

Appendix 1: Materials used by Mr. Sack

Class II FOMC - Restricted FR

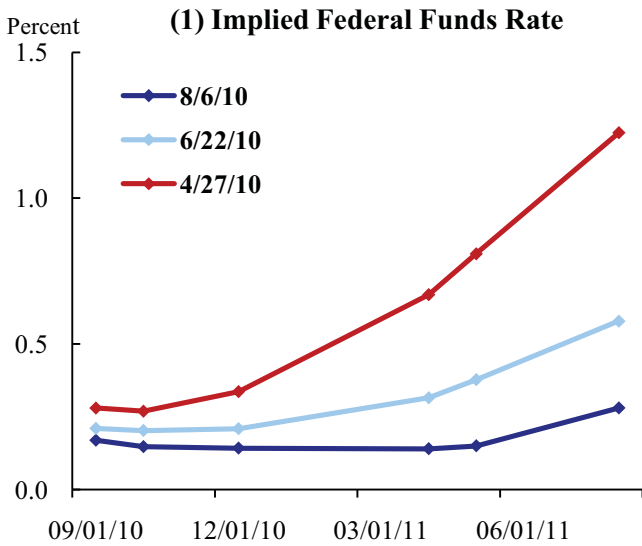
Material for

FOMC Presentation:

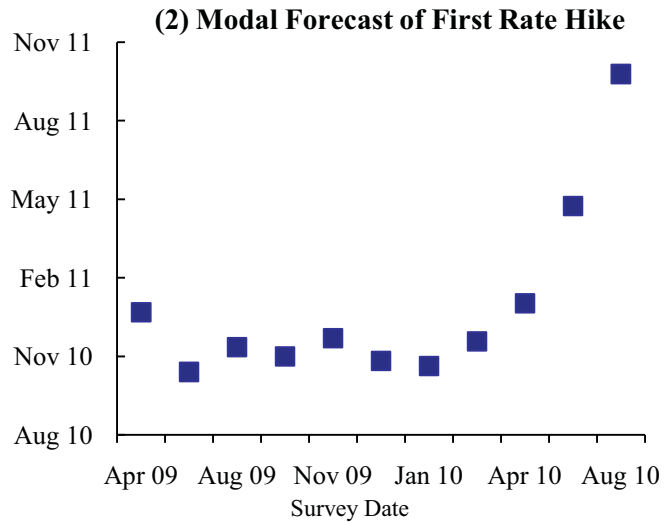
Financial Market Developments and Desk Operations

Brian Sack

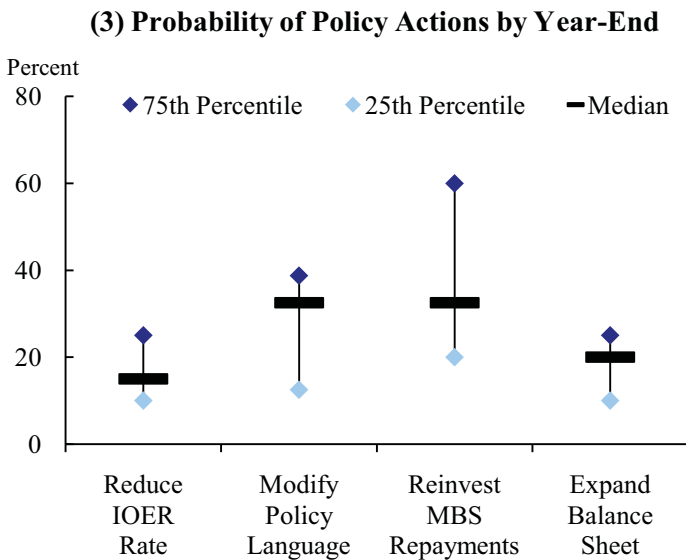
August 10, 2010



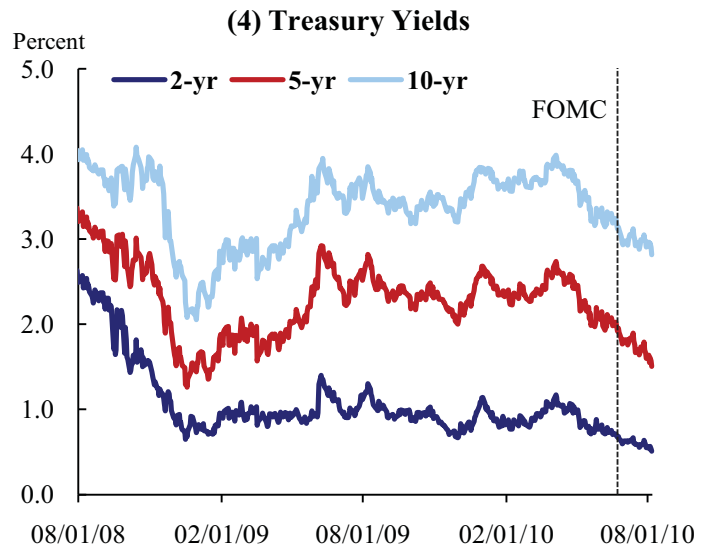
Source: Federal Reserve Bank of New York



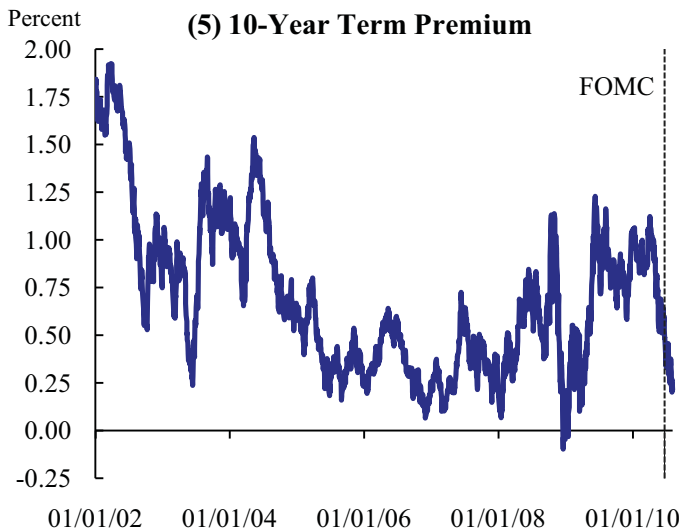
Source: Federal Reserve Bank of New York Dealer Policy Survey



