FEDERAL RESERVE BANK of ATLANTA

May 18, 2011

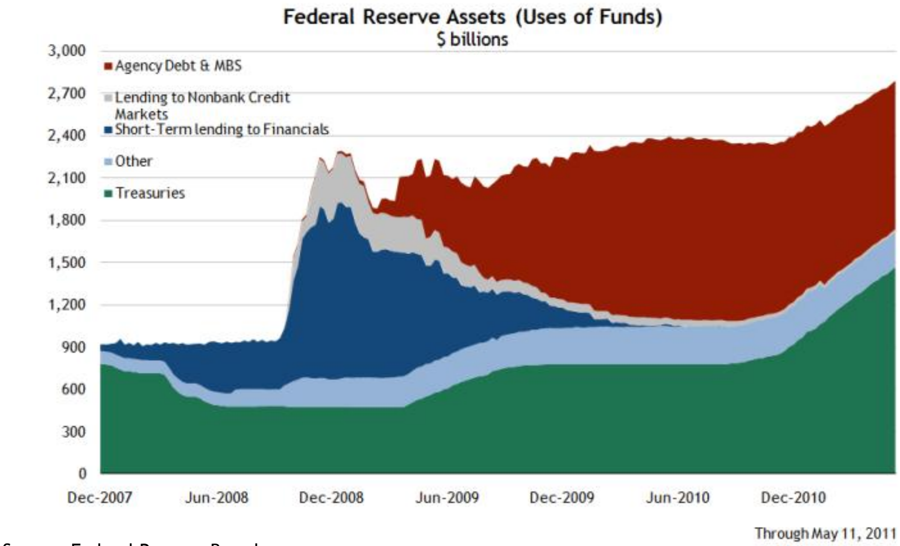
Financial Highlights

Federal Reserve

Summary

The balance sheet increased by $26 billion for the week ended May 11.

Since November 10, the balance sheet has increased $434 billion.



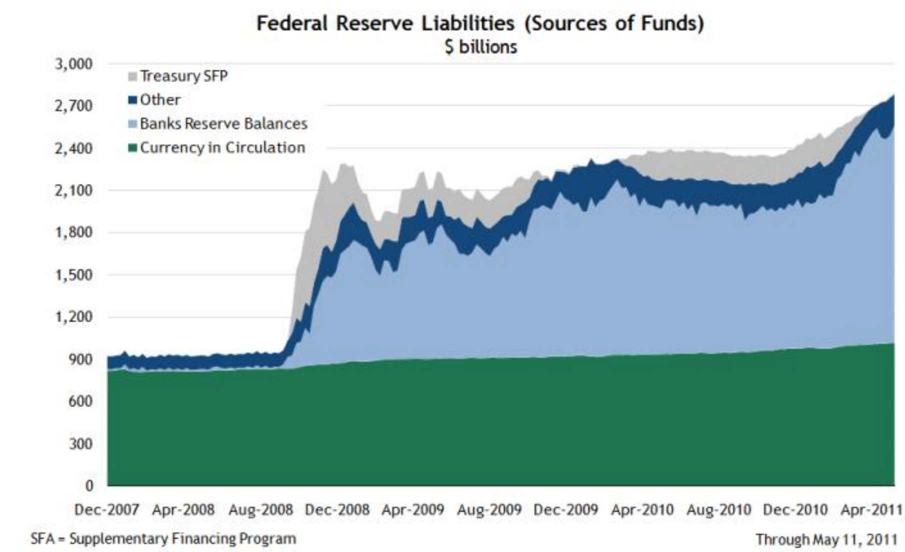
Source: Federal Reserve Board

- Treasuries increased by $24 billion while agency debt and MBS was unchanged. Since November 10, Treasury securities have grown by $613 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 $71 billion while Treasury deposits with Federal Reserve banks declined $37 billion.

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

As of May 11, 2011, bank reserve balances are $1.54 trillion.



