Appendix 1: Materials used by Mr. Potter

Class II FOMC – Restricted (FR)

Material for Briefing on

Financial Developments and Open Market Operations

Simon Potter

July 30, 2013

Class II FOMC – Restricted (FR)

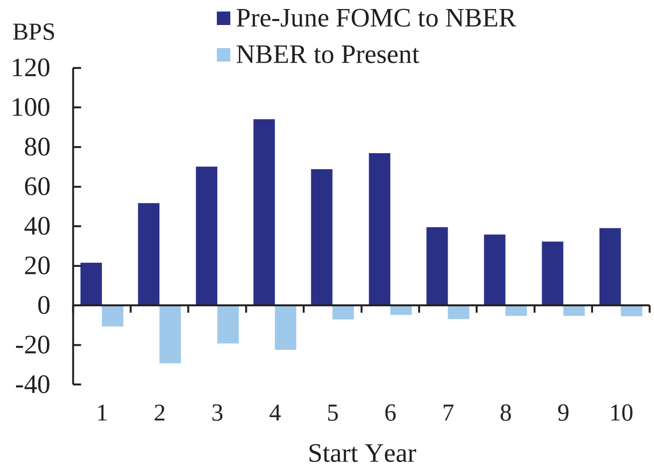
Exhibit 1

(1) Asset Performance Over Intermeeting Period*

	Change Since June '13 FOMC	Change Since Sept. '12 FOMC
Ten-Year Treasury (2.56%)	+38 bps	+80 bps
Kim-Wright Term Premium (-0.01%)	+33 bps	+69 bps
Primary Mortgage Rate** (4.31%)	+33 bps	+76 bps
IG Debt Spread	-6 bps	-26 bps
HY Debt Spread	-25 bps	-82 bps
S&P 500 Index	+2.4%	+17.8%
Dollar Index	+1.3%	+2.4%

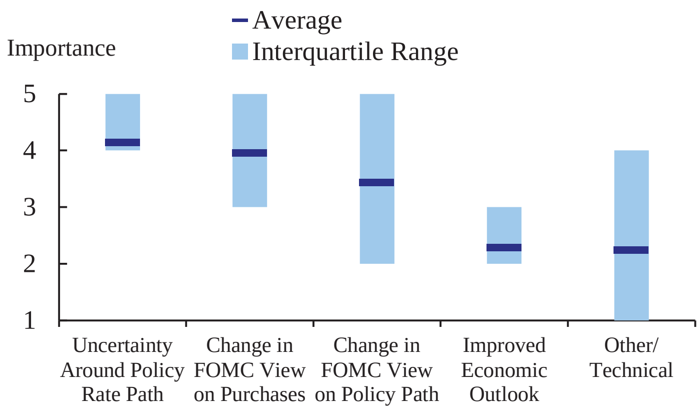
*Current levels for 10-year Treasury, term premium, and primary mortgage rates in parenthesis.
**FHLMC 30-year survey rate.
Source: Bloomberg, Federal Reserve Board of Governors, Barclays

(2) Changes in One-Year Forward Nominal Yields



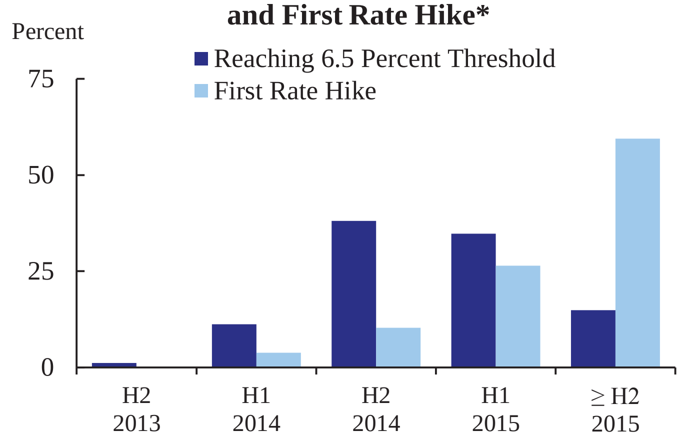
Source: Bloomberg

(3) Factors Contributing to Increase in Short Rates Over Intermeeting Period*



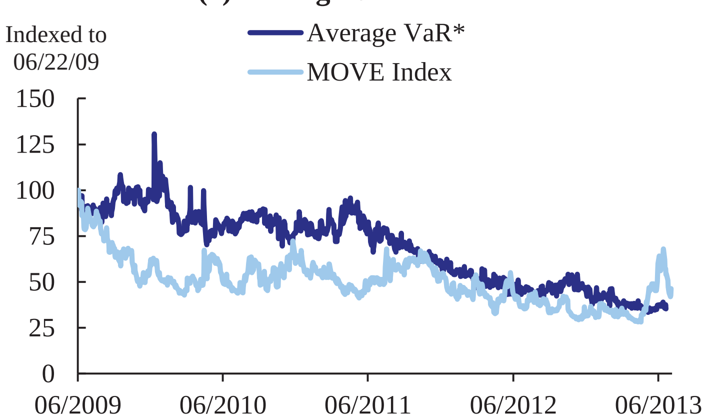
*Responses are expressed in terms of importance of each factor, where 1 is not important and 5 is very important.
Source: Federal Reserve Bank of New York Survey

(4) Probability Distributions of Timing of Reaching Unemployment Threshold and First Rate Hike*



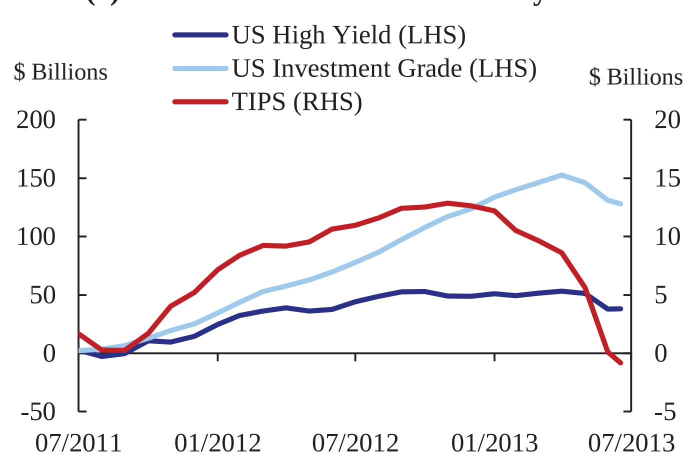
*Average probabilities from dealer responses.
Source: Federal Reserve Bank of New York Survey