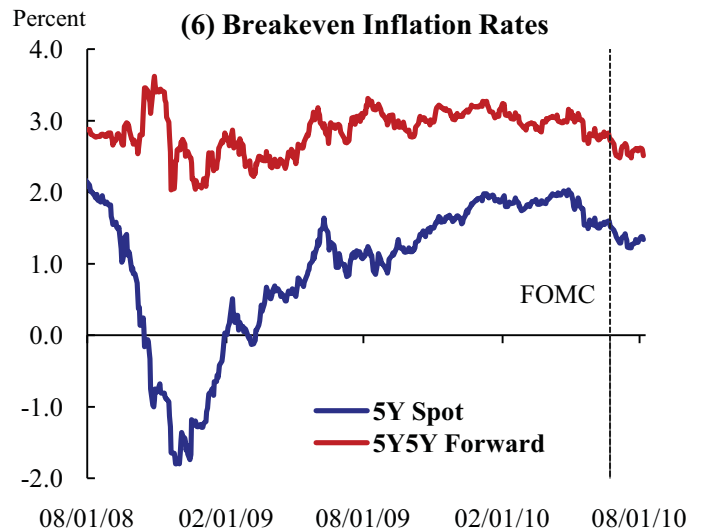
Source: Federal Reserve Bank of New York Dealer Policy Survey



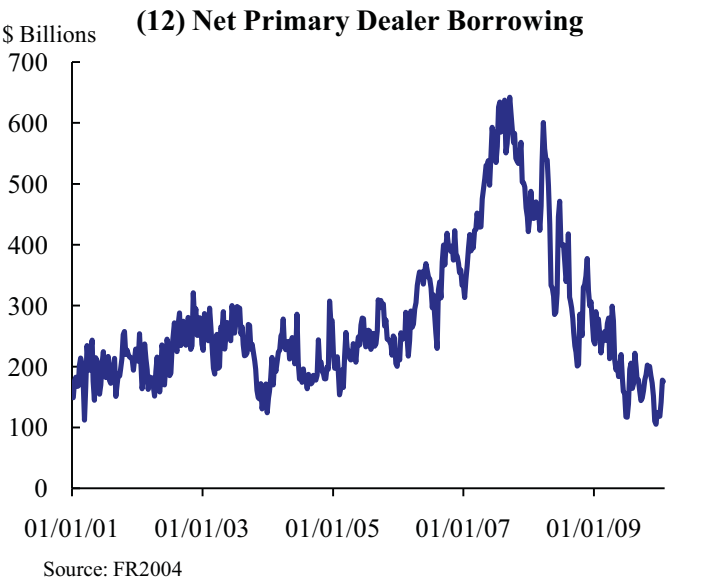
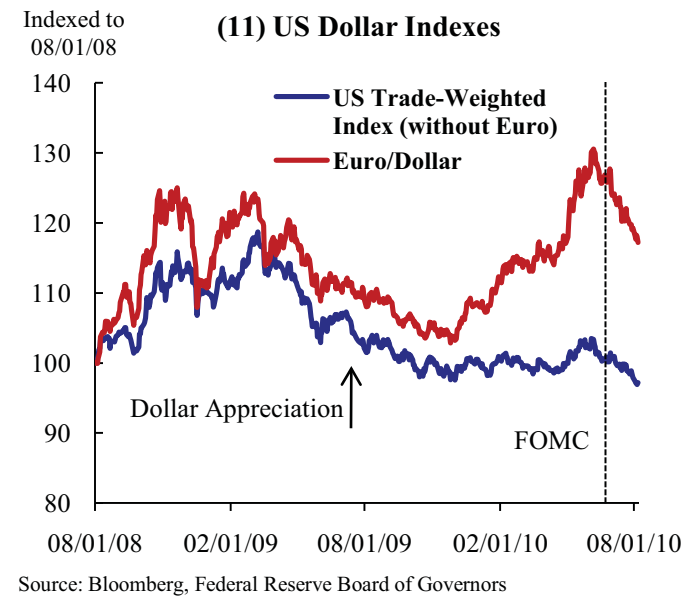
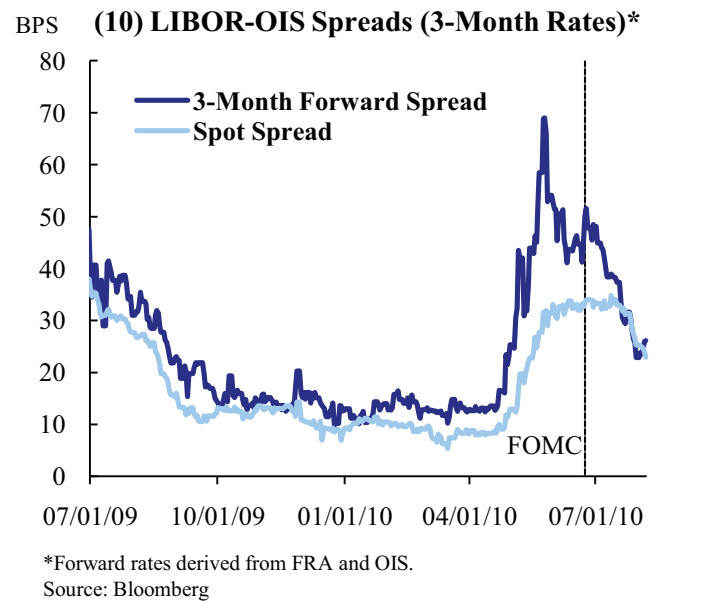
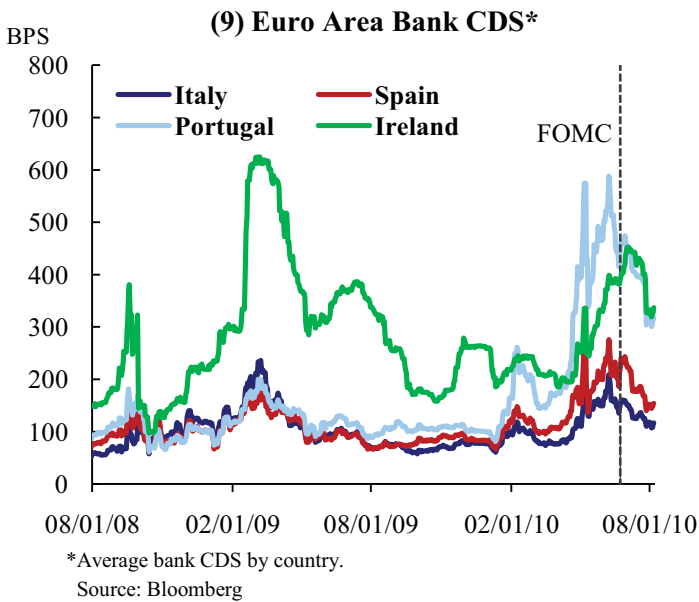
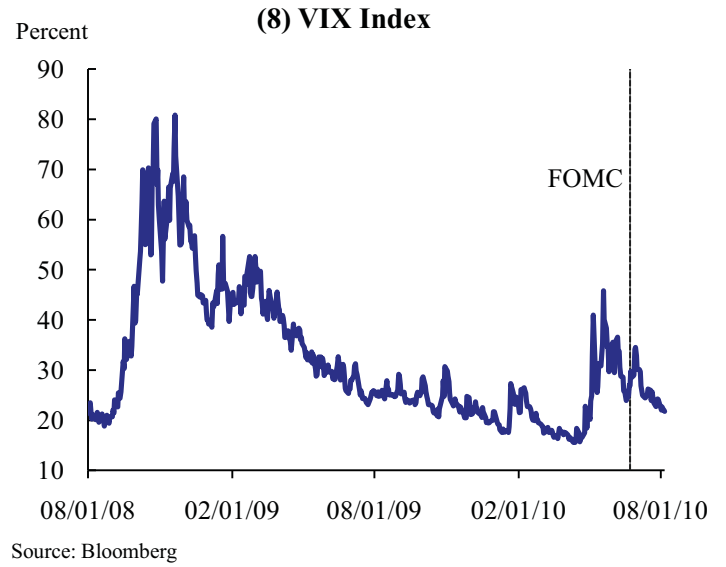
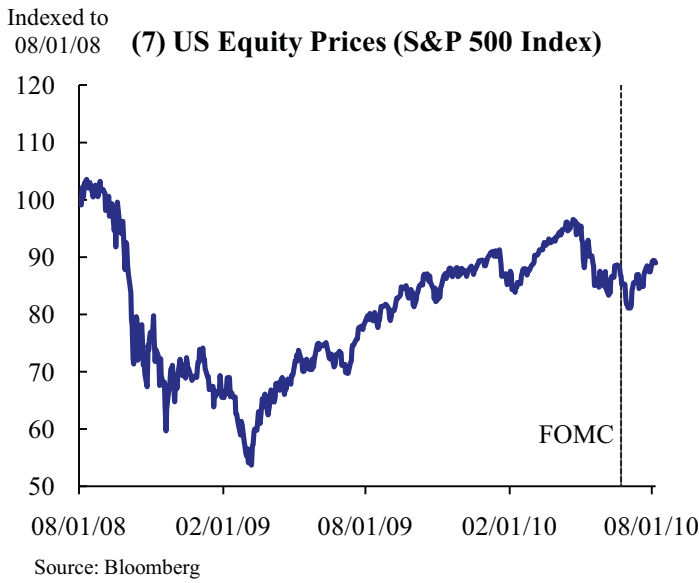
Source: Bloomberg

