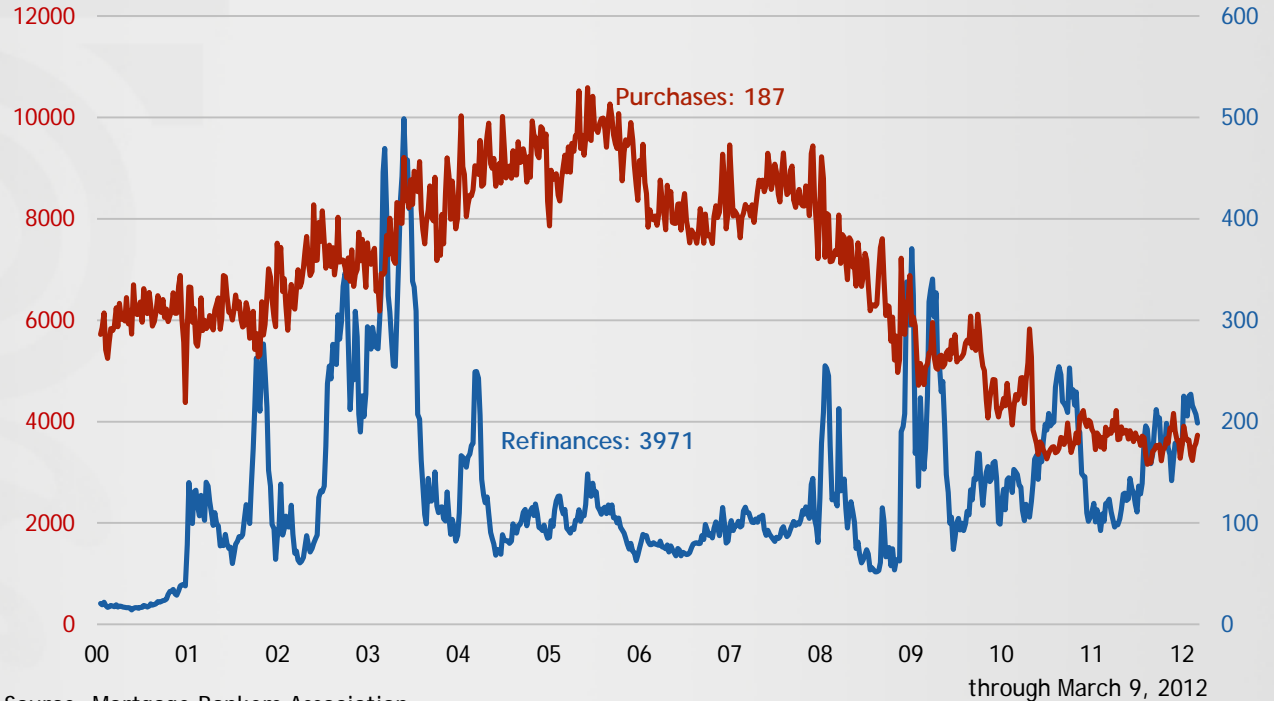
MORTGAGE MARKET

SUMMARY

Mortgage loan applications for purchase increased 4.4 percent over the week and are up nearly 12 percent on a month-over-month basis.

Refinancing applications decreased by 4.12 percent over the week and nearly 12.5 percent on a month-over-month basis. However, they are up by 65 percent compared with year-earlier levels.