(5) Average Value at Risk



*Average VaR calculated by indexing VaR utilization for eight major dealers to 06/22/09 and averaging across the eight dealers. If fewer than half of dealers report VaR on any given day, that day's data is excluded from the index.
Source: Company Internal Reports, Bloomberg, FRBNY Staff Calculations

(6) Net Cumulative Flows Since July 2011*

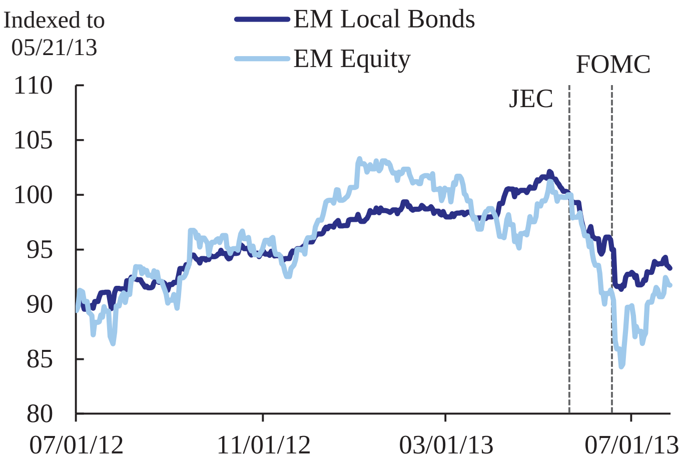


*Monthly data, through June 2013. Some funds are partially allocated to government securities. July 2013 data estimated on weekly flows.
Source: Morningstar, FRBNY Staff Estimates

Class II FOMC – Restricted (FR)

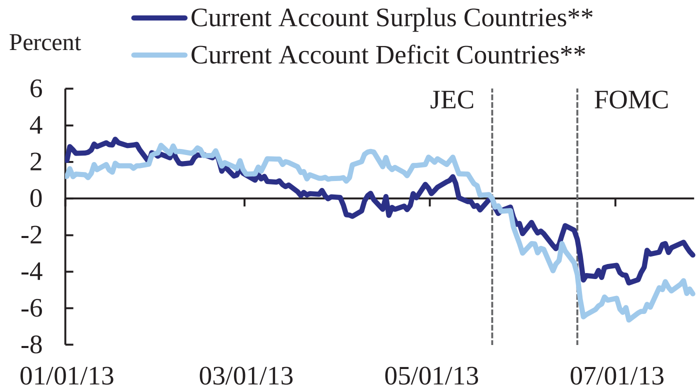
Exhibit 2

(7) Emerging Market Asset Returns*



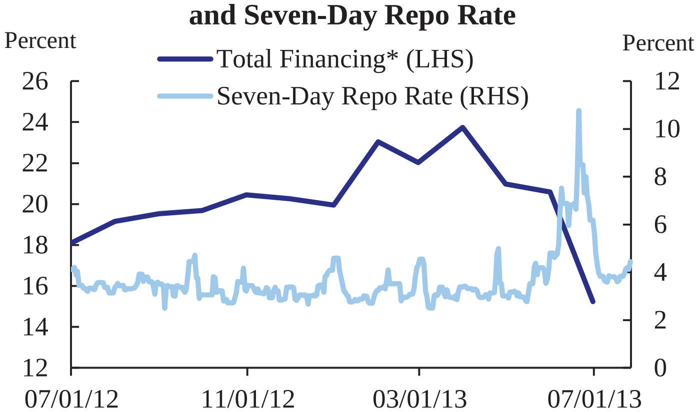
*Indices not hedged for foreign exchange exposure.
Source: Bloomberg, Markit, MSCI

(8) Emerging Market Currency Performance Against U.S. Dollar*



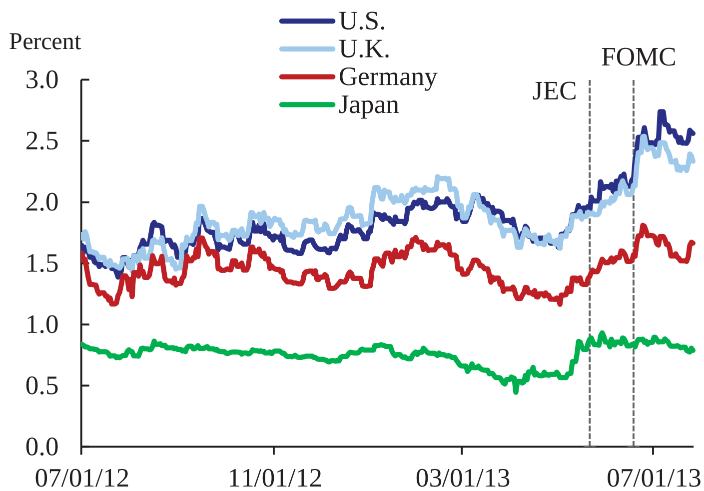
*GDP-weighted average of currency moves. Indexed to 05/21/13.
**2012 current account balance as a percent of GDP.
Source: Bloomberg, Haver, National Sources, FRBNY Staff Calculations

(9) Chinese Total Financing Growth and Seven-Day Repo Rate



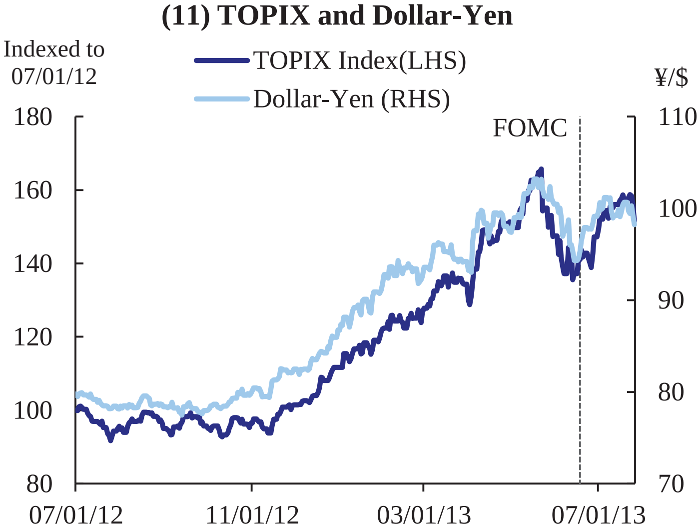
*Quarter-on-quarter annualized growth. Monthly data. Includes bank loans, selected off-balance sheet loans, trust loans, corporate bonds and equity issuance.
Source: People's Bank of China, FRBNY Staff Calculations, Bloomberg