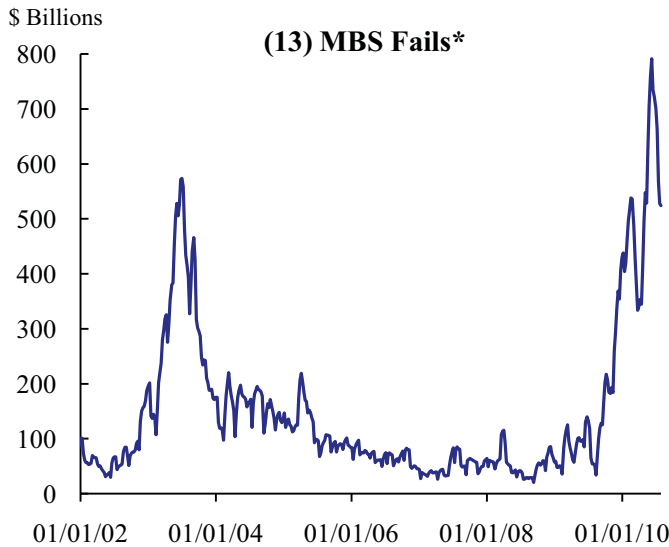


Source: Federal Reserve Board of Governors



Source: Federal Reserve Board of Governors



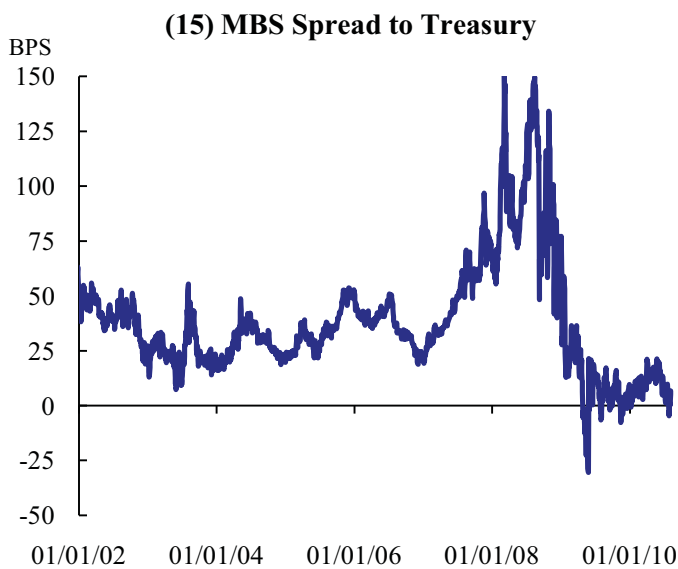


*4-week moving average.
Source: FR2004

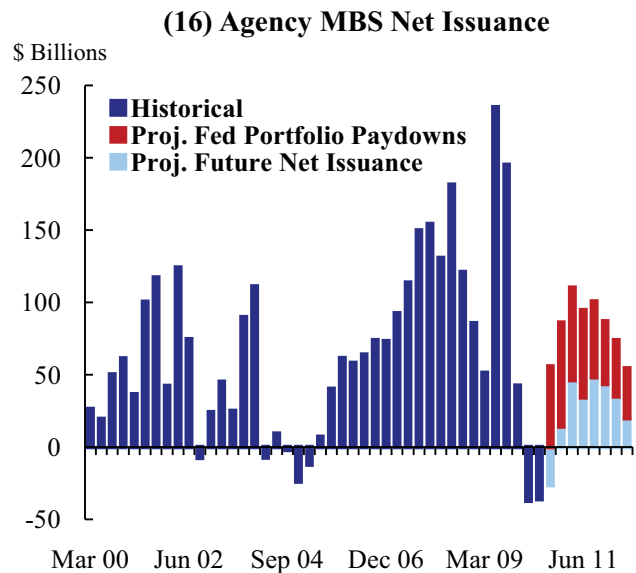
(14) MBS Settlements

Coupon	Values in \$ billions			
	Unsettled on 6/23 (1)	Coupon Swap Activity (2)	Other Settlements (3)	Unsettled on 8/6 (4)
4.5	1.6	9.2	- 10.5	0.3
5.0	6.0	0.0	- 4.0	2.1
5.5	9.2	- 9.2	- 0.1	0.0

