

ECONOMIC AND FINANCIAL HIGHLIGHTS

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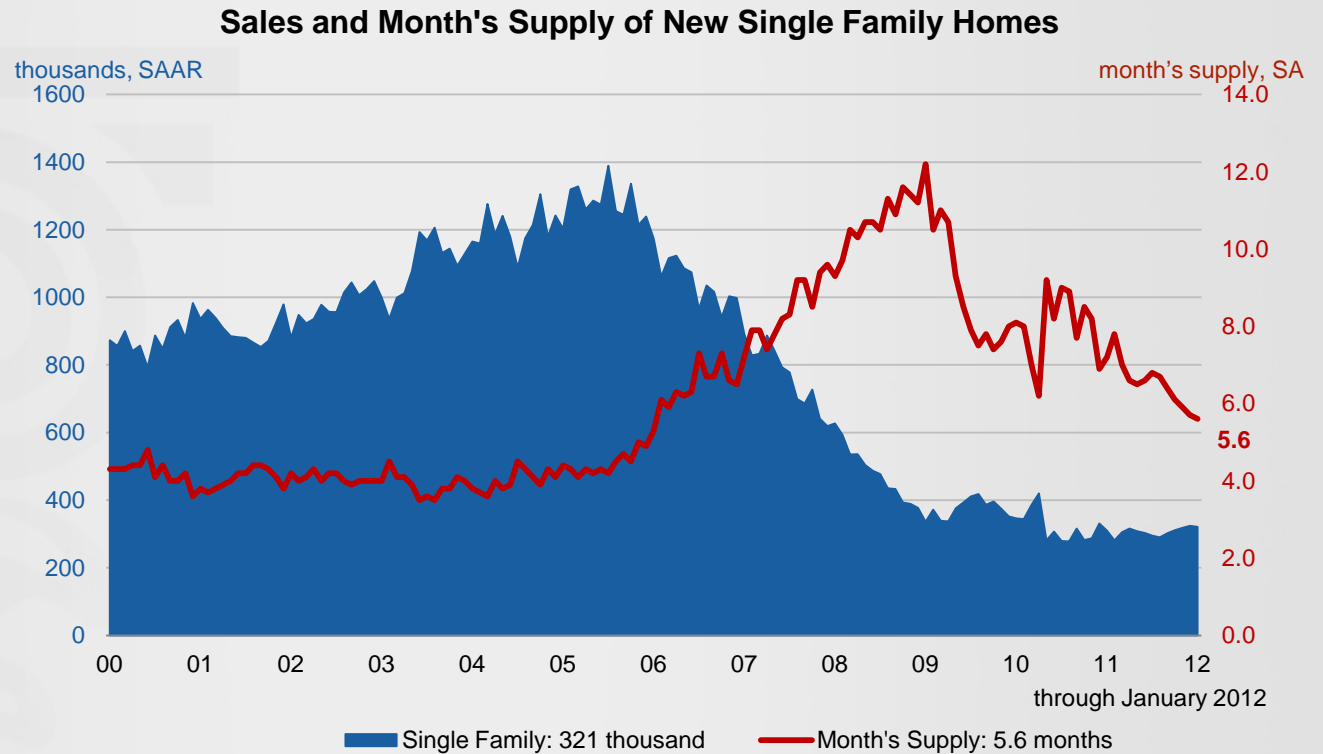
FEBRUARY 29, 2012



REAL ESTATE

SUMMARY

The U.S. Census Bureau and the U.S. Department of Housing and Urban Development reported that new single-family home sales declined nearly 1 percent from December to January but exceeded the year-earlier level by 3.5 percent.