(10) Ten-Year Sovereign Yields



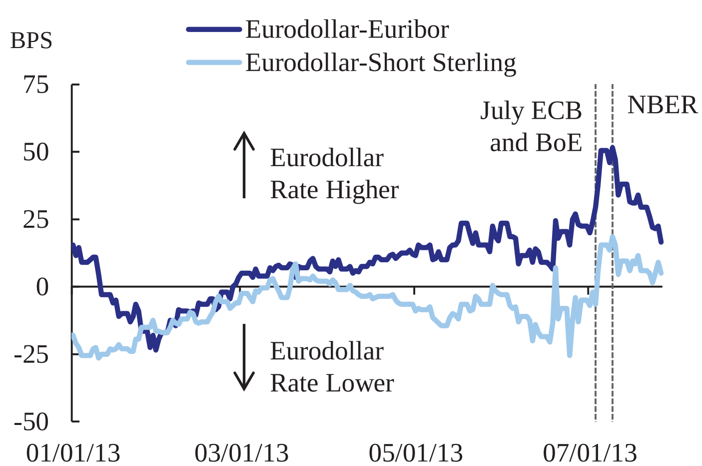
Source: Bloomberg

(11) TOPIX and Dollar-Yen



Source: Bloomberg

(12) Implied Rate Spread Between Three-Month Interest Rate Futures Contracts Two Years Ahead

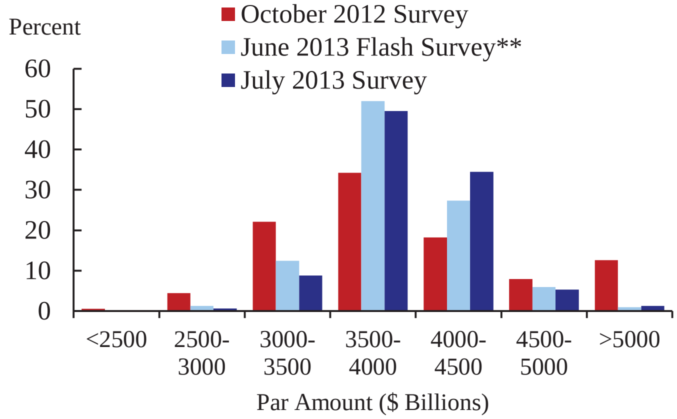


Source: Bloomberg, FRBNY Staff Calculations

Class II FOMC – Restricted (FR)

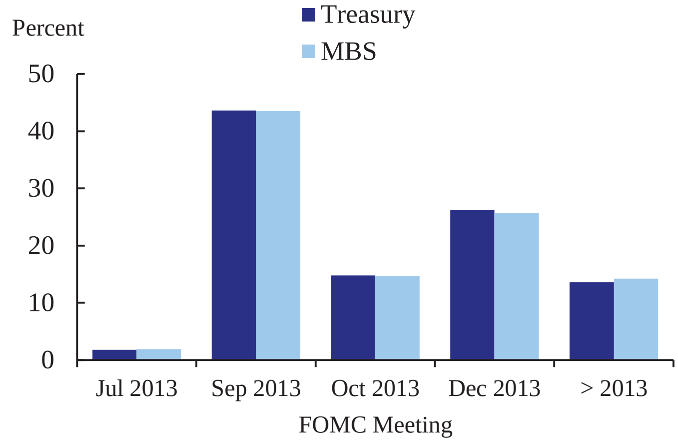
Exhibit 3

(13) Probability Distribution of End-2014 SOMA Portfolio Holdings*



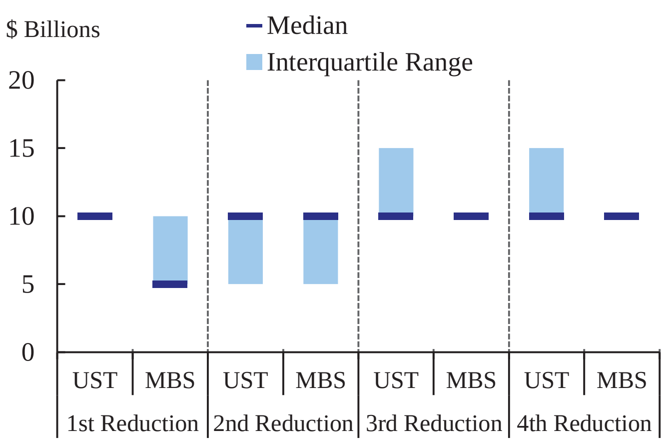
*Average probabilities from dealer responses.
**Flash survey conducted after June 2013 FOMC meeting.
Source: Federal Reserve Bank of New York Survey

(14) Probability Distribution of Timing for First Purchase Pace Reduction*



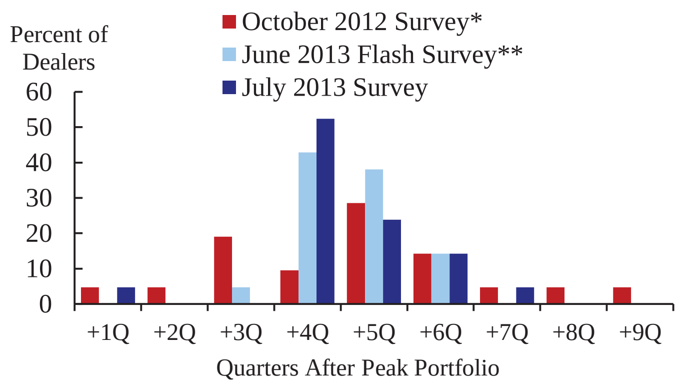
*Average probabilities from dealer responses.
Source: Federal Reserve Bank of New York Survey

(15) Median Expected Increments of Purchase Pace Reductions*



*Expected number of pace reductions range from three to seven.
Source: Federal Reserve Bank of New York Survey

