FEDERAL RESERVE BANK of ATLANTA

April 20, 2011

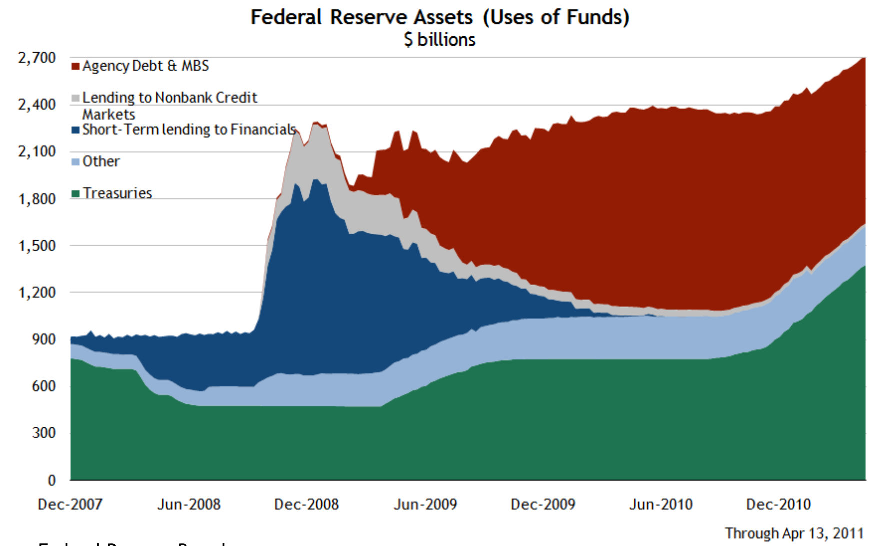
Financial Highlights

Federal Reserve

Summary

The balance sheet increased by $17 billion for the week ended April 13.

Since November 10, the balance sheet has increased $355 billion.



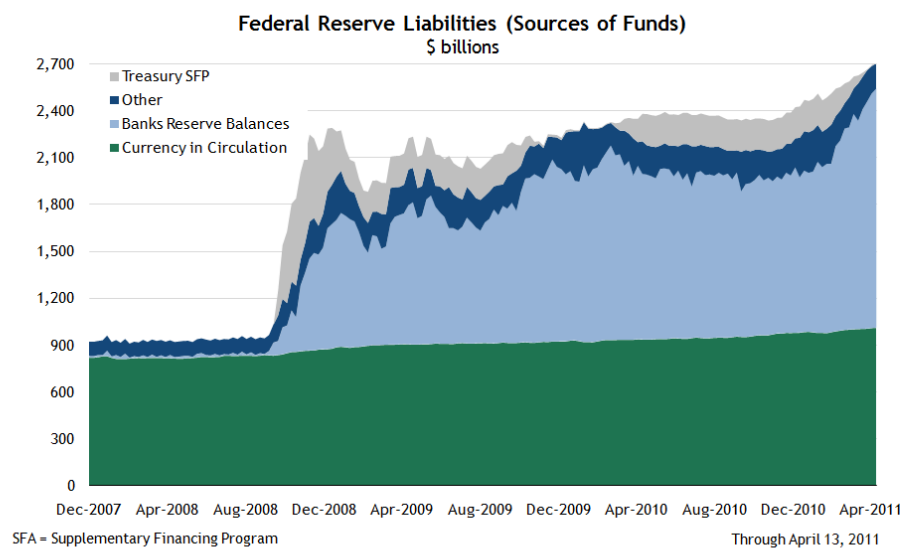
Source: Federal Reserve Board

- Treasuries increased by $16 billion while agency debt and MBS decreased $1.6 billion. Since November 10, Treasury securities have grown by $522 billion while agency debt and MBS have shrunk by $133 billion.
- According to the New York Fed's tentative outright Treasury operation schedule, the desk plans to purchase approximately $97 billion between mid-April and mid-May.
- Growth in the balance sheet will fluctuate from week to week as a result of the volatility of MBS prepayments.

Bank reserve balances with the Federal Reserve increased $29 billion while Treasury deposits with Federal Reserve banks (part of "Other") declined $16 billion.

The Treasury's Supplemental Financing Program remained at $5 billion.

As of April 13, 2011, bank reserves balances are $1.5 trillion.



