

Fund Name	Ratings	Share Class	NASDAQ
<b>PRIME</b>			
Federated Prime Cash Obligations Fund*	AAAm S&P	IS	PCOXX
	Aaa Moody's	IC	PCCXX
	AAA Fitch	SS	PRCXX
Federated Prime Management Obligations Fund	N/A	IS	PMOXX
		IC	PICXX
		SS	PSSXX
Federated Prime Obligations Fund*	AAAm S&P	IS	POIXX
	Aaa Moody's	SS	PRSXX
	AAA Fitch	TR	POLXX
Federated Prime Value Obligations Fund*	A Moody's	IS	PVOXX
		IC	PVCXX
		SS	PVSXX
<b>GOVERNMENT</b>			
Federated Government Obligations Fund**	AAAm S&P Aaa Moody's AAA Fitch	IS	GOIXX
		IC	GOCXX
		SS	GOSXX
		TR	GORXX
Federated Government Obligations Tax-Managed Fund**	AAAm S&P Aaa Moody's	IS	GOTXX
		SS	GTSXX
<b>TREASURY</b>			
Federated Treasury Obligations Fund**	AAAm S&P Aaa Moody's	IS	TOIXX
		IC	TOCXX
		SS	TOSXX
		TR	TOTXX
Federated U.S. Treasury Cash Reserves**	AAAm-G S&P Aaa Moody's	IS	UTIXX
		SS	TISXX
<b>MUNICIPAL</b>			
Federated Municipal Obligations Fund*	A Fitch	IS	MOFXX
		IC	MFCXX
		SS	MOSXX
Federated Tax-Free Obligations Fund*	AAA Fitch Aaa Moody's	IS	TBIXX
		SS	TBSXX

Treasury Yields as of 2/28/11	3-Months	6-Months	2-Year	5-Year
	0.15%	0.18%	0.69%	2.13%

Libor Rates as of 2/28/11	1-Month	3-Month	6-Month	1-Year
	0.26%	0.31%	0.46%	0.79%

*Past performance is no guarantee of future results.*

## Month in Cash: With inflation on the radar screen, could rate hikes be next?

**March 1, 2011**

In an apt reflection of the fearsome winter weather that gripped much of the country in February, short-term interest rates remained virtually frozen in place despite a news-heavy calendar that suggested changes in the cash yield curve might not be far off. In addition to generally robust corporate earnings reports and further indications that the U.S. economy was gaining traction, spreading political turbulence in the Middle East and North Africa carries important implications for monetary policy because of its impact on inflation, which already has appeared on the radar screen of many investors and some members of the Federal Reserve Board. Chatter about the need to raise the U.S. debt ceiling—with its implied risk of a government shutdown—also could be heard.

Still, the cash yield curve barely budged in February, with the one-month London interbank offered rate (Libor) closing at 0.26%, three-month Libor at 0.31%, six-month Libor at 0.46% and one-year Libor at 0.79%. Only six-month rates showed any overall movement, rising by a scant basis point. However, the yield on two-year Treasury notes did jump by 15 basis points to 0.73% as investors recalibrated their expectations for the initial round of Fed tightening.

### We see tightening sooner than consensus

We continue to believe that the initial interest rate hike will occur somewhat sooner than the consensus believes and that inflation will be the ultimate trigger for the Fed's action. (A survey of 54 leading economists by Bloomberg News in February put the date of the first Fed tightening in the first quarter of 2012.) Though the Fed's Open Market Committee (FOMC) mentioned rising commodity costs in the minutes from its January meeting, policymakers mostly downplayed any immediate threat from inflation, noting that labor compensation, domestic resource utilization rates and the housing market remained subdued. Still, headline inflation in the U.S. rose by 0.5% in January, the largest monthly increase since June 2009. Meanwhile, inflation expectations (as implied by the breakeven rate between traditional cash Treasuries and Treasury Inflation Protected Securities) have increased to about 2.3%, a dramatic rise since last summer.

The contradictory nature of the inflation metrics and the apparent ambivalence of the FOMC on the issue may have been neatly captured in recent speeches by St. Louis Federal Reserve president James Bullard, a career inflation hawk who nonetheless was a strong early supporter of the Fed's \$600 billion second round of quantitative easing (dubbed QE2) and who remains concerned about Japanese-style deflation taking hold in the United States. Yet Bullard also has noted that policymakers might at some point have to look beyond the stubbornly high U.S. output gap (a primary source of deflationary pressure) and recognize growing global capacity constraints in setting benchmark interest rates. Because of his credibility concerning inflation, Bullard has been mentioned as a bellwether on central bank policy, which is likely to undergo heightened scrutiny following remarks by Fed Chairman Ben Bernanke to Congress in early March, beginning this morning.

# Federated knows...

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*Views are as of March 1, 2011, and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.*

*London Interbank Offered Rate (Libor): The rate at which banks can borrow funds from other banks in the London interbank market. The Libor is fixed on a daily basis by the British Bankers Association and acts as a benchmark for other short-term interest rates.*

*The cash-yield curve is a graph showing the comparative yields of securities in a particular class according to maturity. Securities on the long end of the yield curve have longer maturities.*

*\*This fund is on the National Association of Insurance Commissioner's list as a Class 1 listing. This designation denotes that the fund meets certain quality and pricing guidelines such as: a rating of A or better by a Nationally Recognized Statistical Rating Organization (NRSRO), maintains a constant NAV \$1.00 at all times, allows a maximum 7 day redemption of proceeds, invests 95% in U.S.-government securities or securities rated in the highest short-term rating category by an NRSRO, or unrated securities determined by the fund's board to be of comparable quality (or other registered money market funds or collateralized repurchase agreements), with the remaining 5% in Second Tier securities from Rule 2a-7. This is subject to an annual review.*

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*\*\*\*As of 12/31/10.*

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*This must be proceeded or accompanied by a prospectus for the funds named. Income from municipal funds may be subject to the federal alternative minimum tax and state and local taxes.*

# Federated®

Federated Investors, Inc.  
Federated Investors Tower  
1001 Liberty Avenue  
Pittsburgh, PA 15222-3779

Contact us at [FederatedInvestors.com](http://FederatedInvestors.com)  
or call 1-800-341-7400.

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