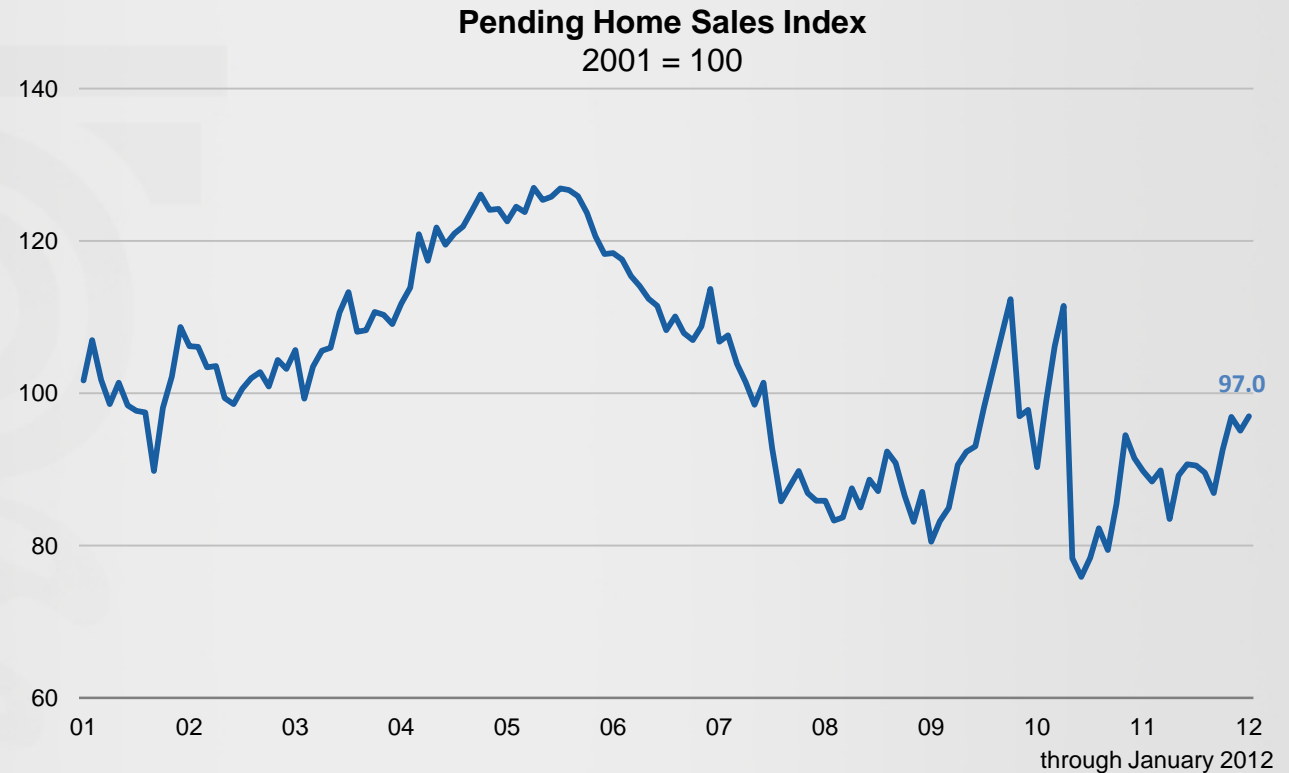


Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development

REAL ESTATE

SUMMARY

The National Association of Realtors reported that their January pending home sales index increased 2 percent from the December level and increased 8 percent from the year-earlier level.

