FEDERAL RESERVE BANK of ATLANTA

August 3, 2011

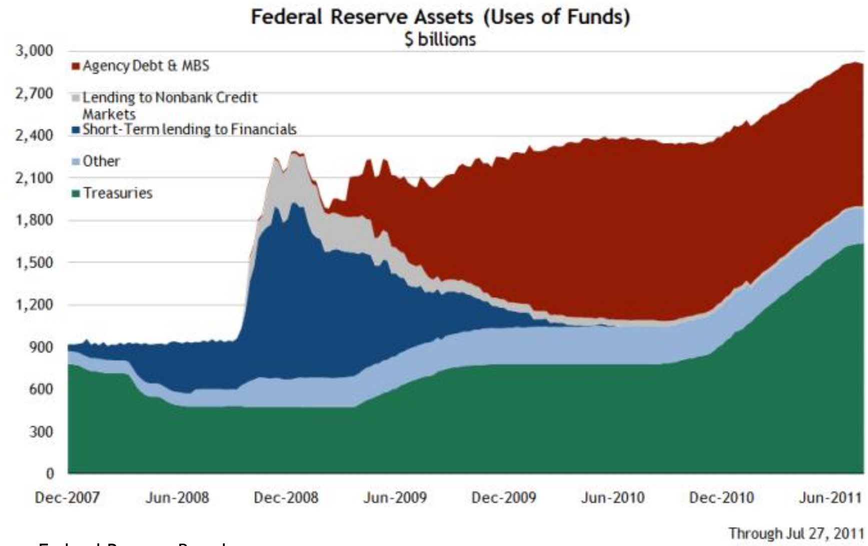
Financial Highlights

Federal Reserve

Summary

The balance sheet decreased by $7.9 billion for the week ended July 27.

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



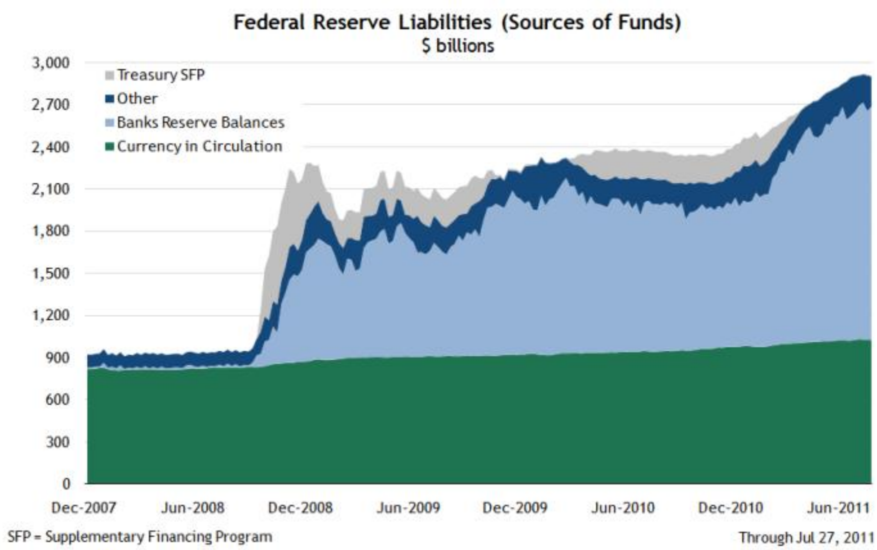
Source: Federal Reserve Board

- Treasuries increased by $4 billion while agency debt and MBS declined $8.5 billion.
- According to the New York Fed's tentative outright Treasury operation schedule, the desk plans to purchase approximately $14 billion between mid-July and mid-August. This amount represents how much is needed to replace the expected principal payments from agency debt and agency MBS over this time period.

Bank reserve balances with the Federal Reserve increased $31 billion while Treasury deposits at Federal Reserve banks (part of "Other") declined $40 billion.

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

As of July 27, 2011, bank reserves balances are $1.66 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.