Mortgage Loan Applications Volume Index
March 16, 1990 = 100

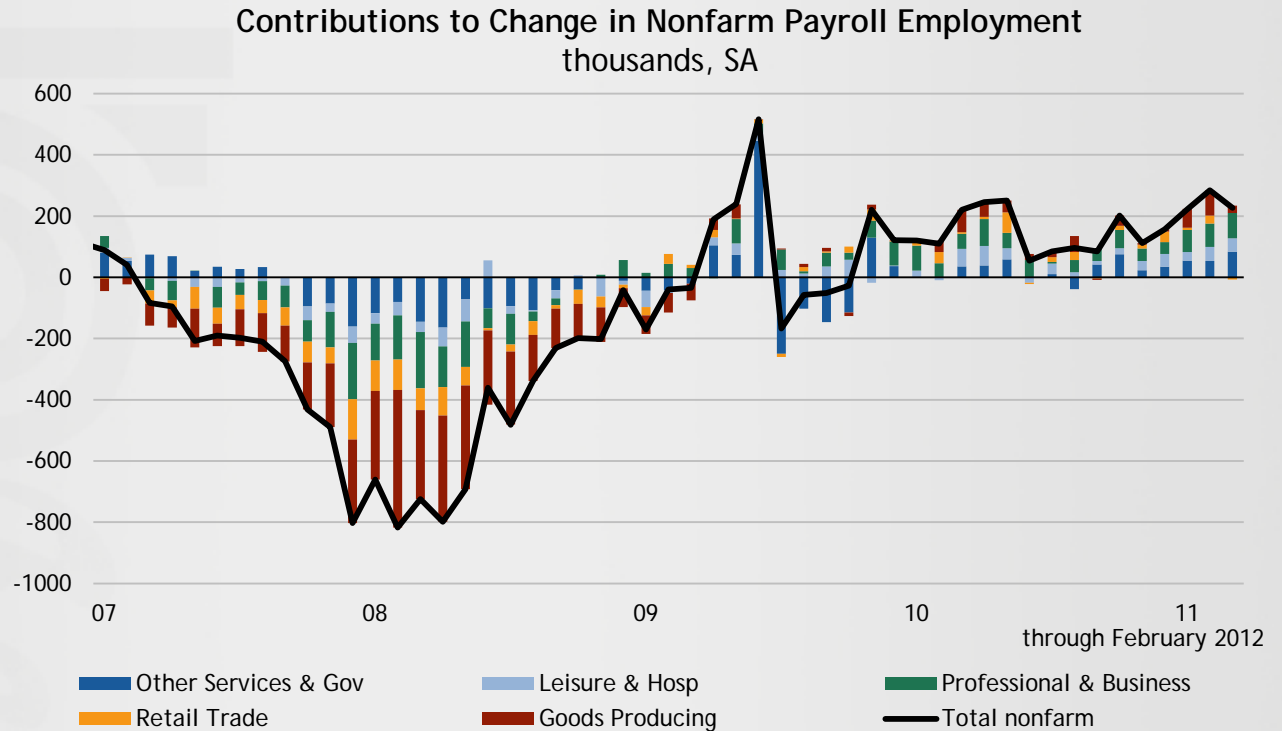


Source: Mortgage Bankers Association

EMPLOYMENT

SUMMARY

According to the February payroll employment report, the U.S. economy added 227,000 jobs.



