FEDERAL RESERVE BANK of ATLANTA

May 11, 2011

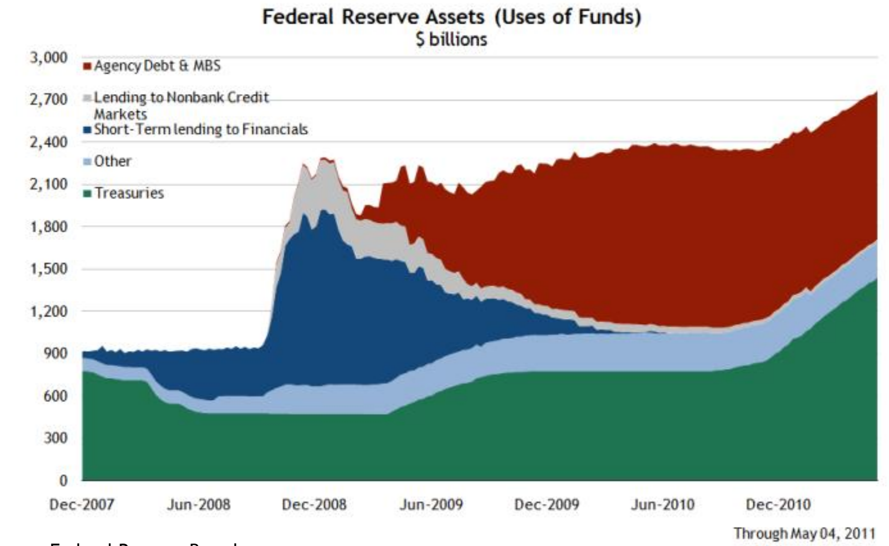
Financial Highlights

Federal Reserve

Summary

The balance sheet increased $28 billion for the week ended May 4.

Since November 10, the balance sheet has increased $408 billion.



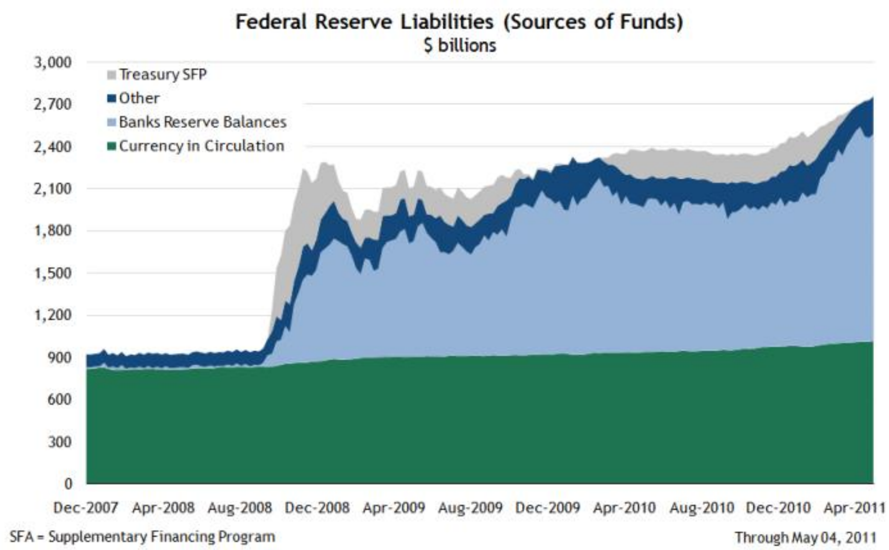
Source: Federal Reserve Board

- Treasuries increased by $28 billion while agency debt and MBS decreased $1 billion. Since November 10, Treasury securities have grown by $589 billion while agency debt and MBS have shrunk by $149 billion.
- According to the New York Fed's tentative outright Treasury operation schedule, the desk plans to purchase approximately $93 billion between mid-May and mid-June.
- 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 $23 billion.