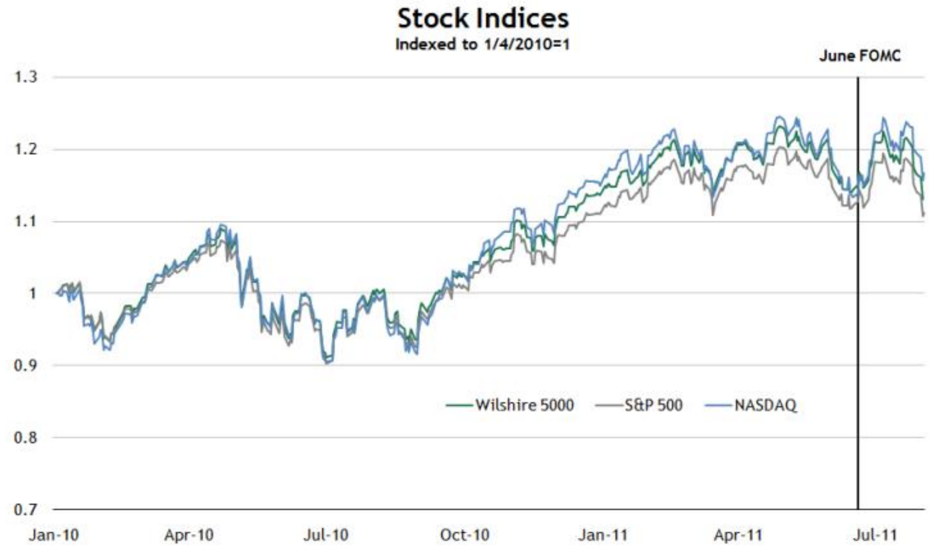
Assets: Lending to nonbanks—TALF, CPFF, AMLF, and MMIFF; Short-term lending to financials—discount window, TAF, currency swaps, PDCF, and repos; Misc.—Maiden Lanes I, II, and III, credit to AIG, and other Fed assets. **Liabilities**: Other—Reverse repos, Treasury cash holdings, and deposits with Federal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

Bond and Equity Markets

Summary

The Wilshire 5000 and S&P 500 stock indices fell in July.

All three indices are now close to their levels at the time of the last FOMC meeting.



Source: Dow Jones, NY Times, WSJ

Through August 03

The Merrill Lynch MOVE index shows bond market volatility has risen 6 percent since the June FOMC meeting.

The VIX "fear index" from the Chicago Board Option Exchange indicates equity market volatility is 24 percent higher.

Through August 03

Source: Merrill Lynch, Wall Street Journal

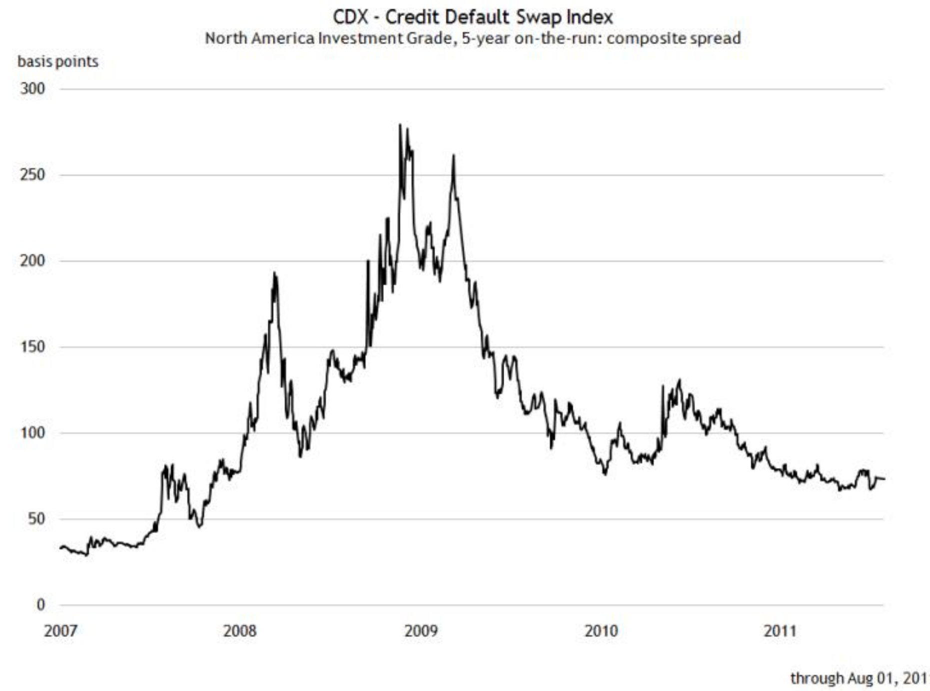
Bond and Equity Markets

Summary

The NAIG Credit Default Swap Index closed at 73.2 basis points (bps) on August 1.