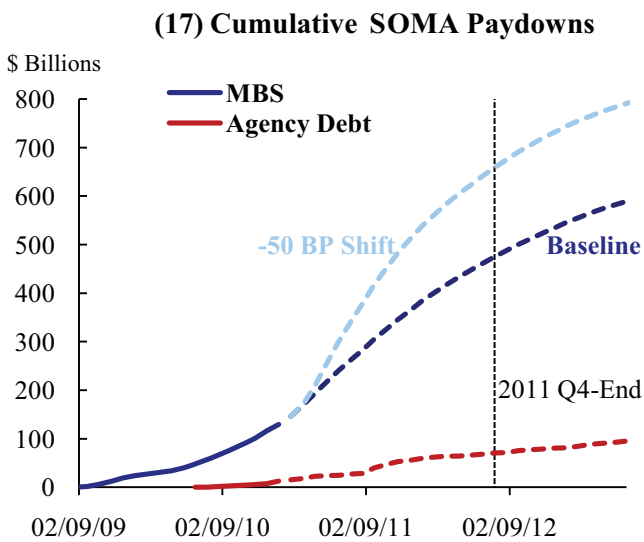
Source: Federal Reserve Bank of New York



* Fannie Mae fixed-rate current coupon OAS.
Source: Barclays Capital



Source: JP Morgan Chase



Source: Federal Reserve Bank of New York

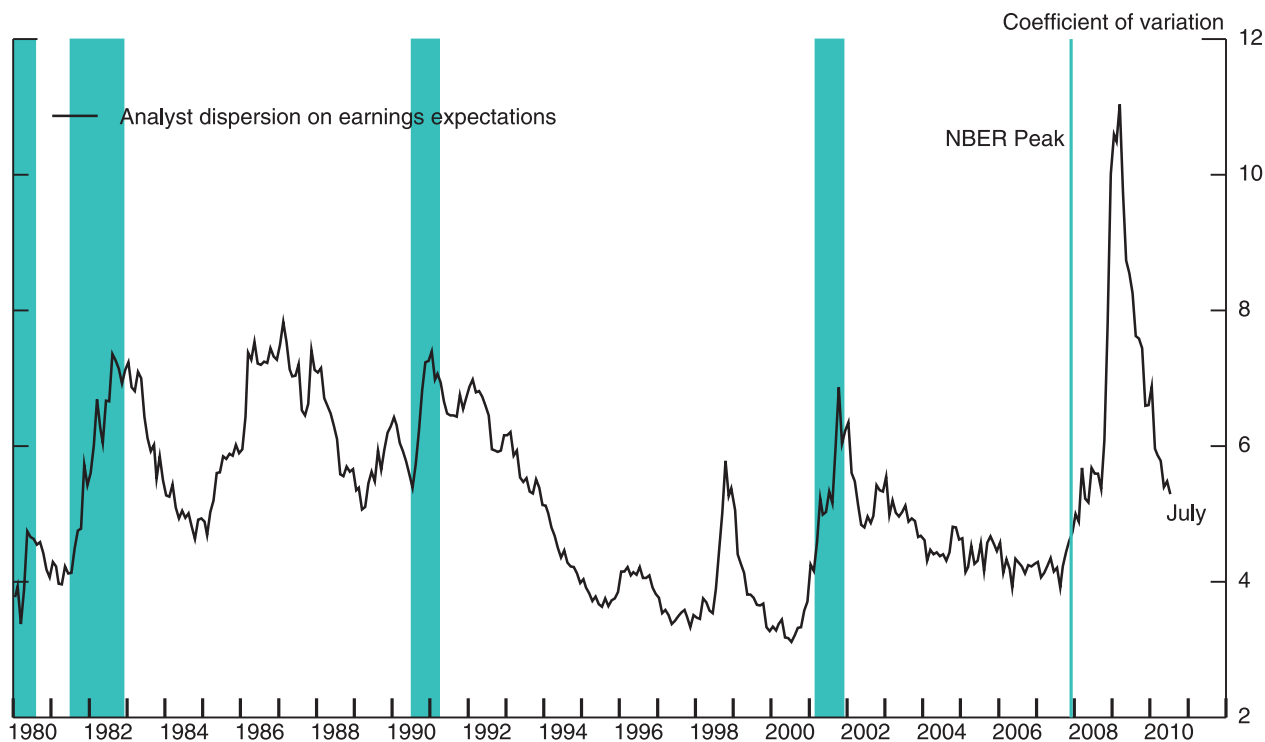
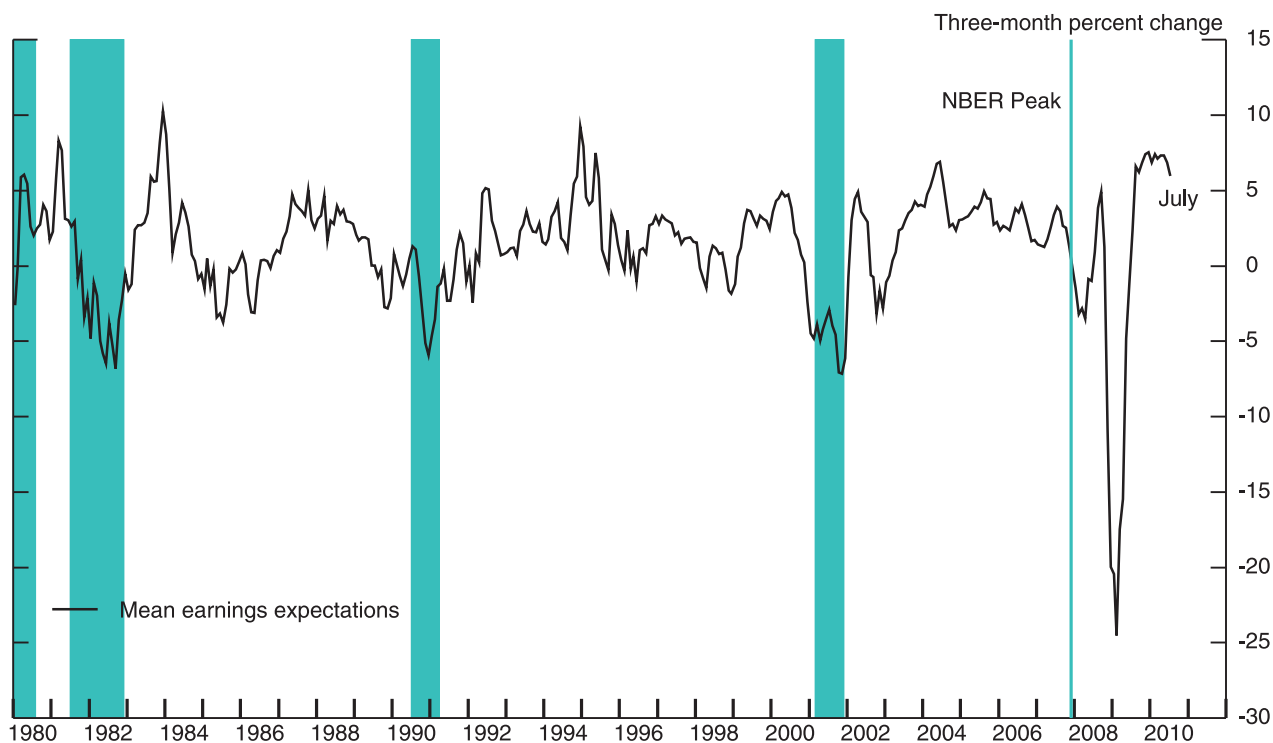
(18) SOMA Financial Condition

