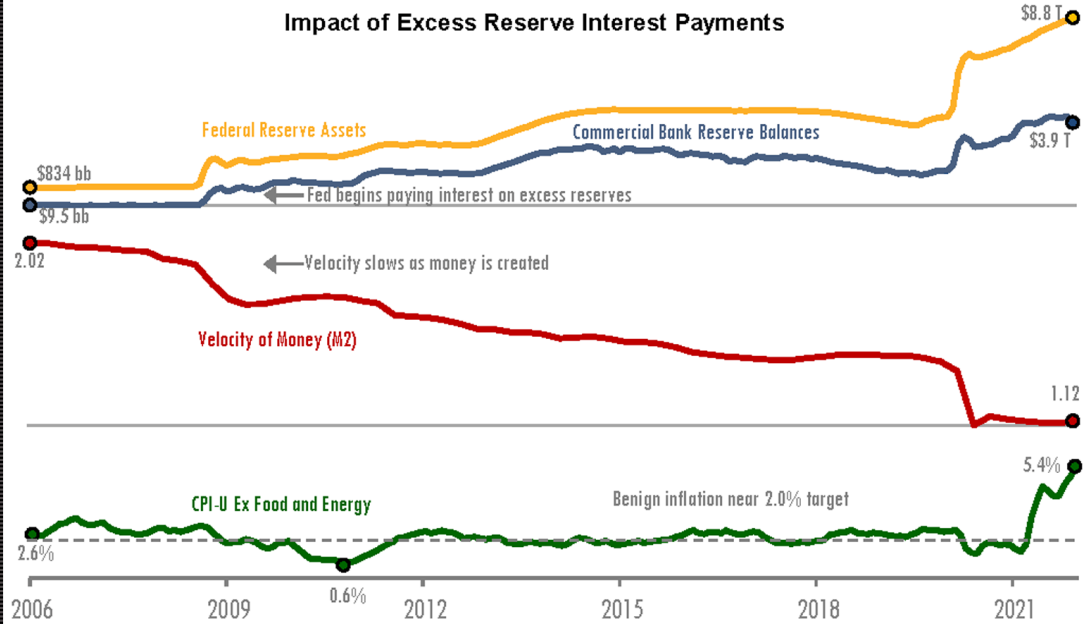


For Your Information...

Excess Reserve Interest Payments

Key Federal Reserve policy tool drives higher excess bank reserves.



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As a part of the Emergency Stabilization Act of 2008, the Federal Reserve began paying interest on balances held by or on behalf of depository institutions effective October 1, 2008. This explains a large part of why the Fed's balance sheet expansion has not made its way to consumers – commercial banks are incentivized by risk-free interest payments on excess reserves.

Velocity of money has fallen over the period and core inflation (ex-food and energy) remains low. Going forward, it will be key to monitor which policy tools the Fed uses as it manages its exit from unprecedented monetary stimulus.

Bellwether Consulting is an independent investment advisor serving the needs of retirement plan sponsors and other institutional investors.

For more information, please have a look at our website at www.bellwetherconsulting.net, or call us at (646) 205-9346.