FEDERAL RESERVE BANK of ATLANTA

July 13, 2011

Financial Highlights

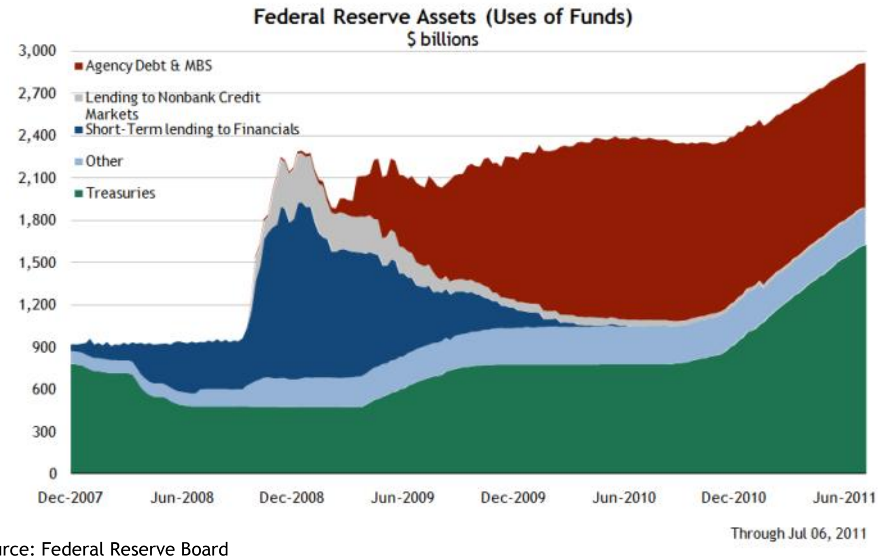
Federal Reserve

Summary

The balance sheet increased by $4.3 billion for the week ended July 6.

Since November 10, the balance sheet has increased $559 billion.

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



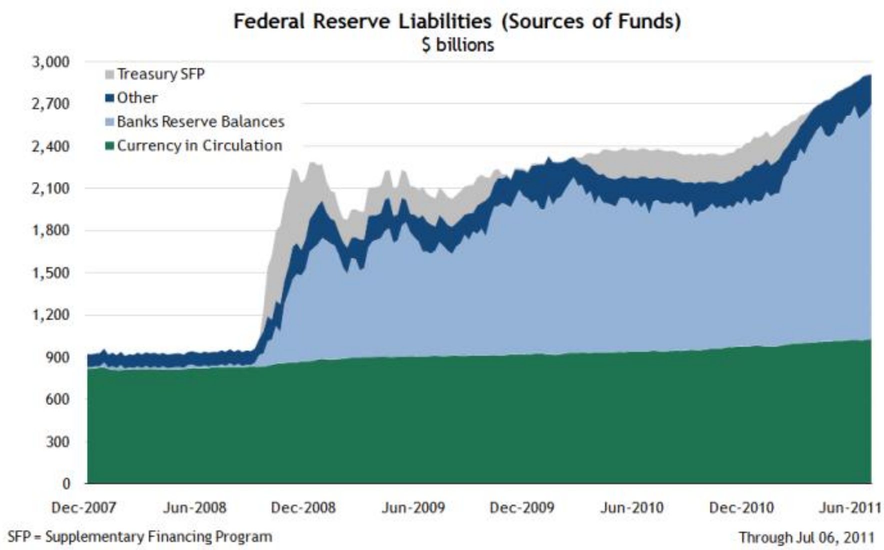
Source: Federal Reserve Board

- Treasuries increased by $7.4 billion while agency debt and MBS decreased $1.6 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.
- 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 $41 billion while Treasury deposits with Federal Reserve banks declined $38 billion.

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

As of July 6, 2011, bank reserve balances are $1.66 trillion.



