FEDERAL RESERVE BANK of ATLANTA

April 6, 2011

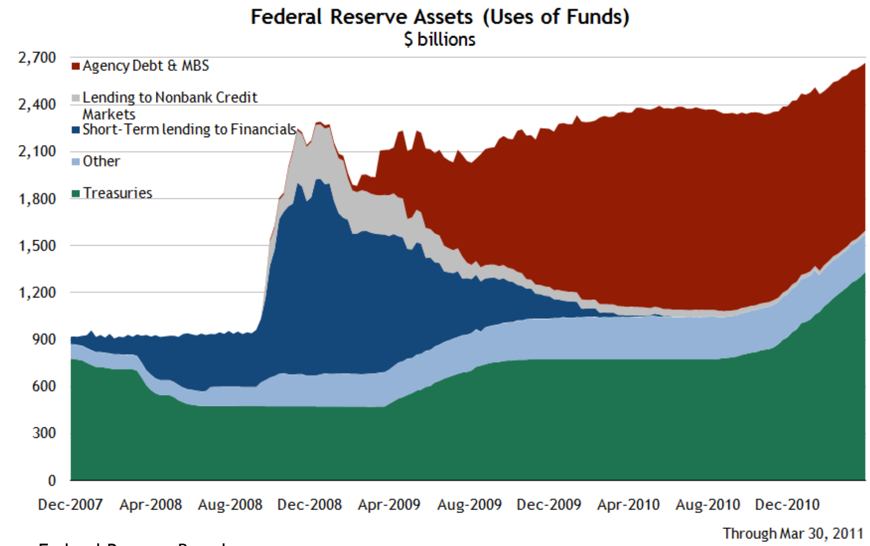
Financial Highlights

Federal Reserve

Summary

The balance sheet increased by $21 billion for the week ended March 30.

Since November 10, the balance sheet has increased $312 billion.



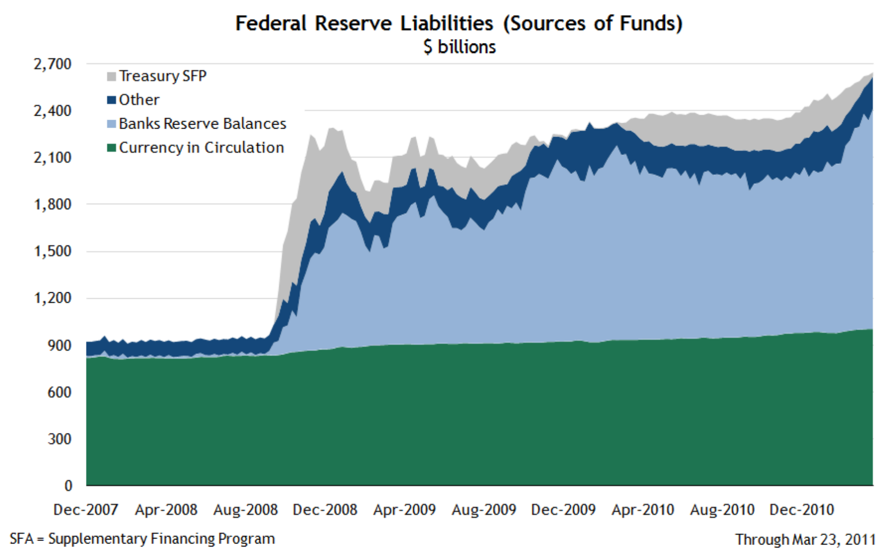
Source: Federal Reserve Board

- Treasuries increased by $28 billion while agency debt and MBS declined $7 billion. Since November 10, Treasury securities have grown by $480 billion while agency debt and MBS have shrunk by $131 billion.
- According to the New York Fed's tentative outright Treasury operation schedule, the desk plans to purchase approximately $102 billion between mid-March and mid-April.
- 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 $47.4 billion while Treasury deposits with Federal Reserve Banks (part of "Other") declined $12.5 billion.

The Treasury Supplemental Financing account declined by $20 billion. It is now at $5 billion, as planned.

As of March 30, 2011, bank reserve balances are $1.45 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.

