FEDERAL RESERVE BANK of ATLANTA

July 6, 2011

Financial Highlights

Federal Reserve

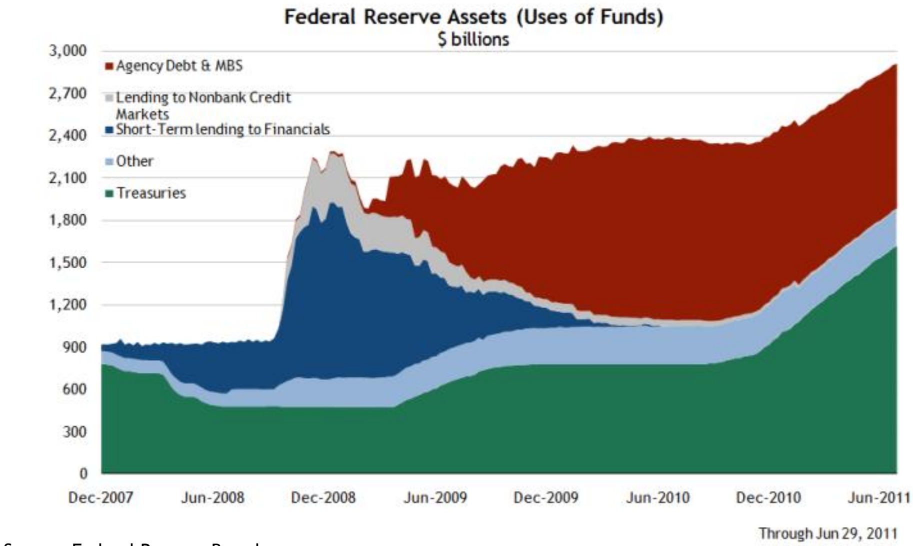
Summary

The balance sheet increased by $8.7 billion for the week ended June 29.

Since November 12, 2010, the balance sheet has increased $555 billion.

The $600 billion Treasury purchase program was completed on June 30, 2011.

An additional $167 billion in Treasuries was purchased between November 12 and June 30 to replace principal payments from agency debt and agency MBS.



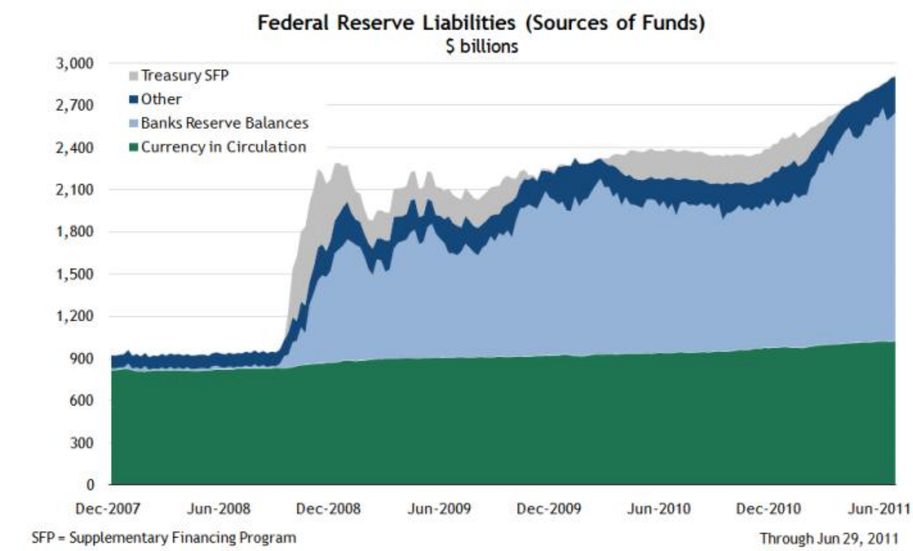
Source: Federal Reserve Board

- Treasuries increased by $15 billion while agency debt and MBS declined $7 billion. Since November 10, Treasury securities have grown by $764 billion while agency debt and MBS have shrunk by $175 billion.
- According to the New York Fed's tentative outright Treasury operation schedule, the desk plans to purchase approximately $62 billion between mid-June and mid-July. $50 billion is the last of the $600 billion purchase program and $12 billion is to replace the expected principal payments from agency debt and agency MBS.