(16) Quarters Between End of Purchases and First Rate Hike



*One dealer expected a rate hike to come two quarters before the end of purchases in the October 2012 survey.
**Flash survey conducted after June 2013 FOMC meeting.
Source: Federal Reserve Bank of New York Survey

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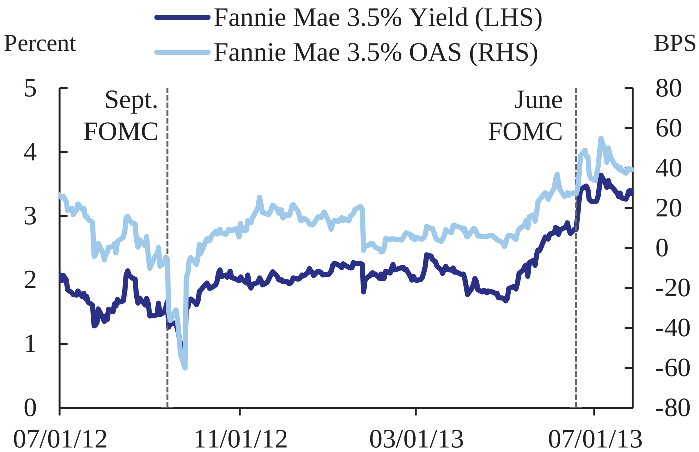
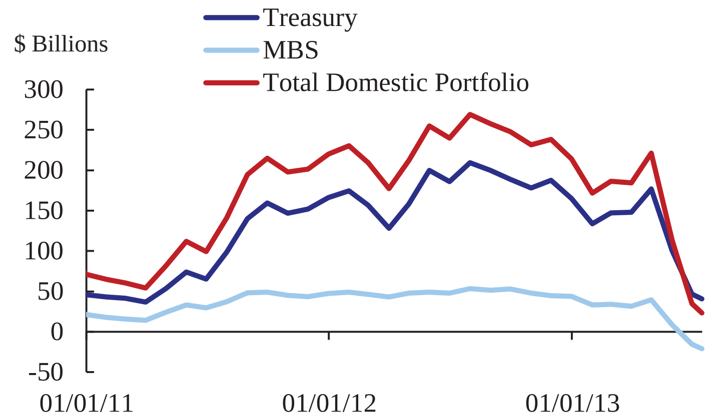
Exhibit 4 (Last)

(17) Thirty-Year MBS Yield and Option-Adjusted Spread to Treasuries



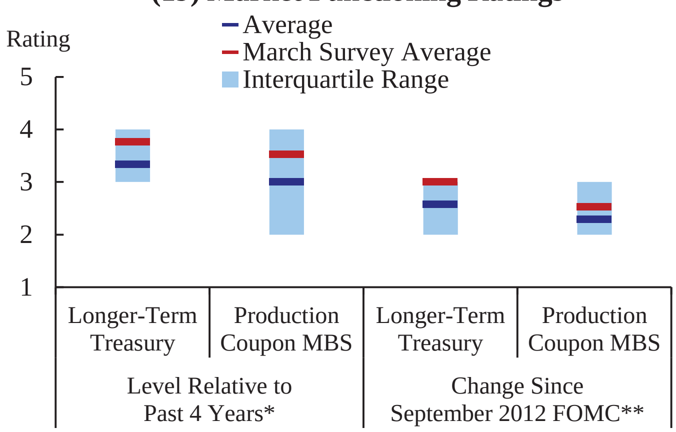
Source: Barclays

(18) Domestic Portfolio Unrealized Gains and Losses*



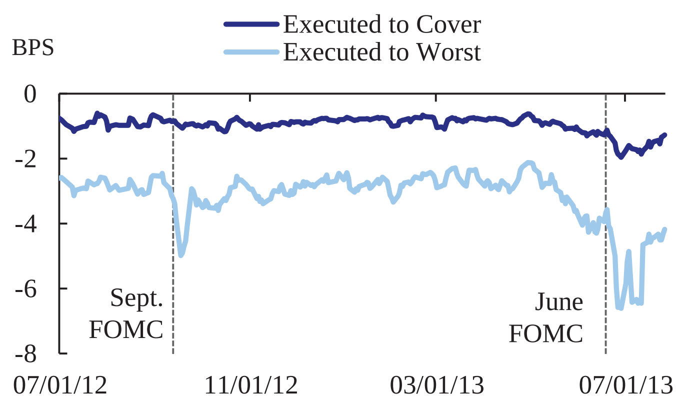
*Monthly data. Final figure as of 07/15/13.
Source: Federal Reserve Bank of New York, J.P. Morgan, Blackrock

(19) Market Functioning Ratings



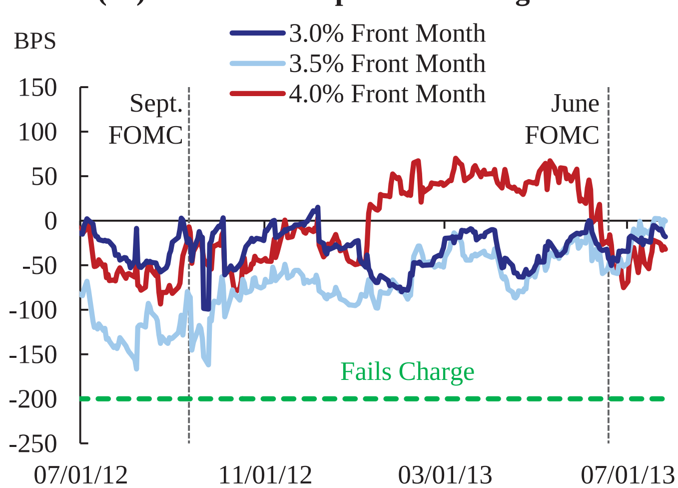
*Relative to worst and best conditions since 2009; 1 = worst and 5 = best.
**Change since September FOMC; 1 = significantly worse, 3 = same, and 5 = significantly better.
Source: Federal Reserve Bank of New York Survey

