FEDERAL RESERVE BANK of ATLANTA

May 4, 2011

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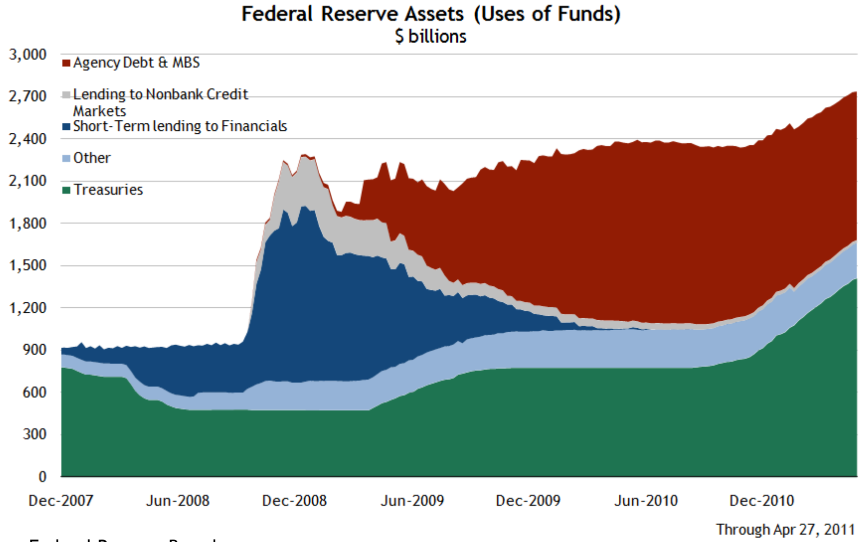
Federal Reserve

Summary

The balance sheet increased by $5 billion for the week ended April 27.

Since November 10, the balance sheet has increased $380 billion.



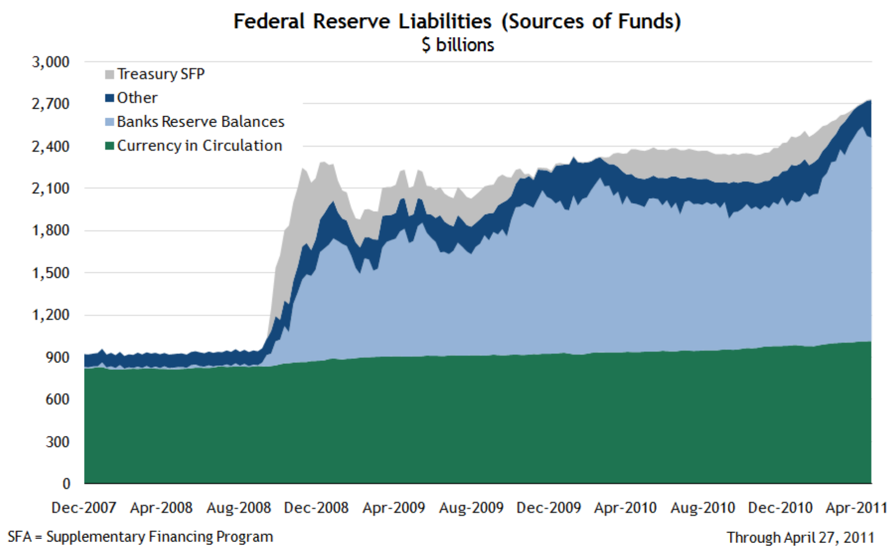
Source: Federal Reserve Board

- Treasuries increased by $11 billion while agency debt and MBS decreased $8 billion. Since November 10, Treasury securities have grown by $560 billion while agency debt and MBS have shrunk by $148 billion.
- According to the New York Fed's tentative outright Treasury operation schedule, the desk plans to purchase approximately $97 billion between mid-April and mid-May.
- 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 decreased $13 billion while Treasury deposits with Federal Reserve banks (part of "Other") increased $13 billion.

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

As of April 27, 2011, bank reserve balances are $1.4 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.