Bank reserve balances with the Federal Reserve increased $25 billion while Treasury deposits at Federal Reserve banks (part of "Other") declined $24 billion.

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

As of June 29, 2011, bank reserve balances are $1.6 trillion.



Source: Federal Reserve Board

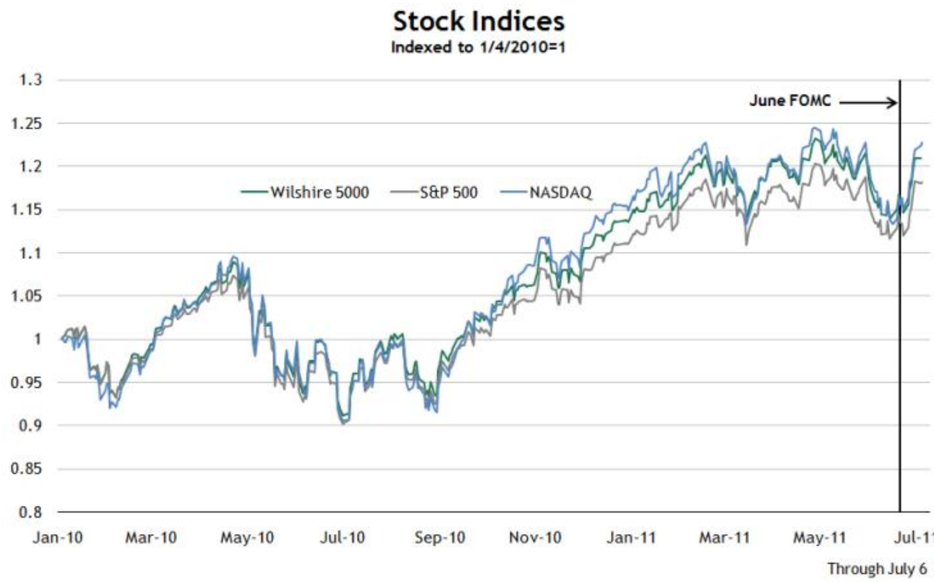
- The Treasury has announced that the Supplemental Financing Program will be reduced to $5 billion to "provide flexibility" and delay the national debt from hitting the current ceiling of $14.29 trillion.
- The Treasury SFP was also reduced from $200 billion to $5 billion over the period September 23,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

Bond and Equity Markets

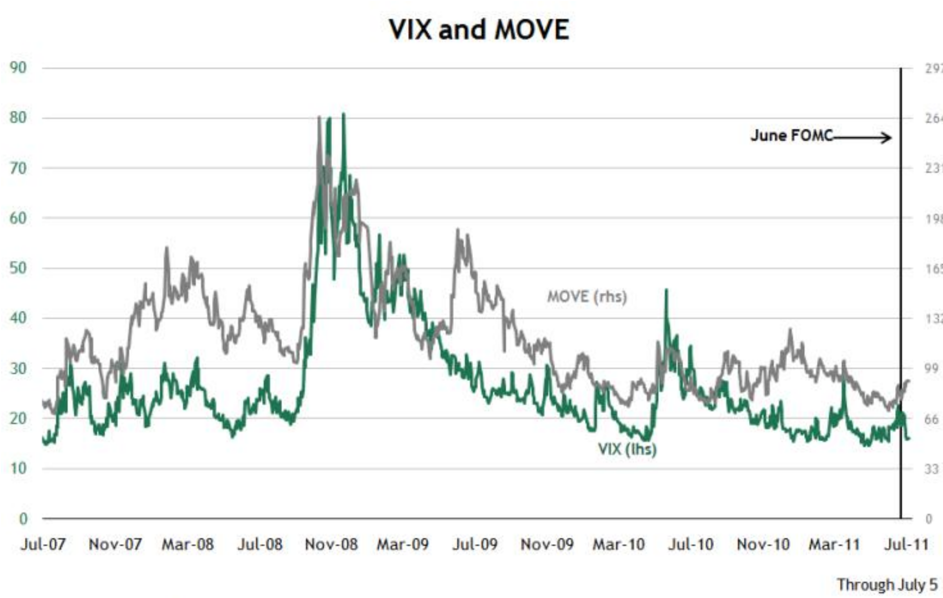
Summary

The Wilshire 5000 and S&P 500 stock indices are up about 4 percent since the June FOMC meeting, and the NASDAQ is up more than 6 percent.



