FEDERAL RESERVE BANK of ATLANTA

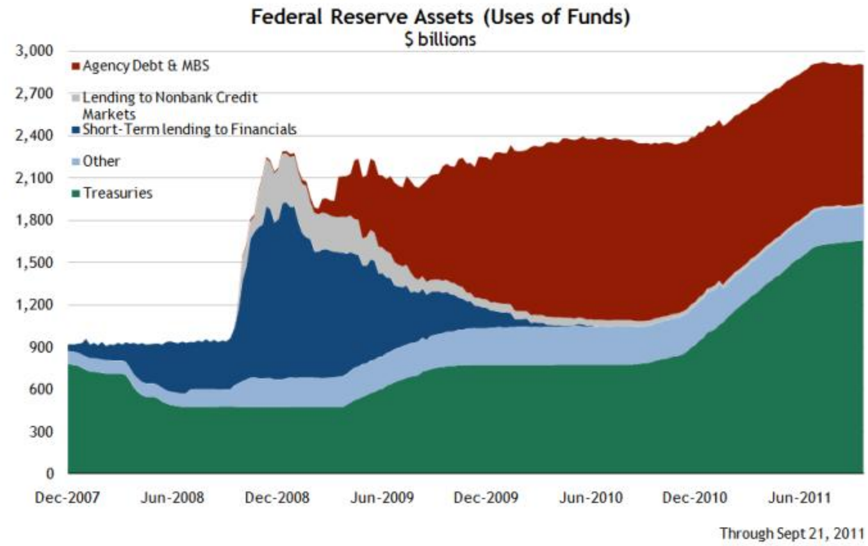
September 28, 2011

Financial Highlights

Federal Reserve

Summary

Between September 14 and September 21, the balance sheet decreased by $5.5 billion to $2.9 trillion.



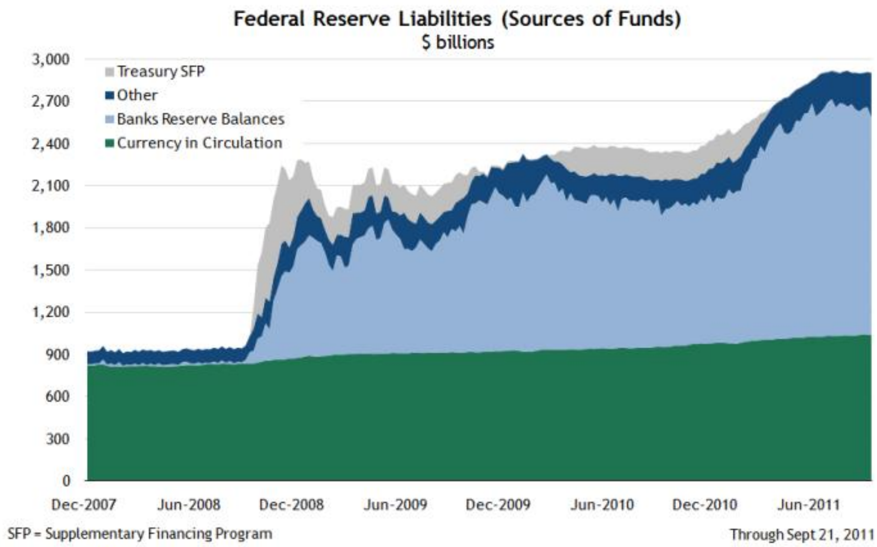
Source: Federal Reserve Board

- Treasuries increased by $4.1 billion, and agency debt and MBS declined $7.2 billion.
- According to the New York Fed's tentative outright Treasury operation schedule, the desk plans to purchase approximately $16 billion in Treasuries between mid-September and mid-October. This amount represents how much is needed to replace the expected principal payments from agency debt and agency MBS over this time period.
- The Federal Reserve Bank of New York's statement outlining the implementation of the Maturity Extension Program and changes in the reinvestment program for mortgage-backed securities can be found here. A schedule of operations for October will be released on September 30.

Bank reserve balances with the Federal Reserve decreased $71.2 billion.