Source: U.S. Bureau of Labor Statistics

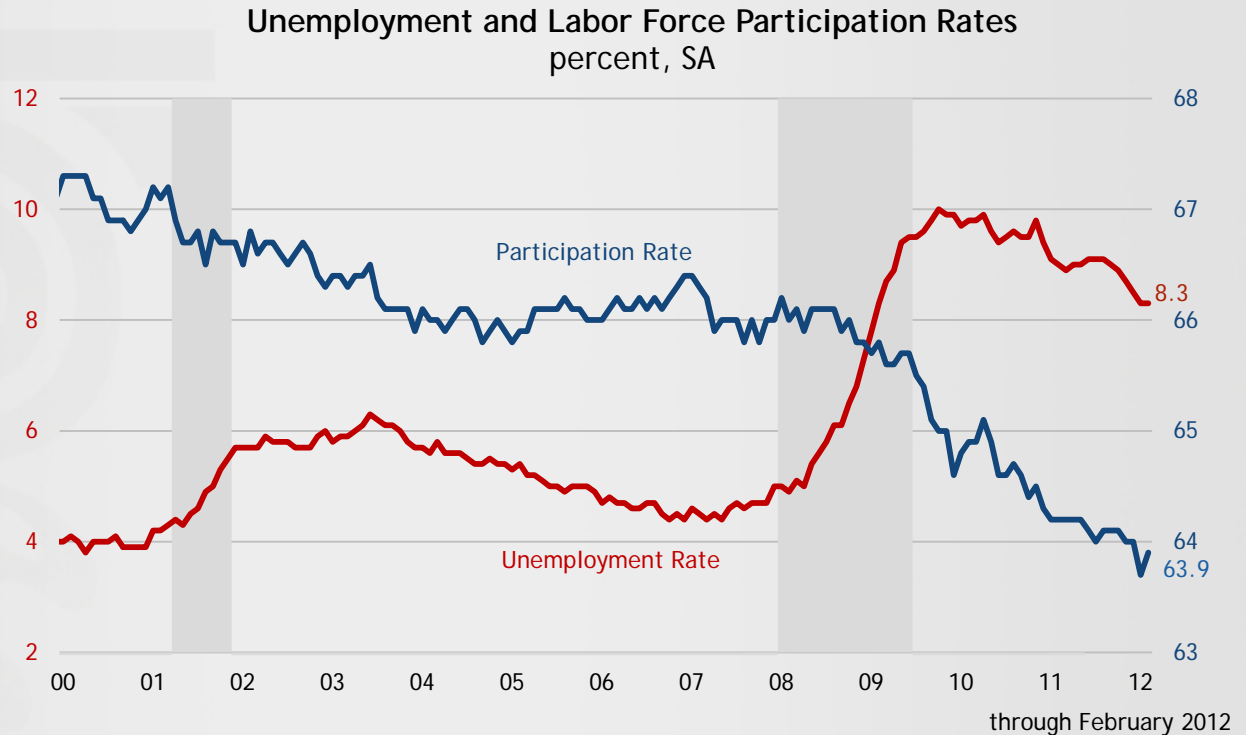
ADDITIONAL DETAIL

- Total nonfarm payrolls increased by 227,000 over the month, and private payrolls increased by 233,000; both surpassed consensus expectations of 210,000 and 225,000, respectively. December and January's payrolls were revised up by a combined total of 61,000.
- Major job gains were in professional and business services (82,000), education and health services (71,000), leisure and hospitality (44,000), and manufacturing (31,000).
- Government, construction, retail trade, and information services experienced modest declines in employment over the month.
- The economy has added, on average, 245,000 jobs per month over the last three months. Be sure to check out the [Atlanta Fed's Jobs Calculator](#).

EMPLOYMENT

SUMMARY

The unemployment rate remained at 8.3 percent in February, while the labor force participation rate increased to 63.9 percent.



Source: U.S. Bureau of Labor Statistics

ADDITIONAL DETAIL

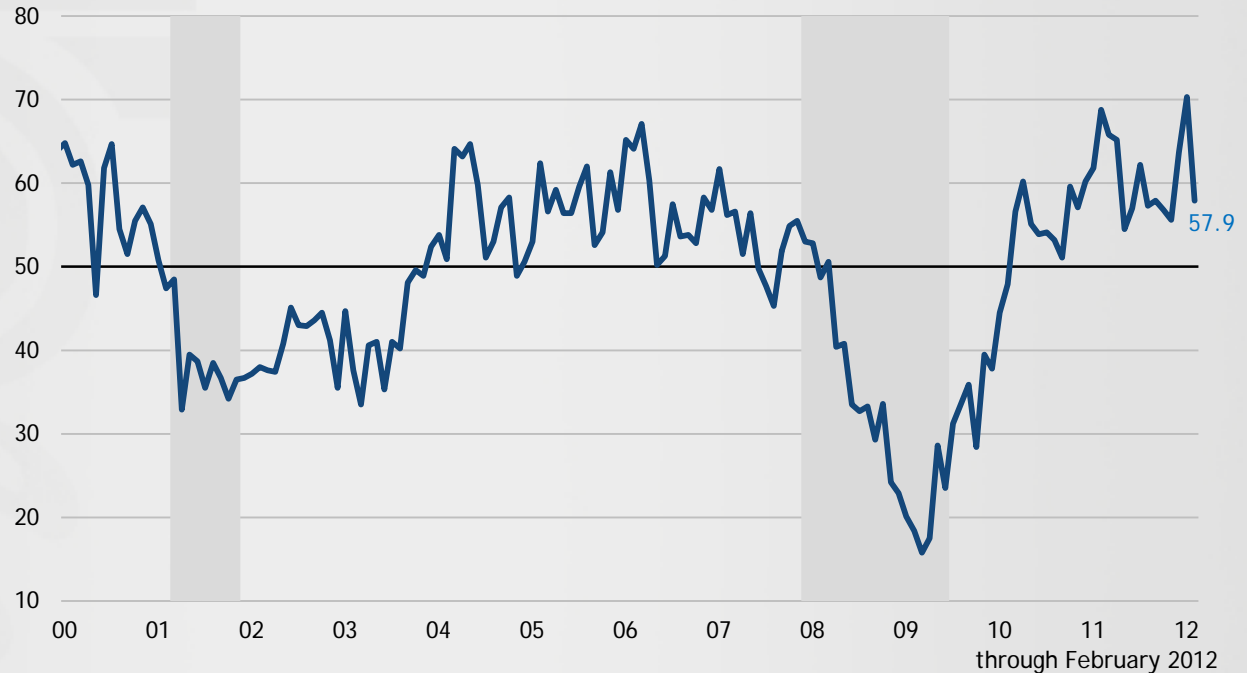
- The unemployment rate was unchanged over the month, while the labor force participation rate increased by 0.2 percentage point, to 63.9 percent.
- Prior to February, the unemployment rate had declined each month since August 2011.
- For commentary on the impact of structural as well as cyclical forces on the labor force participation rate, please refer to [this article](#) by Julie Hotchkiss, research economist and policy adviser at the Atlanta Fed.