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.

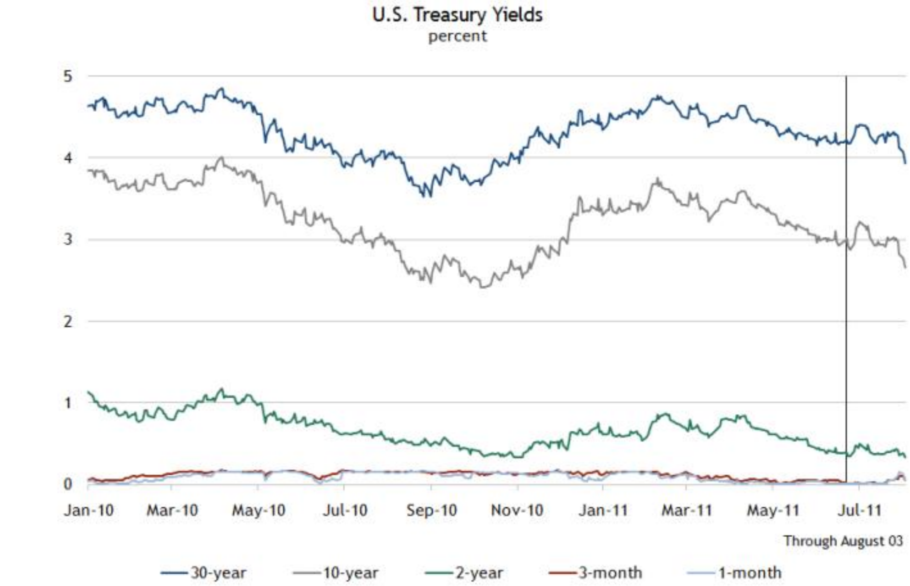


Source: Markit Group Ltd./Haver Analytics

Broad Financial Market Indicators

Summary

Since the June FOMC meeting, Treasury yields have moved lower.

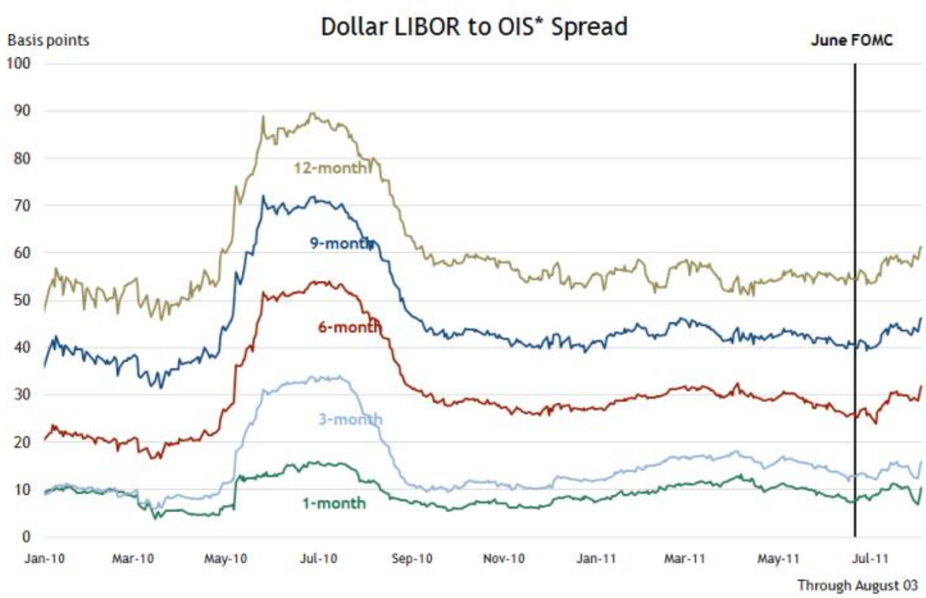


Source: Federal Reserve Board/Haver Analytics

- Since the June FOMC meeting, the 30-year Treasury bond yield is down 32 basis points (bps) to 3.9 percent, the 10-year note's yield is lower by 35 points to 2.6 percent, and the two-year note is down 7 bps to 0.33 percent.
- 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 have widened.

The one- and three-month spreads are currently at 10.5 bps and 16 bps, respectively.