Source: Federal Reserve Board

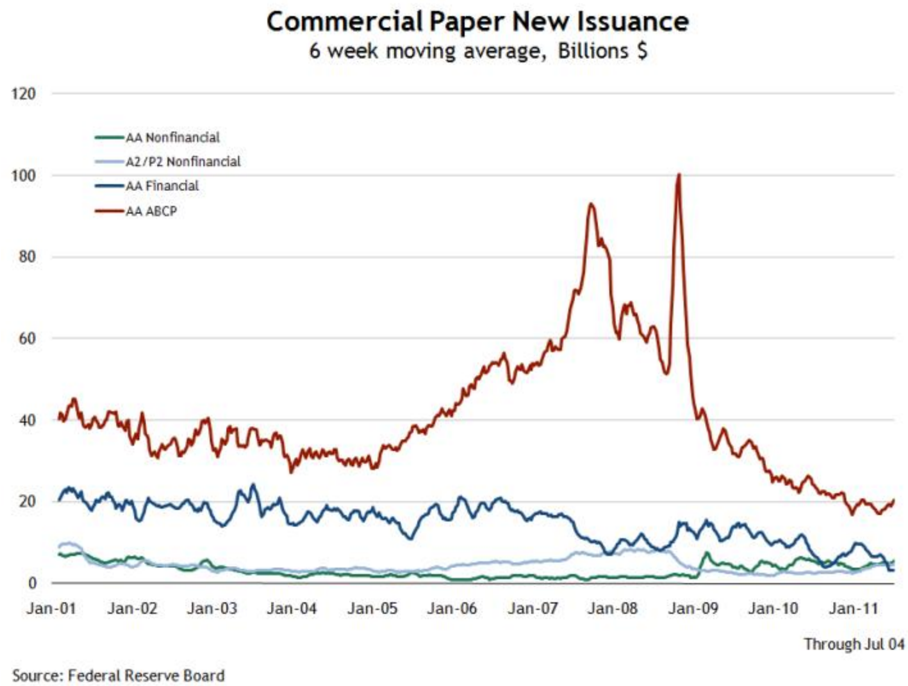
- The Treasury has announced that the Supplemental Financing Program (SFP) will be reduced to $5 billion to "provide flexibility" and delay the national debt from hitting the current ceiling of $14.29 trillion.
- The Treasury SFP was also reduced from $200 billion to $5 billion over the period September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

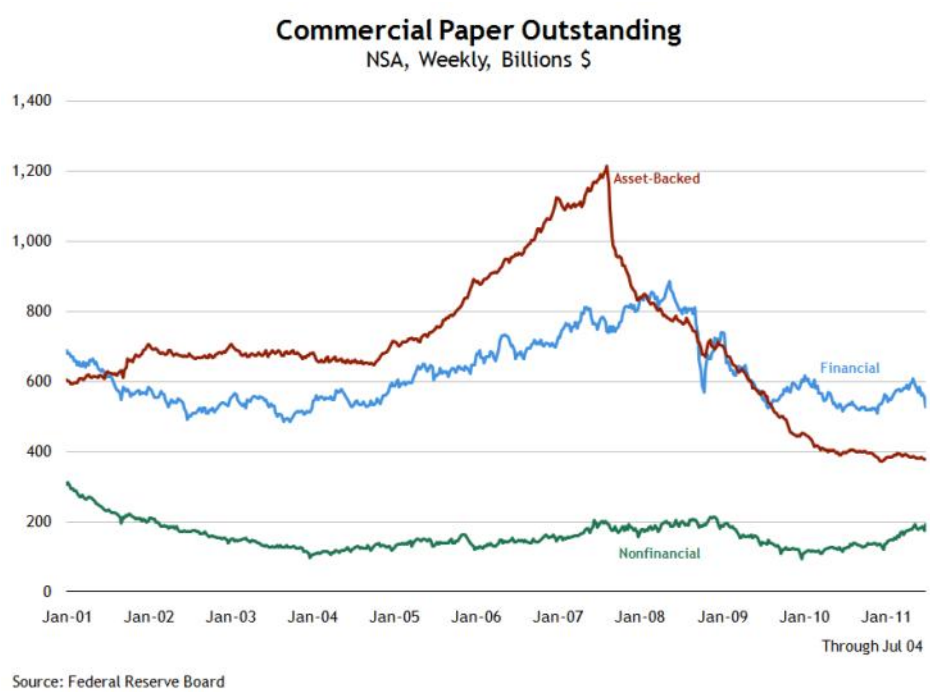
Commercial Paper

Summary

Issuance of asset-backed commercial paper continues to trend down while issuance of nonfinancial paper has increased in recent months.



