

Appendix 1: Materials used by Mr. Potter

Class II FOMC – Restricted (FR)

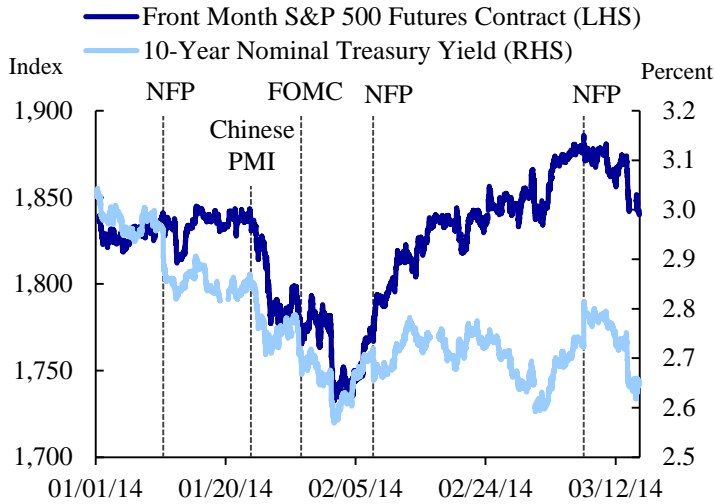
Material for Briefing on

**Financial Developments and
Open Market Operations**

Simon Potter

March 18, 2014

(1) S&P 500 and Nominal Treasury Yield



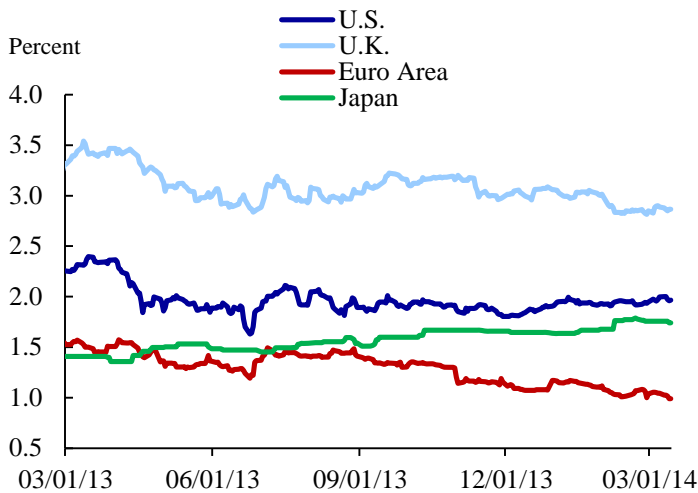
Source: Bloomberg

(2) Credit Spreads and Price/Earnings Ratios

	Current Level	2007-'12 Average	2004-'06 Average
<i>Option Adjusted Spreads (BPS)</i>			
Investment Grade Credit	112	221	91
High Yield Credit	381	691	341
<i>Cyclically Adjusted P/E Ratio</i>			
S&P 500 CAPE	25.2	21.4	26.1
<i>Forward P/E Ratios</i>			
S&P 500	15.7	14.2	15.9
S&P Biotechnology	22.8	15.2	25.4
S&P Internet	24.8	21.2	66.4

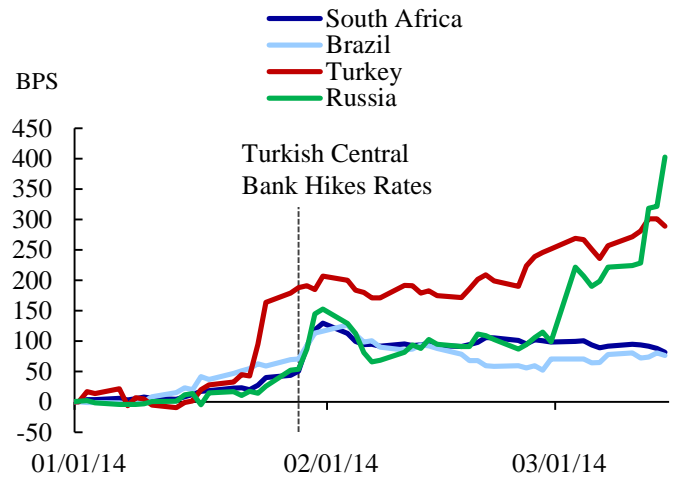
Source: Barclays, Robert Shiller, Bloomberg

(3) Three-Year Inflation Swaps



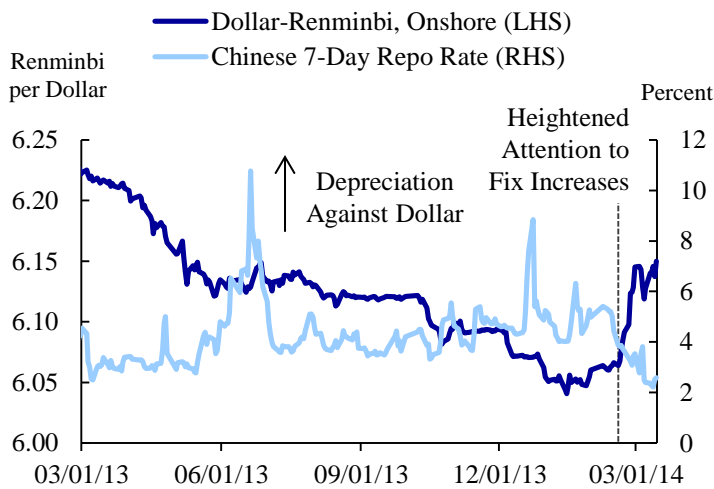
Source: Barclays

(4) Cumulative Changes in One-Year Swap Rates*



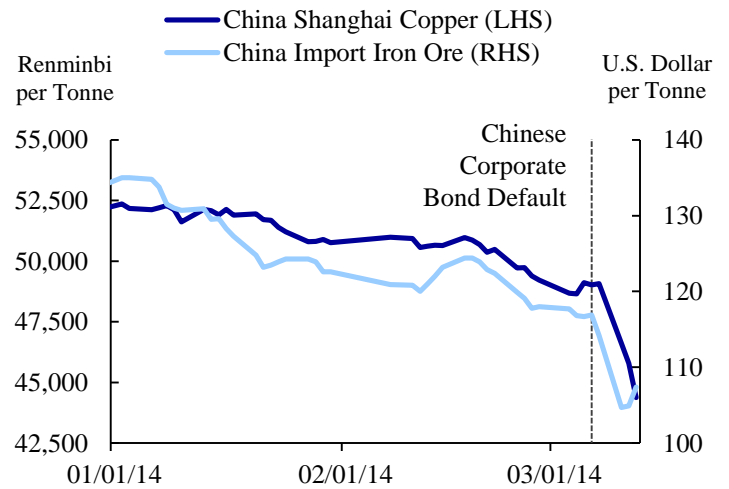
*Since 12/31/13.
Source: Bloomberg

(5) Chinese Renminbi and Seven-Day Repo Rate



Source: Bloomberg

(6) Copper and Iron Ore



Source: Bloomberg

**(7) Changes in U.K. Asset Prices
On Release of Feb '14 Inflation Report***

Changes in Basis Points

Dec '15 Short Sterling Implied Rate	+16
Dec '16 Short Sterling Implied Rate	+13
3-Month, 2-Year Implied Volatility	+2
10-Year Nominal Yield	+6

Changes in Percent

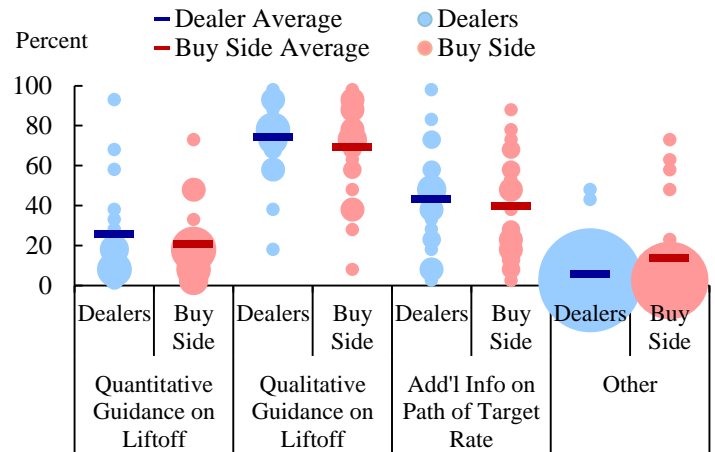
GBP-USD**	+0.6
FTSE 250 Index	0.0

*Change from report release to close.

