FEDERAL RESERVE BANK of ATLANTA

June 1, 2011

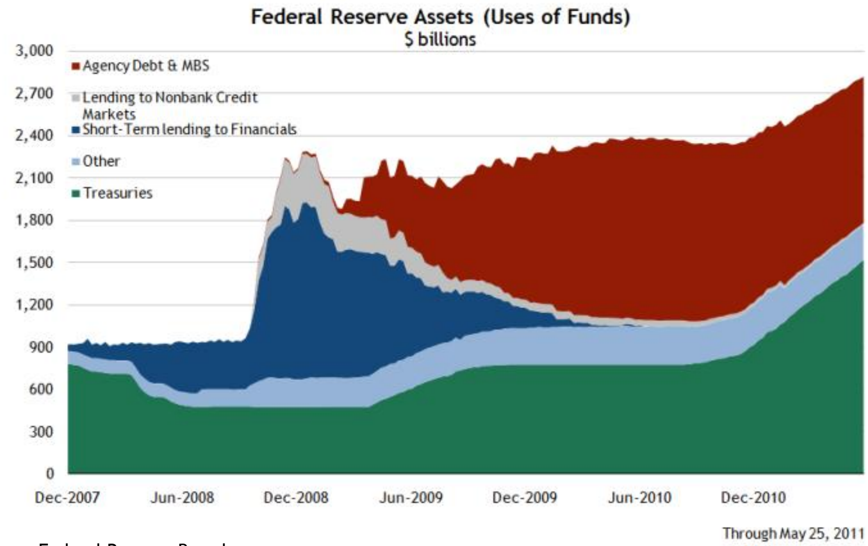
Financial Highlights

Federal Reserve

Summary

The balance sheet increased by $17 billion for the week ended May 25.

Since November 10, the balance sheet has increased $465 billion.



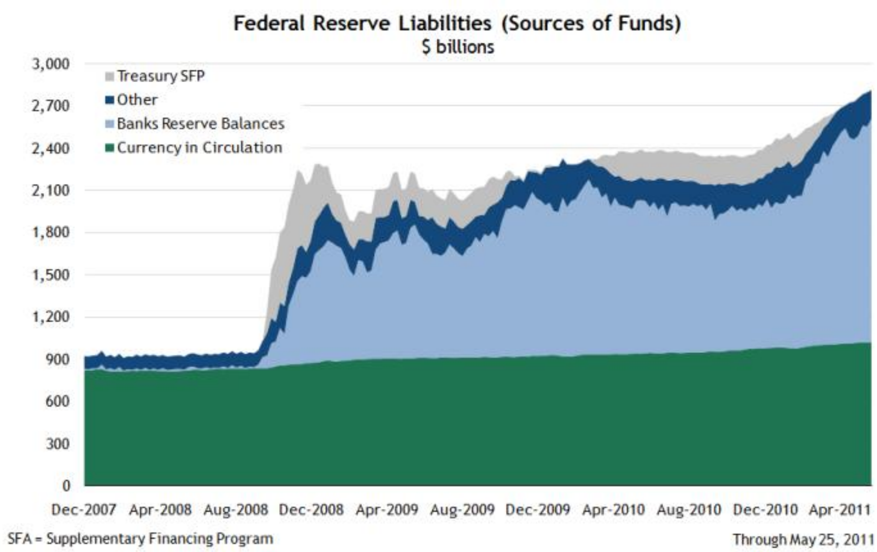
Source: Federal Reserve Board

- Treasuries increased by $24 billion while agency debt and MBS decreased $7 billion. Since November 10, Treasury securities have grown by $666 billion while agency debt and MBS have shrunk by $164 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 $53 billion while Treasury deposits with Federal Reserve banks (part of "Other") decreased $36 billion.

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

As of May 25, 2011, bank reserve balances are $1.6 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.