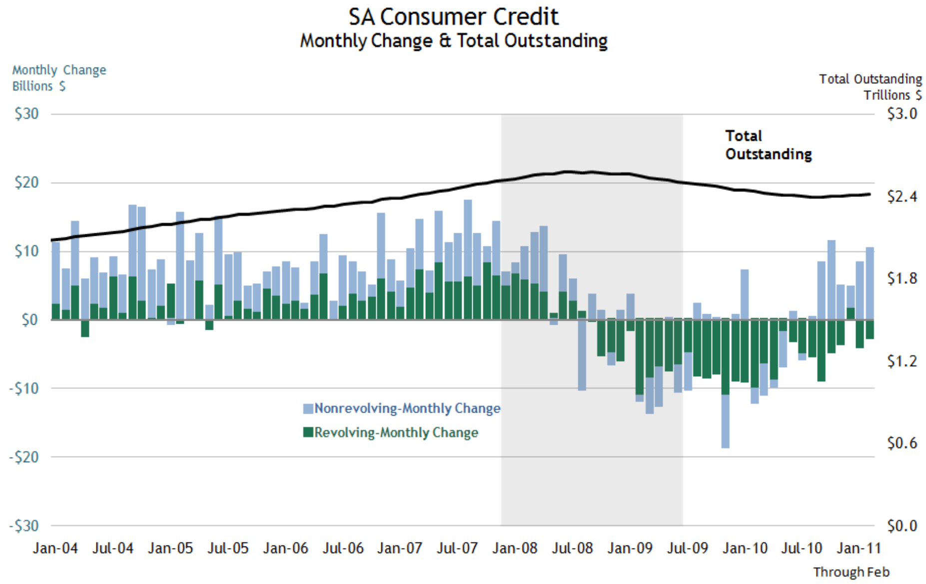
Consumer Credit

Summary

Consumer credit outstanding increased $7.6 billion in February, reflecting a $10.3 billion increase in nonrevolving and a $2.7 billion decrease in revolving credit outstanding.

Revolving consumer credit outstanding is 18% lower than it was in July 2008.

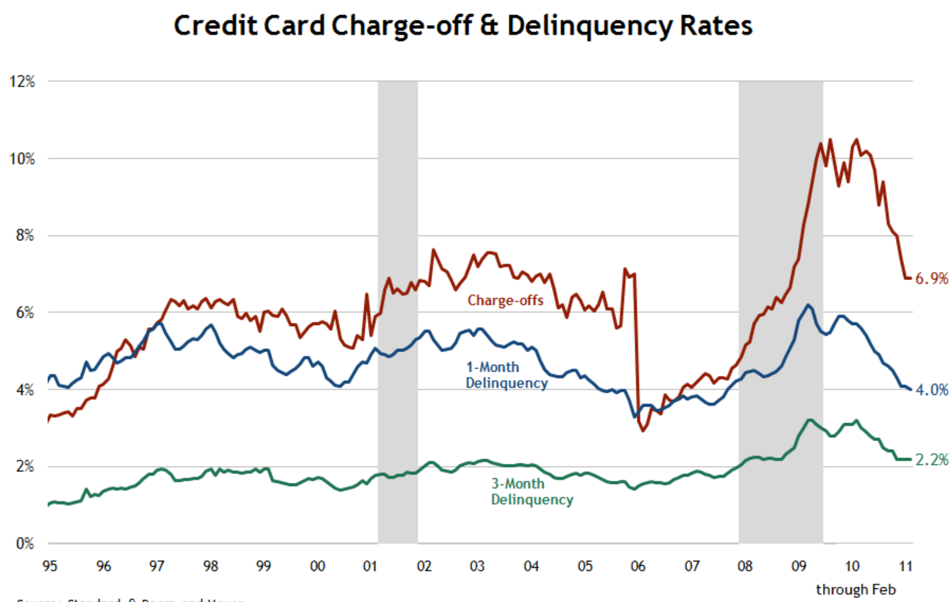
Nonrevolving credit outstanding, however, is now 1% higher than the level in July 2008.



Source: Federal Reserve Board

The charge-off rate on credit cards, computed by Standard & Poor's, was 6.9% in February, down 360 basis points year over year.

One- and three-month delinquency rates also continue to decline.