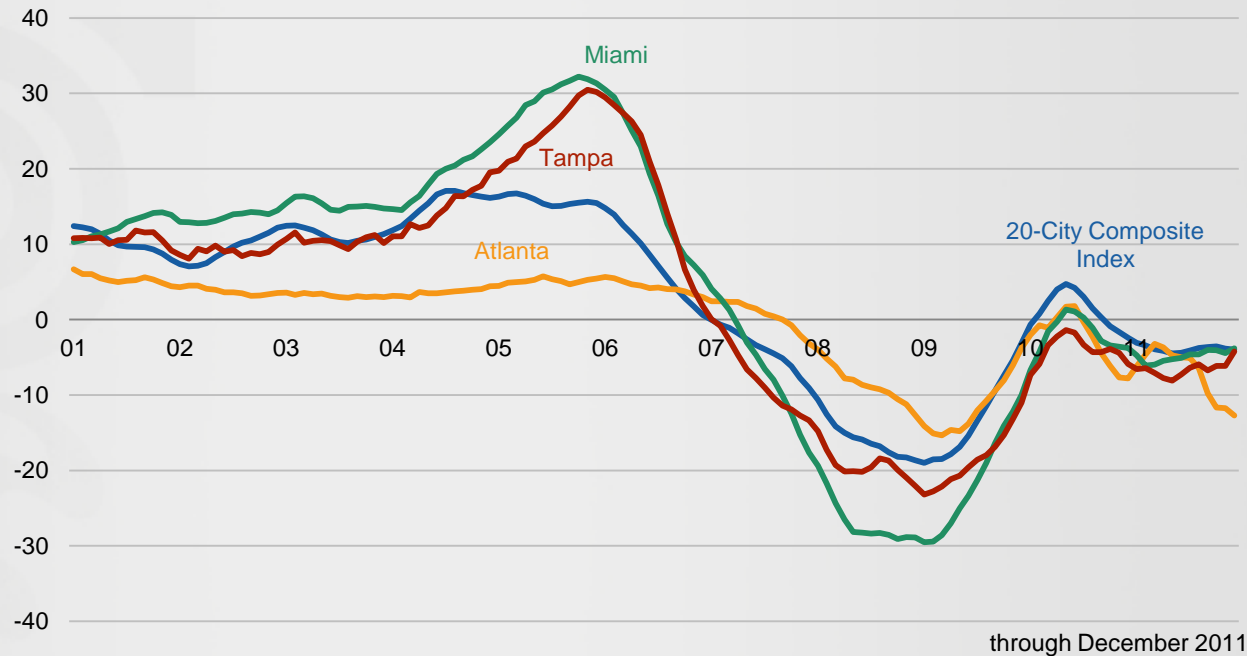


REAL ESTATE

SUMMARY

The S&P/Case-Shiller 20-City Composite home price index weakened again in December, reaching its lowest level since January 2003.

S&P/Case-Shiller Home Price Indexes
Year-over-year percent change



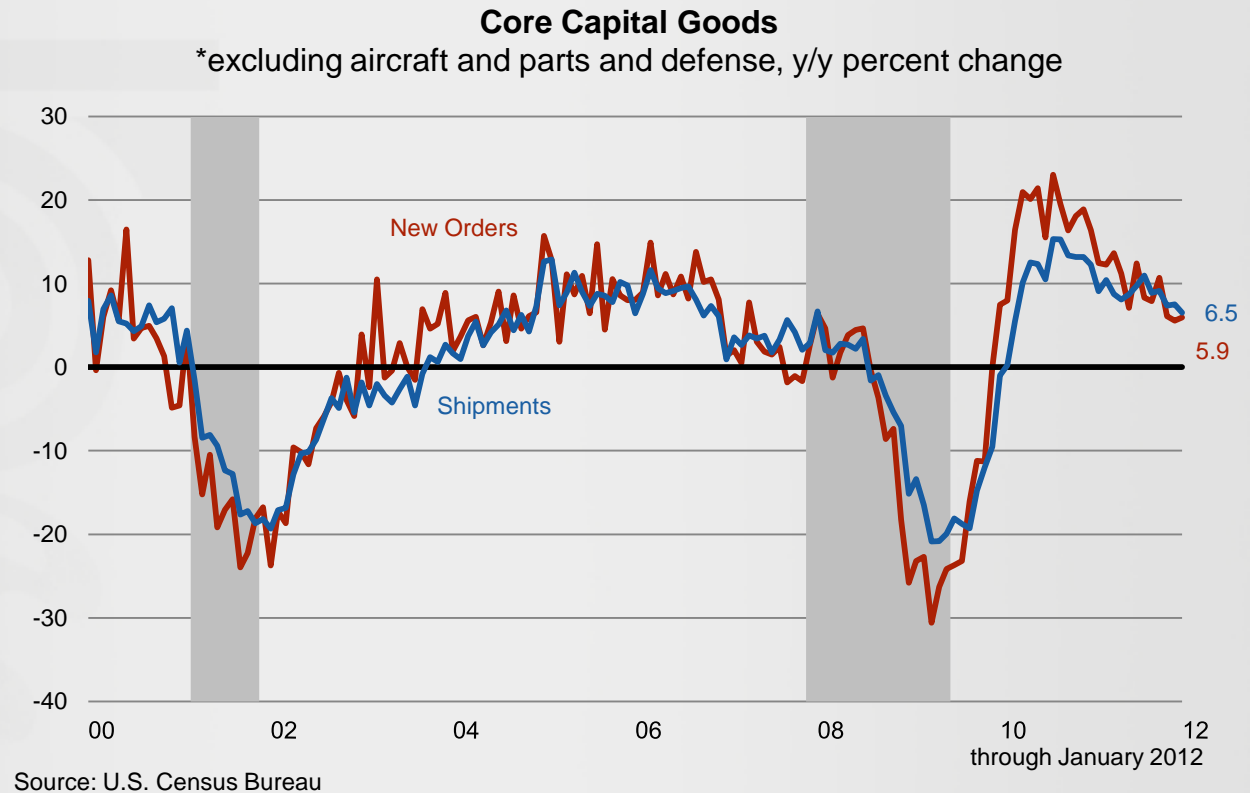
Source: Standard & Poor's, Fiserv, and MacroMarkets LLC