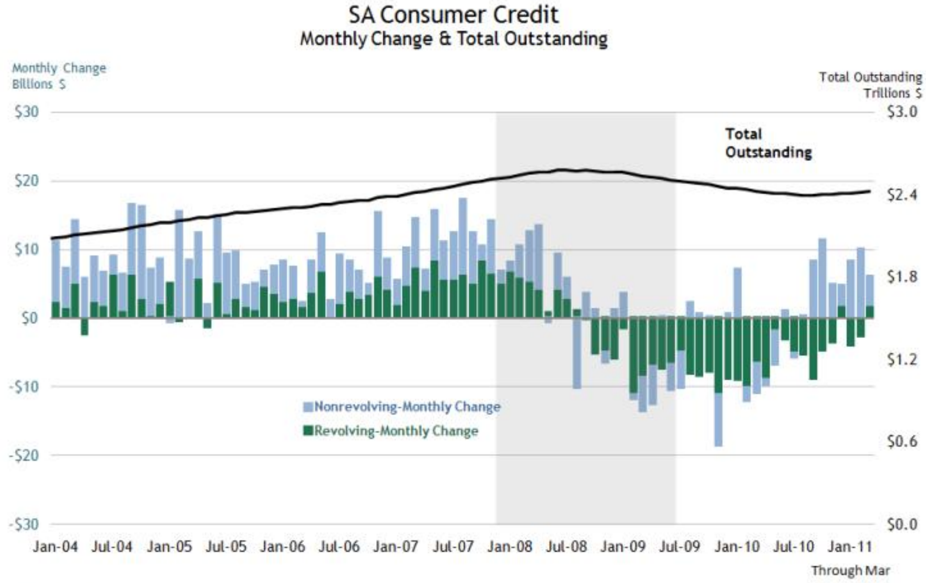
Assets: Lending to nonbanks—TALF, CPFF, AMLF, and MMIFF; Short-term lending to financials—discount window, TAF, currency swaps, PDCF, and repos; Misc.—Maiden Lanes I, II, and III, credit to AIG, and other Fed assets. **Liabilities**: Other—Reverse repos, Treasury cash holdings, and deposits with Federal Reserve Banks other than reserve balances and excluding the Supplemental Financing Program.

Consumer Credit

Summary

Consumer credit outstanding increased $6 billion in March, reflecting an increase in both revolving and nonrevolving credit outstanding.

This increase marks only the second time that revolving credit has increased since September 2008.

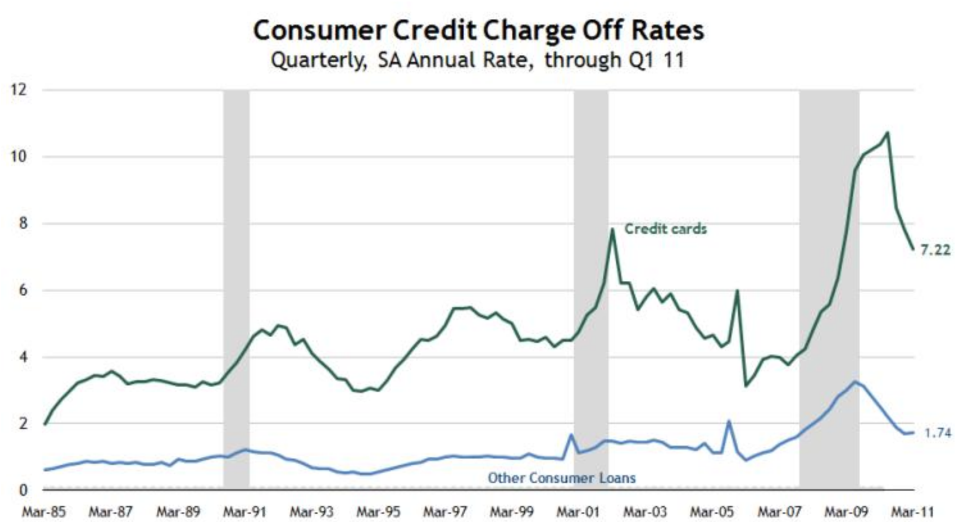


Source: Federal Reserve Board

- Nonrevolving increased $4.1 billion, and revolving increased $1.9 billion.
- Revolving consumer credit outstanding is 18% lower than it was in July 2008.
- Nonrevolving credit outstanding, however, is now 1% higher than the level seen in July 2008.

The annual charge-off rate on consumer credit cards decreased in the first quarter to 7.2%.

The charge-off rate on consumer loans increased slightly from the fourth quarter- from 1.69% to 1.74%.