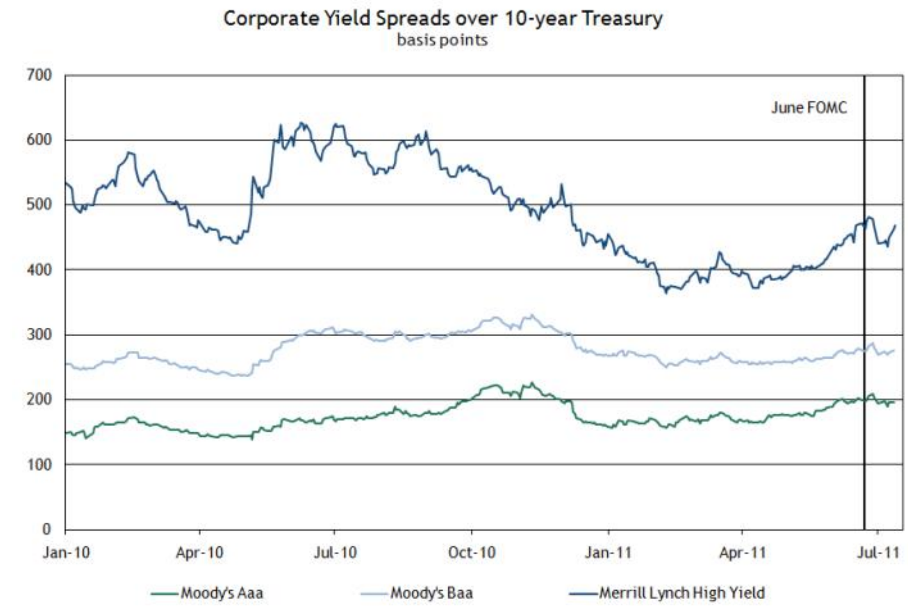
Asset-backed and financial commercial paper is close to year-ago levels while nonfinancial paper outstanding has increased in recent months.



Corporate Bonds

Summary

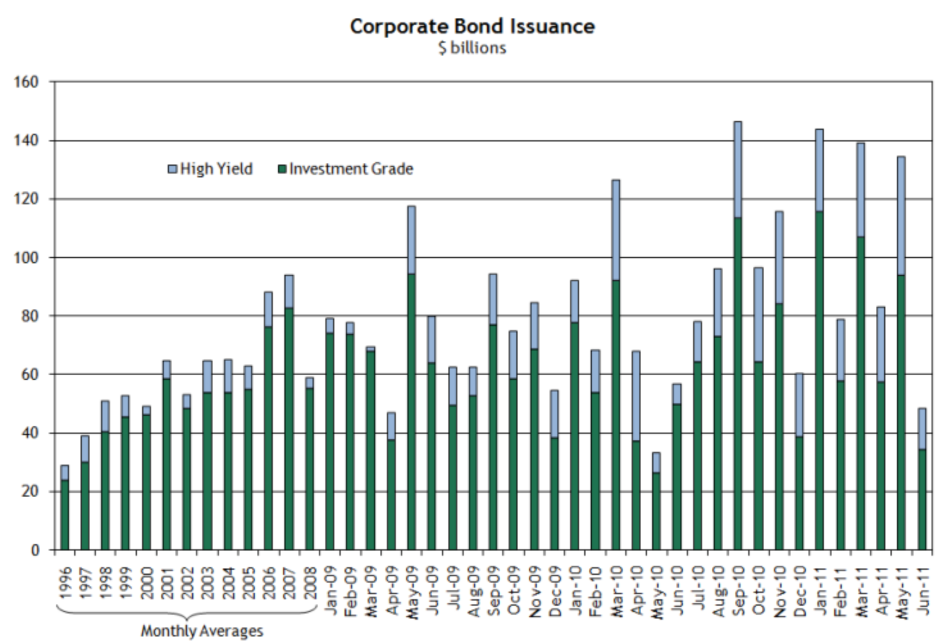
Since the June FOMC meeting, spreads on investment-grade and high yield corporate debt are roughly unchanged after having initially narrowed following the meeting, only to widen more in the past week.



Source: Merrill Lynch, Moody's, Federal Reserve Board

- Since the June FOMC meeting, corporate yield spreads are about unchanged for junk debt, with the Merrill Lynch High Yield Index at 469 basis points (bps) over the 10-year Treasury note's yield.
- Higher-quality bond spreads also widened, as Moody's Aaa- and Baa-rated bonds had spreads of 195 bps and 276 bps, respectively; this level is very near the one seen at the time of the June FOMC meeting.

U.S. corporations accessed the bond market for $48.1 billion in June, according to SIFMA.



