FEDERAL RESERVE BANK of ATLANTA

July 27, 2011

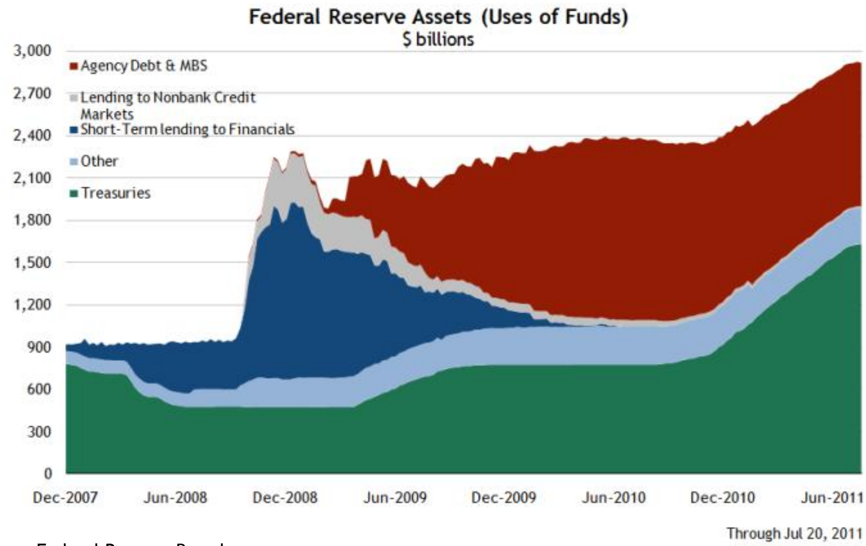
Financial Highlights

Federal Reserve

Summary

The balance sheet decreased $6.6 billion for the week ended July 20, the first time the balance sheet has shrunk since January 19, 2011.

Since November 10, the balance sheet has increased $461 billion.



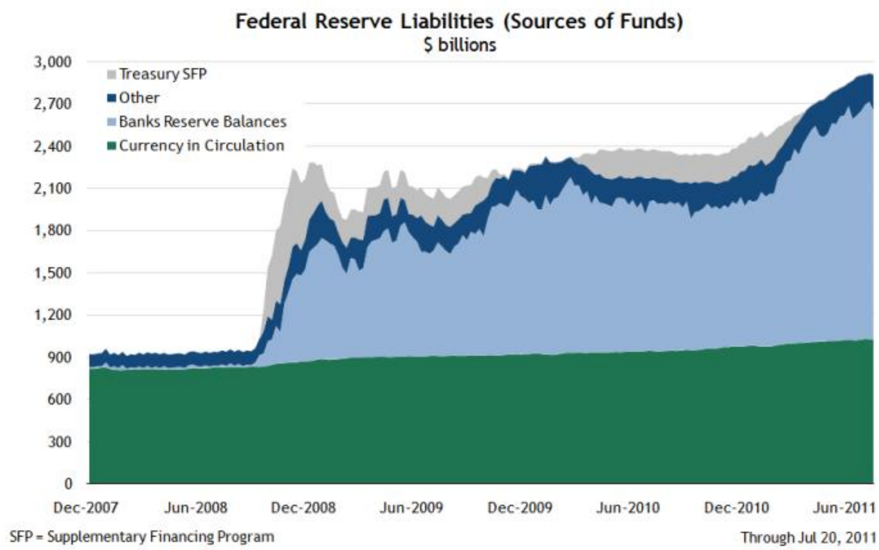
Source: Federal Reserve Board

- Treasuries increased by $3.7 billion while agency debt and MBS decreased $5.7 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 decreased $60 billion while Treasury deposits with Federal Reserve Banks (part of "Other") increased $57 billion.

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

As of July 20, 2011, bank reserves balances are $1.6 trillion.