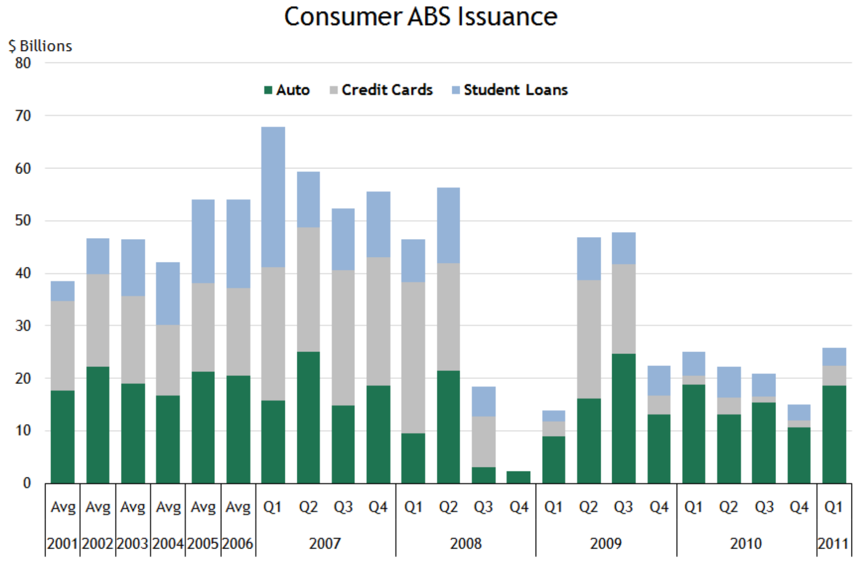
Source: Standard & Poors and Haver
Assumes recession ended June 2009

Consumer Credit

Summary

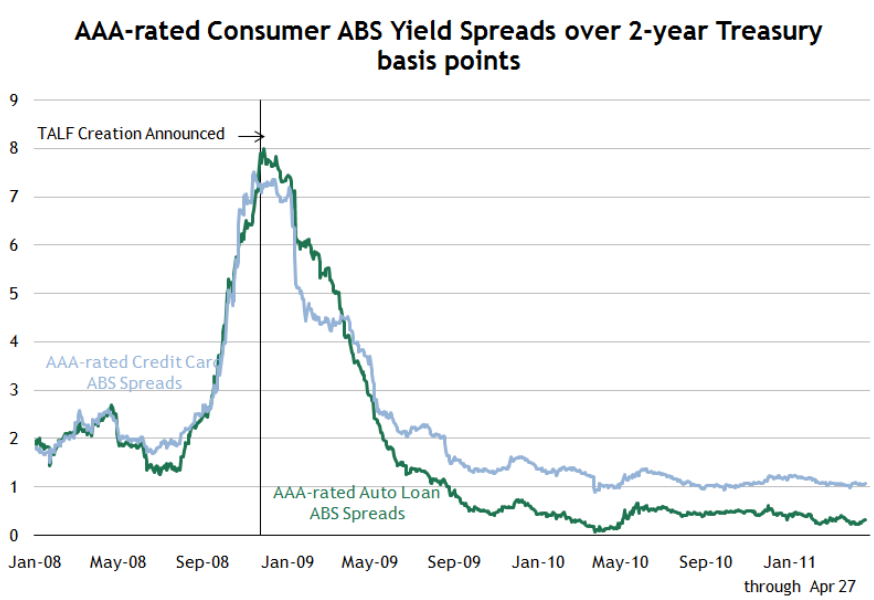
Issuance of securitized auto and credit card debt increased in the first quarter of 2011.

While issuance of securitized credit card and student loan debt remains well below typical levels seen in 2001-06, the amount of auto-backed issuance in the first quarter was on par with prerecession levels.



Source: SIFMA, Bloomberg

Consumer ABS yield spreads over two-year Treasuries have remained relatively stable since June 2010.