EMPLOYMENT

SUMMARY

The spread of job growth across industries experienced a marked decline in February.

Diffusion Index of Private Nonfarm Payrolls
percent, SA



Source: U.S. Bureau of Labor Statistics

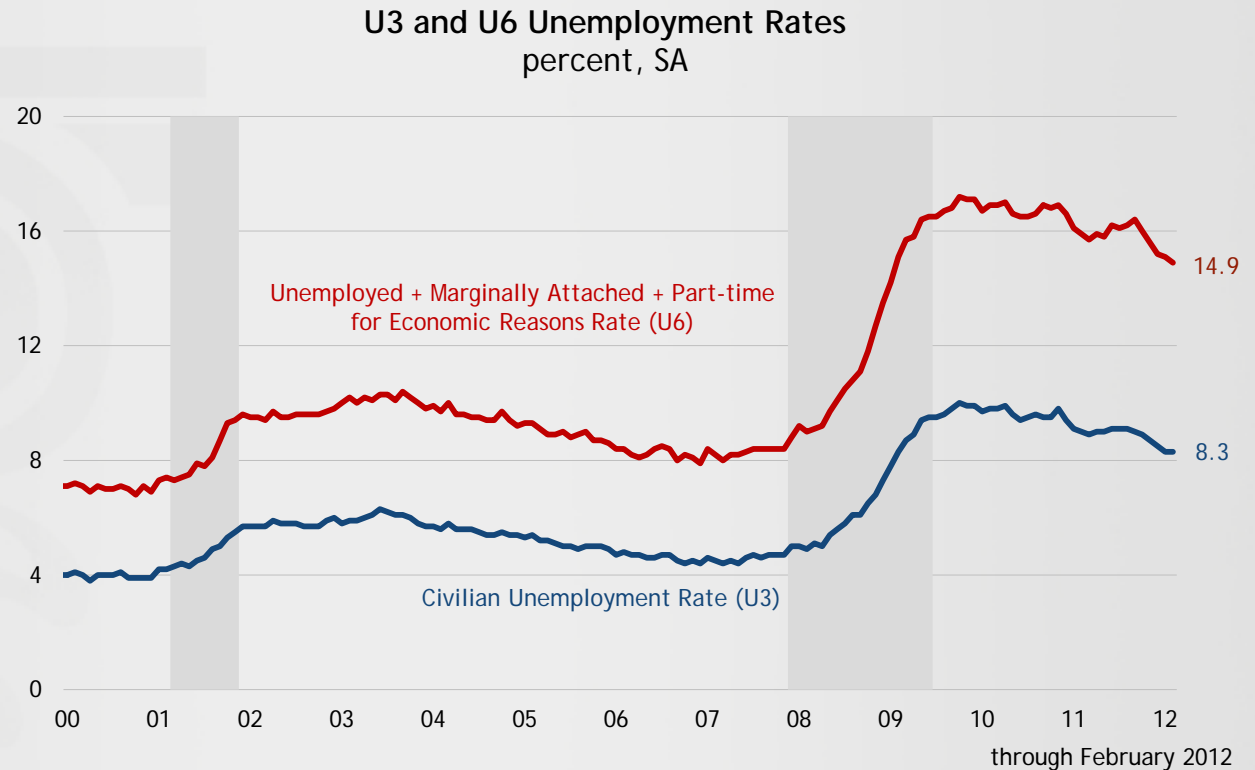
ADDITIONAL DETAIL

- The diffusion index decreased by 12.4 percentage points over the month.
- While any reading over 50 is consistent with expansion, a reading closer to 50 means employment growth is potentially more concentrated, with the possibility of a significant discrepancy in the pace of expansion across industries.

EMPLOYMENT

SUMMARY

Although the U3 (headline) unemployment rate remained constant, the U6 rate decreased over the month.