Source: Federal Reserve Board

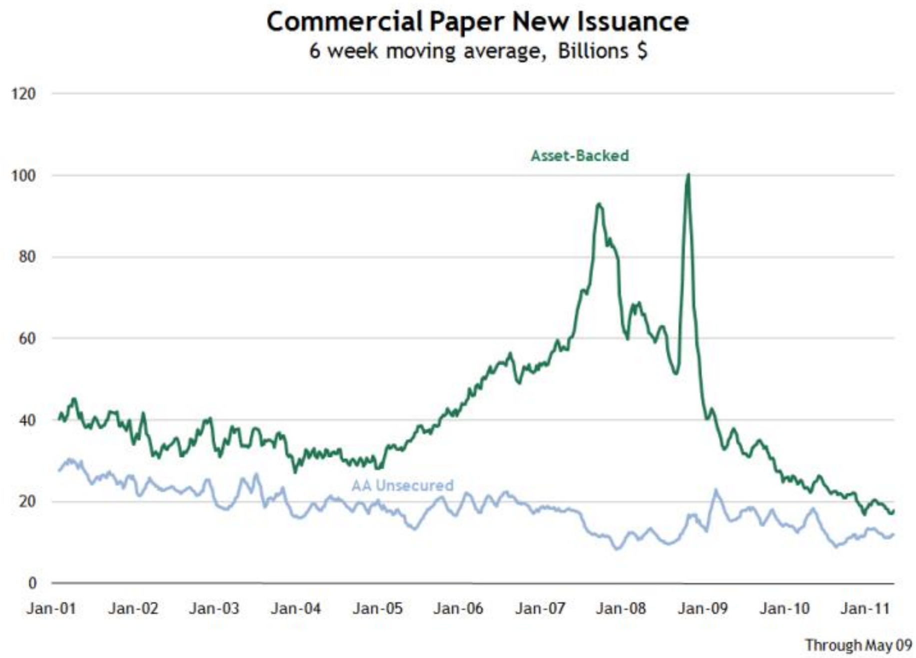
- The Treasury has announced that the Supplemental Financing Program (SFP) will be reduced to $5 billion to "provide flexibility" and delay the national debt from hitting the current ceiling of $14.29 trillion.
- The Treasury SFP was also reduced from $200 billion to $5 billion over the period September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

Commercial Paper

Summary

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

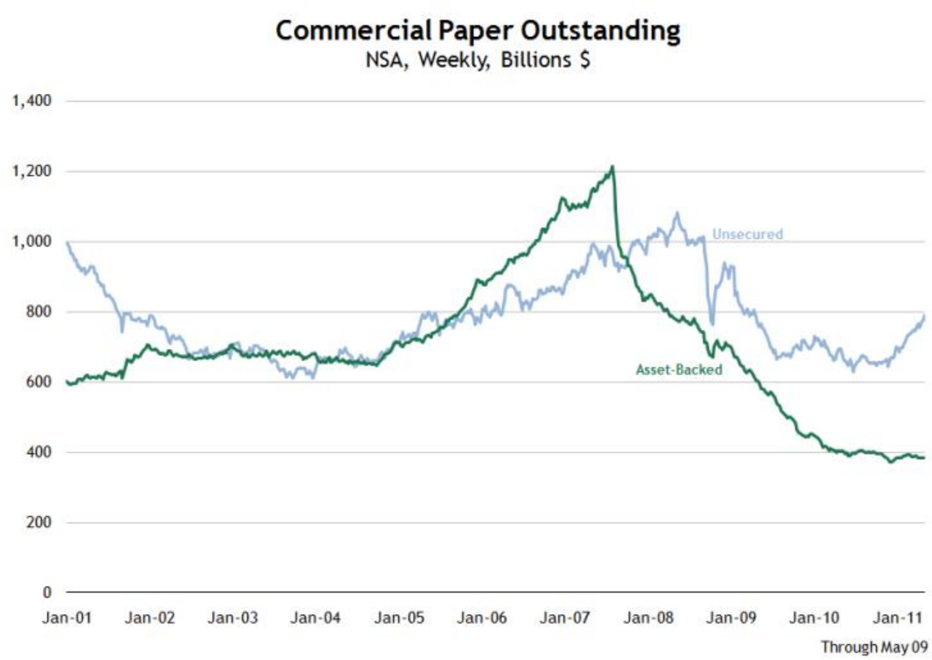


Source: Federal Reserve Board

- Issuance of A2/P2 nonfinancial paper (not shown above) has increased in the past few months. Average issuance from January 3 to May 9 was 52% higher than the same period last year.

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

ABCP outstanding is relatively unchanged, despite lower issuance, because the term to maturity at issuance is increasing; in particular, the one-to-four-day ABCP issuance is declining.