The Treasury's general account with the Federal Reserve increased $58.1 billion, and nonreserve bank deposits with the Federal Reserve increased $13.5 billion.

As of September 21, 2011, bank reserve balances are $1.55 trillion.

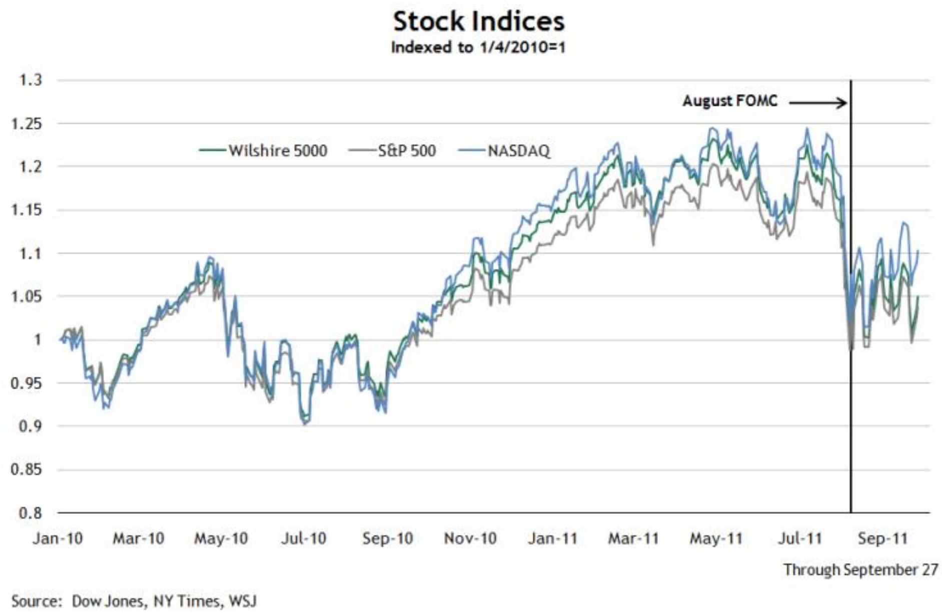


Source: Federal Reserve Board

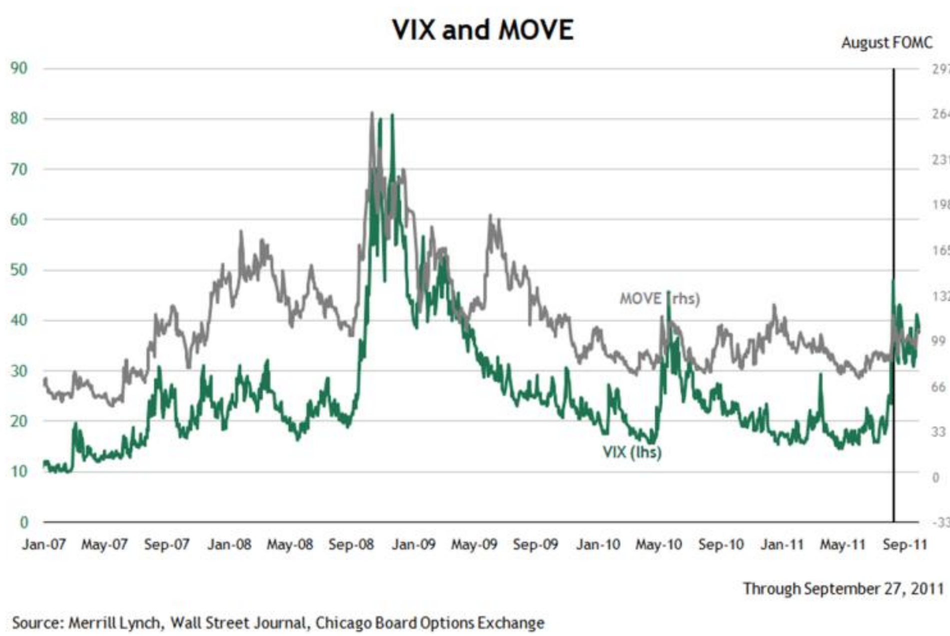
Bond and Equity Markets

Summary

The Wilshire 5000, NASDAQ, and S&P 500 stock indices have been very volatile since the August FOMC meeting. The Wilshire is flat over the period, the S&P is up 0.3 percent, and the NASDAQ is 2.6 percent higher.