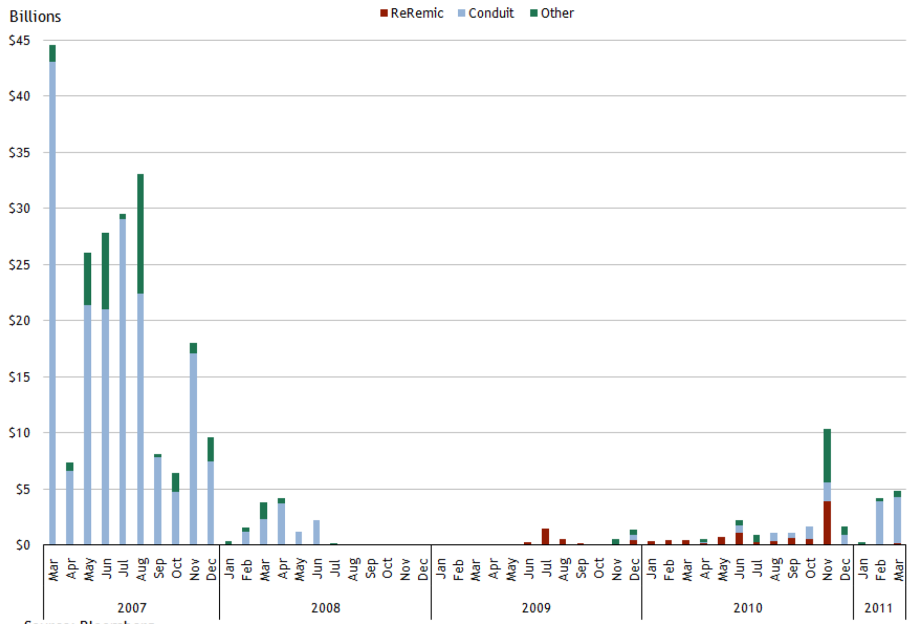
Commercial MBS

Summary

Several conduit deals were issued in both February and March, a sign that the CMBS issuance markets are becoming healthier.

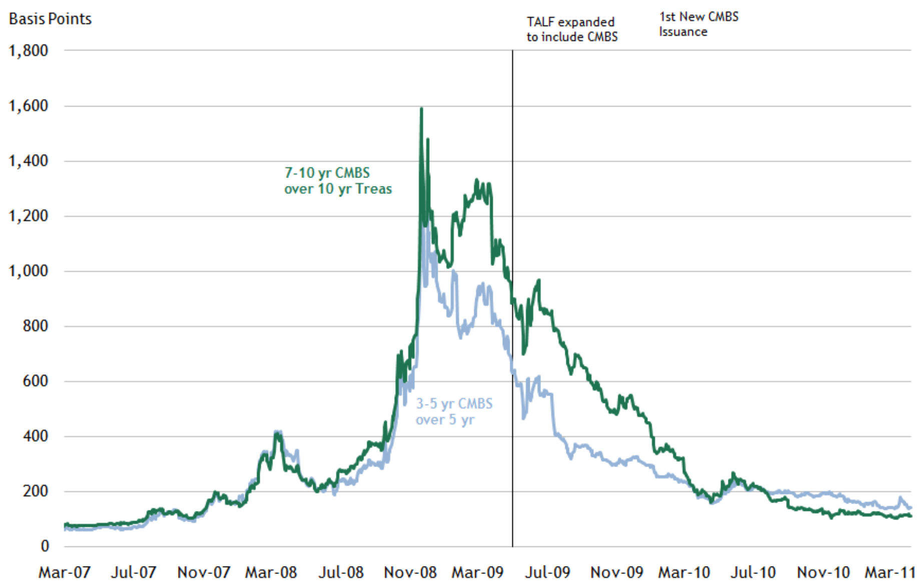
According to analysts at Bloomberg, new issuance is forecast to reach $45 billion in 2011, compared with a record $234 billion in 2007.

Proposed Dodd-Frank risk-retention rules released last week have some industry participants worried about the potential affects on incentives to issue new CMBS. Any new rules will not go into affect until two years after finalized.



Source: Bloomberg

Top-rated CMBS yield spreads continue to narrow.