Source: Federal Reserve Board

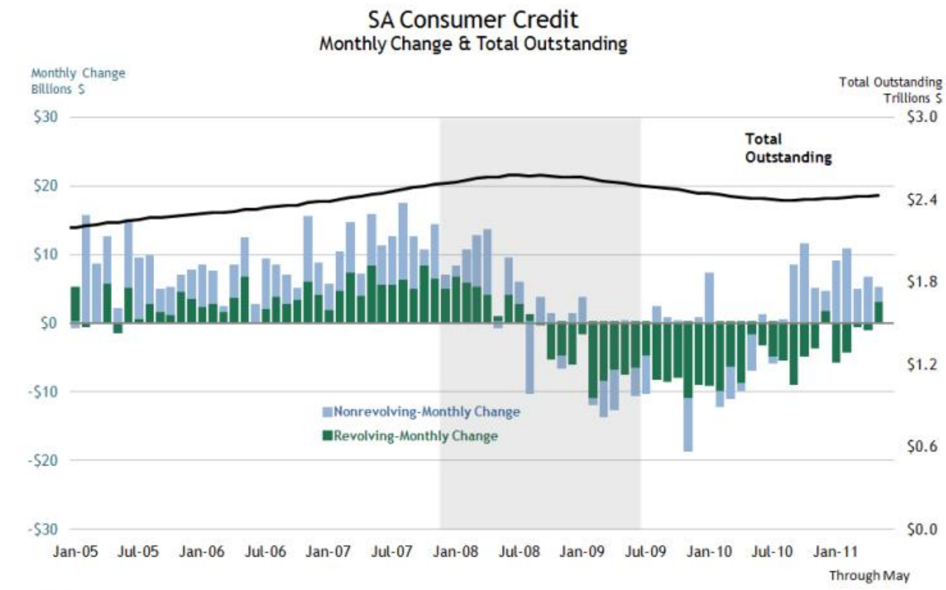
- The Treasury has announced that the Supplemental Financing Program (SFP) will be reduced to $5 billion to "provide flexibility" and delay the national debt from hitting the current ceiling of $14.29 trillion.
- The Treasury SFP was also reduced from $200 billion to $5 billion over the period September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

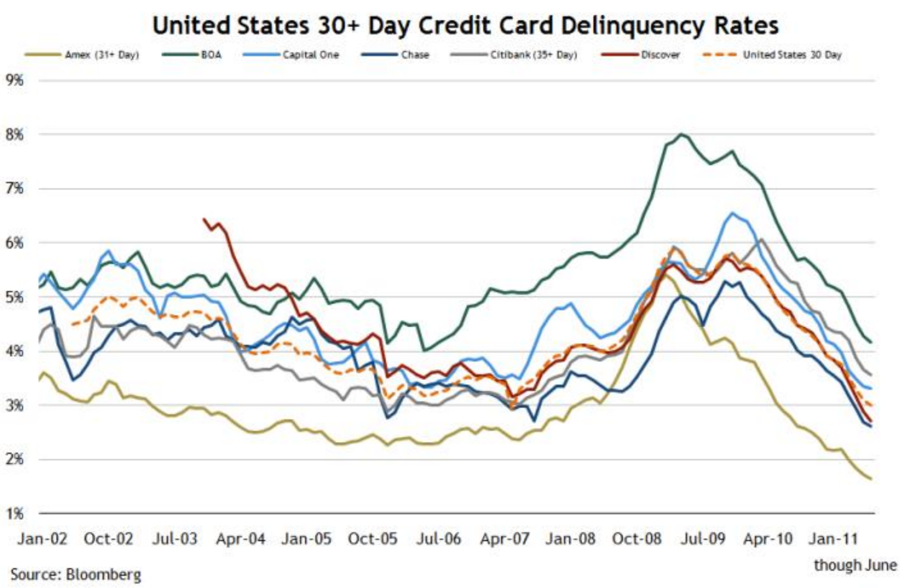
Consumer credit outstanding increased $5.1 billion in May, reflecting an increase in both revolving and nonrevolving credit outstanding.



Source: Federal Reserve Board

- Nonrevolving increased $1.8 billion, and revolving increased $3.3 billion.
- Revolving consumer credit outstanding is 18 percent lower than it was in July 2008.
- Non-revolving credit outstanding, however, is now 2 percent higher than the level in July 2008.

Bloomberg's 30-day credit card delinquency index declined in June. It is now at 3 percent, down from its high of 5.9 percent in March 2009.