**Positive value indicates GBP appreciation.

Source: Bloomberg

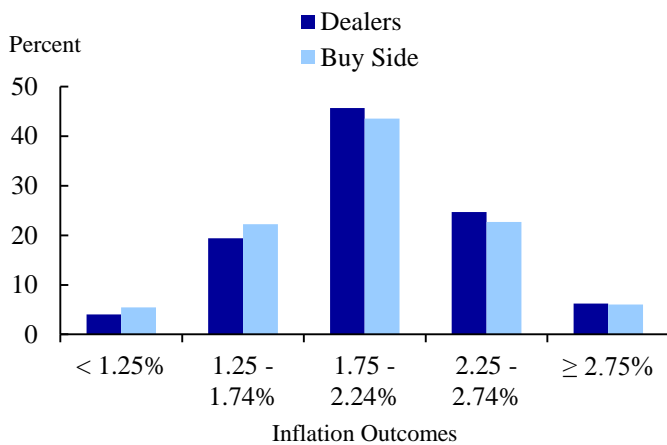
(8) Probability of Changes to Forward Guidance*



*Dots scaled by percent of respondents. Probabilities need not add up to 100.

Source: Federal Reserve Bank of New York

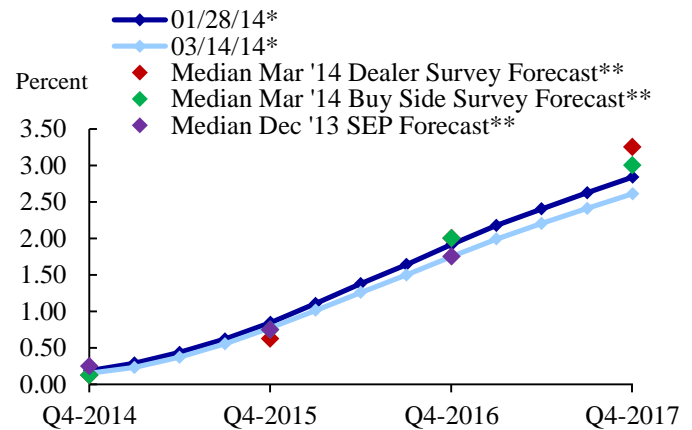
(9) One- to Two-Year Forward Inflation at Liftoff*



*Average of responses shown. Based on respondents' expectations for the timing of liftoff.

Source: Federal Reserve Bank of New York

(10) Implied Federal Funds Rate Path

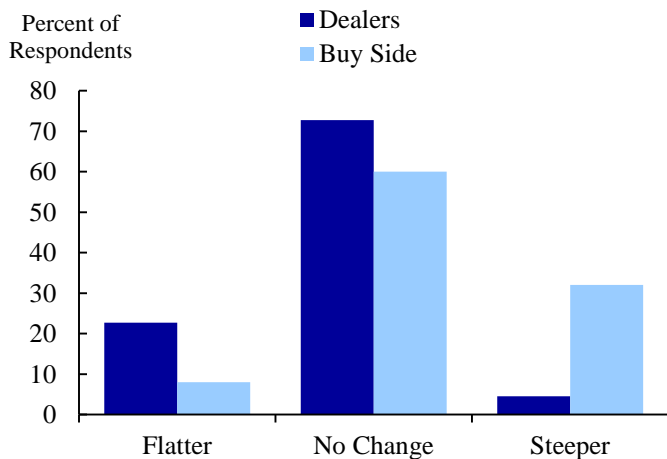


*Derived from federal funds futures and Eurodollar futures. Quarter average.

**End-of period.

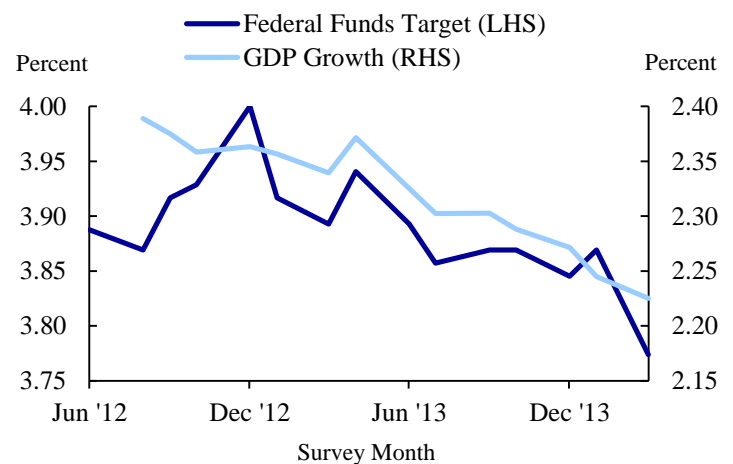
Source: Bloomberg, Federal Reserve Bank of New York, Federal Reserve Board of Governors

**(11) Effect of Change in Forward Guidance
on Expected Path of the Target Rate**



Source: Federal Reserve Bank of New York

**(12) Average Longer-Run Federal Funds Target
and GDP Growth Rate Forecasts**



Source: Federal Reserve Bank of New York

**(13) Treasury Purchase Operation
Allocations in 2014***

Sector	Allocation (Percent)	Amount (\$ Billions)
4 to 4 ¾ Year	11	27.5
4 ¾ to 5 ¾ Year	12	30.0
5 ¾ to 7 Year	16	40.0
7 to 10 Year	29	72.6
10 to 20 Year	2	5.0
20 to 30 Year	27	67.4
TIPS	3	7.5
Total	100	250.0
Average Duration	9.2 Years	

*Staff projections based on dealers' median implied path of purchases.
Source: Federal Reserve Bank of New York

(14) SOMA Portfolio Projections*

	At Conclusion of Outcome-Based Purchases	Change Since Start of Purchases
Treasuries		
Holdings (\$ Billions)	2,461	+795
10-Year Equiv. (\$ Billions)	2,090	+629
Total as % of Market**	23	+5
MBS		
Holdings (\$ Billions)	1,731	+821
10-Year Equiv. (\$ Billions)	1,225	+1,116
Total as % of Market***	41	+16

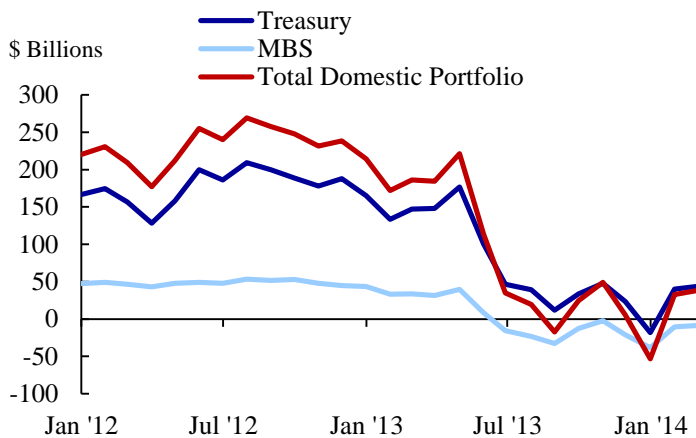
*Staff projections based on dealers' median implied path of purchases.