(20) MBS Operations Execution to Cover and Worst Prices



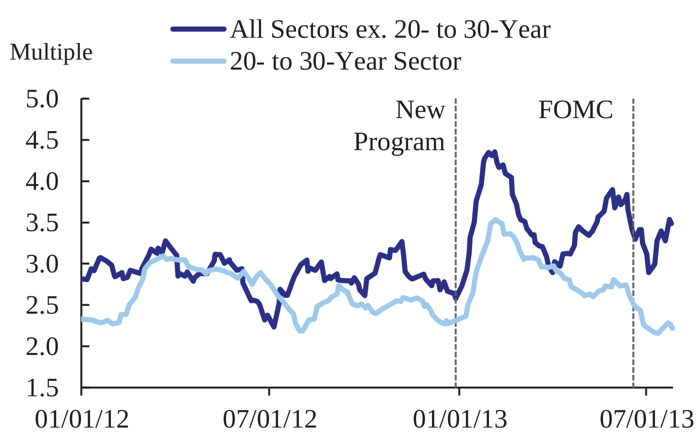
* 5-day moving average, volume-weighted by day. Shows spread between executed price and next best proposition and spread between executed price and worst proposition.
Source: Federal Reserve Bank of New York

(21) Dollar Roll Implied Financing Rates*



*30-year FNMA dollar rolls. Front month is currently August-September roll.
Source: J.P. Morgan

(22) Treasury Purchase Operation Offer-to-Cover Ratios*



*8-operation moving moving average.
Source: Federal Reserve Bank of New York

Appendix 2: Materials used by Mr. Wilcox

Class II FOMC – Restricted (FR)

Material for

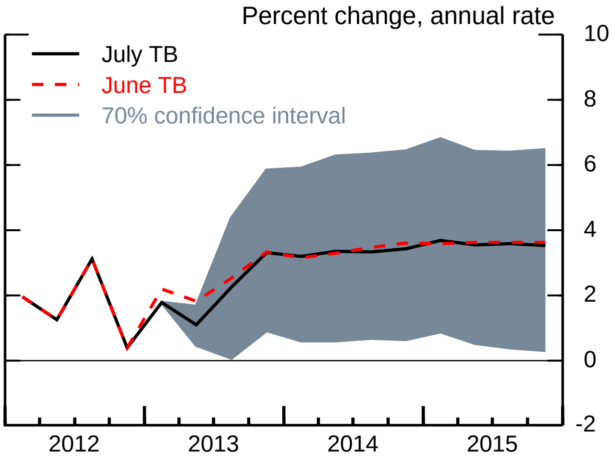
Forecast Summary

David Wilcox
July 30, 2013

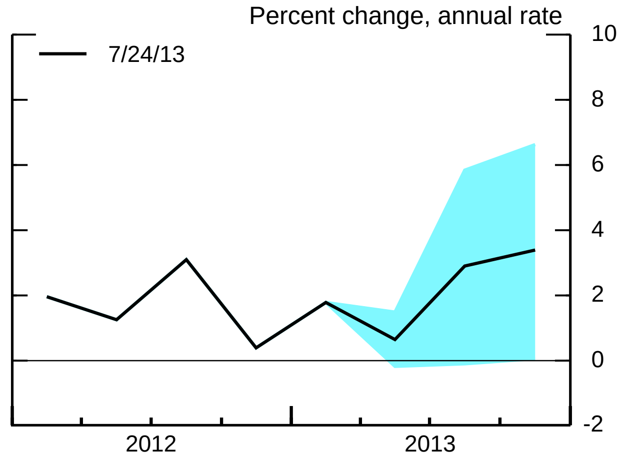
Forecast Summary

Confidence Intervals Based on FRB/US Stochastic Simulations

Real GDP

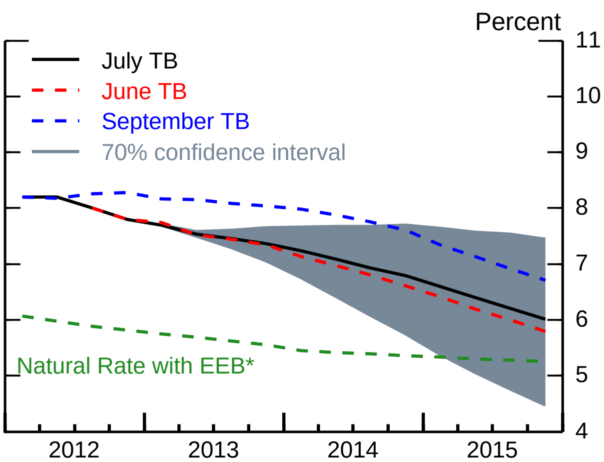


Real GDP Forecasts from the Factor Model



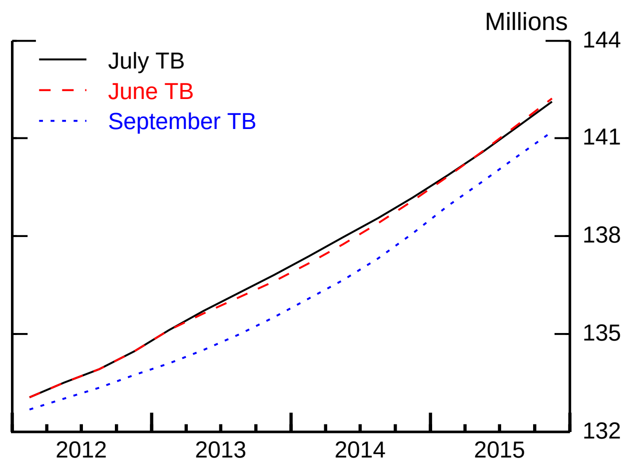
Note: The blue shaded area gives the 68% confidence interval for the factor model forecast.

Unemployment Rate

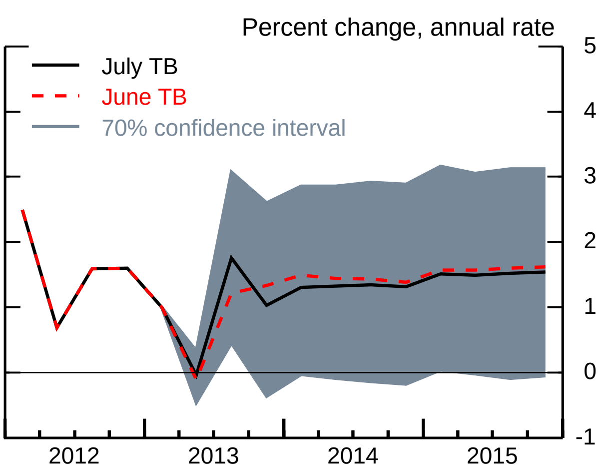


*Effect of emergency unemployment compensation and state-federal extended benefit programs.