The Merrill Lynch MOVE index, a measure of bond market volatility, and the VIX "fear index," a measure of equity market volatility from the Chicago Board Options Exchange, both remained at elevated levels near the time of the August FOMC meeting.



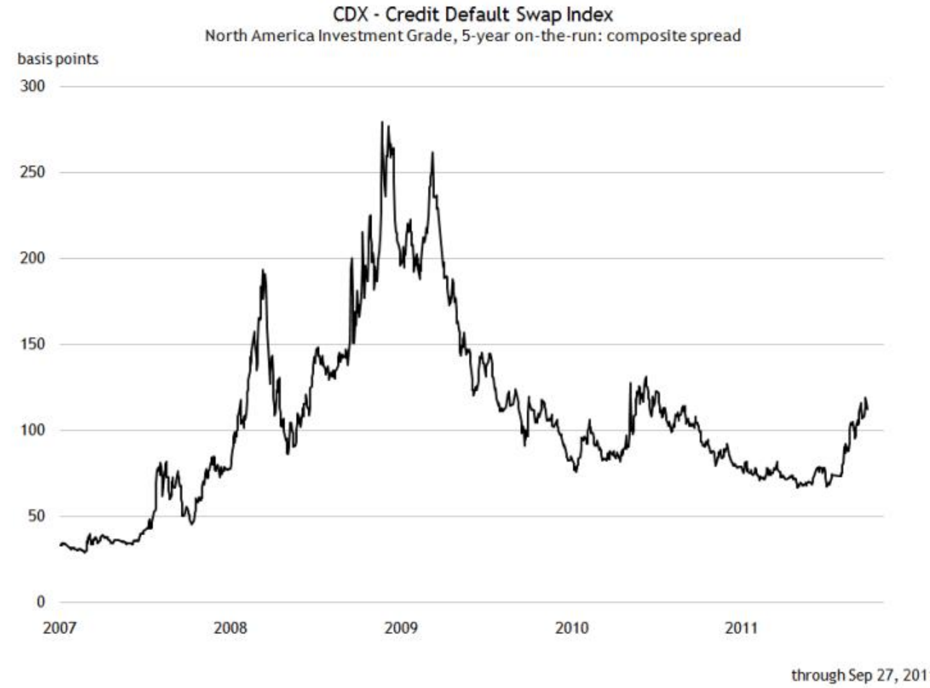
Bond and Equity Markets

Summary

The NAIG Credit Default Swap Index closed at 112.7 basis points (bps) on September 27 and has risen sharply since the beginning of July.

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.