**Excludes bills.

***Excludes CMOs and non-TBA eligible securities.

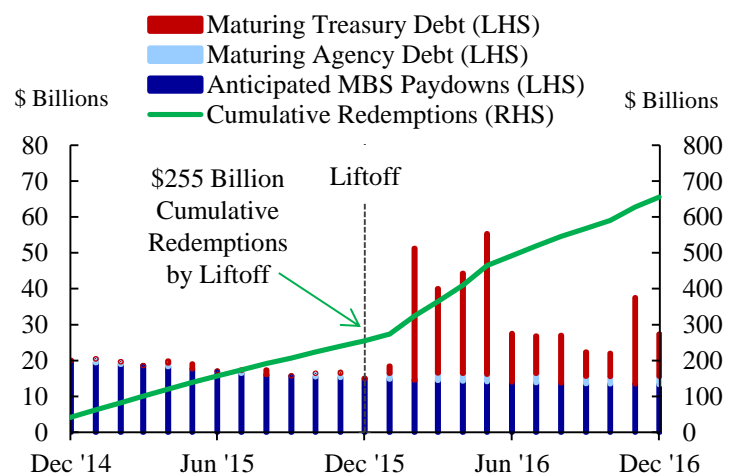
Source: Federal Reserve Bank of New York, U.S. Treasury Department, BlackRock

(15) Domestic Portfolio Unrealized Gains and Losses*



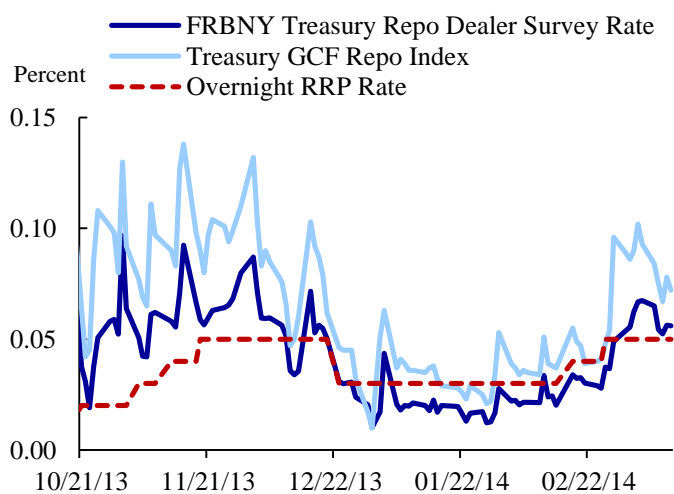
*Monthly data. Final figure as of 02/28/14.
Source: Federal Reserve Bank of New York, J.P. Morgan

(16) Monthly Redemptions*



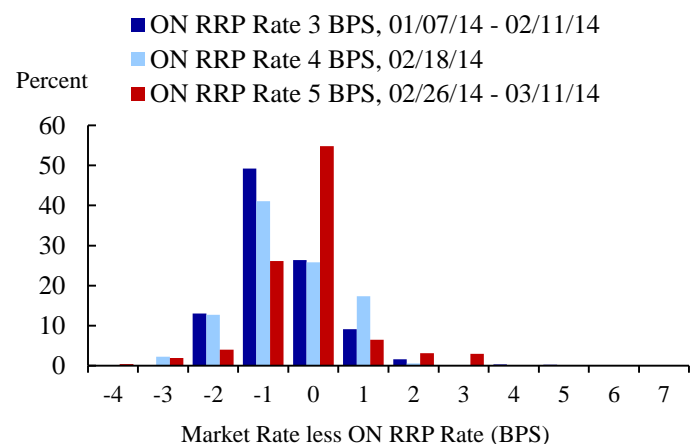
*Monthly data.
Source: Federal Reserve Bank of New York, BlackRock

(17) Short-Term Interest Rates



Source: Federal Reserve Bank of New York, Bloomberg

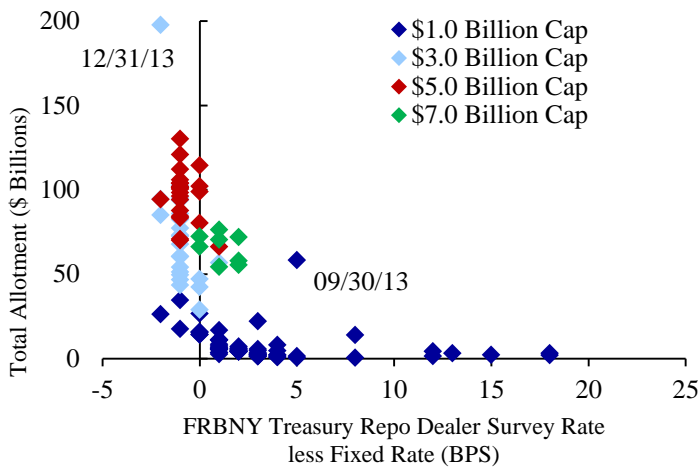
(18) Distribution of ECP's Overnight Treasury Triparty Repo Volumes*



*Excluding ON RRP Participation. Weekly data.

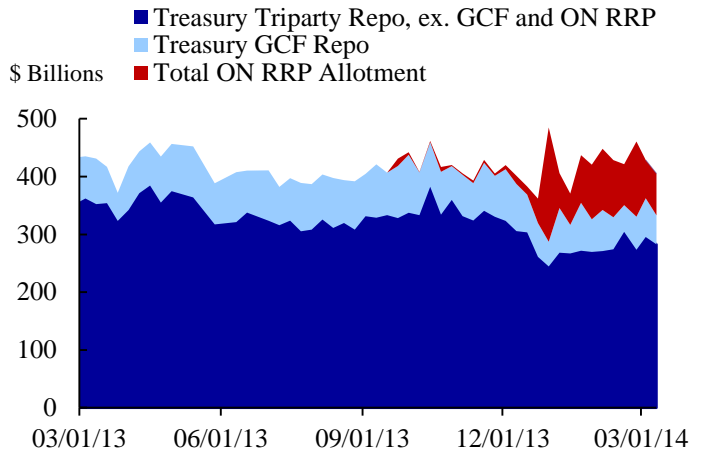
Source: Federal Reserve Bank of New York

(19) ON RRP Allotment vs. Rate Spread*



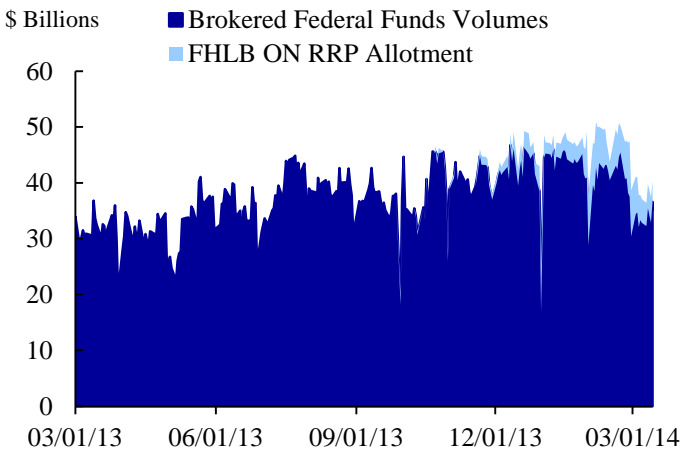
*Excludes \$500 million cap operations.
Source: Federal Reserve Bank of New York