Source: U.S. Bureau of Labor Statistics

ADDITIONAL DETAIL

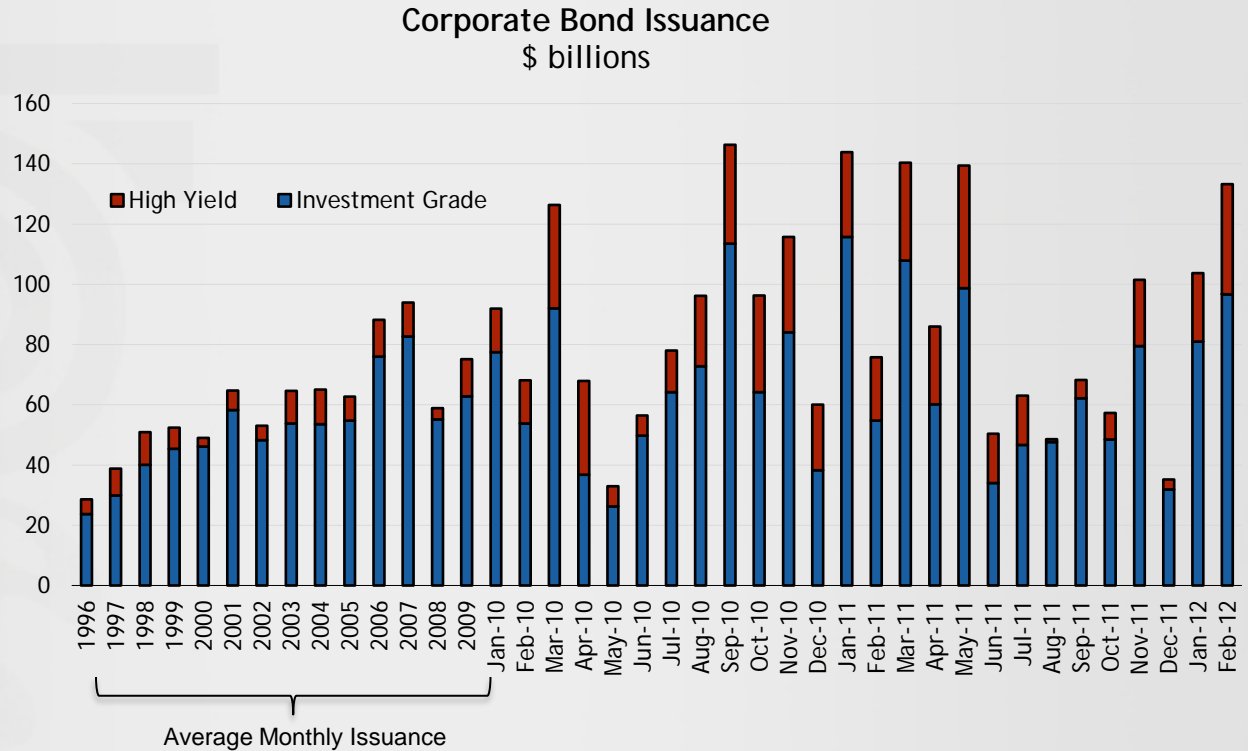
- The **U3 unemployment rate** is the headline rate that readers are familiar with. However, some economists believe that the **U6 unemployment rate** is actually a more robust measure of unemployment as it captures marginally attached workers (those who have looked for a job sometime in the prior 12 months but were not counted as unemployed because they had not searched for work in the four weeks preceding the survey) as well as people who are working part time because they can't find a full-time job.
- In February, the U3 unemployment rate did not change. However, the U6 rate decreased by 0.2 percentage point, a positive sign for the labor market as it could imply that recent decreases in the unemployment rate might not be completely the result of purely mechanical factors (such as decreases in the labor force).

CORPORATE BOND MARKET

SUMMARY

Corporate bond issuance in February 2012 totaled \$133.2 billion, of which high-yield debt was \$36.5 billion.

Average issuance over the past three months was 2.7 percent lower than the same three months last year.



