

THE FEDERAL RESERVE SYSTEM

Date: October 28, 2010
To: Federal Open Market Committee
From: William B. English, Brian Sack, Nathan Sheets, Dave Stockton
Subject: Financial Stability Background Memos

In response to the Committee's request for ongoing analysis of financial stability issues, we are attaching updates of two memos that have been distributed ahead of recent FOMC meetings. The first memo presents measures of asset valuations across a number of markets as well as other indicators of vulnerability to abrupt declines in asset prices. The second memo presents readings on the degree of leverage in the financial sector.