(20) Overnight Treasury Triparty Repo Volumes*



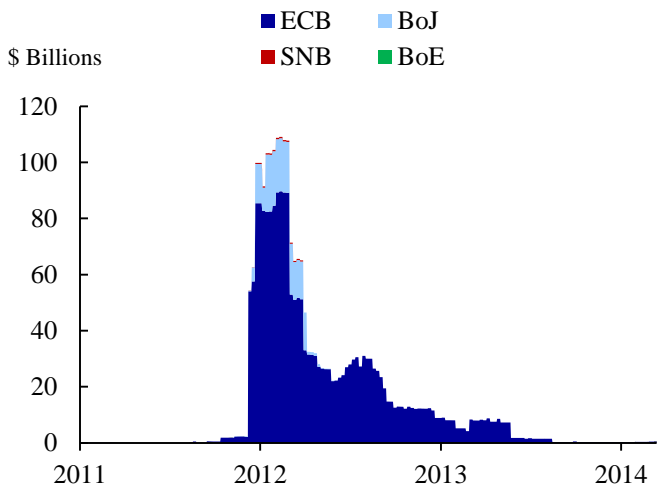
*Weekly data.
Source: Federal Reserve Bank of New York, Bloomberg

(21) Federal Funds Volumes and FHLB ON RRP Allotment



Source: Federal Reserve Bank of New York

(22) Central Bank Liquidity Swaps Outstanding



Source: Federal Reserve Bank of New York

Appendix 2: Materials used by Mr. Wilcox

Class II FOMC – Restricted (FR)

Material for

Forecast Summary

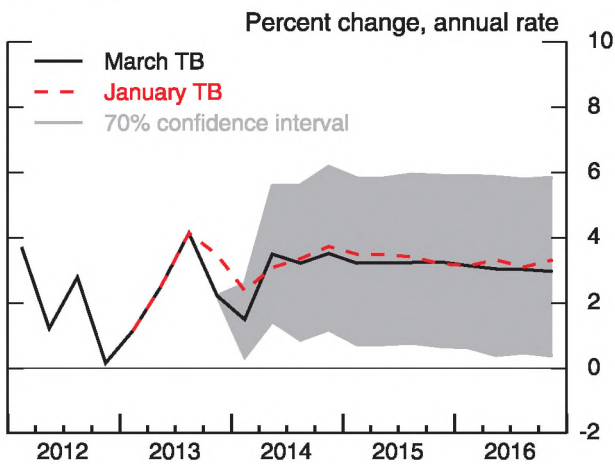
David Wilcox

March 18, 2014

Forecast Summary

Confidence Intervals Based on FRB/US Stochastic Simulations

Real GDP

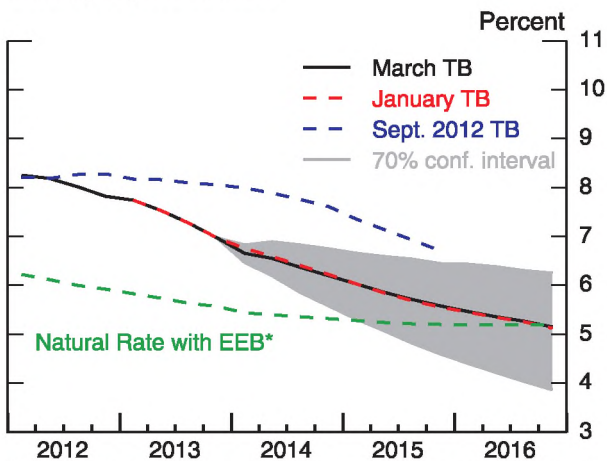


Near-Term Real GDP and Winter Weather Effects

(Quarterly percent changes or percentage point contributions at annual rate)

	2013		2014	
	Q4	Q1	Q2	Q3
1. Real GDP, current	2.6	1.3	3.6	3.3
2. March TB	2.2	1.5	3.5	3.2
3. January TB	(3.5)	(2.4)	(3.1)	(3.3)
4. December TB	(1.7)	(2.8)	(2.9)	(3.2)
5. Memo: Weather effect	.0	-.4	.5	-.1

Unemployment Rate



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

Comparison with December Tealbook

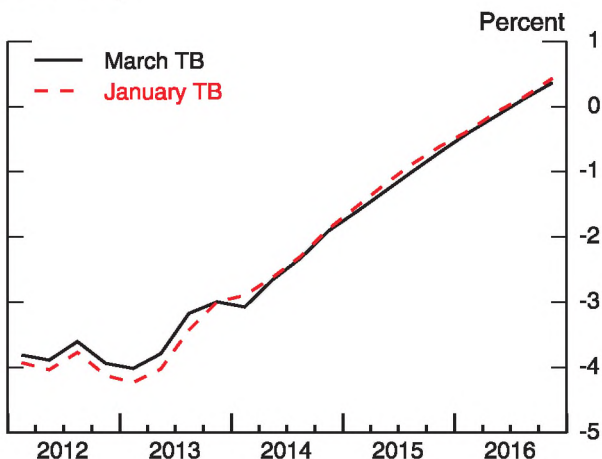
Four-quarter pct. change in real GDP, 2014:Q2

1. March Tealbook	2.8
2. December Tealbook	2.7

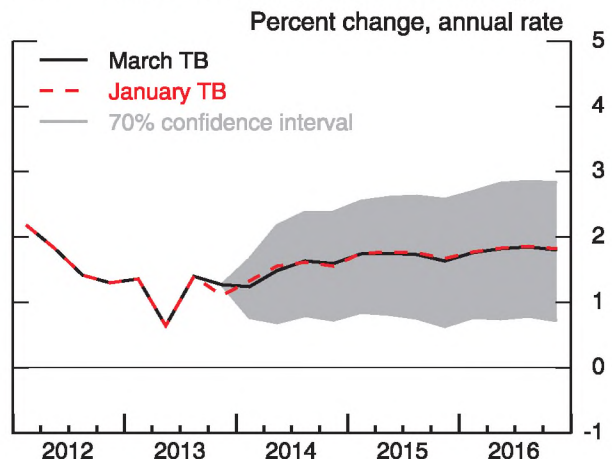
Unemployment rate (percent), 2014:Q2

3. March Tealbook	6.5
4. December Tealbook	6.8

GDP Gap



PCE Prices Excluding Food and Energy



Appendix 3: Materials used by Ms. Lipscomb

Class I FOMC – Restricted Controlled (FR)