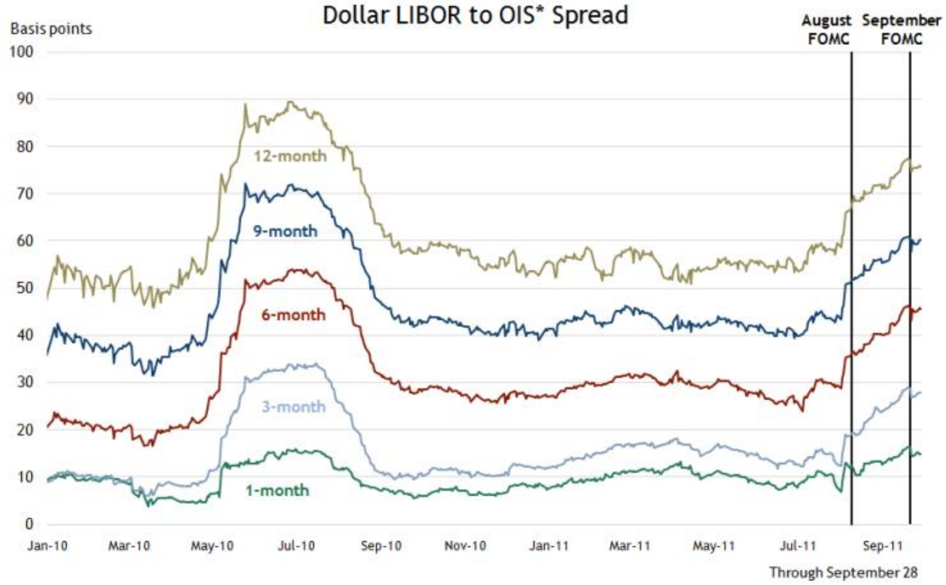


Source: Markit Group Limited/Haver Analytics

Broad Financial Market Indicators

Summary

LIBOR to OIS spreads for all tenors have widened between the August and September FOMC meetings. Since August 9, spreads are nearly 8-9 bps higher for the three- to 12-month tenors and about 2.5 bps higher for the one-month tenor.

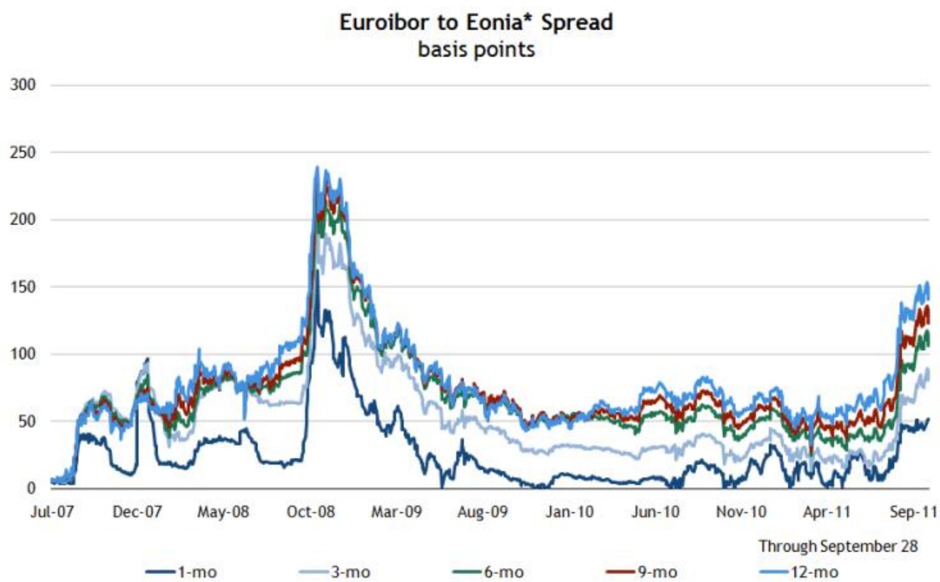


Source: British Bankers Association/Bloomberg

*Overnight Index Swap rate

- The LIBOR-OIS series shown above is denominated in U.S. dollars and reflects the spread between interbank lending rates offered and the overnight index swap rate (OIS). The LIBOR panel used to create the rate is made up of 19 large international banks based in the United States, Europe, and elsewhere. The Overnight Index Swap rate is a proxy measure for the expected effective rate on federal funds held over a given maturity.

The euro-based Euribor-to-Eonia spread has increased dramatically since early August. The largest change occurred on August 4, when the spread widened between 10 bps and 25 bps overnight across all tenors.