Source: British Bankers Association/Bloomberg

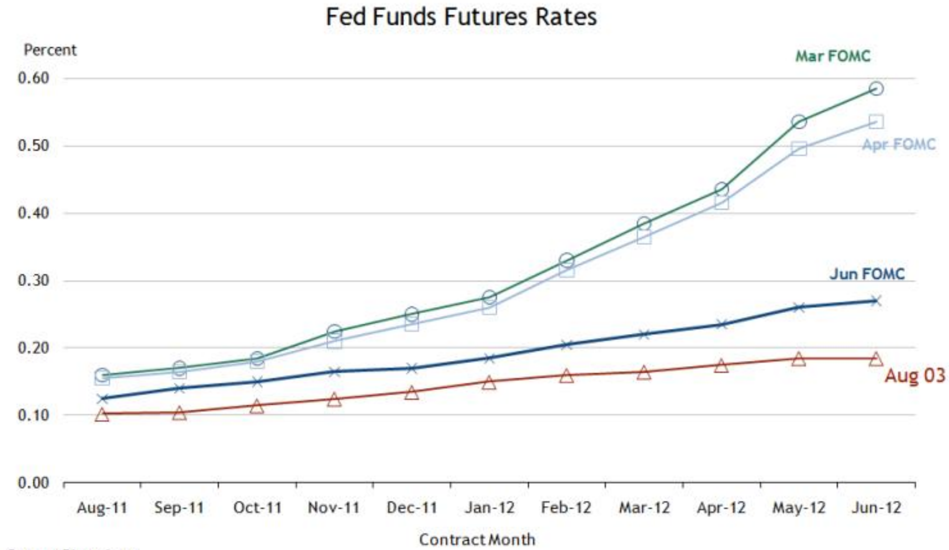
*Overnight Index Swap rate

- Since the June FOMC meeting, the 12-month tenure widened 7 bps, the nine-month tenure is 6 bps wider, the three-month tenure widened 3 bps, and the one-month tenure is 2 bps wider.

Broad Financial Market Indicators

Summary

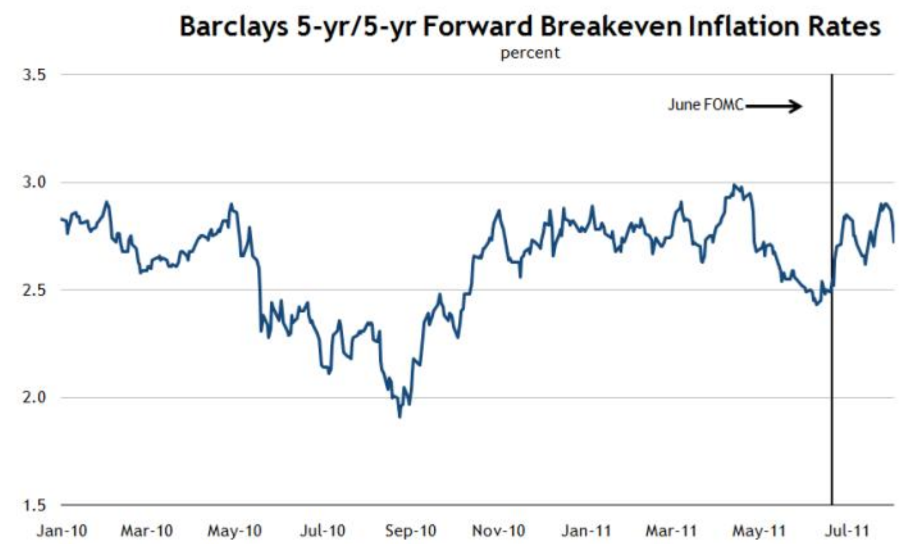
The curve of expected fed funds futures rates has moved lower over the intermeeting period, with no rate increase expected in the next year.



Source: Bloomberg

- As of August 3, 2011, the futures market for fed funds indicates an implied rate of about 19 basis points (bps) for the June 2012 contract, about 34 bps lower than the time of the April FOMC meeting and 8 bps lower than the time of the June FOMC meeting.

Breakeven inflation rates are higher than they were at the June FOMC meeting.



Source: Bloomberg

Through August 03

- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to ten years out as averaging about 2.7 percent as of August 3, which is about 20 bps higher than before the June FOMC meeting, but down 18 bps over the past week.