Source: Federal Reserve Board

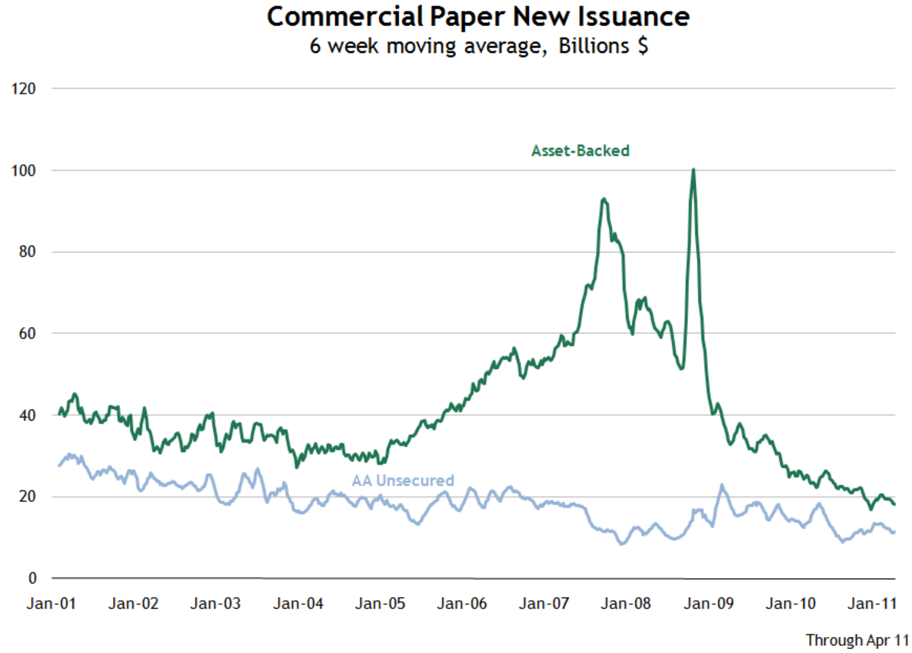
- The Treasury has announced that the Supplemental Financing Program (SFP) will be reduced to $5 billion to "provide flexibility" and delay the national debt from hitting the current ceiling of $14.29 trillion.
- The Treasury SFP was also reduced from $200 billion to $5 billion over the period September 23, 2009, to December 30, 2009, for the same reason.

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.

Commercial Paper

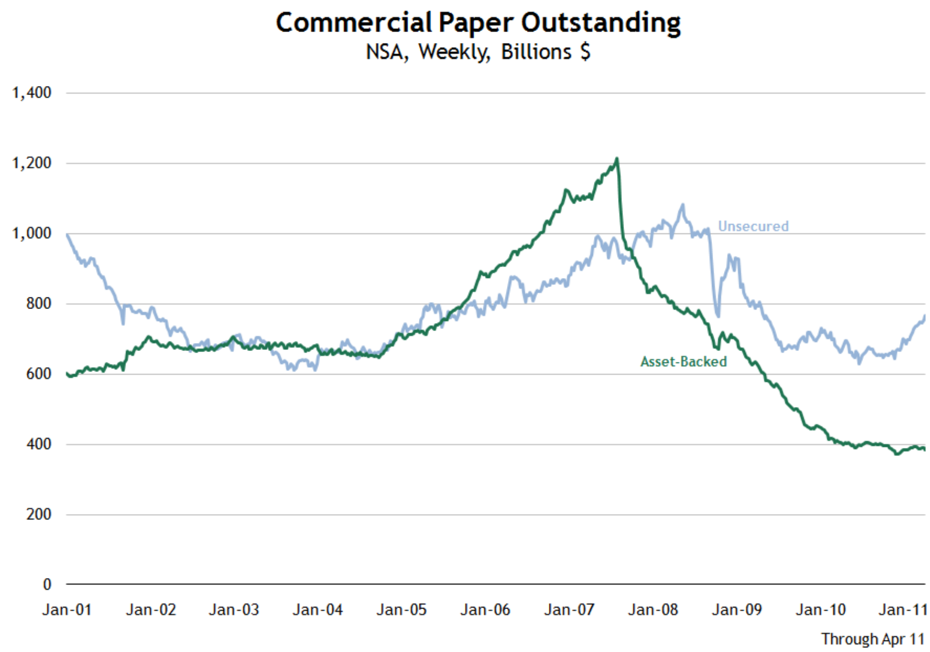
Summary

Issuance of asset-backed commercial paper continues to trend down while issuance of unsecured commercial paper remains steady.