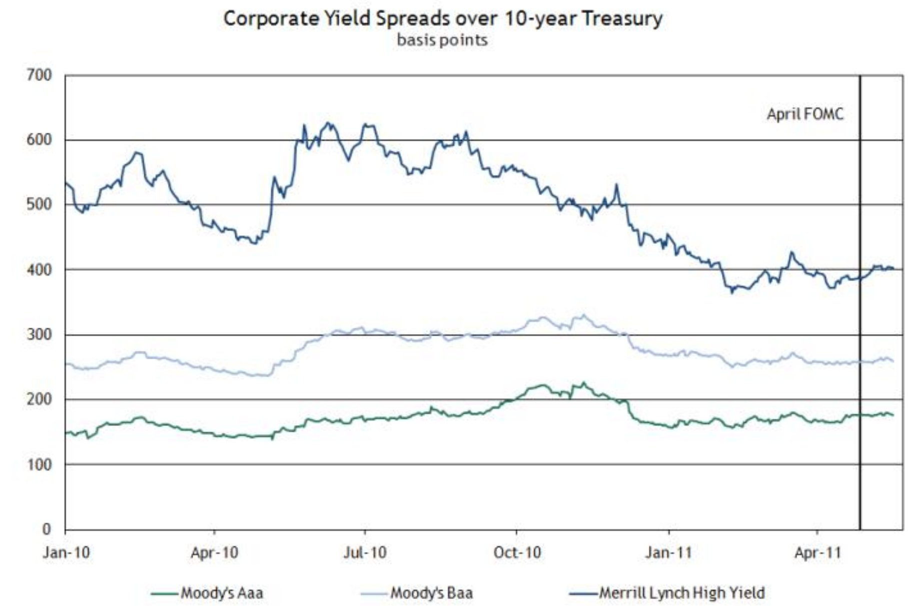


Source: Federal Reserve Board

Corporate Bonds

Summary

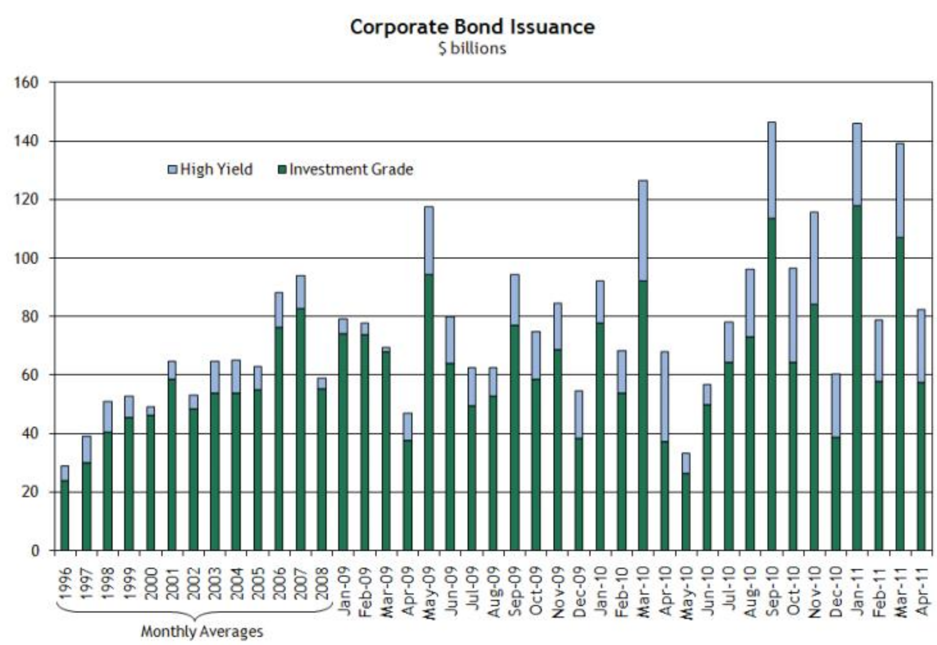
Since the April FOMC meeting, spreads on high-yield corporate debt have widened slightly, by 19 basis points (bps), while those of investment-grade debt have been relatively flat.



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

- Since the April FOMC meeting, corporate yield spreads were have widened for junk debt, with the Merrill Lynch High Yield Index up 19 basis points (bps).
- Higher-quality issuance was relatively flat, as the Moody's Aaa- and Baa-rated bond yields narrowed by 2 bps and widened by 3 bps, respectively.