	Values in \$ billions		
	Market Value	Unrealized G/(L)	Realized Income Over 12-Months*
Treasury	869	64.6	24.6
Agency	171	5.2	3.0
MBS	1,180	44.8	40.4
Total	2,220	114.6	67.9

*Realized income = interest income net of funding costs + realized gains
Source: Federal Reserve Bank of New York, JP Morgan Chase

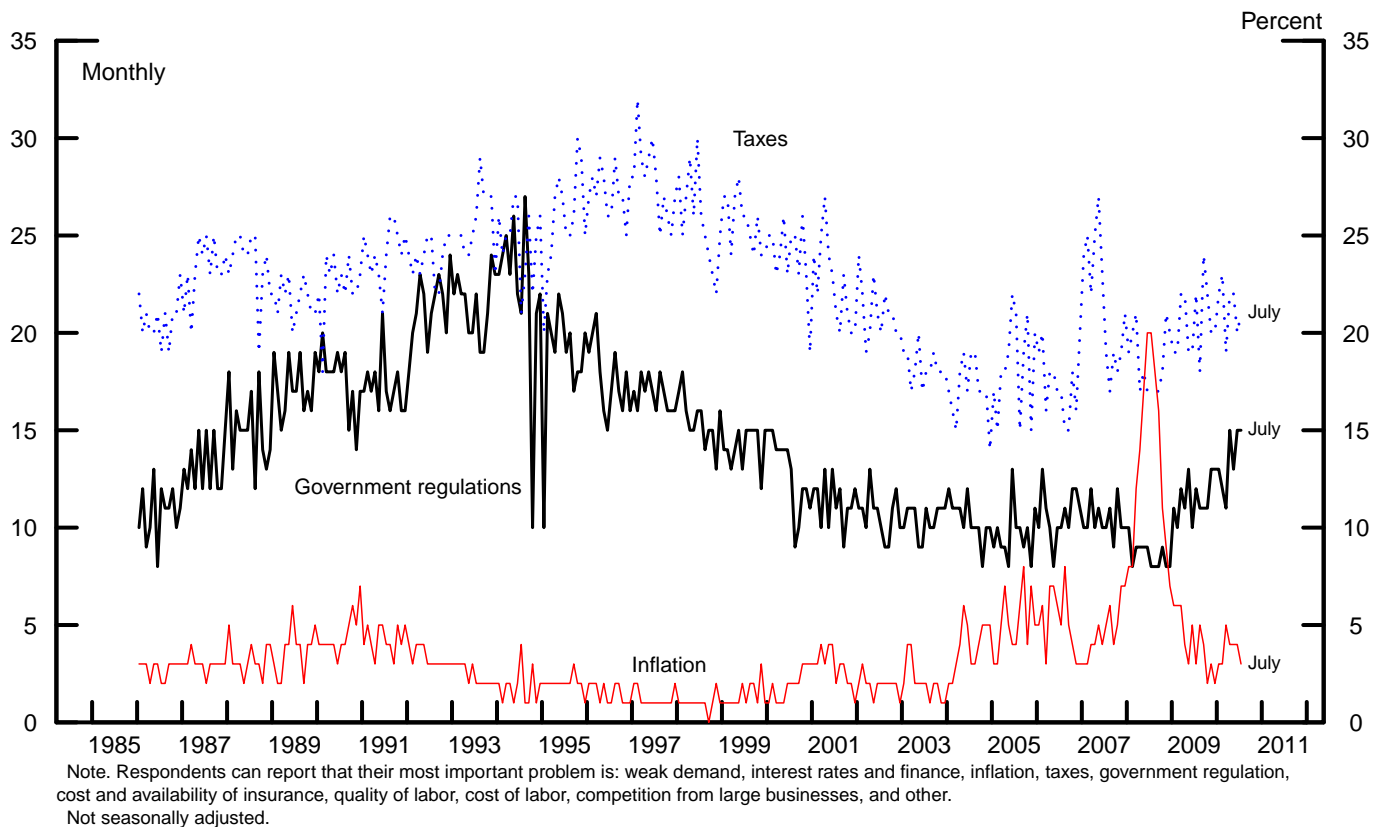
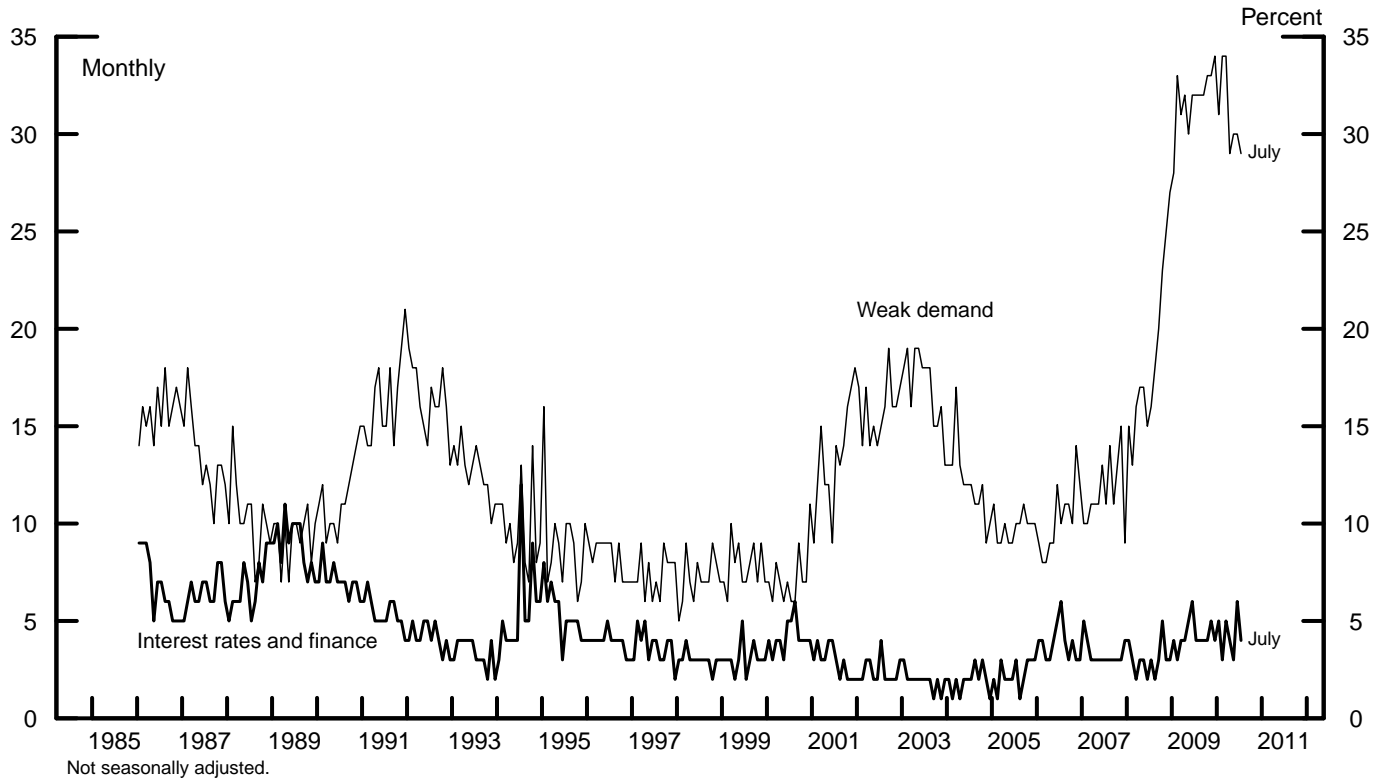
Appendix 2: Materials used by Chairman Bernanke