| | December 2011 S&P/Case-Shiller Home Price Indexes | | | | |
|---------------------------|---|-------|----------|-----------|--------|
| | SA | NSA | M/M (sa) | M/M (nsa) | Y/Y |
| 20-City Composite: | 136.6 | 136.7 | -0.5% | -1.1% | -4.0% |
| 10-City Composite: | 149.8 | 149.9 | -0.5% | -1.1% | -3.9% |
| Atlanta: | 88.1 | 87.3 | -1.3% | -1.8% | -12.7% |
| Miami: | 136.3 | 137.7 | 0.2% | 0.2% | -3.8% |
| Tampa: | 124.6 | 125.1 | 0.2% | -0.2% | -4.2% |

MANUFACTURING

SUMMARY

New orders for durable goods fell 4 percent over the month of January. The monthly drop in core capital goods orders was larger, down 4.5 percent. Despite the monthly decline, new orders for core capital were still roughly 6 percent higher than their level the same month last year.



ADDITIONAL DETAIL

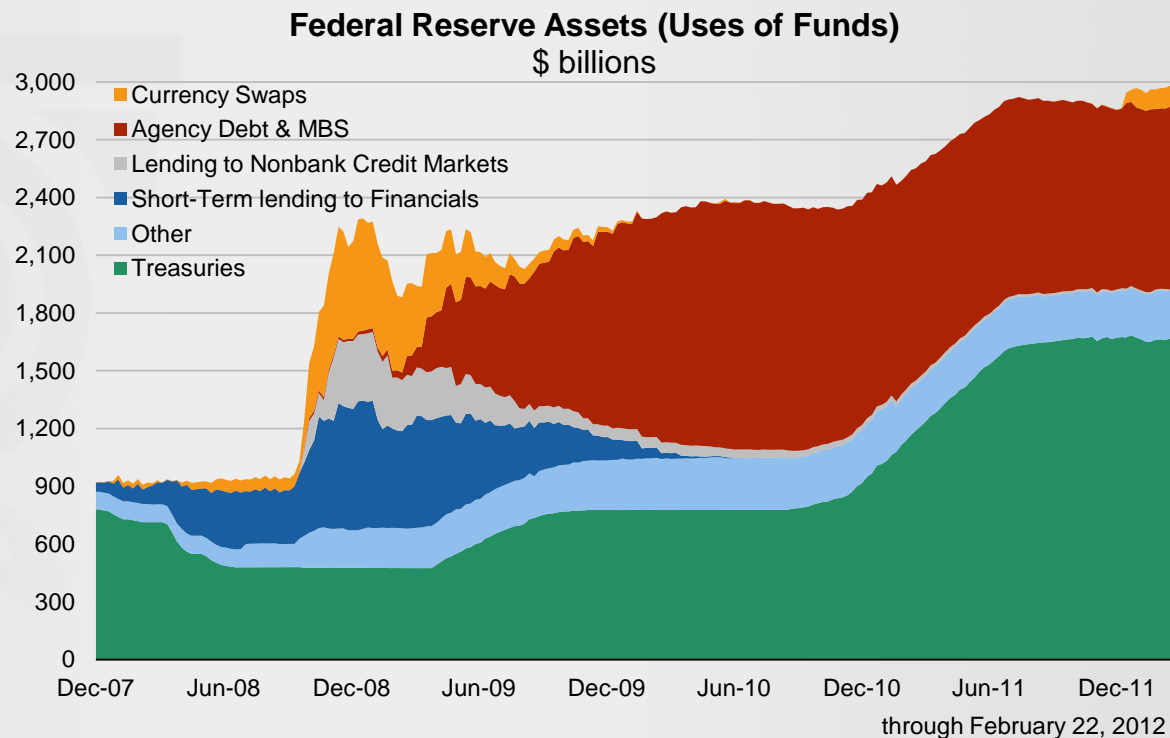
- The weakness new orders found in January's Advance Durable Goods Report reflected underlying **declines** in new orders for machinery (down 10.4 percent), primary metals (down 6.7 percent), and transportation equipment (down 6.2 percent). Though not included in the core capital goods aggregation because of its high volatility, new orders for aircraft and parts also fell in January (down 16.8 percent), losing much of the series' large December gain (15.7 percent).
- Silver linings of the report include an **increase** in orders for fabricated metal products (0.8 percent), computers and electronic products (0.8 percent), and motor vehicles and parts (0.9 percent).