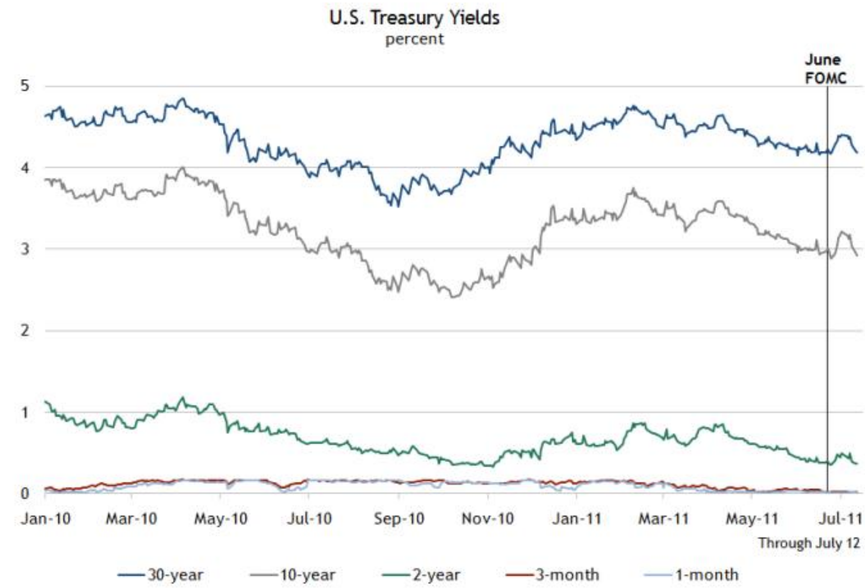
Source: SIFMA

- According to SIFMA, U.S. corporate bond issuance hit $48.1 billion in June 2011, and high-yield debt issuance was $14 billion of that.

Broad Financial Market Indicators

Summary

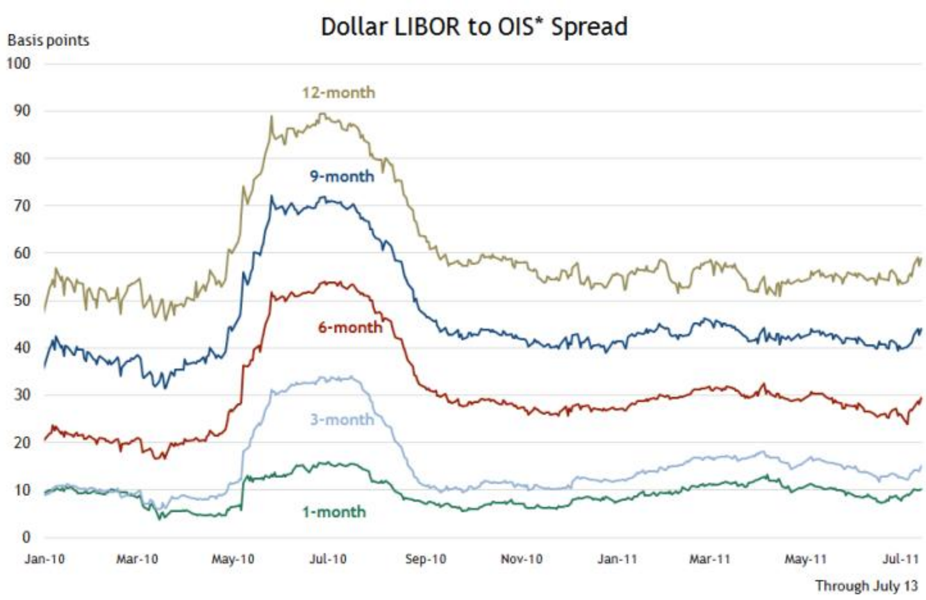
Treasury yields are slightly lower since the June FOMC meeting, despite initially spiking in the week following.



Source: Federal Reserve Board/Haver Analytics

- Since the June FOMC meeting, the 30-year Treasury bond yield is down 3 bps to 4.19 percent, the 10-year note's yield is lower by 9 bps to 2.92 percent, and the two-year note is down 2 bps to 0.37 percent.
- The three- and one-month T-bill rates are basically unchanged at 0.03 percent and 0.01 percent, respectively.
- Across all the maturities, yields have declined strongly in the past week.

Over the past week, LIBOR to OIS spreads for all tenors have continued to widen, if slightly. The one- and three-month spreads are currently at 10.3 basis points (bps) and 15 bps, respectively.