U.S. corporations accessed the bond market for $82.4 billion in April, according to SIFMA.



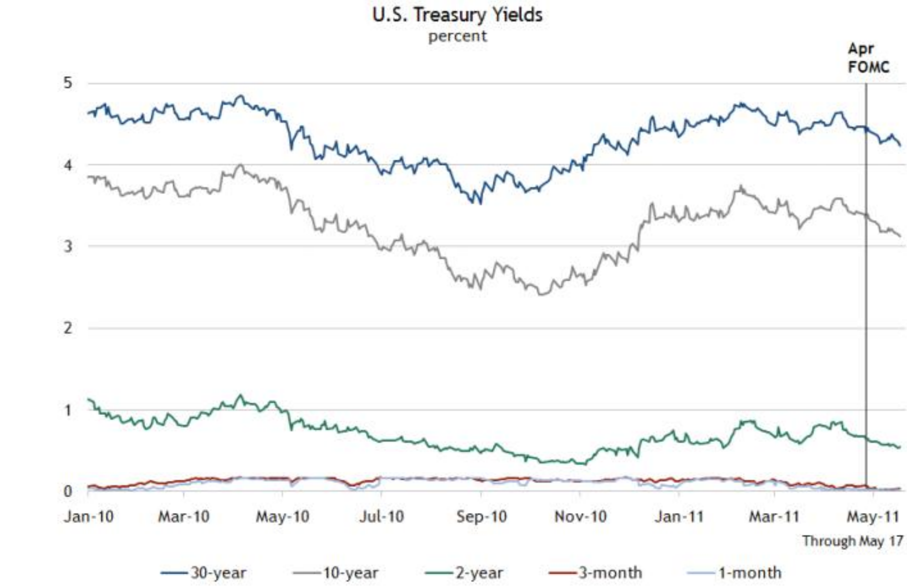
Source: SIFMA

- According to SIFMA, U.S. corporate bond issuance hit $82.4 billion in April 2011, and high-yield debt issuance made up $25 billion of that amount.

Broad Financial Market Indicators

Summary

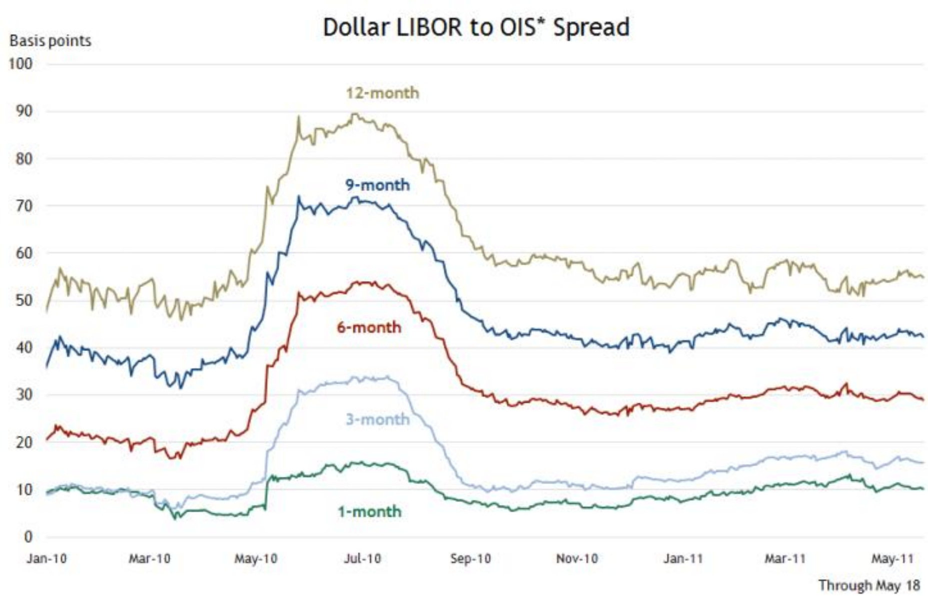
Since the April FOMC meeting, Treasury yields are lower across the curve.



Source: Federal Reserve Board/Haver Analytics

- Since the April 27 FOMC meeting, the 30-year Treasury bond yield is down 22 bps to 4.23%, the 10-year note's yield is lower by 27 bps to 3.12%, and the two-year note is down 10 bps to 0.55%.