FEDERAL RESERVE BALANCE SHEET

SUMMARY

Between February 15 and February 22, the balance sheet decreased by \$5.6 billion, remaining essentially unchanged at \$3 trillion.

Over the past two months, increased use of swap lines by foreign central banks has caused the balance sheet to expand by \$106 billion.



Source: [Federal Reserve Board](#)

ADDITIONAL DETAIL

- Treasuries decreased by \$10.5 billion, while agency debt and MBS increased by \$4.6 billion.
- Central bank liquidity swaps decreased by \$1.1 billion.
- According to the [New York Fed's tentative outright Treasury operation schedule](#), and in line with the [maturity extension program](#), the desk purchased approximately \$45 billion in Treasury securities with remaining maturities of from six to 30 years and sold approximately \$43 billion in Treasury securities with remaining maturities of three years or less over the month of February.

FEDERAL RESERVE BALANCE SHEET

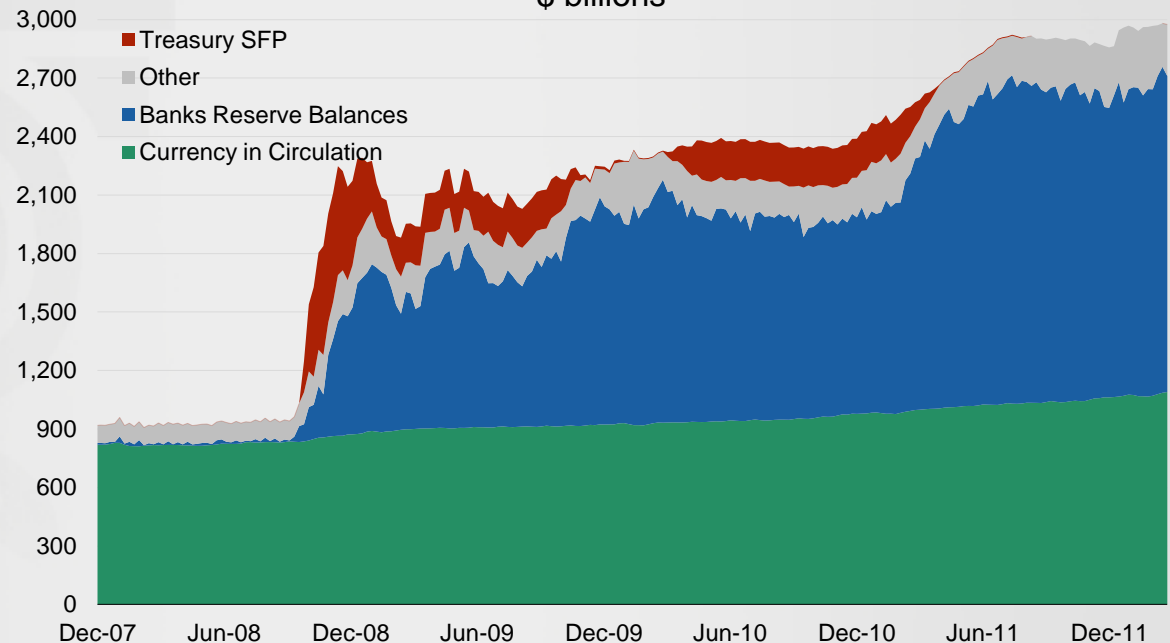
SUMMARY

Between February 1 and February 8, bank reserve balances with the Federal Reserve decreased by \$51 billion, while Treasury deposits with the Federal Reserve decreased by \$14 billion.