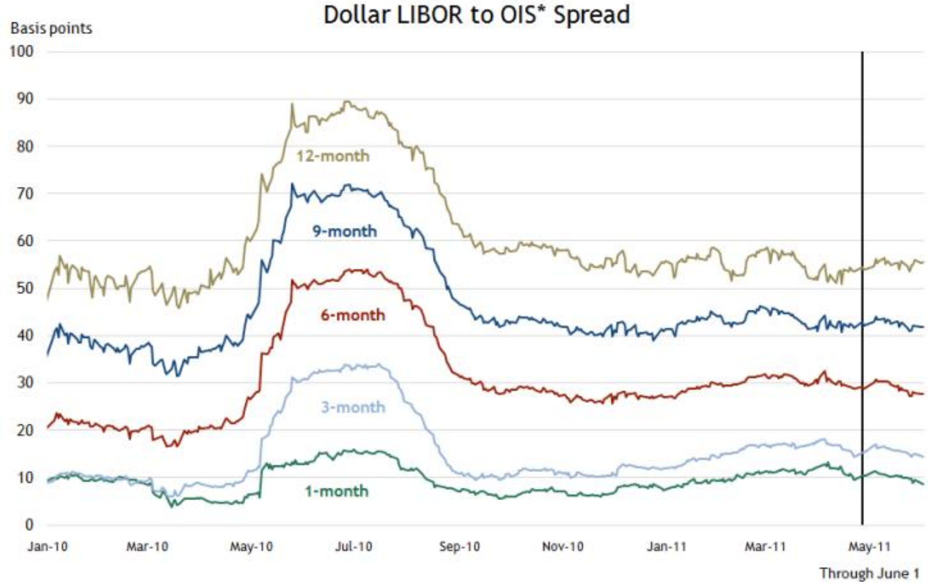


Source: Federal Reserve Board

Broad Financial Market Indicators

Summary

One-month, three-month, and six-month LIBOR to OIS spreads have decreased since the April FOMC meeting.

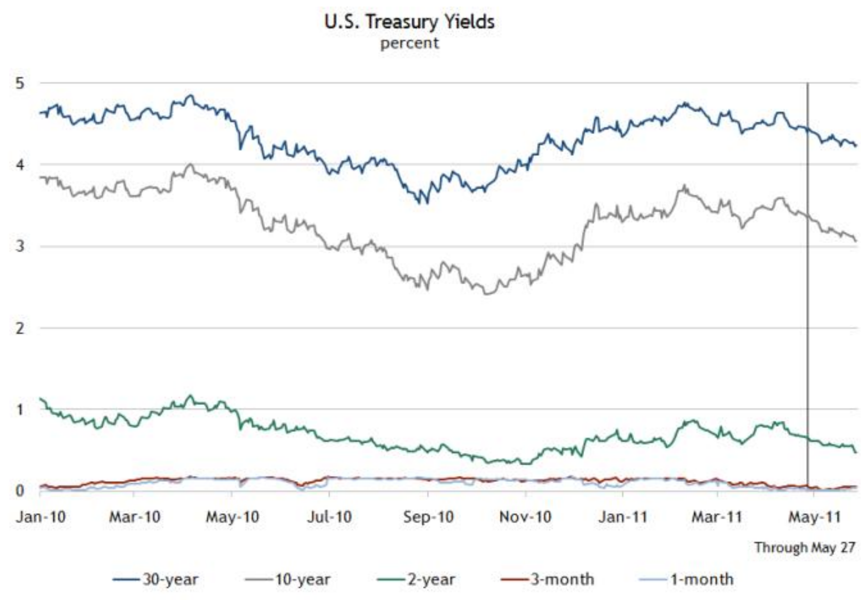


Source: British Bankers Association/Bloomberg

*Overnight Index Swap rate

- As of June 1, the one-month LIBOR to OIS spread is 1.8 basis points (bps) lower, the six-month spread is 1.3 bps lower, and the 12-month spread is 1.4 bps higher.

U.S. Treasury yields have decreased since the April FOMC meeting.



Source: Federal Reserve Board/Haver Analytics

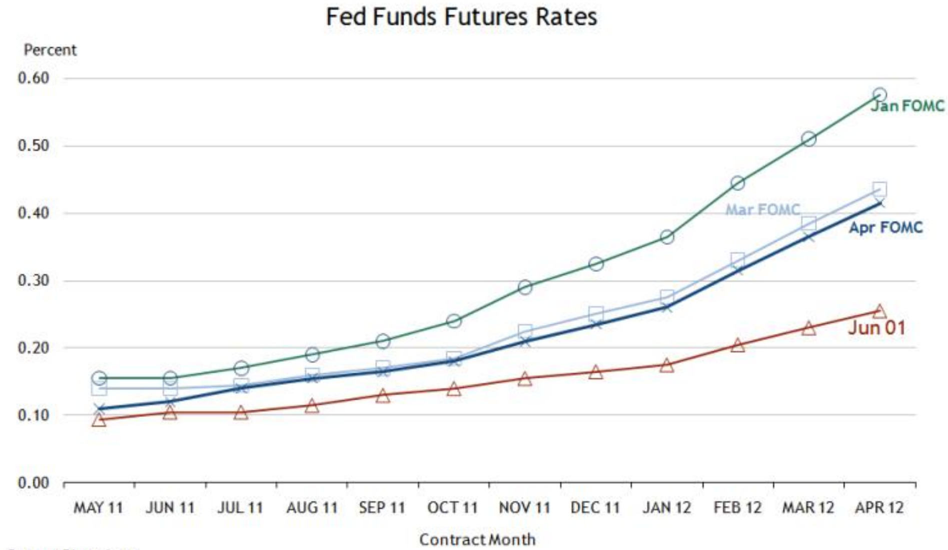
- Since the April 27 FOMC meeting, the 30-year Treasury bond yield is down 21 bps to 4.24%. The 10-year note's yield is down 32 bps to 3.07%, and the two-year note is down 17 bps to 0.48%