Twelve-Month Forward Earnings Expectations for S&P 500 Firms



Note. Twelve-month forward earnings expectations refer to expectations of earnings over the next 12 months and are calculated on a pro-rated basis as a weighted average of current fiscal year and next fiscal year earnings expectations. Analyst dispersion is the within-firm analyst dispersion on twelve-month forward earnings expectations averaged across all firms.

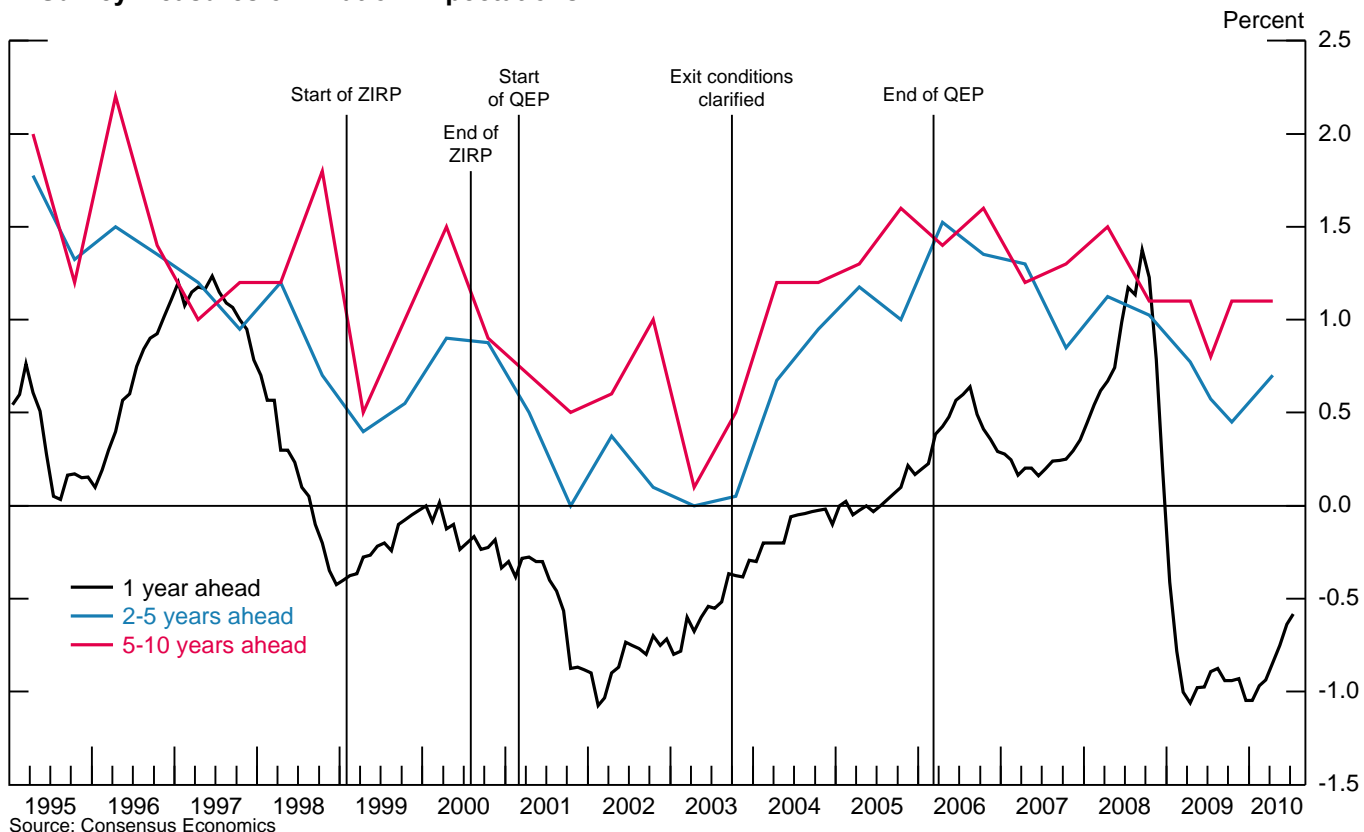
NFIB Survey Results on Most Important Problem for Small Businesses (selected categories)