As of February 22, 2012, bank reserves are \$1.62 trillion.

Federal Reserve Liabilities (Sources of Funds)

\$ billions



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

through February 22, 2012

ADDITIONAL DETAIL

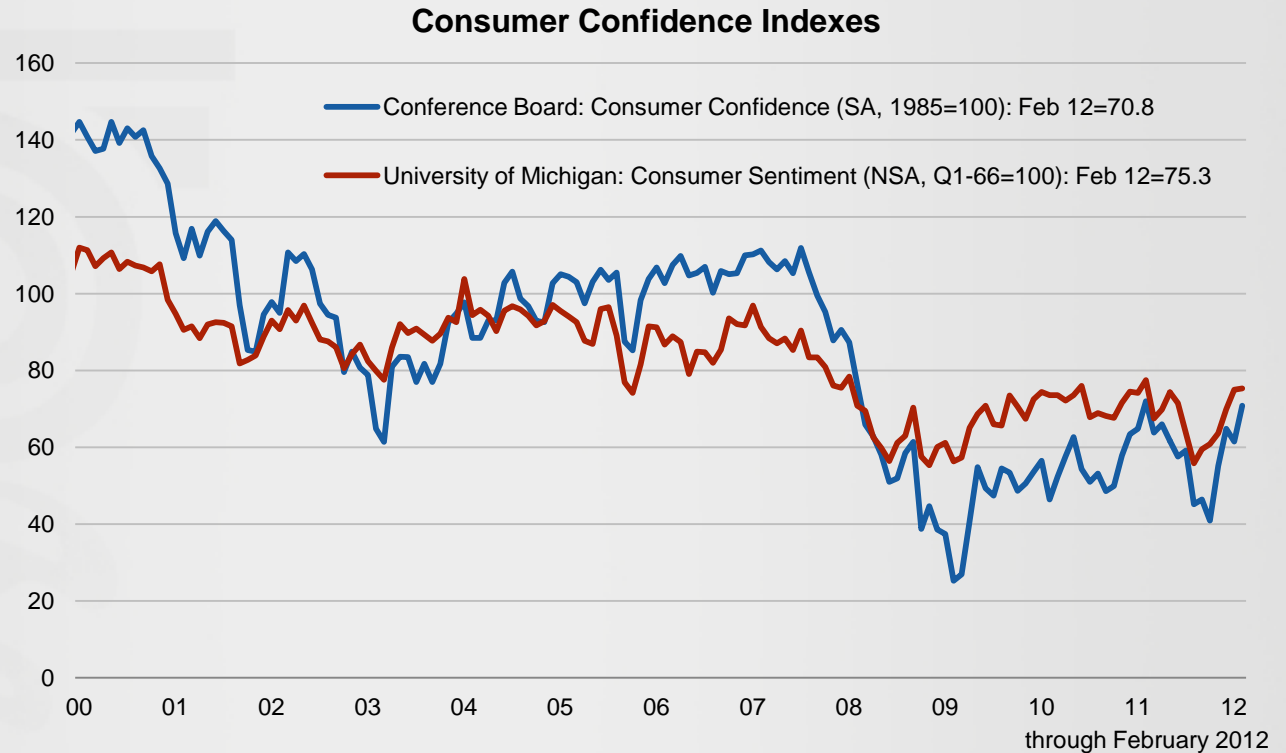
- Reverse repurchase agreements with foreign officials and international accounts increased by \$2.7 billion.
- Nonreserve deposits with the Federal Reserve increased by \$52.9 billion.

CONSUMER CONFIDENCE

SUMMARY

Consumer attitudes continue to improve. However, both indexes are still below their prerecession levels.

The Conference Board's Consumer Confidence Index and the Reuters/University of Michigan Consumer Sentiment measure have increased 26 points and 20 points, respectively, since the August 2011 reading.