Source: British Bankers Association/Bloomberg

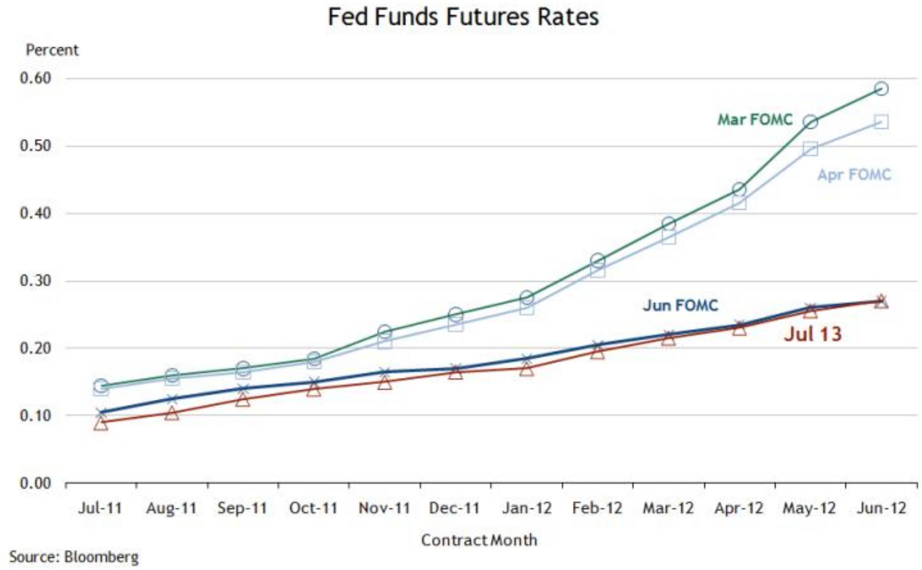
*Overnight Index Swap rate

Broad Financial Market Indicators

Summary

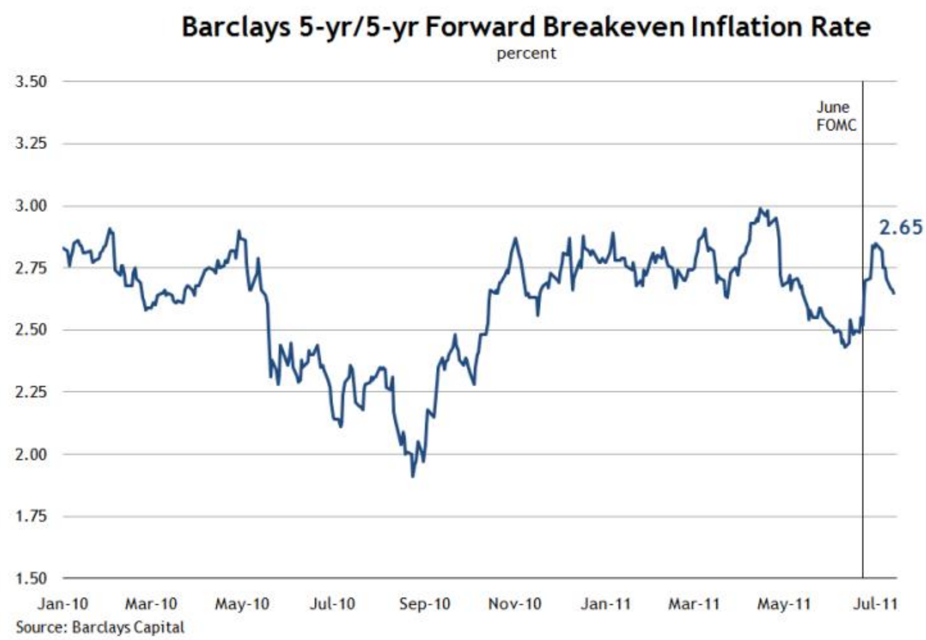
The long end of the curve of expected rates moved significantly lower between the April and June FOMC meetings, with no rate increase expected in the next year.

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.



- As of July 13, 2011, the futures market for fed funds indicates an implied rate of about 27 bps for the June 2012 contract, about 27 bps lower since the April FOMC meeting but unchanged from the June FOMC meeting.

Breakeven inflation rates, after initially rising sharply following the June FOMC meeting, have since moderated and are about 13 bps higher.



- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.65 percent as of July 13, 2011, which is 13 bps higher than before the June FOMC meeting but down 10 bps over the past week.