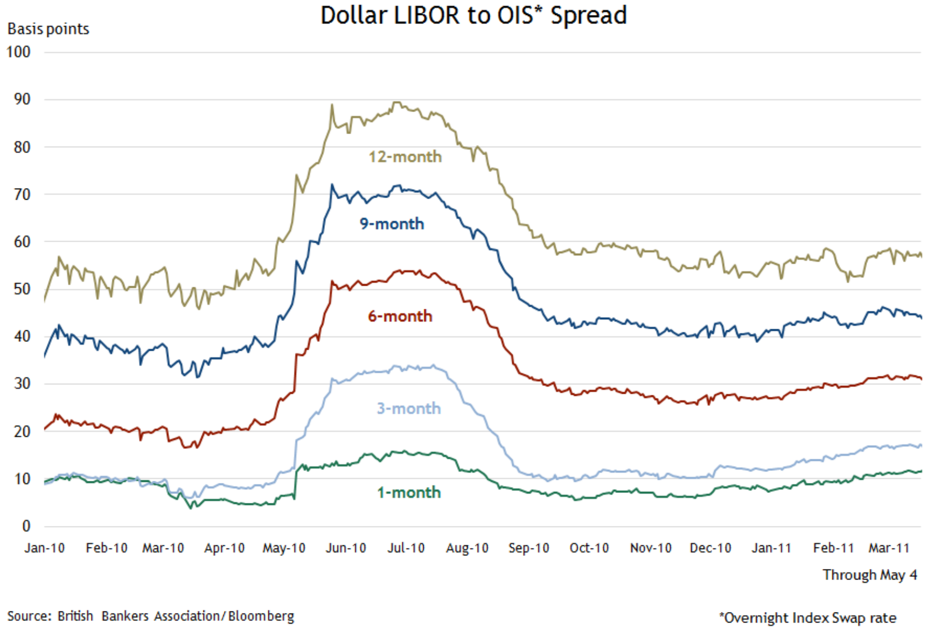


Source: Bloomberg and Merrill Lynch

Broad Financial Market Indicators

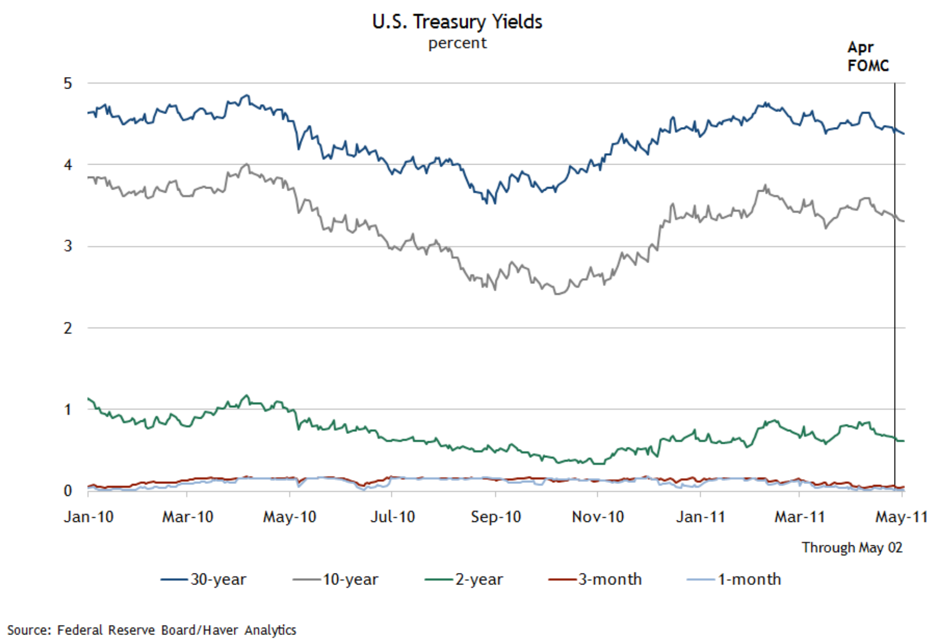
Summary

LIBOR to OIS spreads have increased since the April FOMC meeting.



- As of May 4, the one-month LIBOR to OIS spread is 0.9 basis points (bps) higher, the six-month spread is 1.7 bps higher, and the 12-month spread is 2.1 bps higher.