Source: Dow Jones, NY Times, WSJ

The Merrill Lynch MOVE index shows bond market volatility has risen 14.8 percent since the June FOMC meeting, and the VIX "fear index" from the Chicago Board Option Exchange indicates equity market volatility is lower by 13.3 percent.



Source: Merill Lynch, Wall Street Journal

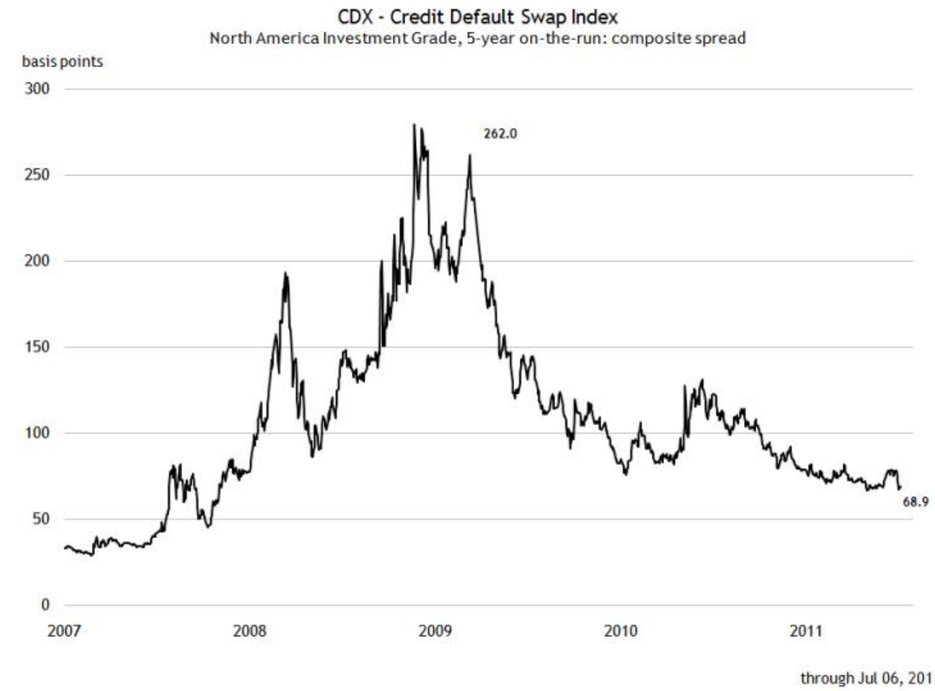
Bond and Equity Markets

Summary

The NAIG Credit Default Swap Index closed at 68.9 basis points (bps) on July 5, decreasing 6.4 bps from a week earlier. Only July 1 it reached its lowest level (67.1 bps) since April 29, and the second-lowest reading since 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. An increase in the CDX generally signals a deterioration in investor confidence.