Sources: The Conference Board, Reuters/University of Michigan

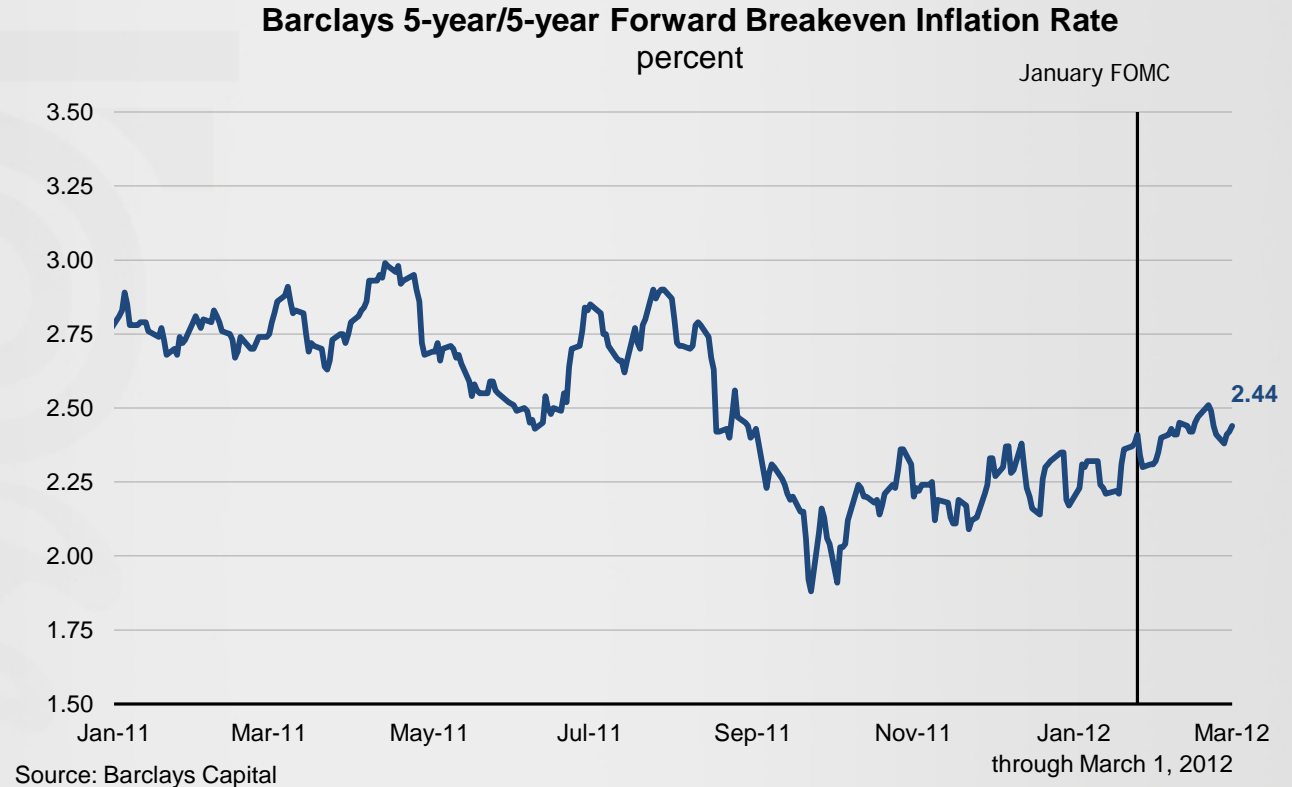
ADDITIONAL DETAIL

- The University of Michigan revised up its estimate of consumer sentiment in February from 72.5 points to 75.3 points.
- The future expectations indexes in both the Conference Board and University of Michigan surveys have significantly increased since August. However, the present situation indexes have increased only modestly over the same time period.

INFLATION EXPECTATIONS

SUMMARY

The 5-year/5-year forward breakeven inflation rate, as derived from the TIPS markets, has been relatively stable between 2.3 percent and 2.5 percent since the January 25, 2012, FOMC meeting. It was 2.44 percent as of March 1, 2012.



EUROPE

SUMMARY

European bond spreads (against the 10-year German bond) have narrowed for the major eurozone countries: Italy, Spain, and France.

Since the January 25, 2012, FOMC meeting, spreads are lower by 72 basis points (bps) for Italian bonds, 33 bps for the Spanish bonds, and 14 bps for French bonds.