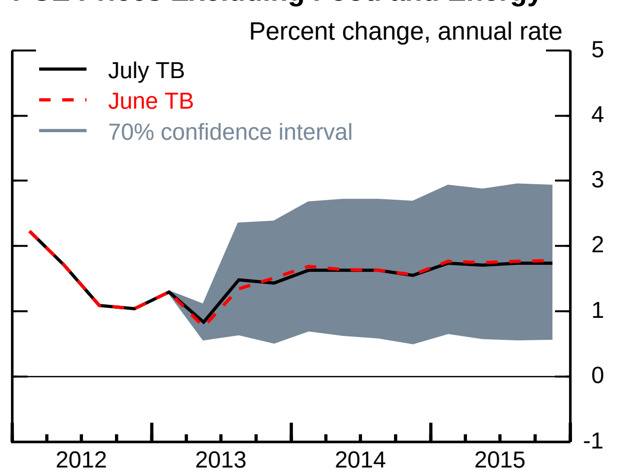
Total Payroll Employment



PCE Prices



PCE Prices Excluding Food and Energy



Appendix 3: Materials used by Mr. English

Material for

FOMC Briefing on Monetary Policy Alternatives

Bill English

July 30-31, 2013

Policy Issues and Market Expectations

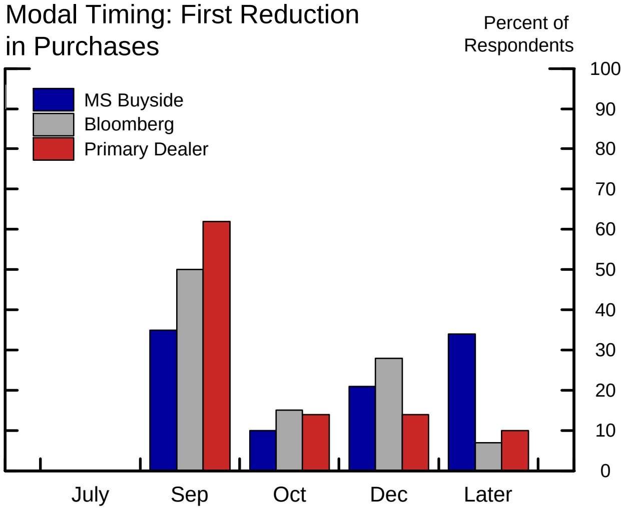
Three Significant Issues

- Whether to provide a contingent plan for bringing the purchase program to a close
- How to allocate reductions in purchases across Treasuries and MBS
- Whether to change the forward guidance for the federal funds rate

State-Contingent Plan

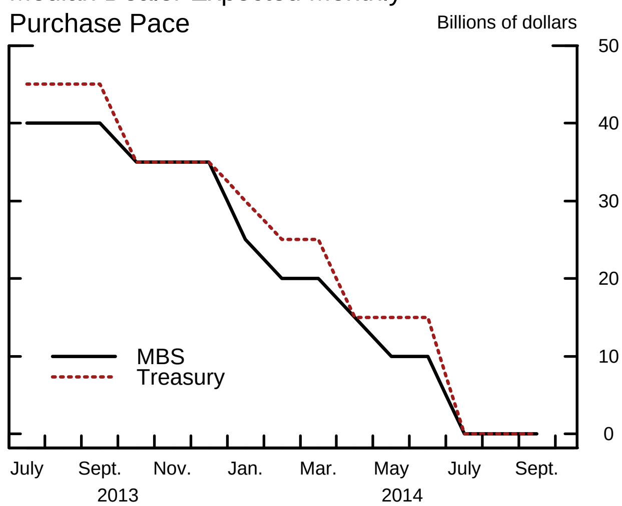
- Benefits
  - Could clarify that the Committee agrees with and endorses the Chairman's recent statements
  - Automatic adjustment of market expectations
- Possible drawback
  - If the economy performs poorly, the result could be a very large purchase program or a need to reduce purchases for reasons not emphasized in the plan

Modal Timing: First Reduction in Purchases



Source: Morgan Stanley, Bloomberg, and July Primary Dealer Survey.

Median Dealer Expected Monthly Purchase Pace

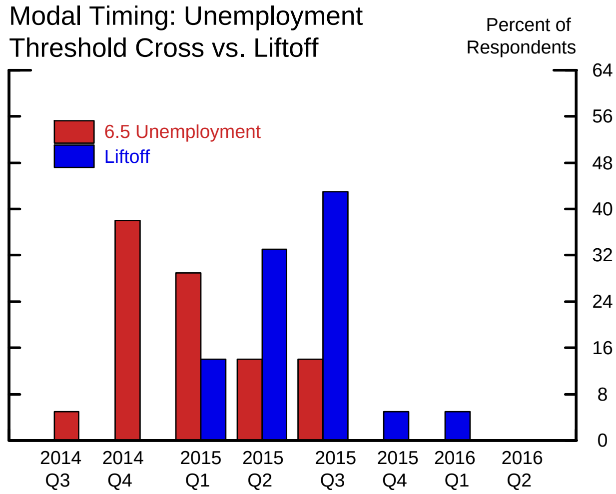


Source: July Primary Dealer Survey.

Possible Changes to the Forward Guidance for the Federal Funds Rate

- Lower the unemployment rate threshold
- Add an inflation floor
- Provide information on the federal funds rate path after liftoff

Modal Timing: Unemployment Threshold Cross vs. Liftoff



Source: July Primary Dealer Survey.
Note: Modal outcomes for time that threshold is crossed are derived from individual dealer pdfs whereas the outcomes for modal dates of liftoff are from separate question on modal timing.