Source: SIFMA

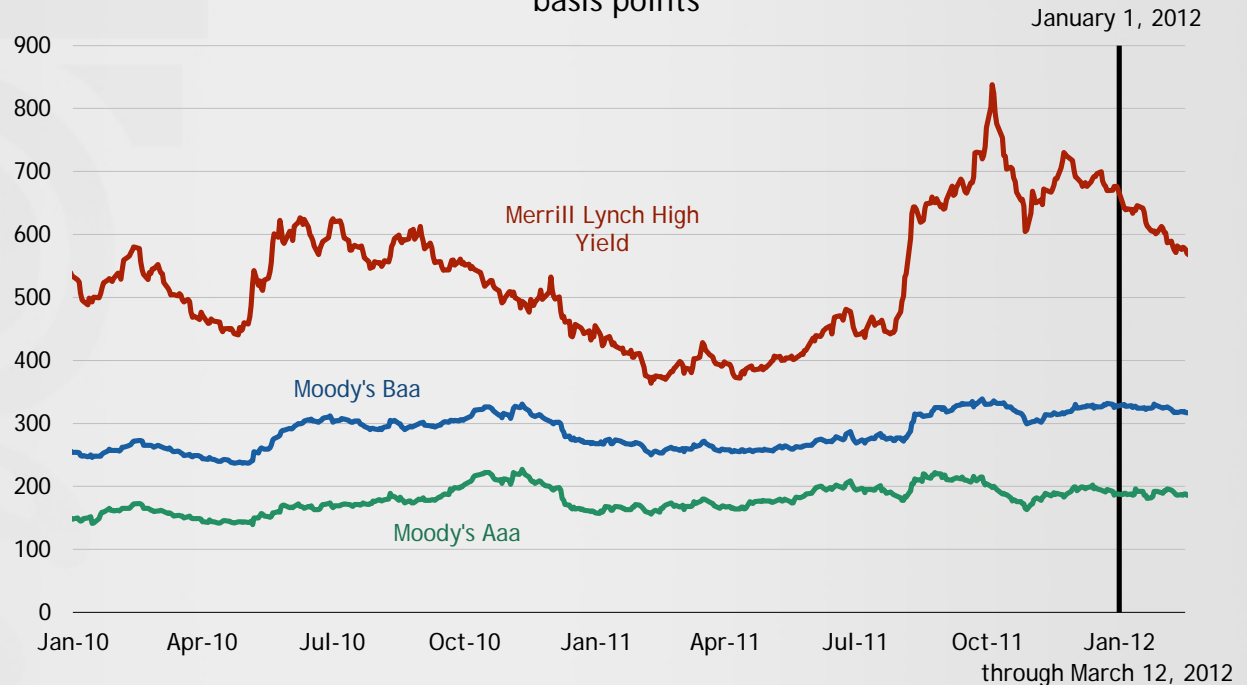
CORPORATE BOND MARKET

SUMMARY

Corporate yield spreads (relative to the benchmark 10-year U.S. Treasury yield) have improved year to date for high-yield debt and are stable for Aaa- and Baa-rated debt.

High-yield debt spreads declined 117 basis points (bps) to 7.6 percent, while Aaa and Baa debt spreads only declined 2 bps and 18 bps, respectively, to 1.99 percent and 4.06 percent.

Corporate Yield Spreads over 10-year Treasury basis points



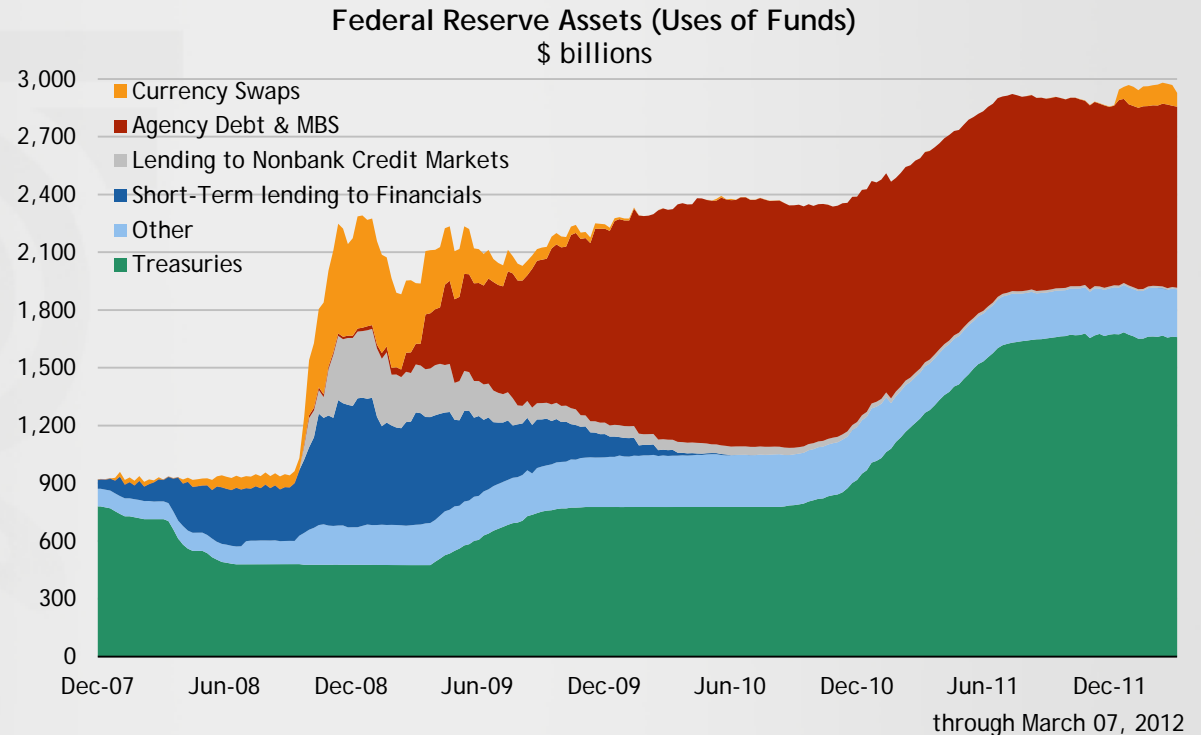
Sources: Bank of America/Merrill Lynch, Moody's