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

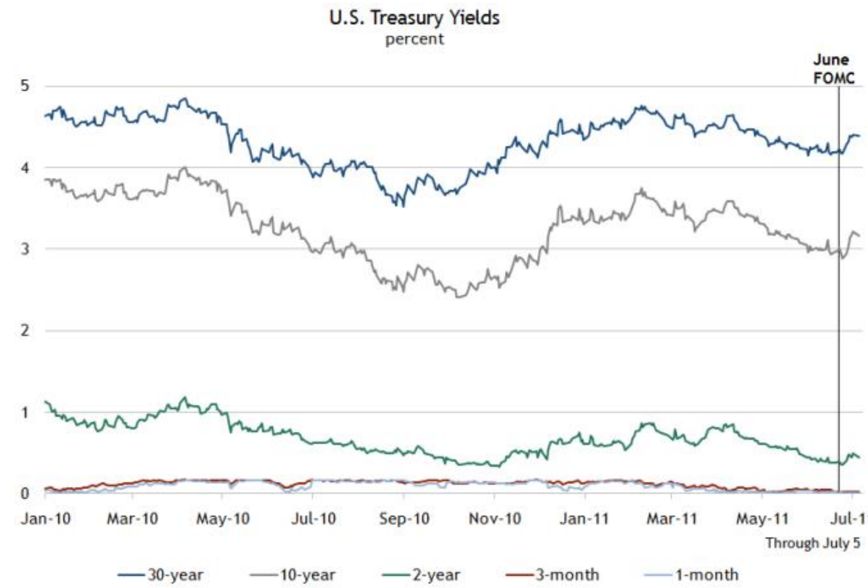


Source: Markit Group Limited/Haver Analytics

Broad Financial Market Indicators

Summary

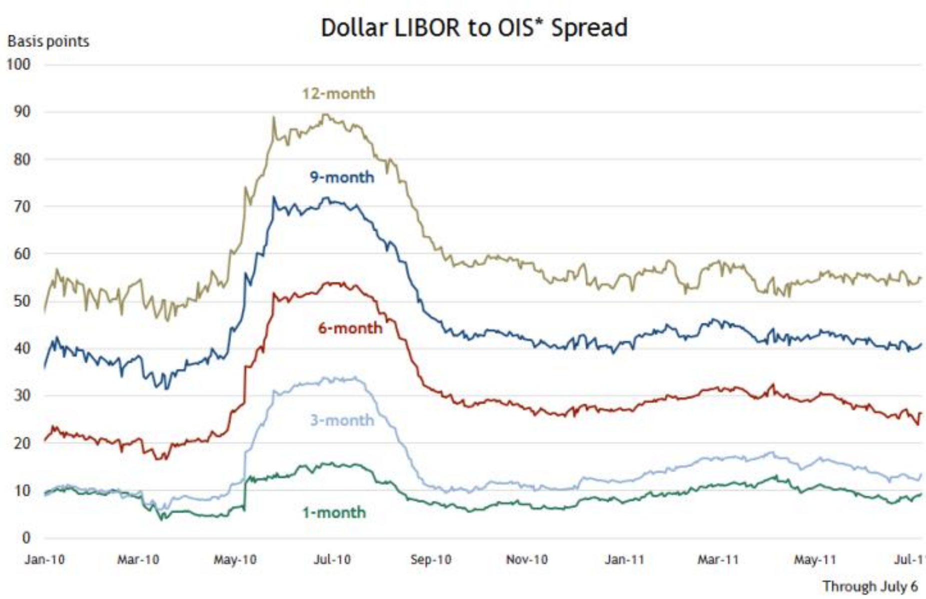
Since the June FOMC meeting last week, Treasury yields have moved higher.



Source: Federal Reserve Board/Haver Analytics

- Since the June FOMC meeting, the 30-year Treasury bond yield is up 17 basis points (bps) to 4.39 percent, the 10-year note's yield is higher by 15 bps to 3.16 percent, and the two-year note is up 5 bps to 0.44%.
- The three- and one-month T-bill rates are basically unchanged at 0.02 percent and 0.01 percent, respectively.

Since the June FOMC meeting, LIBOR to OIS spreads for most tenors are about 1 bp wider, with the one- and three-month spreads currently at 9.3 bps and 13.5 bps, respectively.