LIBOR to OIS spreads are stable since the April FOMC meeting, with the one- and three-month spreads at 10.2 bps and 15.8 bps, respectively.



Source: British Bankers Association/Bloomberg

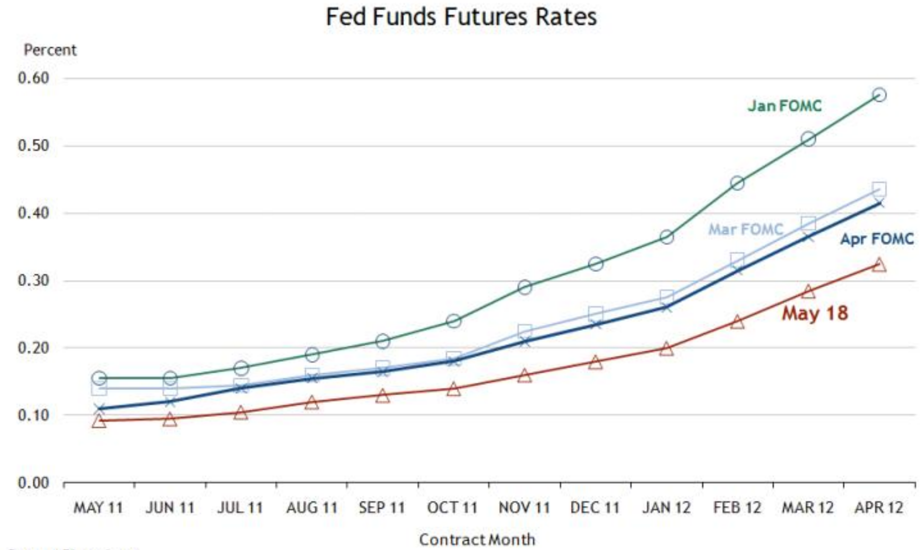
*Overnight Index Swap rate

Broad Financial Market Indicators

Summary

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

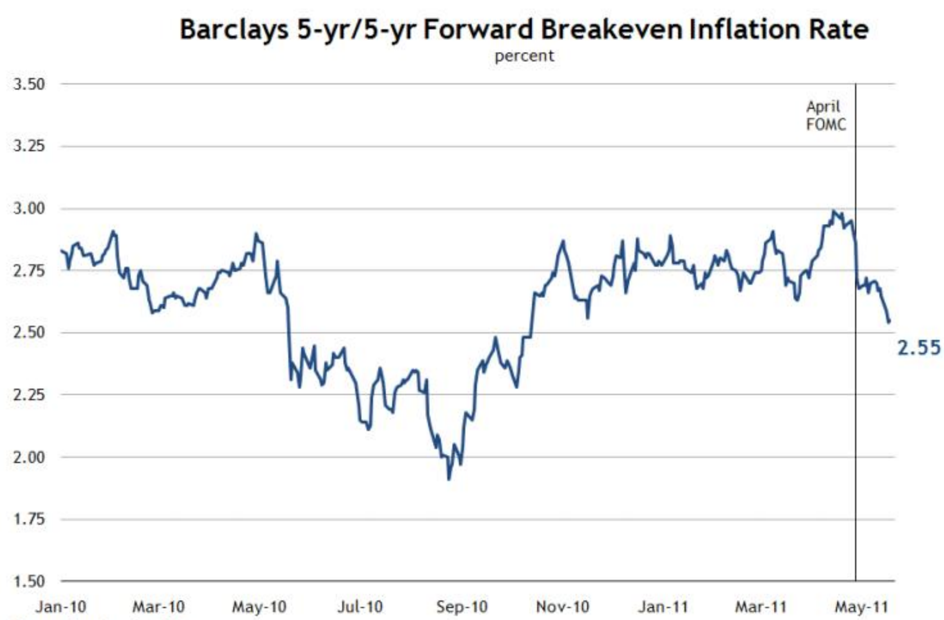
(The short end of the curve is lower, at least partially as a result of the anticipated runoff of the SFP and the FDIC assessment change.)



Source: Bloomberg

- As of May 18, 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 and unchanged from a week ago.

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



Source: Barclays Capital

- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.55%, as of May 18, 2011, which is 31 bps lower than what followed the April FOMC meeting.