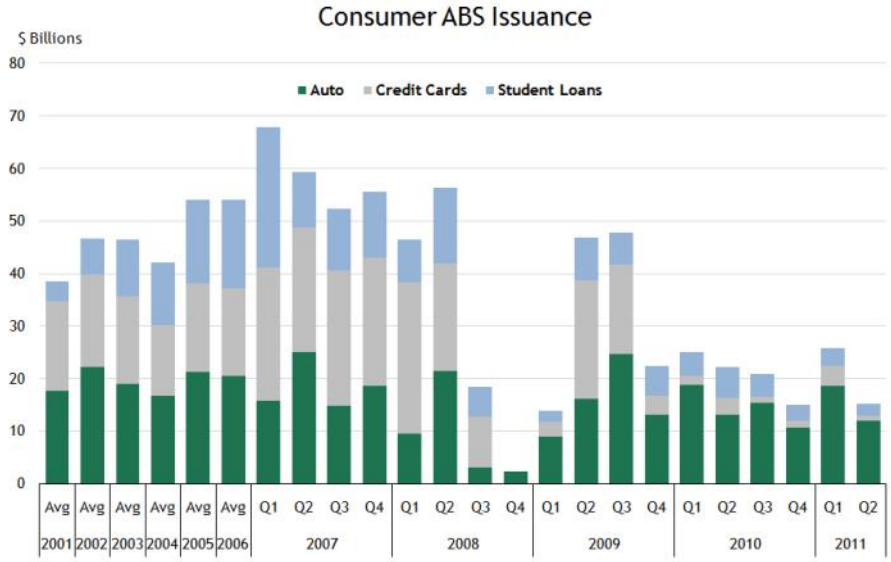


Source: Bloomberg

Consumer Credit

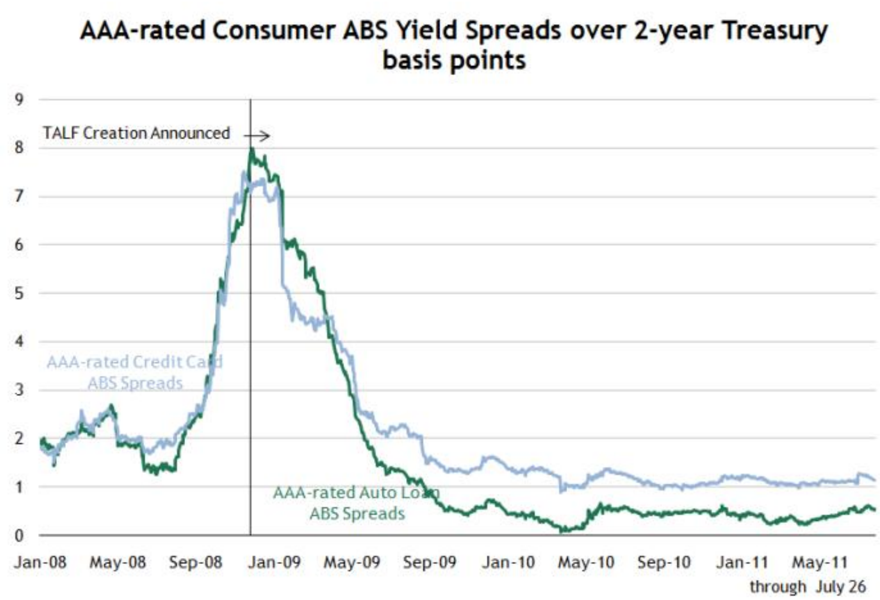
Summary

Consumer ABS issuance decreased in the second quarter.



Source: SIFMA, Bloomberg

Yield spreads remain stable on top-rated securitized debt backed by credit cards and auto loans.