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

As of May 4, 2011, bank reserve balances total $1.47 trillion.



Source: Federal Reserve Board

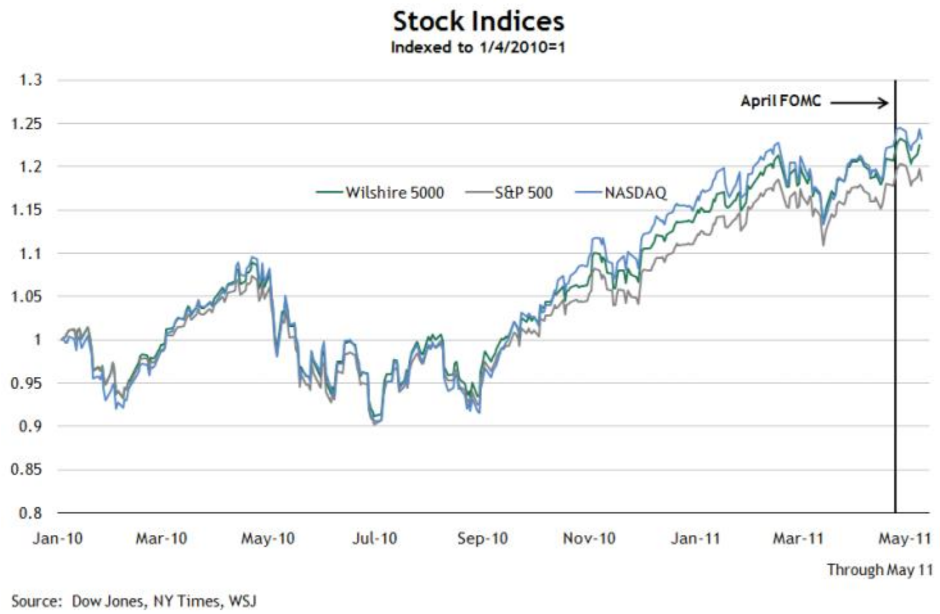
- The Treasury has announced that the Supplemental Financing Program (SFP) will be reduced to $5 billion to "provide flexibility" and delay the national debt from hitting the current ceiling of $14.29 trillion.
- The Treasury SFP was also reduced from $200 billion to $5 billion over the period September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

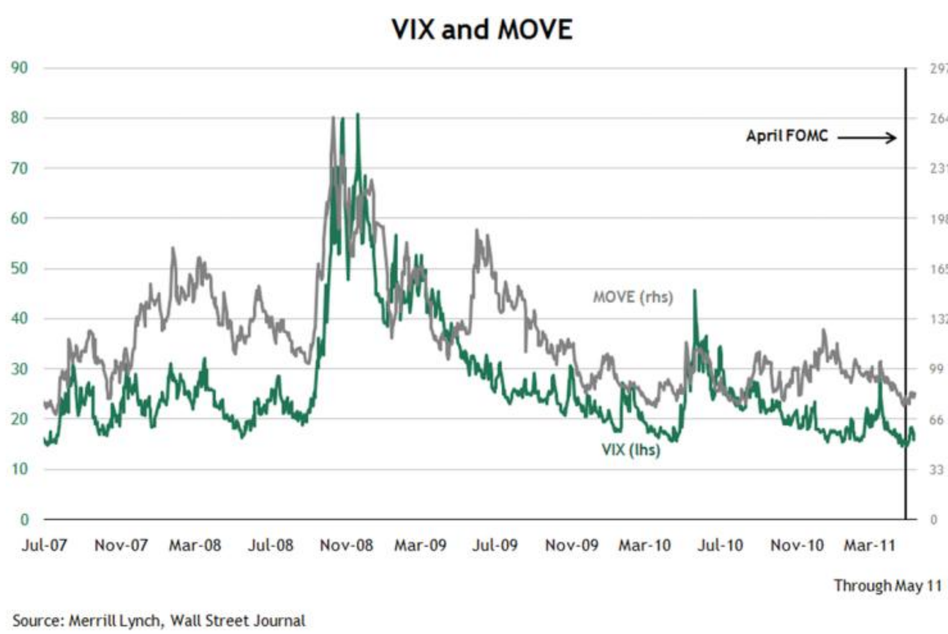
Bond and Equity Markets

Summary

Equity markets are down about 1% since the April FOMC meeting.