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

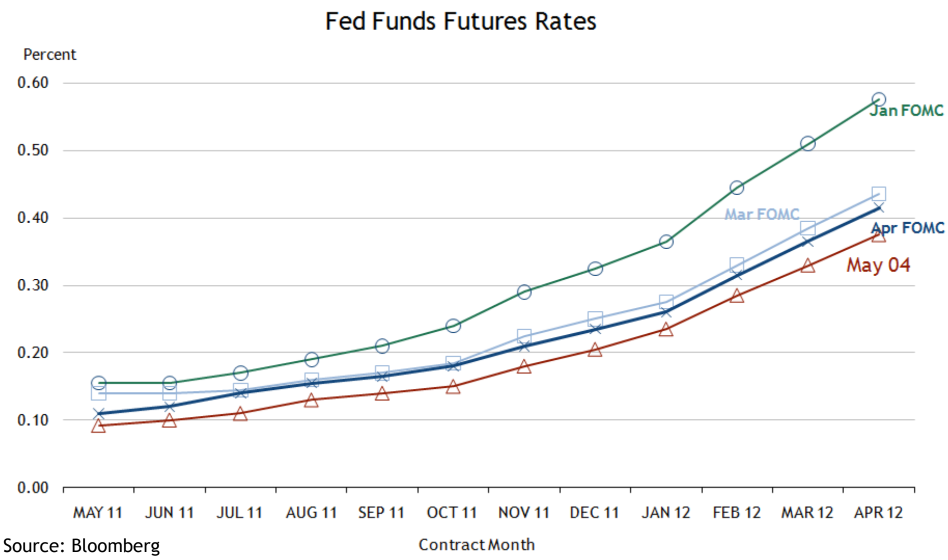


- Since the April 27 FOMC meeting, the 30-year Treasury bond yield is down 7 bps to 4.38%. The 10-year note's yield is down 8 bps to 3.31%, and the two-year note is down 4 bps to .61%.

Broad Financial Market Indicators

Summary

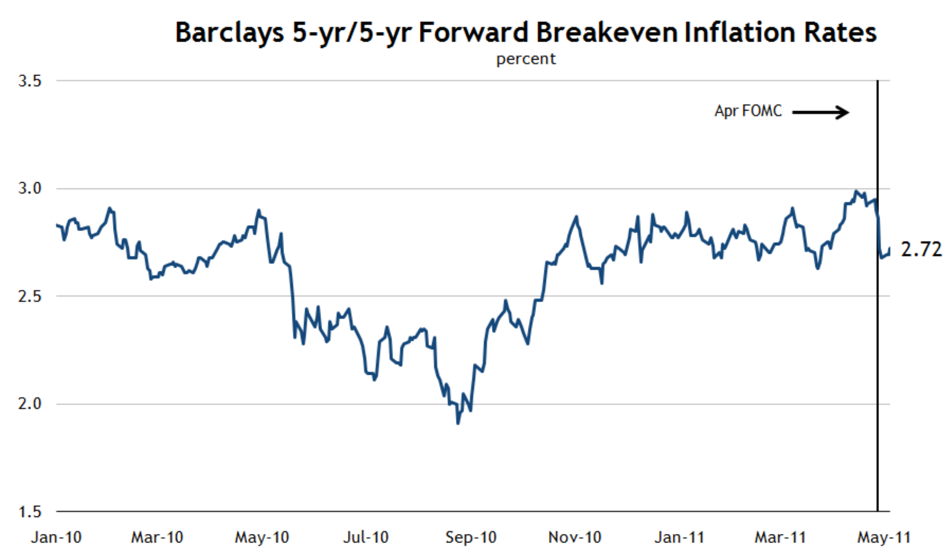
The curve of expected rates has moved lower since the April FOMC meeting.



Source: Bloomberg

- As of May 4, the futures market for fed funds indicates an implied rate of about 38 bps for the April 2012 contract.

Breakeven inflation rates fell sharply since the April FOMC meeting.



Source: Bloomberg
Through May 04

- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.72% as of May 4, 2011, 14 bps higher than the last day of the April FOMC meeting.