FEDERAL RESERVE BALANCE SHEET

SUMMARY

Between February 29 and March 7, the balance sheet decreased by \$41.1 billion, remaining essentially unchanged at \$2.9 trillion.

Since mid-December, increased use of swap lines by foreign central banks has caused the balance sheet to expand by \$69 billion.



Source: [Federal Reserve Board](#)

ADDITIONAL DETAIL

- Treasuries decreased by \$2.3 billion while agency debt and MBS decreased by \$1 billion.
- [Central bank liquidity swaps](#) decreased by \$36.4 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 \$44 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 March.

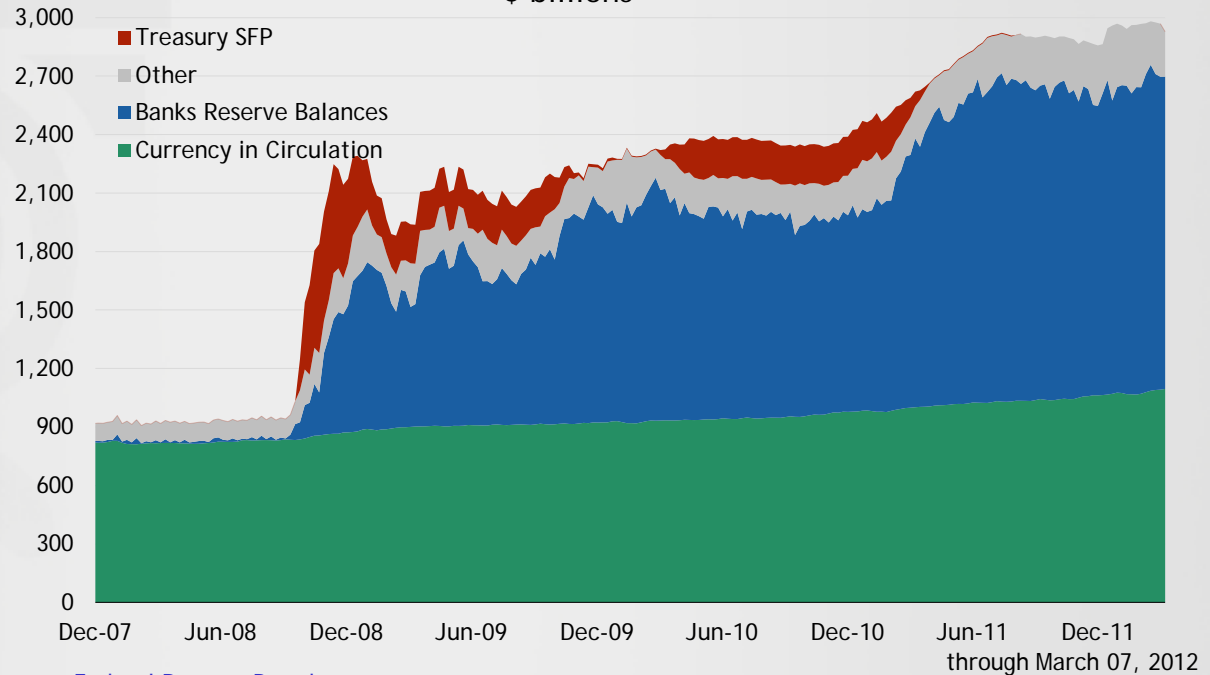
FEDERAL RESERVE BALANCE SHEET

SUMMARY

Between February 29 and March 7, bank reserve balances with the Federal Reserve decreased by \$3 billion, and Treasury deposits with the Federal Reserve decreased by \$36.1 billion.