Source: Federal Reserve Board

Asset-backed commercial paper outstanding is close to year-ago levels while unsecured paper outstanding has increased in recent months.

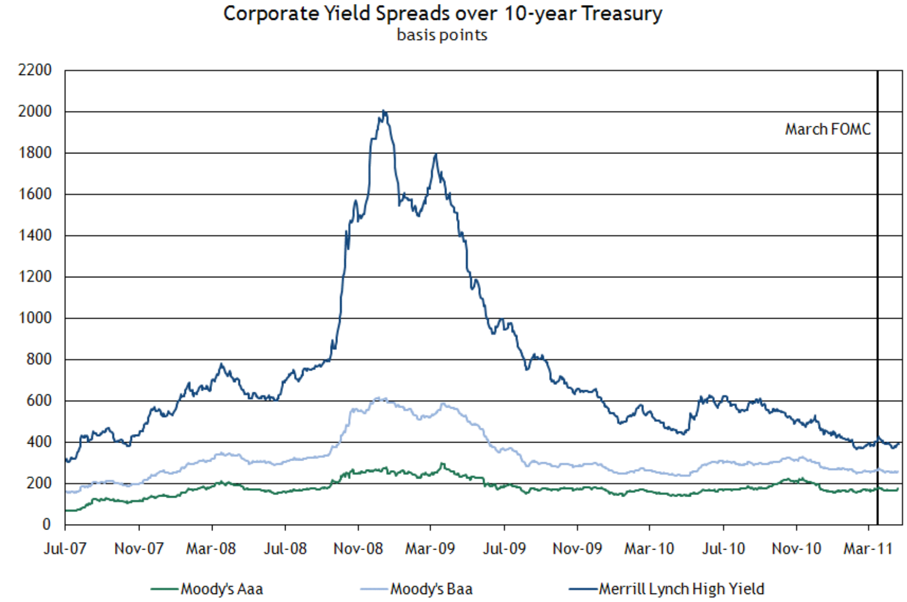


Source: Federal Reserve Board

Corporate Bonds

Summary

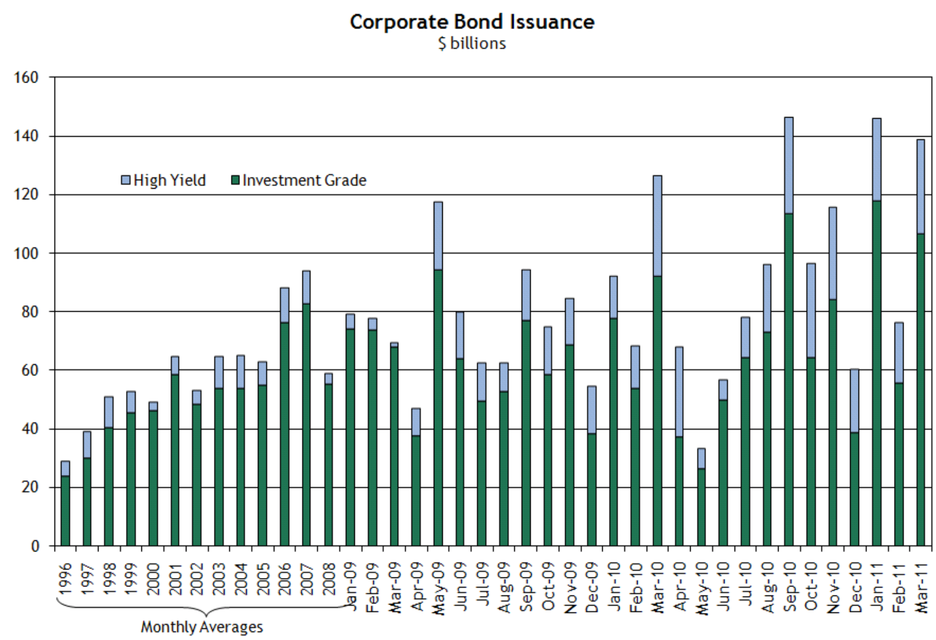
Since the March FOMC meeting, corporate yield spreads have tightened for both high-yield and investment-grade debt.



Source: Merrill Lynch, Moody's, Federal Reserve Board

- Since the March FOMC meeting, corporate yield spreads were have narrowed, with the Merrill Lynch High Yield Index lower by 27 basis points (bps).
- The Moody's Aaa– and Baa-rated bond yields also declined slightly, by 1 bp and 10 bps, respectively.