The Merrill Lynch MOVE index shows bond market volatility up about 1.1% since the April FOMC, and the VIX "fear index" from the Chicago Board Option Exchange indicates equity market volatility is higher by 3.6%.



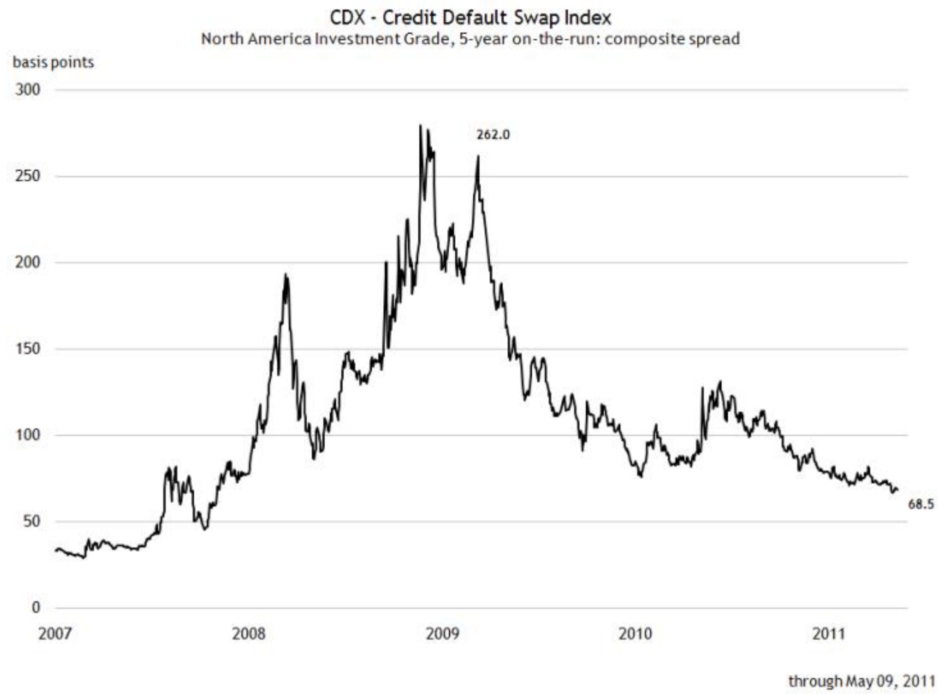
Bond and Equity Markets

Summary

The NAIG Credit Default Swap Index closed at 68.5 basis points (bps) on May 9, hovering around lows last seen in late 2007.

Investors use the CDX to hedge against losses on corporate debt or to speculate on creditworthiness. A decline in the CDX generally signals an improvement in the perception of credit quality.

One basis point equates to $1,000 annually on a contract protecting $10 million in debt.