JUNE FOMC STATEMENT

1. Information received since the Federal Open Market Committee met in May suggests that economic activity has been expanding at a moderate pace. Labor market conditions have shown further improvement in recent months, on balance, but the unemployment rate remains elevated. Household spending and business fixed investment advanced, and the housing sector has strengthened further, but fiscal policy is restraining economic growth. Partly reflecting transitory influences, inflation has been running below the Committee's longer-run objective, but longer-term inflation expectations have remained stable.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that, with appropriate policy accommodation, economic growth will proceed at a moderate pace and the unemployment rate will gradually decline toward levels the Committee judges consistent with its dual mandate. The Committee sees the downside risks to the outlook for the economy and the labor market as having diminished since the fall. The Committee also anticipates that inflation over the medium term likely will run at or below its 2 percent objective.
3. To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee decided to continue purchasing additional agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury securities at a pace of $45 billion per month. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. Taken together, these actions should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative.
4. The Committee will closely monitor incoming information on economic and financial developments in coming months. The Committee will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability. The Committee is prepared to increase or reduce the pace of its purchases to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes. In determining the size, pace, and composition of its asset purchases, the Committee will continue to take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives.
5. To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. In particular, the Committee decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6½ percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the

Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent.

FOMC STATEMENT—JULY 2013 ALTERNATIVE A

1. Information received since the Federal Open Market Committee met in ~~May~~ **June** suggests that economic activity has been expanding at a ~~moderate~~ **modest** pace **in recent months**. **Although some** labor market ~~conditions~~ **indicators** have shown further improvement, ~~in recent months, on balance, but~~ the unemployment rate remains elevated. Household spending and business fixed investment advanced, and the housing sector has ~~strengthened further~~ **been strengthening**, but **mortgage rates have risen somewhat and** fiscal policy is restraining economic growth. Partly reflecting transitory influences, inflation has been running below the Committee's longer-run objective~~, but~~ **even though** longer-term inflation expectations have remained stable.

2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that, with appropriate policy accommodation, economic growth will ~~proceed at a moderate~~ **pick up from its recent** pace and the unemployment rate will gradually decline toward levels the Committee judges consistent with its dual mandate. The Committee sees the downside risks to the outlook for the economy and the labor market as having diminished since the fall**, but a substantial tightening of financial conditions would pose a risk to the economic outlook**. The Committee ~~also anticipates that inflation over the medium term likely will run at or below its 2 percent objective~~ **recognizes that the persistence of very low inflation could pose risks to economic performance, but it anticipates that, with appropriate policy accommodation, inflation will move up to its 2 percent objective over the medium term, and possibly slightly higher for a time.**

3. To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee decided to continue purchasing additional agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury securities at a pace of $45 billion per month. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. Taken together, these actions should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative.

4. The Committee will closely monitor incoming information on economic and financial developments in coming months. The Committee will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability. In determining the size, pace, and composition of its asset purchases, the Committee will continue to take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives. **The Committee's decisions regarding asset purchases are not on a preset course and will continue to be contingent on the incoming data. Specifically, as the Chairman has outlined, if the economy evolves about as expected, the Committee anticipates moderating the pace of its securities**

purchases later this year, but continuing purchases until the unemployment rate is about 7 percent, economic growth is sufficient to support continuing solid job gains, and inflation is moving back toward its 2 percent longer-run goal. The Committee is prepared to increase or reduce the pace of its purchases **as necessary** to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes.

5. To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. In particular, the Committee decided to keep the target range for the federal funds rate at 0 to ¼ percent and ~~currently~~ anticipates ~~that~~ **maintaining** this exceptionally low range for the federal funds rate ~~will be appropriate~~ at least as long as the unemployment rate remains above ~~6½~~ **[6 | 5½]** percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy **after a threshold has been crossed**, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent. **Specifically, so long as inflation remains near the Committee's longer-run objective and inflation expectations remain well anchored, increases in the federal funds rate, once they begin, are likely to be gradual until the economy is nearing maximum employment.**

FOMC STATEMENT—JULY 2013 ALTERNATIVE B

1. Information received since the Federal Open Market Committee met in ~~May~~ **June** suggests that economic activity ~~has been expanding at a moderate pace~~ **expanded at a modest pace during the first half of the year**. Labor market conditions have shown further improvement in recent months, on balance, but the unemployment rate remains elevated. Household spending and business fixed investment advanced, and the housing sector has ~~strengthened further~~ **been strengthening**, but **mortgage rates have risen somewhat and** fiscal policy is restraining economic growth. Partly reflecting transitory influences, inflation has been running below the Committee's longer-run objective, but longer-term inflation expectations have remained stable.

2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that, with appropriate policy accommodation, economic growth will ~~proceed at a moderate~~ **pick up from its recent** pace and the unemployment rate will gradually decline toward levels the Committee judges consistent with its dual mandate. The Committee sees the downside risks to the outlook for the economy and the labor market as having diminished since the fall. **[** The Committee also anticipates that inflation over the medium term likely will run at or below its 2 percent objective. **|** The Committee also anticipates that**, with appropriate policy accommodation,** inflation ~~likely will run at or below~~ **will move back toward** its 2 percent objective over the medium term**, but it will pay close attention to inflation developments**. **]**

3. To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee decided to continue purchasing additional agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury securities at a pace of $45 billion per month. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. Taken together, these actions should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative.

4. The Committee will closely monitor incoming information on economic and financial developments in coming months. The Committee will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability. The Committee is prepared to increase or reduce the pace of its purchases to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes. In determining the size, pace, and composition of its asset purchases, the Committee will continue to take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives.

5. To support continued progress toward maximum employment and price stability, **the Committee** decided to keep the target range for the federal funds rate at 0 to ¼ percent. The Committee expects that a highly accommodative stance of monetary policy will remain appropriate **for the foreseeable future**. In particular, the Committee ~~and currently anticipates~~ **continues to anticipate** that this exceptionally low range for the federal funds rate will be appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens—at least as long as the unemployment rate remains above 6½ percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent.

OR

5′. To support continued progress toward maximum employment and price stability, **the Committee** decided to keep the target range for the federal funds rate at 0 to ¼ percent. The Committee ~~expects~~ **today reaffirmed its view** that a highly accommodative stance of monetary policy**, including very low short-term interest rates and ongoing, substantial Federal Reserve holdings of longer-term securities,** will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. In particular, the Committee ~~and currently anticipates that this~~ **continues to anticipate that the current** exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6½ percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent.