Sources: Merrill Lynch/Bloomberg

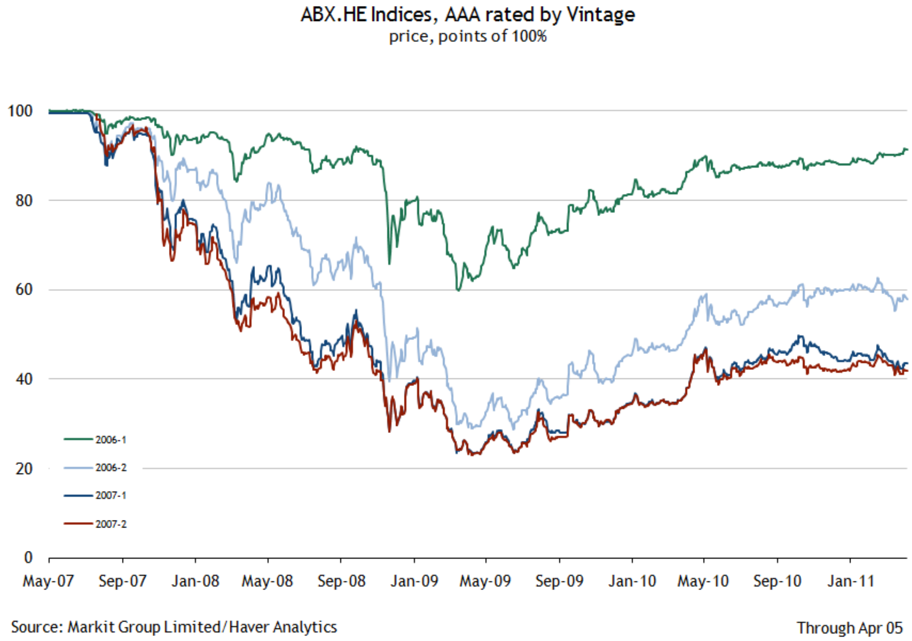
Through Apr 05

- Since the beginning of the year, seven-to-10 year CMBS yield spreads over 10-year Treasuries have narrowed 15 basis points (bps), and two-to-three-year CMBS yield spreads over five-year Treasuries have narrowed 18 bps.

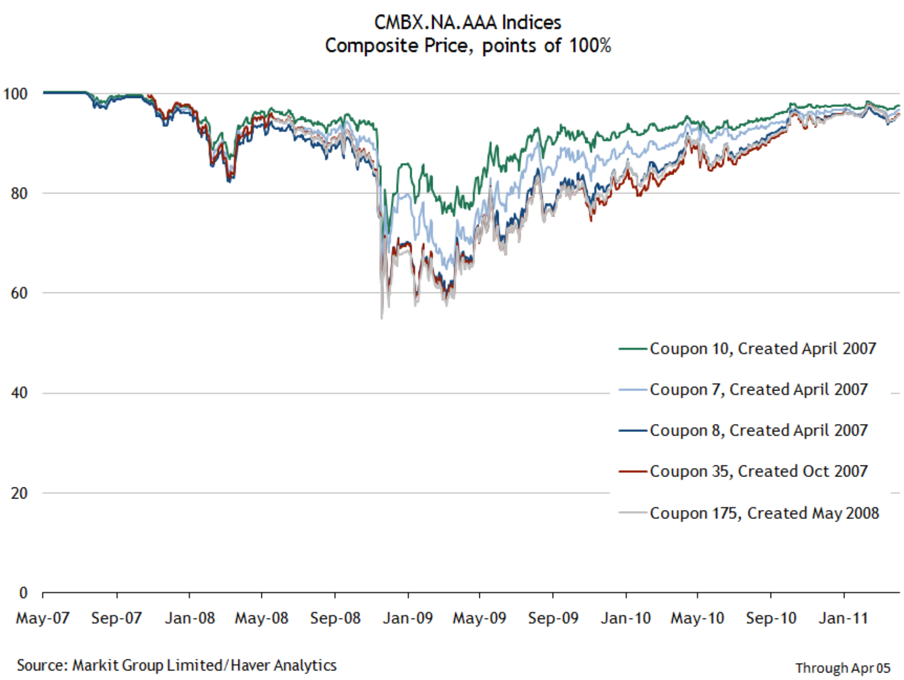
Commercial MBS

Summary

Some vintages of the AAA ABX.HE have stumbled in recent months, but all are higher year over year. Increases indicate a decrease in the cost to insure against default on the underlying home equity loans.