U.S. corporations accessed the bond market for $138.9 billion in March, according to SIFMA.



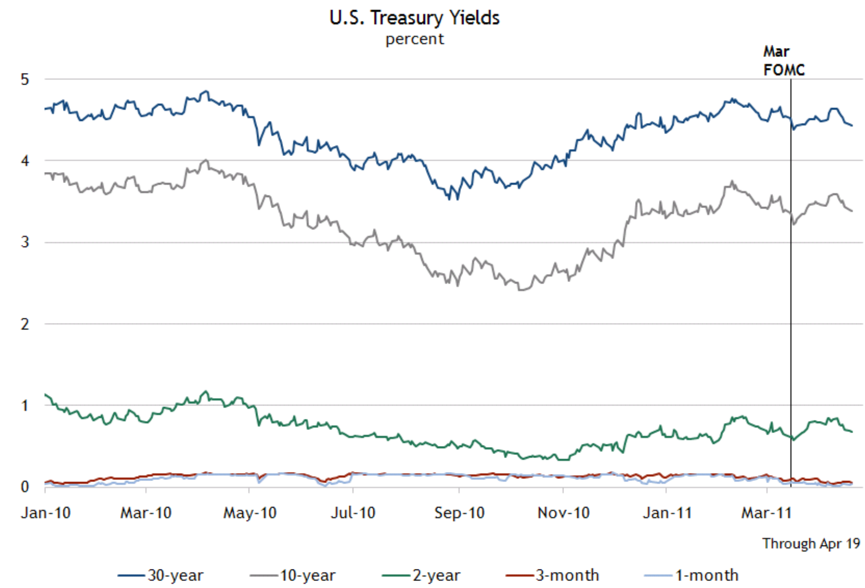
Source: SIFMA

- According to SIFMA, U.S. corporate bond issuance hit $138.9 billion in March 2011, and high-yield debt issuance made up $32.4 billion of that amount.

Broad Financial Market Indicators

Summary

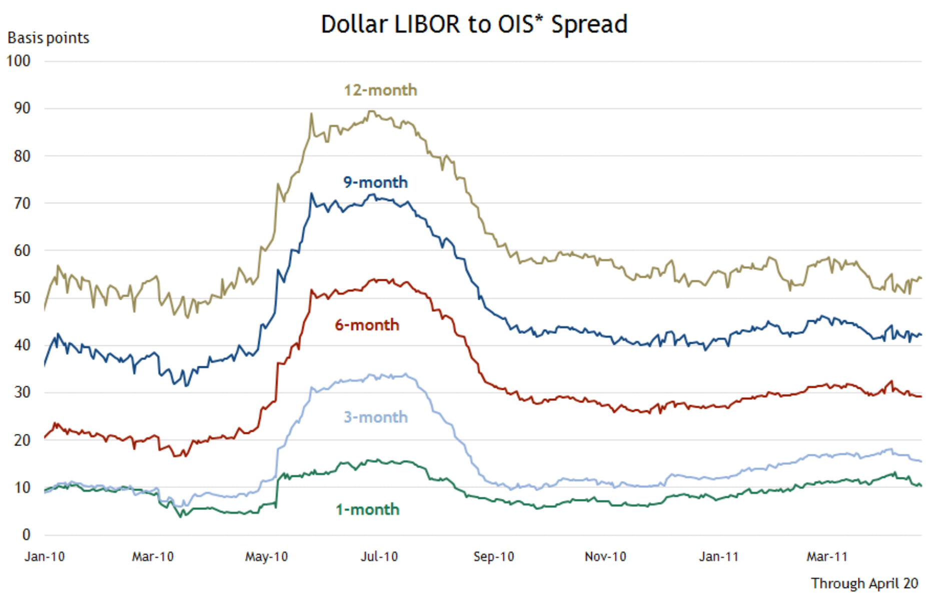
The Treasury yield curve has flattened somewhat since the March FOMC meeting, with two- and 10-year notes slightly higher and the 30-year bond slightly lower.



Source: Federal Reserve Board/Haver Analytics

- Since the March 15 FOMC meeting, the 30-year Treasury bond yield is down 4 bps to 4.43%, the 10-year note's yield is higher by 6 bps to 3.39%, and the two-year note is up 5 bps to 0.68%.