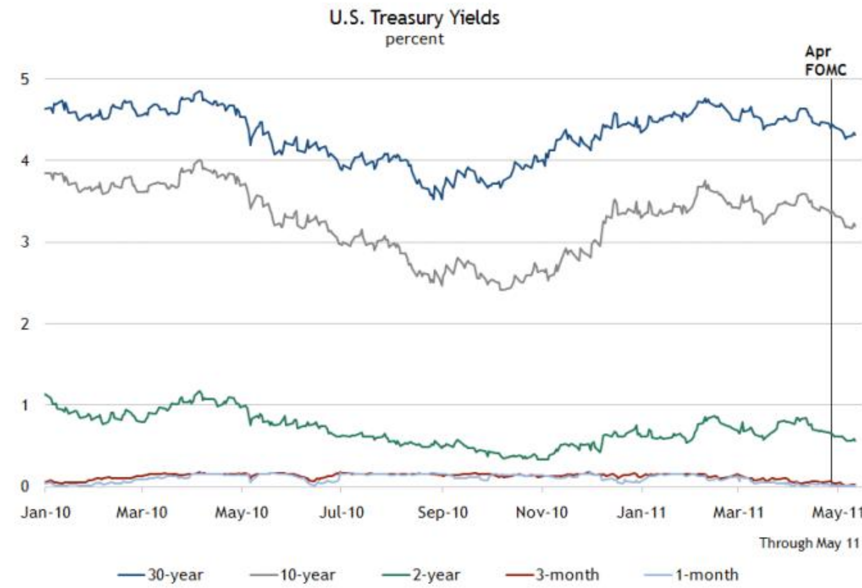


Source: Markit Group Limited/Haver Analytics

Broad Financial Market Indicators

Summary

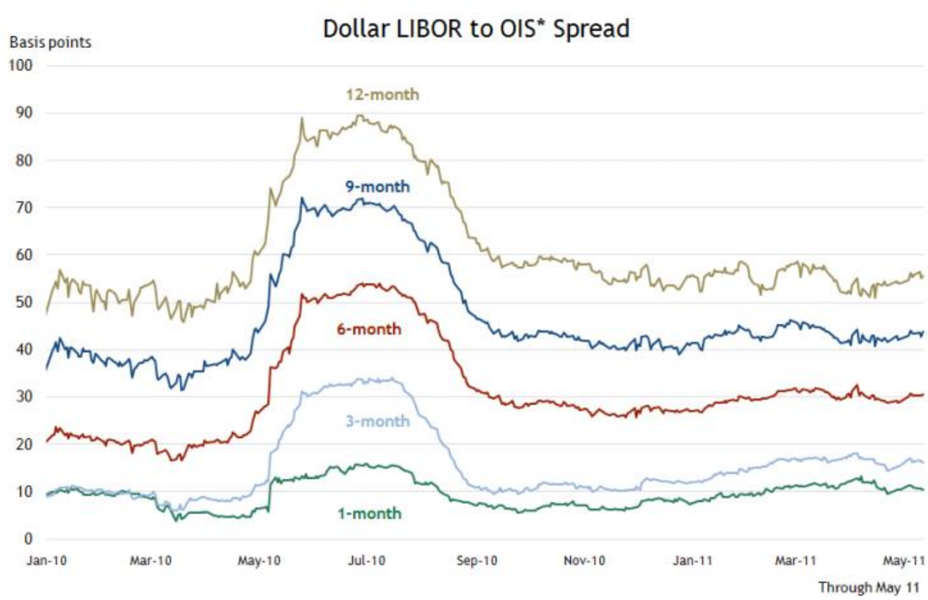
Since the April FOMC meeting, Treasury yields are lower across the curve.



Source: Federal Reserve Board/Haver Analytics

- Since the April 27 FOMC meeting, the 30-year Treasury bond yield is down 14 basis points (bps) to 4.31%, the 10-year note's yield is lower by 20 bps to 3.19%, and the two-year note is down 9 bps to 0.56%.

LIBOR to OIS spreads are stable since the April FOMC meeting, with the one- and three-month spreads at 10.4 bps and 16.2 bps, respectively.