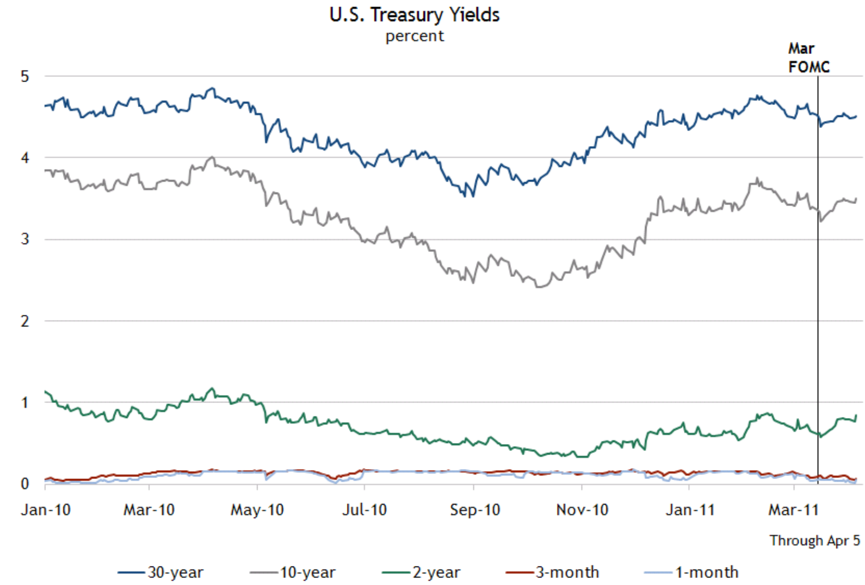
The index value of commercial MBS credit default swaps appears to be stabilizing. All vintages of the CMBX.NA.AAA are converging at close to prerecession levels. Increases in the index indicate a decrease in the cost to insure against default of commercial MBS.



Broad Financial Market Indicators

Summary

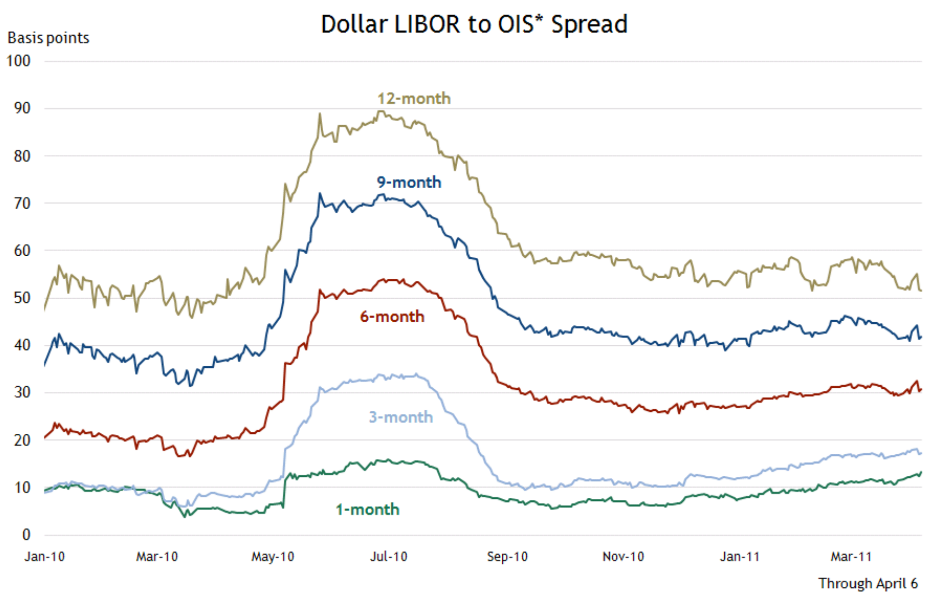
The 10- and two-year note yields have risen strongly since the March FOMC meeting.



Source: Federal Reserve Board/Haver Analytics

- Since the March 15 FOMC meeting, the 30-year Treasury bond yield is down 1 basis point to 4.51%, the 10-year note's yield is higher by 14 bps to 3.50%, and the two-year note is up 23 bps to 0.84%.

Though longer-term LIBOR to OIS spreads jumped higher last week, they fell back to their trend levels. Since the March FOMC meeting, the one- and three-month spreads are up 2 basis points (bps) and 0.4 bps, respectively, at 13.3 bps and 17.3 bps.