LIBOR to OIS spreads have narrowed somewhat since the March FOMC meeting, with the one- and three-month spreads lower by a basis point, at 10.5 basis points (bps) and 15.5 bps, respectively.



Source: British Bankers Association/Bloomberg

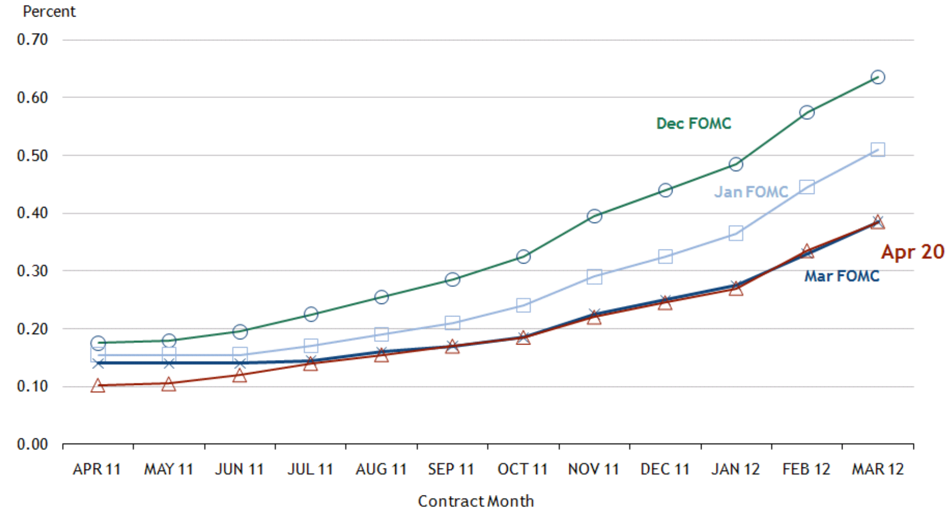
*Overnight Index Swap rate

Broad Financial Market Indicators

Summary

The curve of expected rates has moved lower over the past week and now matches up nearly perfectly with the curve on the day of the March FOMC meeting. Though the short end of the curve is lower due to the anticipated runoff of the SFP and the FDIC assessment change.

Fed Funds Futures Rates



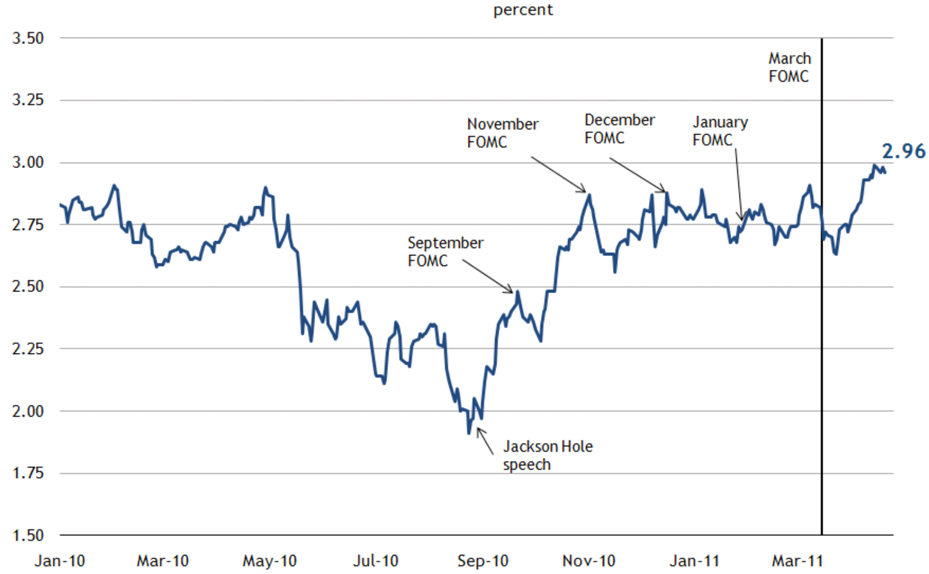
Source: Bloomberg

- As of April 20, 2011, the futures market for fed funds indicates an implied rate of about 39 bps for the March 2012 contract, similar to what followed on the day of the March FOMC meeting.

Breakeven inflation rates have risen strongly since the March FOMC meeting and in the past three weeks in particular.

Barclays 5-yr/5-yr Forward Breakeven Inflation Rate

percent



Source: Barclays Capital

- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.96%, as of April 20, 2011, which is 21 bps higher than what followed the March FOMC meeting.