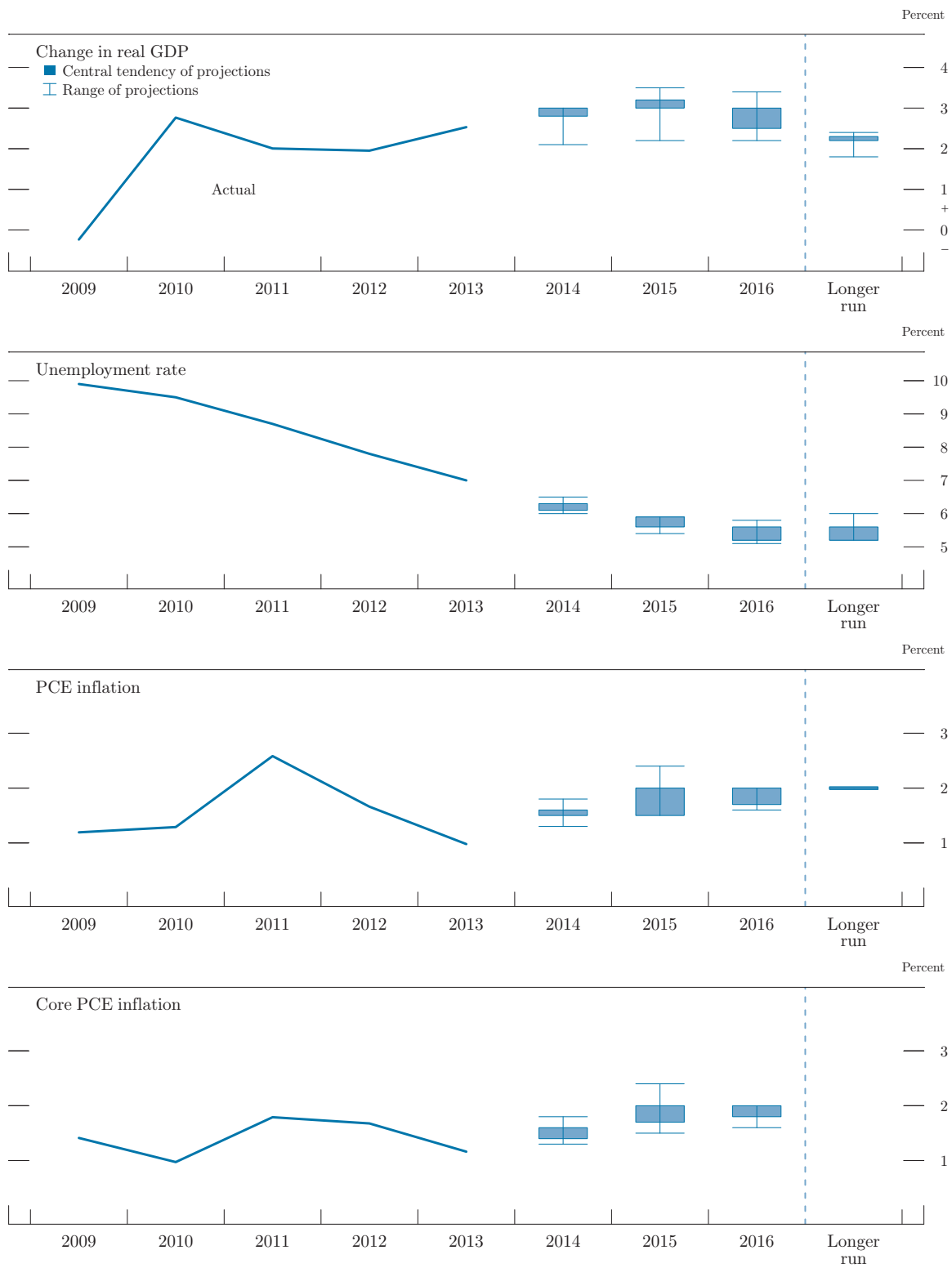
Material for Briefing on the

Summary of Economic Projections

Laura Lipscomb

March 18, 2014

Exhibit 1. Central tendencies and ranges of economic projections, 2014–16 and over the longer run



NOTE: The data for the actual values of the variables are annual.

Exhibit 2. Economic projections for 2014–16 and over the longer run (percent)

Change in real GDP

	2014	2015	2016	Longer run
Central Tendency	2.8 to 3.0	3.0 to 3.2	2.5 to 3.0	2.2 to 2.3
December projection	2.8 to 3.2	3.0 to 3.4	2.5 to 3.2	2.2 to 2.4
Range	2.1 to 3.0	2.2 to 3.5	2.2 to 3.4	1.8 to 2.4
December projection	2.2 to 3.3	2.2 to 3.6	2.1 to 3.5	1.8 to 2.5
Memo: Tealbook	2.9	3.2	3.0	2.3
December projection	3.1	3.5	3.4	2.3

Unemployment rate

	2014	2015	2016	Longer run
Central Tendency	6.1 to 6.3	5.6 to 5.9	5.2 to 5.6	5.2 to 5.6
December projection	6.3 to 6.6	5.8 to 6.1	5.3 to 5.8	5.2 to 5.8
Range	6.0 to 6.5	5.4 to 5.9	5.1 to 5.8	5.2 to 6.0
December projection	6.2 to 6.7	5.5 to 6.2	5.0 to 6.0	5.2 to 6.0
Memo: Tealbook	6.2	5.6	5.1	5.2
December projection	6.5	5.9	5.3	5.2

PCE inflation

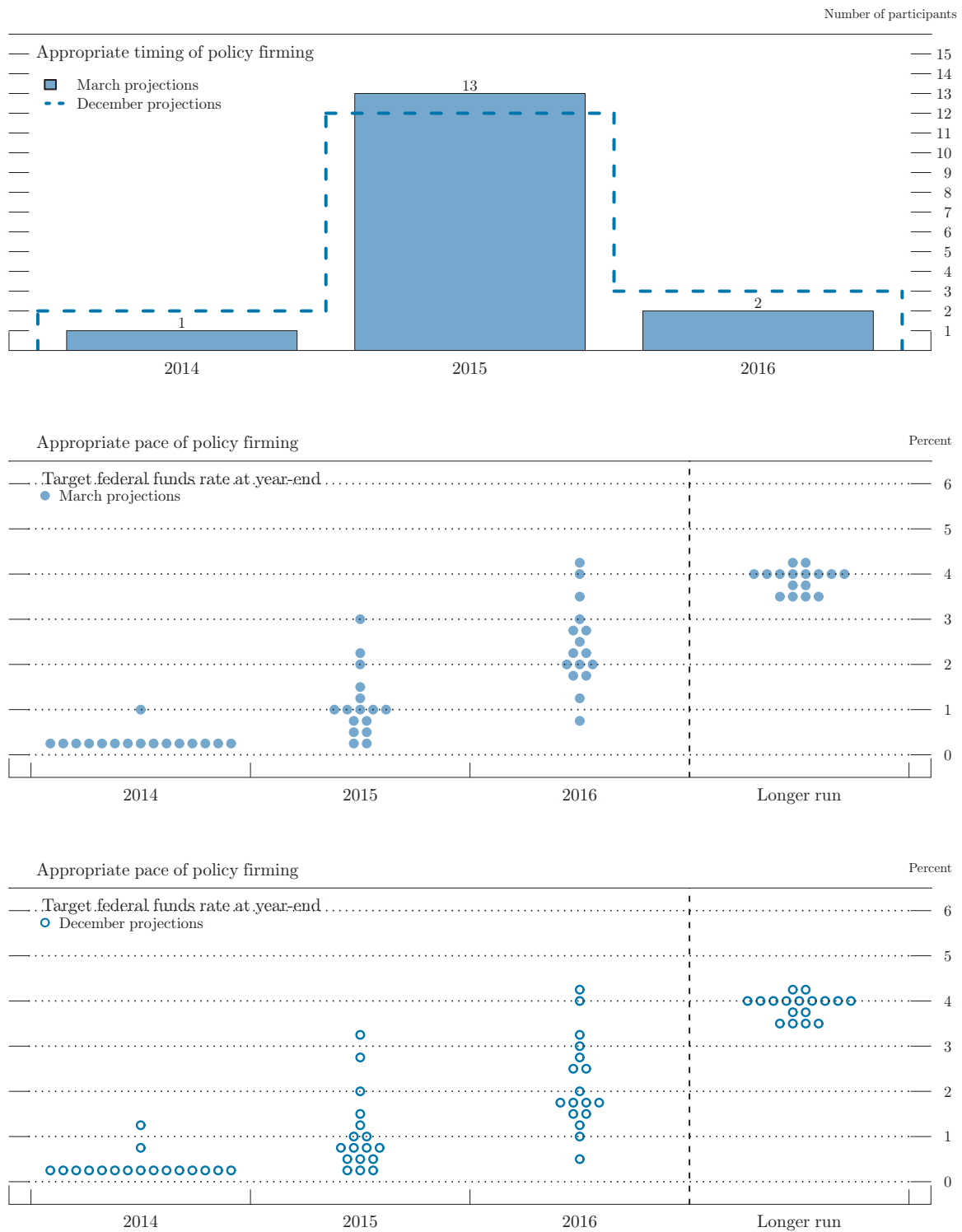
	2014	2015	2016	Longer run
Central Tendency	1.5 to 1.6	1.5 to 2.0	1.7 to 2.0	2.0
December projection	1.4 to 1.6	1.5 to 2.0	1.7 to 2.0	2.0
Range	1.3 to 1.8	1.5 to 2.4	1.6 to 2.0	2.0
December projection	1.3 to 1.8	1.4 to 2.3	1.6 to 2.2	2.0
Memo: Tealbook	1.5	1.5	1.7	2.0
December projection	1.4	1.4	1.6	2.0