Broad Financial Market Indicators

Summary

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

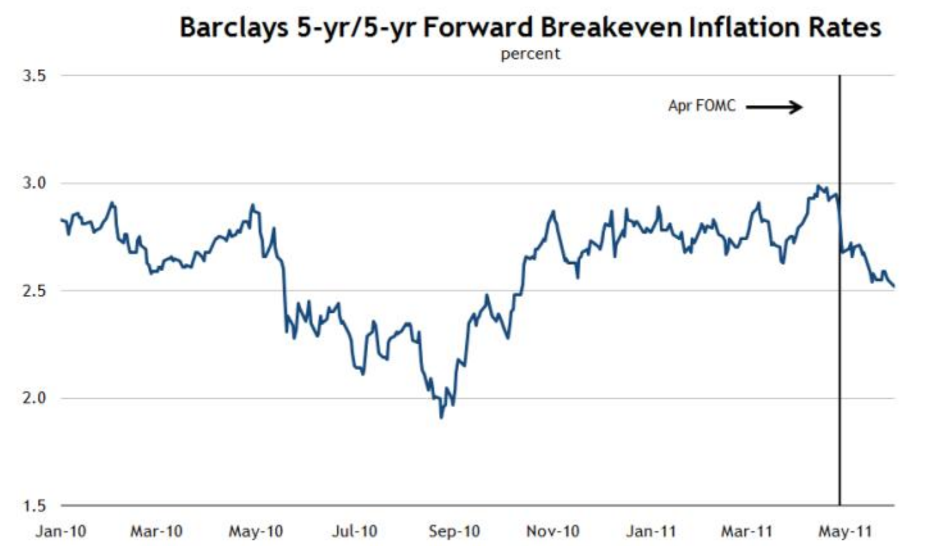
The short end of the curve is lower, at least partially, as a result of the anticipated runoff of the SFP and the FDIC assessment change.



Source: Bloomberg

- As of June 1, the futures market for fed funds indicates an implied rate of about 25 bps for the April 2012 contract.

Breakeven inflation rates fell sharply following the April FOMC meeting.



Source: Bloomberg Through May 31

- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.52% as of May 31, 2011, 34 bps lower than the last day of the April FOMC meeting.

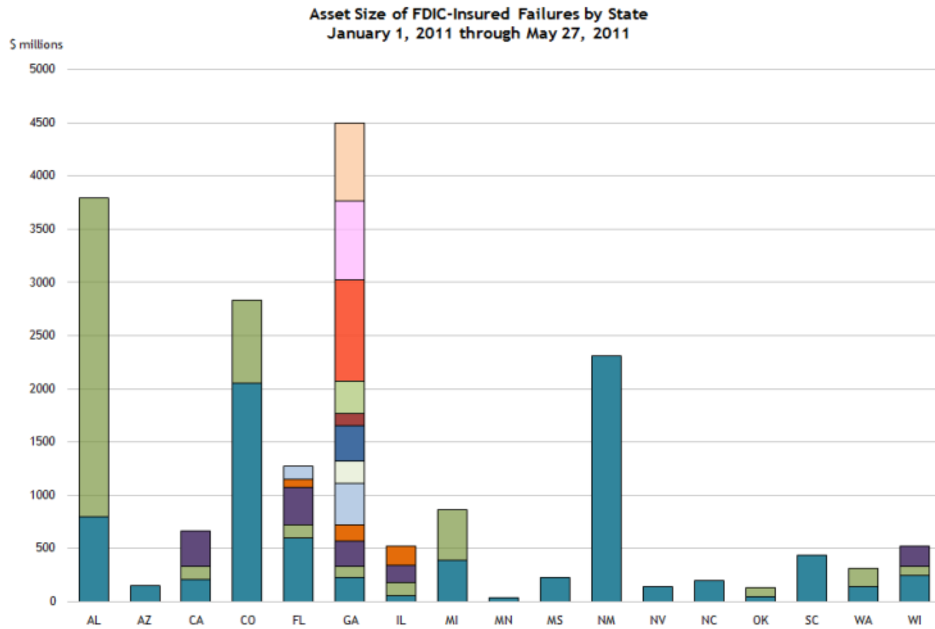
Bank Failures

Summary

State regulators closed one bank in Washington state on Friday, May 27, bringing the number of FDIC-insured failures this year to 44.

Georgia leads the nation with 12 bank failures this year, followed by Florida with five and Illinois with four.

Nationally, there have been 366 FDIC-insured failures since the beginning of 2008. Georgia leads the nation with 63 failures, followed by Florida with 50 and Illinois with 42.



Note: Each colored block represents one failed bank.

Source: FDIC press releases

- Through May 27, 20 banks have failed in the Sixth District in 2011.