Source: British Bankers Association/Bloomberg

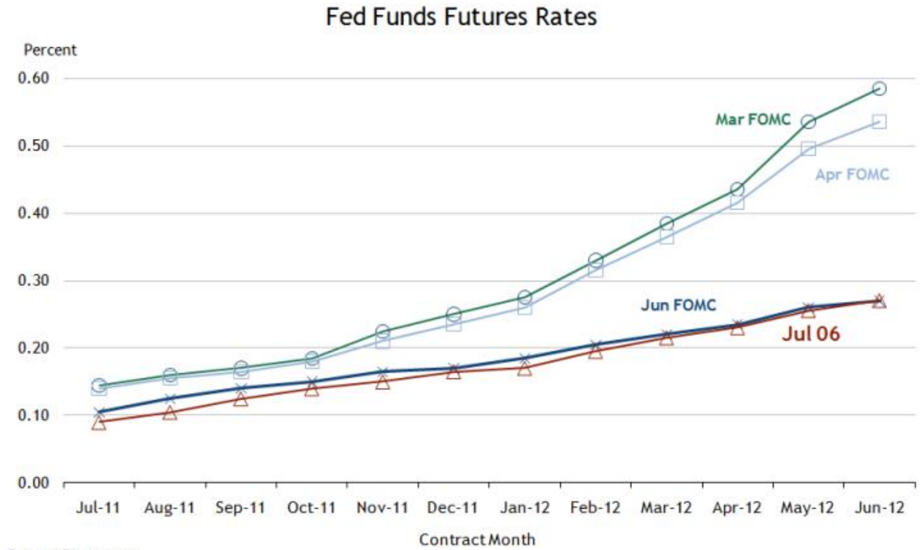
*Overnight Index Swap rate

Broad Financial Market Indicators

Summary

The long end of the curve of expected rates has moved significantly lower over the intermeeting period, with no rate increase expected in the next year.

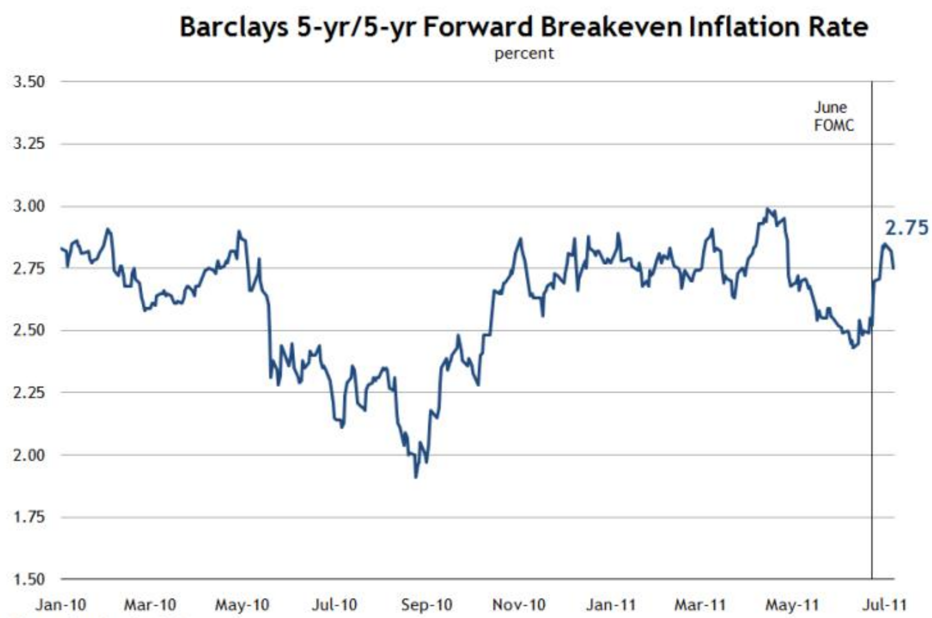
The short end of the curve is lower, at least partially, as a result of the anticipated runoff of the SFP and the FDIC assessment change.



Source: Bloomberg

- As of July 6, 2011, the futures market for fed funds indicates an implied rate of about 27 bps for the May 2012 contract, about 27 bps lower since the April FOMC meeting but unchanged from the June FOMC meeting two weeks ago.

Breakeven inflation rates are higher since the June 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 2.75 percent as of July 6, 2011, which is 23 bps higher than before the June FOMC meeting but down 9 bps over the past week.