Core PCE inflation

	2014	2015	2016
Central Tendency	1.4 to 1.6	1.7 to 2.0	1.8 to 2.0
December projection	1.4 to 1.6	1.6 to 2.0	1.8 to 2.0
Range	1.3 to 1.8	1.5 to 2.4	1.6 to 2.0
December projection	1.3 to 1.8	1.5 to 2.3	1.6 to 2.2
Memo: Tealbook	1.5	1.7	1.8
December projection	1.4	1.6	1.7

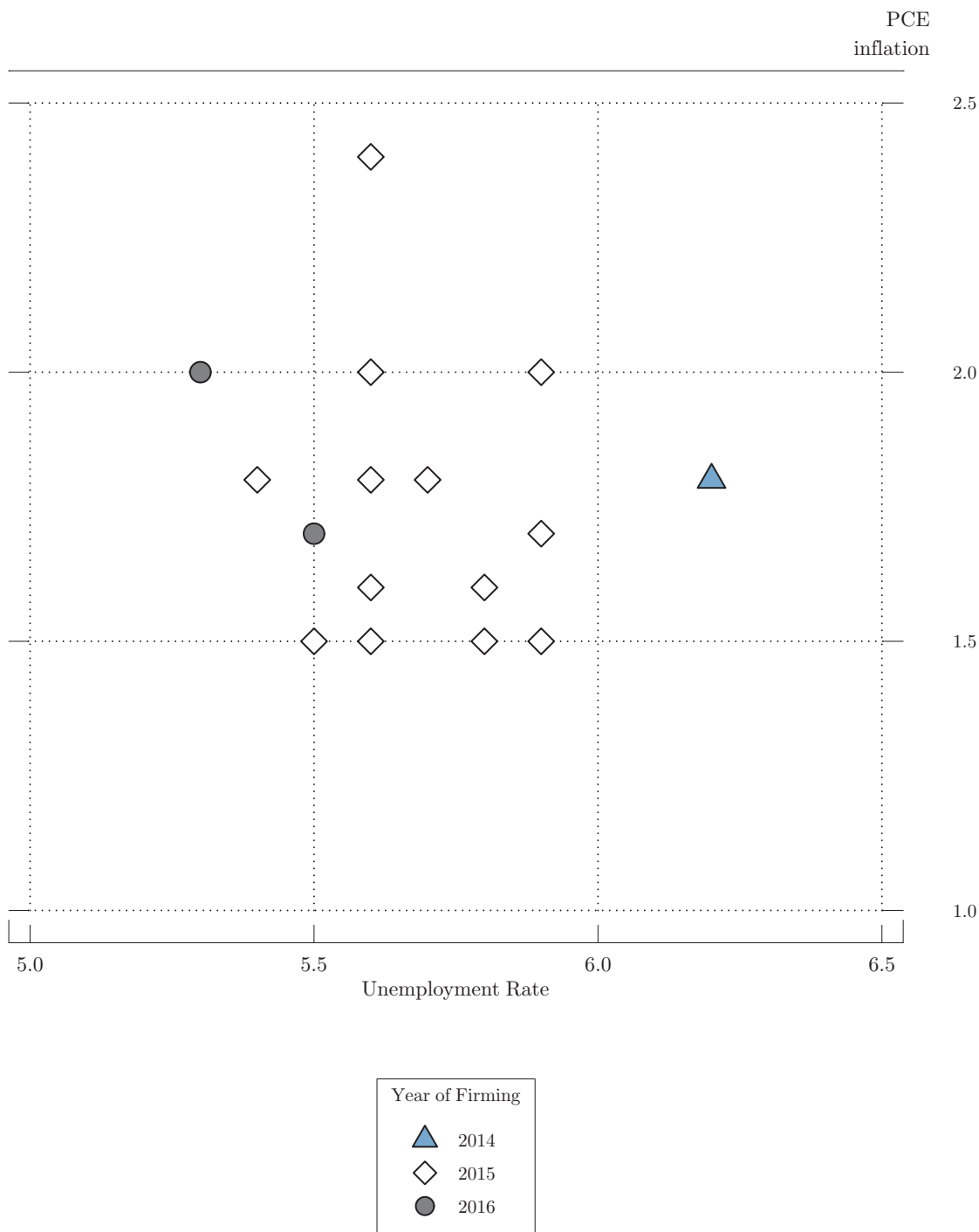
* The changes in real GDP and inflation are measured Q4/Q4.

Exhibit 3. Overview of FOMC participants' assessments of appropriate monetary policy



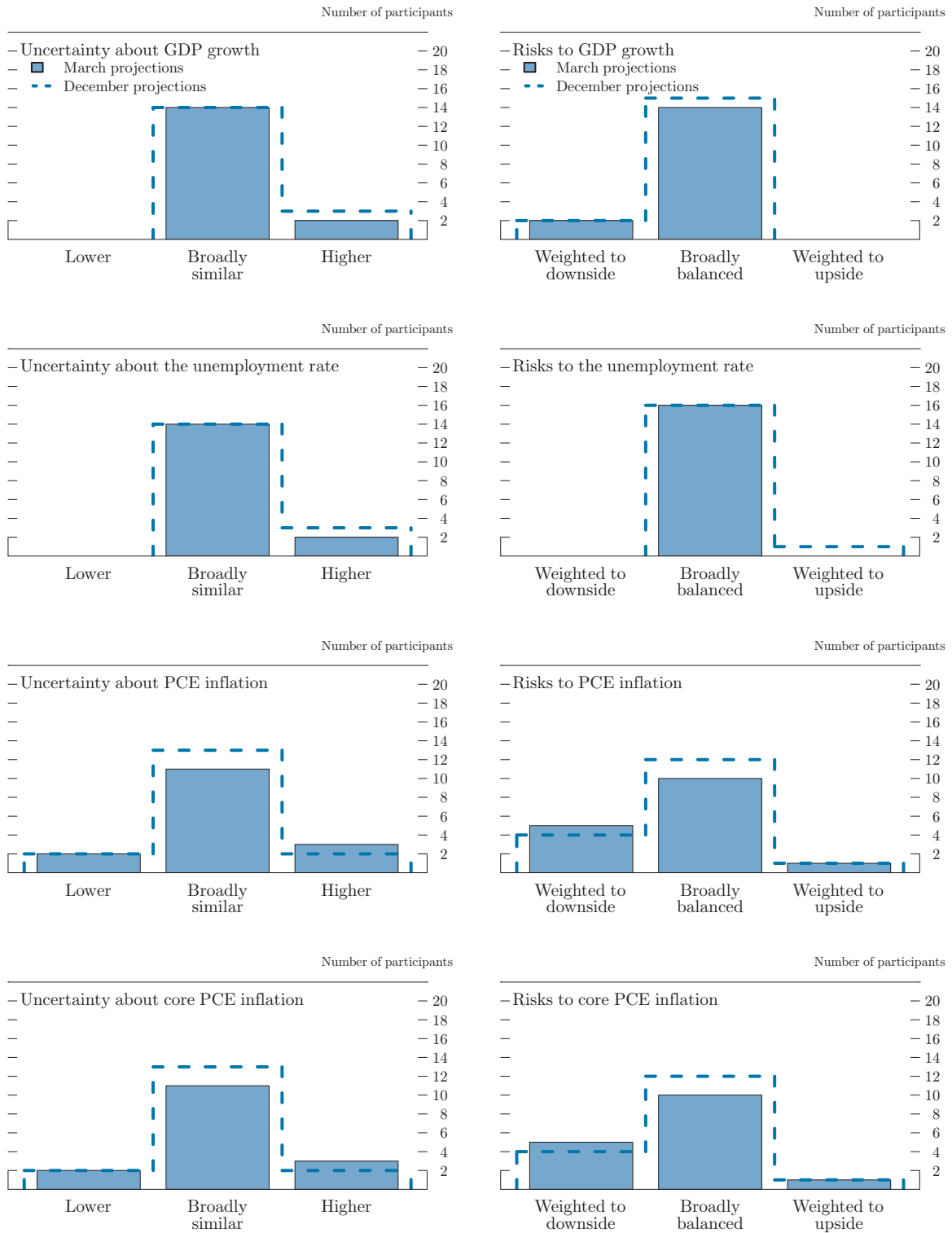
NOTE: In the upper panel, the height of each bar denotes the number of FOMC participants who judge that, under appropriate monetary policy, the first increase in the target federal funds rate from its current range of 0 to 1/4 percent will occur in the specified calendar year. In the middle and lower panels, each circle indicates the value (rounded to the nearest 1/4 percentage point) of an individual participant's judgment of the appropriate level of the target federal funds rate at the end of the specified calendar year or over the longer run.