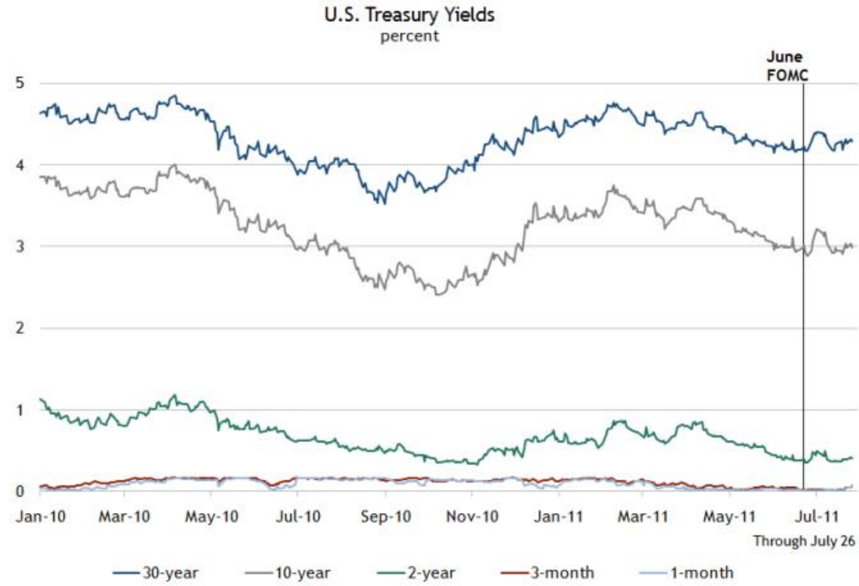


Source: Bloomberg and Merrill Lynch

Broad Financial Market Indicators

Summary

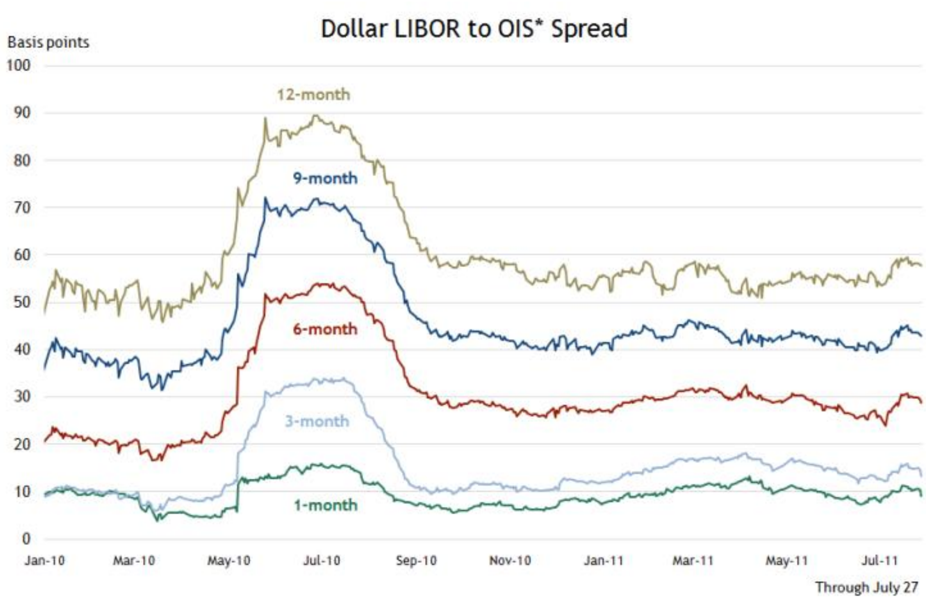
Treasury yields have been stable in recent weeks, after experiencing more volatility following the June FOMC meeting.



Source: Federal Reserve Board/Haver Analytics

- Since the June FOMC meeting, the 30-year Treasury bond yield is up 6 basis points (bps) to 4.28 percent, the 10-year note's yield is down 2 bps to 2.99 percent, and the two-year note is up 2 bps to 0.41 percent.
- The three- and one-month T-bill rates have risen to 0.07 percent for each tenor.

Since the June FOMC meeting, LIBOR to OIS spreads for all tenors have widened slightly. The one- and three-month spreads are up about a basis point at 9.1 basis points (bps) and 13.2 bps, respectively. The six-, nine-, and 12-month spreads, however, are about 3 bps higher over the same period.