As of March 7, 2012, bank reserves are \$1.6 trillion.

Federal Reserve Liabilities (Sources of Funds)
\$ billions



Source: [Federal Reserve Board](#)
SFP=Supplemental Financing Program

ADDITIONAL DETAIL

- [Reverse repurchase agreements](#) with foreign officials and international accounts decreased by \$1.1 billion.
- Nonreserve deposits with the Federal Reserve decreased by \$3.6 billion.

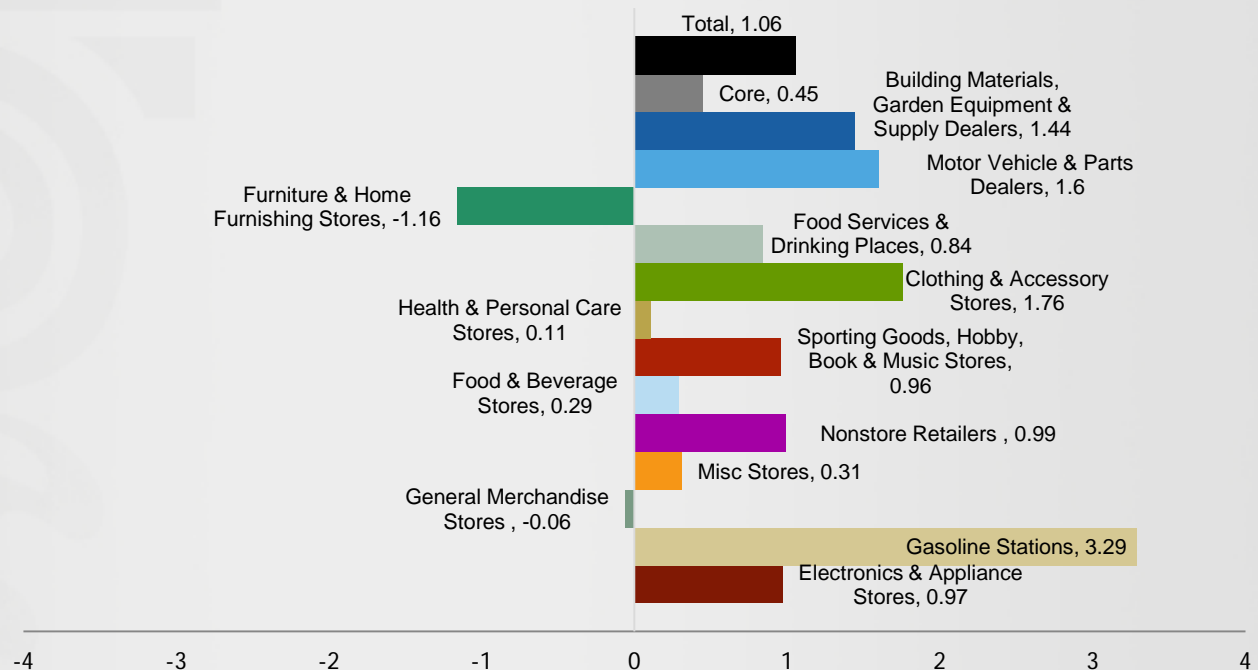
CONSUMER SECTOR

SUMMARY

Advance estimates indicate that adjusted retail sales rose 1 percent in February. Retail sales are adjusted for seasonal variation, holidays, and the number of days in a month.

Unadjusted for inflation, total retail sales was up 6.5 percent and core retail sales were up 5 percent from February 2011 levels.

U.S. Retail Sales Components
month-to-month percent change, SA, February 2012



Source: U.S. Census Bureau

ADDITIONAL DETAIL

- The increase in retail sales was broad based. The largest increases in sales came from spending at gasoline stations, clothing and accessory stores, and motor vehicle and parts dealers.
- Spending at motor vehicle and parts dealers accounted for the 18 percent of spending over the month.