FOMC STATEMENT—JULY 2013 ALTERNATIVE C

1. Information received since the Federal Open Market Committee met in ~~May~~ **June** ~~suggests~~ **indicates** that economic activity has been expanding at a moderate pace. Labor market conditions have shown further improvement ~~in recent months, on balance~~, **with [appreciable | solid] gains in payroll employment,** ~~but~~ **although** the unemployment rate ~~remains elevated~~ **has not declined in recent months**. Household spending and business fixed investment advanced, and the housing sector has strengthened further~~, but~~ **even though** fiscal policy is restraining economic growth. Partly reflecting transitory influences, inflation has been running below the Committee's longer-run objective, but longer-term inflation expectations have remained stable.

2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that, with appropriate policy accommodation, economic growth will ~~proceed at a moderate~~ **pick up from its recent** pace and the unemployment rate will gradually decline toward levels the Committee judges consistent with its dual mandate. The Committee sees the downside risks to the outlook for the economy and the labor market as having diminished since the fall **and [has become | is becoming] more confident that labor market conditions will continue to improve over the medium term**. The Committee also anticipates that inflation over the medium term likely will run at ~~or below~~ its 2 percent objective.

3. ~~To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate,~~ **In light of the extent of improvement in [economic conditions | the outlook for the labor market] since the Committee began its current asset purchase program last September,** the Committee decided to ~~continue purchasing~~ **reduce its purchases of** additional agency mortgage-backed securities ~~at~~ **to** a pace of ~~$40~~ **[$35 | $30]** billion per month and **of** longer-term Treasury securities ~~at~~ **to** a pace of ~~$45~~ **[$40 | $30]** billion per month. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. ~~Taken together, these actions~~ **The Committee's sizable and still increasing holdings of longer-term securities** should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to ~~make~~ **keep** broader financial conditions ~~more~~ **highly** accommodative.

4. The Committee will closely monitor incoming information on economic and financial developments in coming months. The Committee will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability. In determining the size, pace, and composition of its asset purchases, the Committee will continue to take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives. **The Committee's decisions regarding asset purchases are not on a preset course and will continue to be contingent on the incoming data. Specifically, if the economy evolves about as expected, the Committee anticipates**

further reducing the pace of its securities purchases later this year, but continuing purchases until the unemployment rate is about 7 percent, economic growth is sufficient to support continuing solid job gains, and inflation is moving back toward its 2 percent longer-run goal. The Committee is prepared to increase or reduce the pace of its purchases **as necessary** to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes.

5. To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. In particular, the Committee decided to keep the target range for the federal funds rate at 0 to ¼ percent and ~~currently~~ **continues to** anticipate~~s~~ that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6½ percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent.

JUNE 2013 DIRECTIVE

Consistent with its statutory mandate, the Federal Open Market Committee seeks monetary and financial conditions that will foster maximum employment and price stability. In particular, 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 undertake open market operations as necessary to maintain such conditions. The Desk is directed to continue purchasing longer-term Treasury securities at a pace of about $45 billion per month and to continue purchasing agency mortgage-backed securities at a pace of about $40 billion per month. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency mortgage-backed securities transactions. The Committee directs the Desk to maintain its policy of rolling over maturing Treasury securities into new issues and its policy of reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. 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.

DIRECTIVE FOR JULY 2013 ALTERNATIVE A

Consistent with its statutory mandate, the Federal Open Market Committee seeks monetary and financial conditions that will foster maximum employment and price stability. In particular, 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 undertake open market operations as necessary to maintain such conditions. The Desk is directed to continue purchasing longer-term Treasury securities at a pace of about $45 billion per month and to continue purchasing agency mortgage-backed securities at a pace of about $40 billion per month. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency mortgage-backed securities transactions. The Committee directs the Desk to maintain its policy of rolling over maturing Treasury securities into new issues and its policy of reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. 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.

Directive for July 2013 Alternative B

Consistent with its statutory mandate, the Federal Open Market Committee seeks monetary and financial conditions that will foster maximum employment and price stability. In particular, 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 undertake open market operations as necessary to maintain such conditions. The Desk is directed to continue purchasing longer-term Treasury securities at a pace of about $45 billion per month and to continue purchasing agency mortgage-backed securities at a pace of about $40 billion per month. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency mortgage-backed securities transactions. The Committee directs the Desk to maintain its policy of rolling over maturing Treasury securities into new issues and its policy of reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. 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.

DIRECTIVE FOR JULY 2013 ALTERNATIVE C

Consistent with its statutory mandate, the Federal Open Market Committee seeks monetary and financial conditions that will foster maximum employment and price stability. In particular, 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 undertake open market operations as necessary to maintain such conditions. **Beginning with the month of August,** the Desk is directed to ~~continue purchasing~~ **purchase** longer-term Treasury securities at a pace of about ~~$45~~ **[$40 | $30]** billion per month and to ~~continue purchasing~~ **purchase** agency mortgage-backed securities at a pace of about ~~$40~~ **[$35 | $30]** billion per month. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency mortgage-backed securities transactions. The Committee directs the Desk to maintain its policy of rolling over maturing Treasury securities into new issues and its policy of reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. 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.

Appendix 4: Materials used by Mr. Wilcox

Class II – FOMC Restricted (FR)
July 31, 2013

2013 Comprehensive Revision of the NIPAs
2013:Q2 Advance Estimate

Change in Real GDP, Real GDI, and PCE Prices

	2008	2009	2010	2011	2012	2013:Q1	2013:Q2
Real GDP	-2.8	-0.2	2.8	2.0	2.0	1.1	1.7
Revision	*.5*	*-.2*	*.4*	*.0*	*.3*	*-.6*	*.6*
Real GDI	-2.2	0.3	2.5	2.3	2.6	2.2	-
Revision	*.6*	*1.1*	*-.5*	*.5*	*.1*	*-.3*	
PCE Prices	1.5	1.2	1.3	2.6	1.7	1.1	.0
Revision	*-.2*	*-.2*	*-.2*	*.0*	*.1*	*.1*	*.1*
Core PCE Prices	1.6	1.4	1.0	1.8	1.7	1.4	.8
Revision	*-.3*	*-.2*	*-.2*	*.1*	*.2*	*.1*	*.0*

Note: Q4/Q4 percent change in annual columns; percent change at annual rate in quarter columns. 2013:Q1 and earlier periods compared to previously published figures. 2013:Q2 compared to the July Tealbook forecast.