Exhibit 4. Scatterplot of unemployment and PCE inflation rates in the initial year of policy firming (in percent)



NOTE: When the projections of two or more participants are identical, larger markers, which represent one participant each, are used so that each projection can be seen.

Exhibit 5. Uncertainty and risks in economic projections



Appendix 4: Materials used by Mr. English

Class I FOMC – Restricted Controlled (FR)

Material for

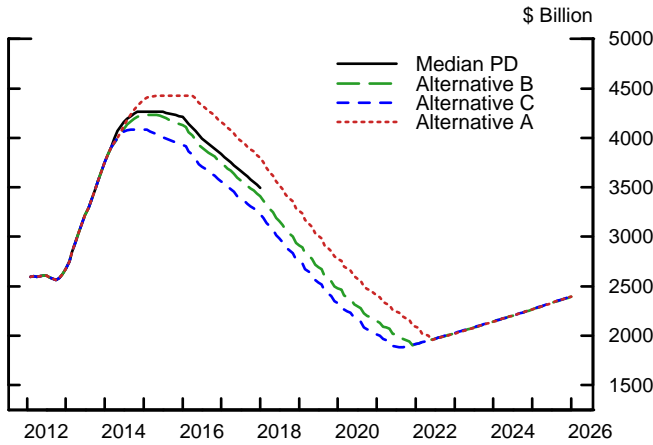
Briefing on Monetary Policy Alternatives

Bill English

March 18-19, 2014

Market Expectations and Policy Issues

Total Projected SOMA Security Holdings



Expectations for Asset Purchases

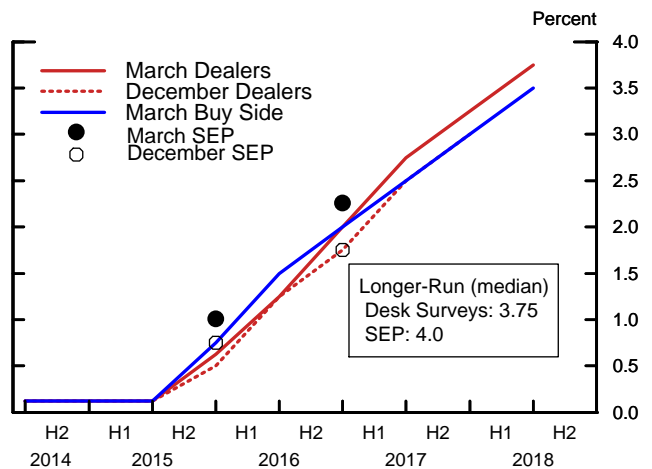
- All anticipate another measured reduction at this meeting
- Purchase program to be wound down by the end of October
- No deviation from the measured pace of reductions without a significant downgrade or upgrade to the Committee's medium-term outlook

Expected Economic Conditions at First Rate Increase (Percent)

	Primary Dealers*	Buy Side*
Unemployment Rate	5.6 to 6.0	5.8 to 6.0
PCE Inflation	1.7 to 2.0	1.7 to 1.9
Expected Inflation 1 to 2 years ahead	1.9 to 2.2	1.9 to 2.2

*25th-75th percentile

Median Expectation for Path of Federal Funds Rate



Expectations for Forward Guidance

- Drop or de-emphasize the thresholds
- Provide qualitative guidance, with the majority expecting it to
 - Be based on a broad set of labor market indicators, or
 - Suggest greater concern about below-target inflation
- Reaffirm the Committee's current policy stance
- Most dealers anticipate no effect on current market expectations for the path of the funds rate

JANUARY FOMC STATEMENT

1. Information received since the Federal Open Market Committee met in December indicates that growth in economic activity picked up in recent quarters. Labor market indicators were mixed but on balance showed further improvement. The unemployment rate declined but remains elevated. Household spending and business fixed investment advanced more quickly in recent months, while the recovery in the housing sector slowed somewhat. Fiscal policy is restraining economic growth, although the extent of restraint is diminishing. 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 activity will expand 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 risks to the outlook for the economy and the labor market as having become more nearly balanced. The Committee recognizes that inflation persistently below its 2 percent objective could pose risks to economic performance, and it is monitoring inflation developments carefully for evidence that inflation will move back toward its objective over the medium term.
3. Taking into account the extent of federal fiscal retrenchment since the inception of its current asset purchase program, the Committee continues to see the improvement in economic activity and labor market conditions over that period as consistent with growing underlying strength in the broader economy. In light of the cumulative progress toward maximum employment and the improvement in the outlook for labor market conditions, the Committee decided to make a further measured reduction in the pace of its asset purchases. Beginning in February, the Committee will add to its holdings of agency mortgage-backed securities at a pace of \$30 billion per month rather than \$35 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$35 billion per month rather than \$40 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. 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 broader financial conditions more accommodative, which in turn should promote a stronger economic recovery and help to ensure that inflation, over time, is at the rate most consistent with the Committee's dual mandate.
4. The Committee will closely monitor incoming information on economic and financial developments in coming months and 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. If incoming information broadly supports the Committee's expectation of

ongoing improvement in labor market conditions and inflation moving back toward its longer-run objective, the Committee will likely reduce the pace of asset purchases in further measured steps at future meetings. However, asset purchases are not on a preset course, and the Committee's decisions about their pace will remain contingent on the Committee's outlook for the labor market and inflation as well as its assessment of the likely efficacy and costs of such purchases.

5. To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view 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. The Committee also reaffirmed its expectation that the current exceptionally low target range for the federal funds rate of 0 to $\frac{1}{4}$ percent will be appropriate at least as long as the unemployment rate remains above $6\frac{1}{2}$ 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. The Committee continues to anticipate, based on its assessment of these factors, that it likely will be appropriate to maintain the current target range for the federal funds rate well past the time that the unemployment rate declines below $6\frac{1}{2}$ percent, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal. 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—MARCH 2014 ALTERNATIVE A

1. Information received since the Federal Open Market Committee met in ~~December~~ **January** indicates that growth in economic activity ~~picked up in recent quarters~~ **slowed during the winter months, in part reflecting adverse weather conditions.** Labor market indicators were mixed but on balance showed further improvement. The unemployment rate ~~declined but,~~ **however,** remains elevated. Household spending and business fixed investment ~~advanced more quickly in recent months,~~ while the recovery in the housing sector slowed somewhat **further.** Fiscal policy is restraining economic growth, although the extent of restraint is diminishing. Inflation has ~~been running~~ **continued to run well** 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 activity will expand 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 risks to the outlook for the economy and the labor market as ~~having become more nearly balanced~~ **tilted slightly to the downside.** The Committee recognizes that inflation persistently below its 2 percent objective ~~could pose~~ **s** risks to economic performance, and it is monitoring inflation developments carefully for evidence that inflation will move back toward its objective over the medium term.
3. ~~Taking into account the extent of federal fiscal retrenchment since the inception of its current asset purchase program, the Committee continues to see the improvement in economic activity and labor market conditions over that period as consistent with growing underlying strength in the broader economy. In light of the cumulative progress toward maximum employment and the improvement in the outlook for labor market conditions, the Committee decided to make a further measured reduction in the pace of its asset purchases.~~ **Information about spending and inflation received since the Committee met in January suggests a somewhat greater risk that the pace of improvement in the labor market might slow and that inflation will not return, over the medium run, to the 2 percent rate that the Committee judges most consistent with its dual mandate.** ~~Beginning in February~~ **For this reason,** the Committee will **continue to** add to its holdings of agency mortgage-backed securities at a pace of \$30 billion per month ~~rather than \$35 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$35 billion per month rather than \$40 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. 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 broader financial conditions more accommodative, which in turn should promote a stronger economic recovery and help to ensure that inflation, over time, is at the rate most consistent with the Committee's dual mandate.