Source: Bloomberg

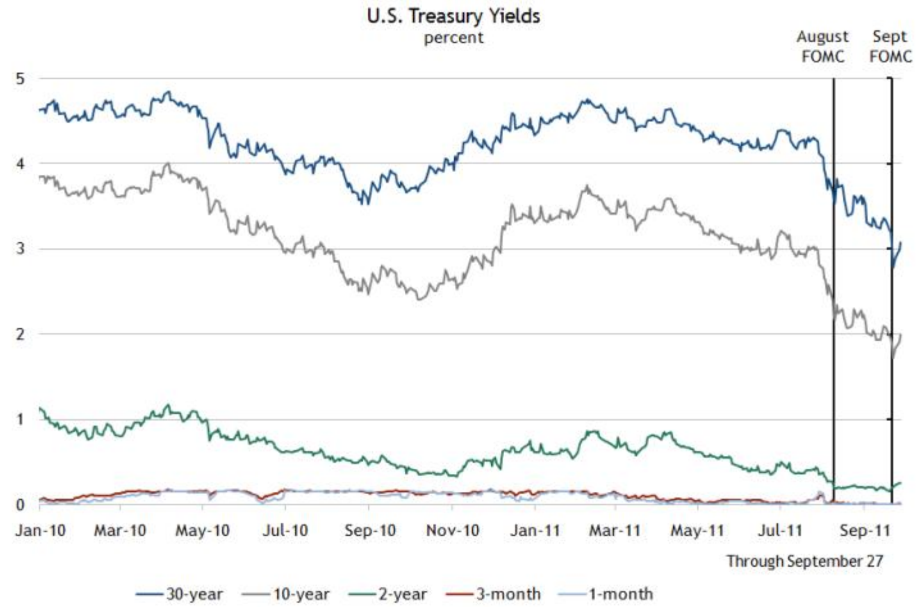
*Eonia is the Euro overnight Index Average Swap Rate

- The Euribor rates are offered interbank lending rates, denominated in euros and for a set of given maturities. The Euribor rate is determined by surveying 44 banks with the highest volume of business in the euro area, including four non-European banks. Eonia is the Euro Overnight Index Average swap rate on unsecured interbank lending in the euro area.

Broad Financial Market Indicators

Summary

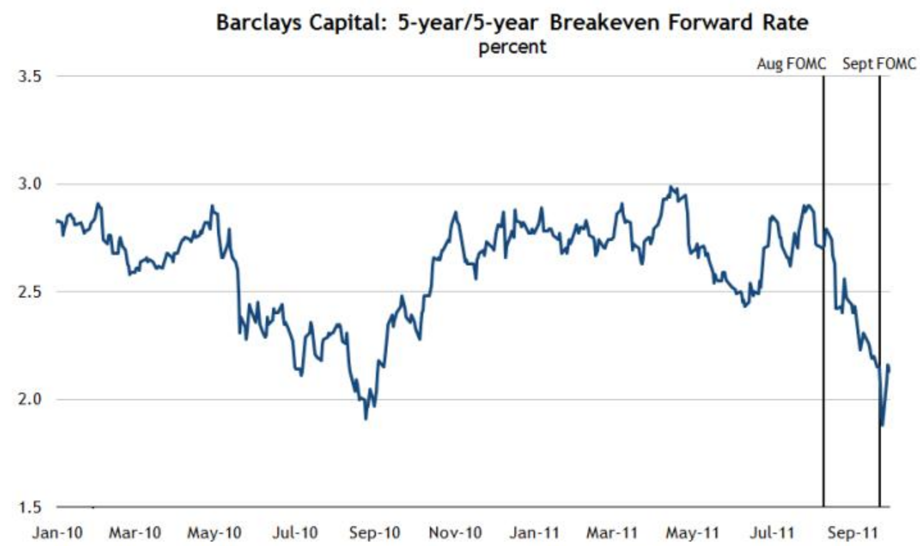
Between the FOMC meeting held on August 9 and last week's September FOMC meeting, longer-dated Treasury yields declined considerably.



Source: Federal Reserve Board/Haver Analytics

- Since August 9, the 30-year Treasury bond yield is down 48 basis points (bps) to 3.08 percent, the 10-year bond is 20 bps lower to 2 percent, but the two-year bond is up 6 bps to 0.25 percent. The three- and one-month T-bill rates have both inched down 2 bps to between 0.01 percent and 0 percent.

Breakeven inflation rates have moved sharply lower between the FOMC meetings.



Source: Bloomberg/ Barclays Capital
Through September 28

- Looking at one measure calculated by Barclays suggests investors see CPI inflation five to 10 years out as averaging about 2.14 percent as of September 28, 2011, which is 8 bps higher over the week and 57 bps lower since the August FOMC meeting. Current breakeven rates are now close to year-ago levels.