Source: British Bankers Association/Bloomberg

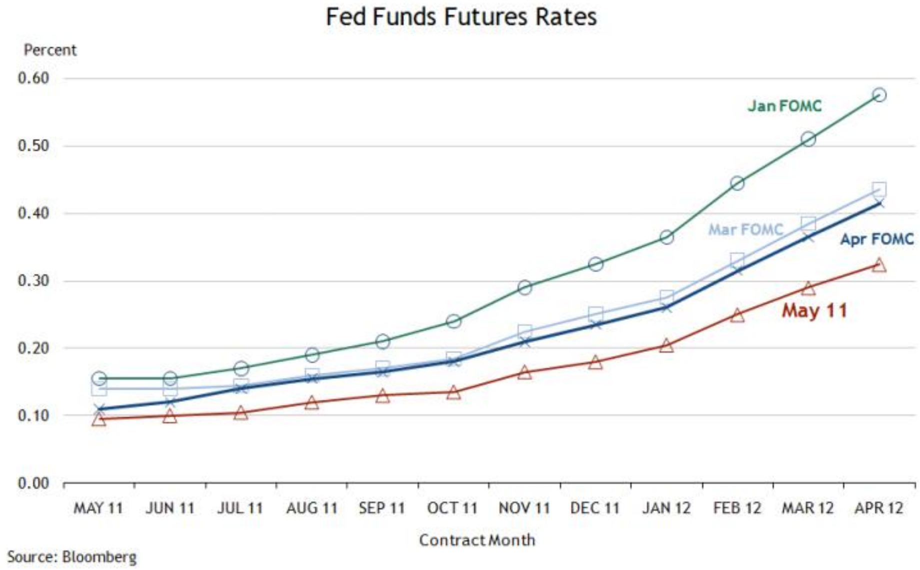
*Overnight Index Swap rate

Broad Financial Market Indicators

Summary

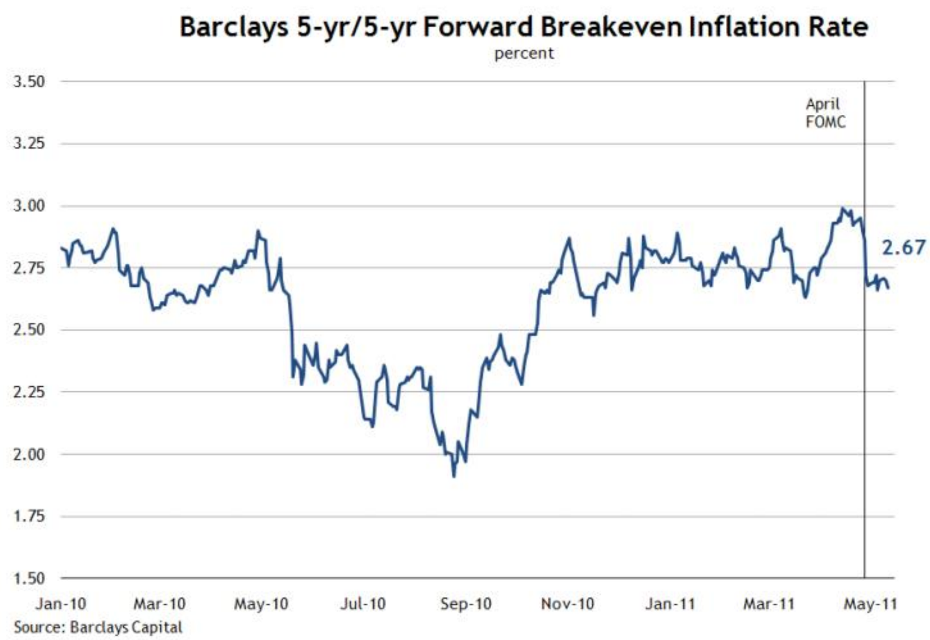
The curve of expected rates has moved lower since the April FOMC meeting.

(The shortend of the curve is lower as a result of the anticipated runoff of the SFP and the FDIC assessment change.)



- As of May 11, 2011, the futures market for fed funds indicates an implied rate of about 33 bps for the April 2012 contract, about 9 bps lower since the April FOMC meeting.

Breakeven inflation rates have fallen sharply since the April FOMC meeting.



- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.67% as of May 11, 2011, which is 19 bps lower than what followed the April FOMC meeting.