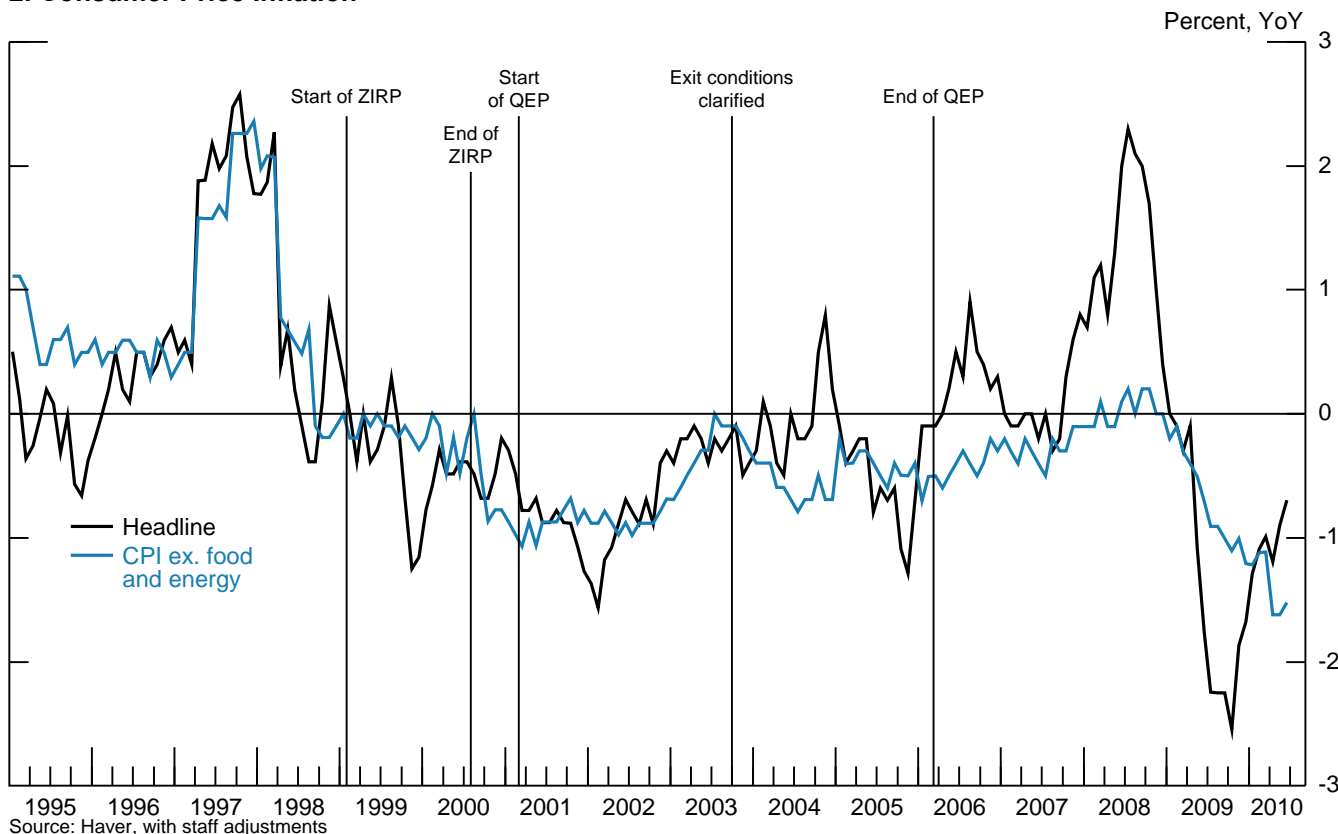
Note. Respondents can report that their most important problem is: weak demand, interest rates and finance, inflation, taxes, government regulation, cost and availability of insurance, quality of labor, cost of labor, competition from large businesses, and other.
Not seasonally adjusted.

Inflation Expectations and Inflation in Japan

1. Survey Measures of Inflation Expectations



2. Consumer Price Inflation



Appendix 3: Materials used by Mr. English

Class I FOMC – Restricted-Controlled FR

Material for

FOMC Briefing on Monetary Policy Alternatives

Bill English
August 10, 2010

JUNE FOMC STATEMENT

1. Information received since the Federal Open Market Committee met in April suggests that the economic recovery is proceeding and that the labor market is improving gradually. Household spending is increasing but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software has risen significantly; however, investment in nonresidential structures continues to be weak and employers remain reluctant to add to payrolls. Housing starts remain at a depressed level. Financial conditions have become less supportive of economic growth on balance, largely reflecting developments abroad. Bank lending has continued to contract in recent months. Nonetheless, the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability, although the pace of economic recovery is likely to be moderate for a time.
2. Prices of energy and other commodities have declined somewhat in recent months, and underlying inflation has trended lower. With substantial resource slack continuing to restrain cost pressures and longer-term inflation expectations stable, inflation is likely to be subdued for some time.
3. The Committee will maintain the target range for the federal funds rate at 0 to $\frac{1}{4}$ percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period.
4. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.