Source: British Bankers Association/Bloomberg

*Overnight Index Swap rate

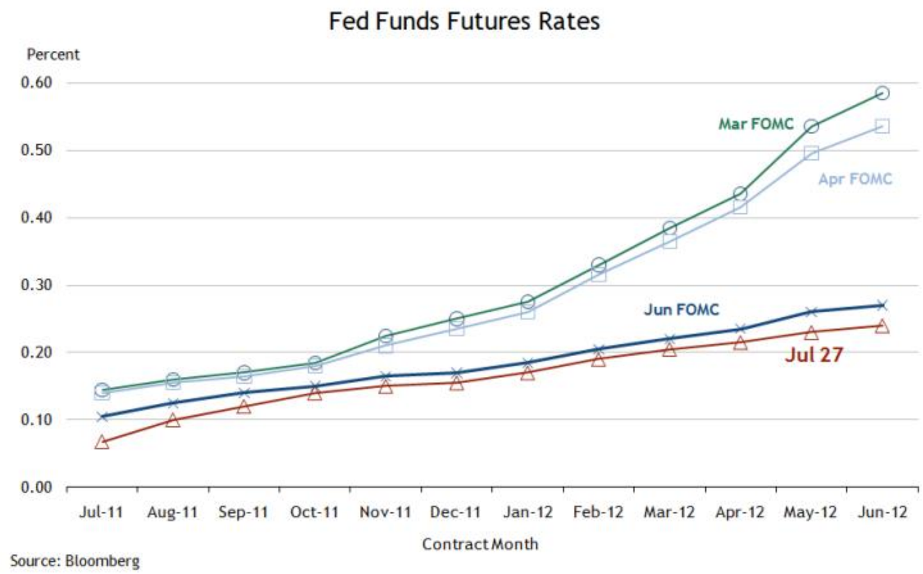
Broad Financial Market Indicators

Summary

The curve of expected fed funds rates has shifted down since the June FOMC meeting.

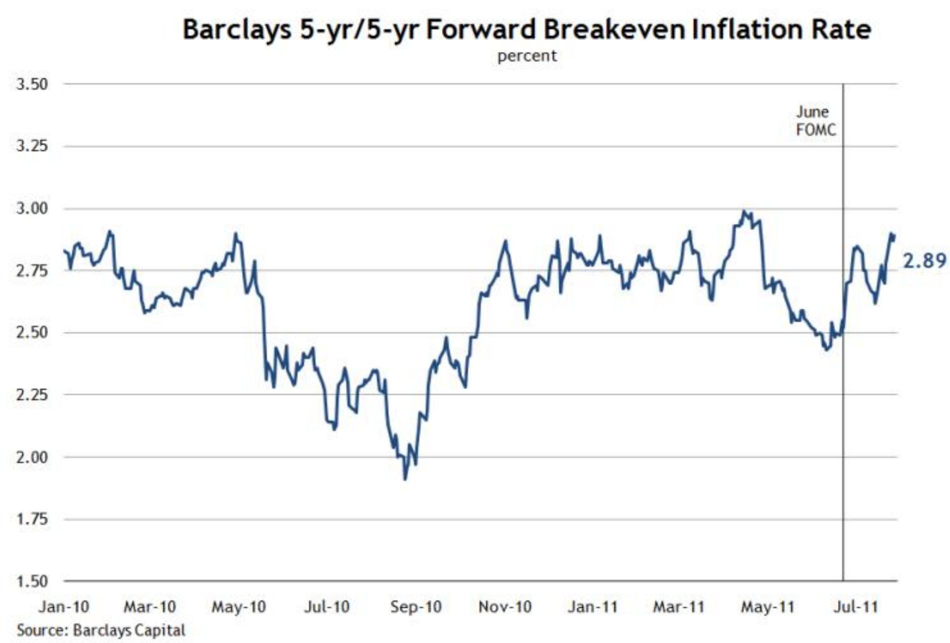
The long end of the curve of expected rates had moved significantly lower between the April and June FOMC meetings, with no rate increase expected in the next year.

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 27, 2011, the futures market for fed funds indicates an implied rate of about 24 bps for the June 2012 contract, about 30 bps lower since the April FOMC meeting and 3 bps lower from the June FOMC meeting.

Breakeven inflation rates are up strongly in the past week and are higher by 37 bps since the June FOMC meeting.



- Looking at one measure calculated by Barclays suggests investors see CPI inflation 5 to 10 years out as averaging about 2.89 percent, as of July 27, 2011, which is 19 bps higher than last week, and up 37 bps since the June FOMC meeting.