Source: British Bankers Association/Bloomberg

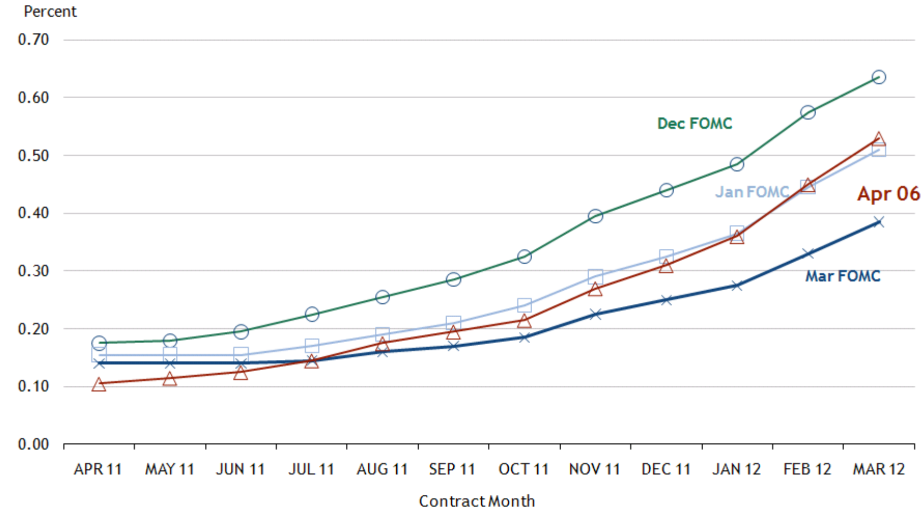
*Overnight Index Swap rate

Broad Financial Market Indicators

Summary

The curve of expected rates is little changed over the past week and is now closer to what prevailed following the January FOMC meeting.

Fed Funds Futures Rates

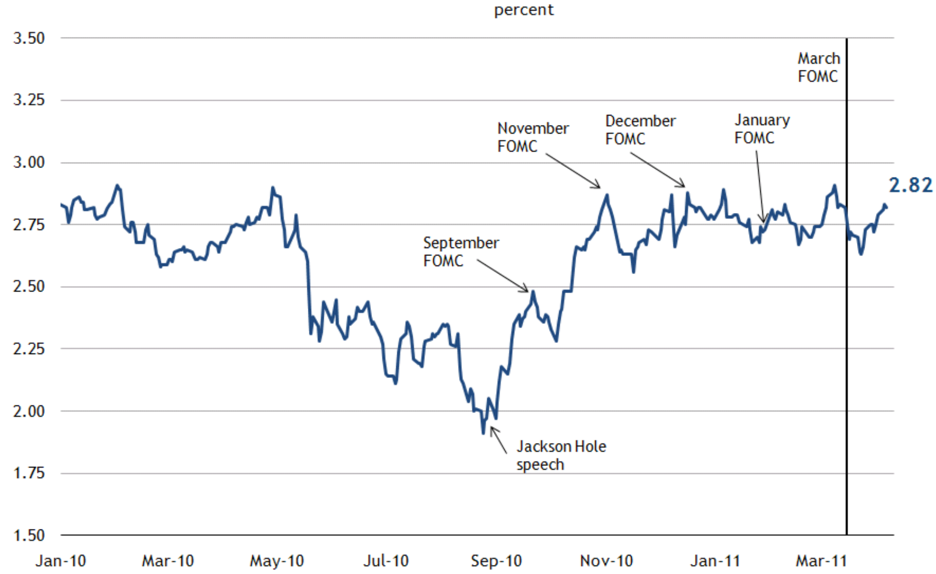


Source: Bloomberg

- As of April 6, 2011, the futures market for fed funds indicates an implied rate of about 53 bps for the March 2012 contract, up 14 bps from the March FOMC meeting, and is tracking almost exactly the curve that followed after the January FOMC meeting.

Breakeven inflation rates have moved higher recently.

Barclays 5-yr/5-yr Forward Breakeven Inflation Rate
percent



Source: Barclays Capital

- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.82% as of April 6, 2011, which is 10 bps than last week and higher by 7 bps since the March FOMC meeting.