AUGUST FOMC STATEMENT—ALTERNATIVE A

1. Information received since the Federal Open Market Committee met in April ~~over recent months has increasingly suggested~~ suggests that the economic recovery in economic activity and the labor market is proceeding at an unsatisfactory pace ~~and that the labor market is improving gradually~~. Household spending is increasing only gradually ~~but~~ and remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software ~~has risen significantly~~ is rising less rapidly than earlier in the year, and the contribution of inventory investment to growth is likely to wane. ~~however,~~ Investment in nonresidential structures continues to be weak, and employers remain reluctant to add to payrolls. Housing starts remain at a depressed level. Financial conditions have become somewhat less supportive of economic growth in recent months, on balance, ~~largely reflecting developments abroad~~. and bank lending has continued to contract ~~in recent months~~. Nonetheless, Although the Committee still anticipates a gradual return to higher levels of resource utilization in a context of price stability, ~~although the pace of economic recovery is likely to be moderate for a time~~ the near-term outlook for economic activity has weakened.
2. ~~Prices of energy and other commodities have declined somewhat in recent months, and~~ Measures of underlying inflation ~~has~~ have trended lower in recent quarters. With substantial resource slack continuing to restrain cost pressures and longer-term inflation expectations stable, inflation is likely to ~~be subdued~~ remain, for some time, below levels that the Committee considers most consistent with its mandate to promote maximum employment and stable prices.
3. To support the economic recovery, the Committee ~~will maintain~~ decided to reduce the target range for the federal funds rate at to 0 to $\frac{1}{4}$ $\frac{1}{8}$ percent ~~and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period~~. Consistent with this reduction, the Board of Governors cut the remuneration rates on required and excess reserve balances to 10 basis points effective with the reserve maintenance period beginning August 12. The Committee anticipates maintaining this range for the federal funds rate until resource utilization and underlying inflation have moved appreciably closer to levels consistent with its longer-term objectives.
4. To provide additional support for the economic recovery in a context of price stability, the Committee will maintain the Federal Reserve's holdings of longer-term securities at their current level by reinvesting principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury securities [alternatively: in agency mortgage-backed securities].* The Committee will continue to roll over the Federal Reserve's holdings of Treasury securities as they mature.
5. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.

* The Open Market Desk will issue a technical note shortly after the statement providing operational details on how it will carry out these transactions.

AUGUST FOMC STATEMENT—ALTERNATIVE B

1. Information received since the Federal Open Market Committee met in ~~April~~ **June** suggests ~~indicates~~ that the economic ~~pace of~~ recovery **in output and employment has slowed in recent months** is proceeding and that the labor market is improving gradually. Household spending is increasing **gradually**, but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software ~~has risen significantly~~ **is rising**; however, investment in nonresidential structures continues to be weak and employers remain reluctant to add to payrolls. Housing starts remain at a depressed level. ~~Financial conditions have become less supportive of economic growth on balance, largely reflecting developments abroad. Bank lending has continued to contract in recent months.~~ Nonetheless, the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability, although the pace of economic recovery is likely to be ~~moderate for a time~~ **more modest in the near term than had been anticipated.**
2. ~~Prices of energy and other commodities have declined somewhat in recent months, and~~ **Measures of** underlying inflation ~~has~~ **have** trended lower in recent **quarters**, and, with substantial resource slack continuing to restrain cost pressures and longer-term inflation expectations stable, inflation is likely to be subdued for some time **], at levels lower than are desirable over the long run].**
3. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period.
4. **To help support a more timely return to those objectives the economic recovery in a context of price stability, the Committee will maintain the Federal Reserve's holdings of longer-term securities at their current level by reinvesting principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury securities [alternatively: in agency mortgage-backed securities].*** **The Committee will continue to roll over the Federal Reserve's holdings of Treasury securities as they mature.**
5. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.

* The Open Market Desk will issue a technical note shortly after the statement providing operational details on how it will carry out these transactions.

AUGUST FOMC STATEMENT—ALTERNATIVE C

1. Information received since the Federal Open Market Committee met in ~~April~~ **June** suggests that the economic recovery is proceeding and that the labor market is improving gradually. Household spending is increasing **and** ~~but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit.~~ business spending on equipment and software has risen significantly **continues to advance** ~~however, investment in nonresidential structures continues to be weak and employers remain reluctant to add to payrolls.~~ Financial conditions have become less **somewhat more** supportive of economic growth ~~on balance~~ **in recent weeks**, largely reflecting developments abroad. Bank lending has continued to contract in recent months. **Though** underlying inflation has trended lower, longer-term inflation expectations **have remained** stable. The Committee **believes that a sustainable economic recovery is under way and** ~~Nonetheless, anticipates a gradual return to higher levels of resource utilization in a context of price stability, although the pace of economic recovery is likely to be moderate for a time.~~
2. ~~Prices of energy and other commodities have declined somewhat in recent months, and underlying inflation has trended lower. With substantial resource slack continuing to restrain cost pressures and longer term inflation expectations stable, inflation is likely to be subdued for some time.~~
2. The Committee will **decided to** maintain the target range for the federal funds rate at 0 to ¼ percent and ~~continues to~~ anticipates that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant ~~exceptionally~~ low levels of the federal funds rate for an extended period **some time. The Committee will continue its approach of not reinvesting payments of principal on mortgage-backed securities and maturing agency debt held by the System Open Market Account. As a further step toward reducing the size of the Federal Reserve's balance sheet and the level of reserves in the banking system, on [September 1] the Committee will stop reinvesting the proceeds of maturing Treasury securities.** The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.

DIRECTIVES

June 2010 FOMC Directive

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to $\frac{1}{4}$ percent. The Committee directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

August 2010 FOMC Directive — Alternative A

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to $\frac{1}{4}$ $\frac{1}{8}$ percent. ~~The Committee directs the Desk to purchase longer-term Treasury securities during the intermeeting period to maintain the total face value of the System Open Market Account's holdings of Treasury securities, agency debt, and agency mortgage-backed securities at approximately \$2 trillion.~~ **The Committee directs the Desk to maintain the total face value of domestic securities held in the System Open Market Account at approximately \$2 trillion by reinvesting principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury securities [alternatively: in agency mortgage-backed securities].** The Committee directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

August 2010 FOMC Directive — Alternative B

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. ~~The Committee directs the Desk to purchase longer-term Treasury securities during the intermeeting period to maintain the total face value of the System Open Market Account's holdings of Treasury securities, agency debt, and agency mortgage-backed securities at approximately \$2 trillion.~~ **The Committee directs the Desk to maintain the total face value of domestic securities held in the System Open Market Account at approximately \$2 trillion by reinvesting principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury securities [alternatively: in agency mortgage-backed securities].** The Committee directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

June 2010 FOMC Directive — Alternative C

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. **To gradually reduce the size of the Federal Reserve's balance sheet over time, the Committee directs the Desk to not reinvest the proceeds of maturing Treasury securities held by the System Open Market Account, effective September 1, 2010, and to maintain its practice of not reinvesting the proceeds of maturing agency debt and payments on agency mortgage-backed securities held by the System Open Market Account.** The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.