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4. The Committee will closely monitor incoming information on economic and financial developments in coming months and 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. If incoming information broadly supports the Committee's expectation of ongoing improvement in labor market conditions and inflation moving back toward its longer-run objective, the Committee will likely reduce the pace of asset purchases in further measured steps at future meetings. However, ~~asset purchases are not on a preset course, and~~ the Committee's decisions about their **the pace of purchases** will remain contingent on the Committee's outlook for the labor market and inflation as well as its assessment of the likely efficacy and costs of such purchases.
 5. To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view 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.~~ The Committee also reaffirmed its expectation that the current exceptionally low target range for the federal funds rate of 0 to ¼ percent 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 **a wide range of** information, including ~~additional~~ measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. The Committee ~~continues to anticipate~~, based on its assessment of these factors, that it likely will be appropriate to maintain the current **0 to ¼ percent** target range for the federal funds rate ~~well past the time that the unemployment rate declines below 6½ percent if projected inflation continues to run below the Committee's 2 percent longer-run goal~~ **at least as long as inflation between one and two years ahead is projected to be below 2 percent and longer-term inflation expectations continue to be well anchored. In particular, the Committee expects to maintain the 0 to ¼ percent target range for a considerable time after the asset purchase program ends.** 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—MARCH 2014 ALTERNATIVE B

1. Information received since the Federal Open Market Committee met in ~~December~~ **January** indicates that growth in economic activity ~~picked up in recent quarters~~ **slowed during the winter months, in part reflecting adverse weather conditions.** Labor market indicators were mixed but on balance showed further improvement. The unemployment rate ~~declined but,~~ **however,** remains elevated. Household spending and business fixed investment **continued to** advanced ~~more quickly in recent months,~~ while the recovery in the housing sector ~~slowed somewhat~~ **remained slow.** Fiscal policy is restraining economic growth, although the extent of restraint is diminishing. 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 activity will expand at a moderate pace and ~~the unemployment rate will gradually decline toward levels~~ **labor market conditions will continue to improve gradually, moving toward those** the Committee judges consistent with its dual mandate. The Committee sees the risks to the outlook for the economy and the labor market as ~~having become more~~ nearly balanced. The Committee recognizes that inflation persistently below its 2 percent objective could pose risks to economic performance, and it is monitoring inflation developments carefully for evidence that inflation will move back toward its objective over the medium term.
3. ~~Taking into account the extent of federal fiscal retrenchment since the inception of its current asset purchase program,~~ The Committee continues to see the improvement in economic activity and labor market conditions over that period as consistent with ~~growing~~ **currently judges that there is sufficient** underlying strength in the broader economy **to support ongoing improvement in labor market conditions.** In light of the cumulative progress toward maximum employment and the improvement in the outlook for labor market conditions **since the inception of the current asset purchase program,** the Committee decided to make a further measured reduction in the pace of its asset purchases. Beginning in ~~February~~ **April,** the Committee will add to its holdings of agency mortgage-backed securities at a pace of \$30 **\$25** billion per month rather than ~~\$35~~ **\$30** billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$35 **\$30** billion per month rather than ~~\$40~~ **\$35** 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. 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 broader financial conditions more accommodative, which in turn should promote a stronger economic recovery and help to ensure that inflation, over time, is at the rate most consistent with the Committee's dual mandate.

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4. The Committee will closely monitor incoming information on economic and financial developments in coming months and 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. If incoming information broadly supports the Committee's expectation of ongoing improvement in labor market conditions and inflation moving back toward its longer-run objective, the Committee will likely reduce the pace of asset purchases in further measured steps at future meetings. However, asset purchases are not on a preset course, and the Committee's decisions about their pace will remain contingent on the Committee's outlook for the labor market and inflation as well as its assessment of the likely efficacy and costs of such purchases.
 5. To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view 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.~~ The Committee also reaffirmed its expectation that the current exceptionally low target range for the federal funds rate of 0 to ¼ percent 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 current 0 to ¼ percent target range for the federal funds rate**, the Committee will also consider other information, **assess progress—both realized and expected—toward its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information**, including ~~additional~~ measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. The Committee continues to anticipate, based on its [**current**] assessment of these factors, that it likely will be appropriate to maintain the [**current | 0 to ¼ percent**] target range for the federal funds rate ~~well past the time that the unemployment rate declines below 6½ percent~~ **for a considerable time after the asset purchase program ends**, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal, **and provided that longer-term inflation expectations remain well anchored.**
 6. 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. **The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping short-term interest rates below levels the Committee views as normal in the longer run.**
 7. **With the unemployment rate nearing 6½ percent, the Committee has updated its forward guidance. The change in the Committee's guidance does not indicate any change in the Committee's policy intentions as set forth in its recent statements.**

FOMC STATEMENT—MARCH 2014 ALTERNATIVE C

1. Information received since the Federal Open Market Committee met in ~~December~~ **January** indicates that growth in economic activity ~~picked up in recent quarters~~ **slowed somewhat during the winter months; however, much of that softness likely reflected adverse weather conditions**. Labor market indicators were mixed but on balance showed further improvement; ~~the unemployment rate declined but remains elevated~~ **payroll employment expanded at a solid pace**. Household spending and business fixed investment advanced ~~more quickly in recent months~~, while the recovery in the housing sector ~~slowed somewhat~~ **remained slow**. Fiscal policy is **has been** restraining economic growth, ~~although~~ **but** the extent of restraint is diminishing. **Although** 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 activity will expand at a moderate pace and ~~the unemployment rate will gradually decline toward levels~~ **labor market conditions will continue to improve, moving toward those** the Committee judges consistent with its dual mandate. The Committee sees the risks to the outlook for the economy and the labor market as ~~having become more nearly~~ balanced. The Committee recognizes that inflation persistently below its 2 percent objective could pose risks to economic performance, and it is monitoring inflation developments carefully ~~for evidence~~, **but it continues to anticipate** that inflation will move back toward its objective over the medium term.
3. ~~Taking into account the extent of federal fiscal retrenchment since the inception of its current asset purchase program;~~ The Committee continues to see the improvement in economic activity and labor market conditions over that period as consistent with growing **currently judges that there is sufficient** underlying strength in the broader economy **to support significant ongoing improvement in labor market conditions**. In light of the cumulative progress toward maximum employment and the improvement in the outlook for labor market conditions **since the inception of the current asset purchase program**, the Committee decided to make a further ~~measured~~ reduction in the pace of its asset purchases. Beginning in ~~February~~ **April**, the Committee will add to its holdings of agency mortgage-backed securities at a pace of \$30 **\$20** billion per month rather than \$35 **\$30** billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$35 **\$25** billion per month rather than \$40 **\$35** 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. 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 broader financial conditions more accommodative, which in turn should promote a stronger economic recovery and help to ensure that inflation, over time, is at the rate most consistent with the Committee's dual mandate.

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4. The Committee will closely monitor incoming information on economic and financial developments in coming months and 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. If incoming information broadly supports the Committee's expectation of ongoing improvement in labor market conditions and inflation moving back toward its longer-run objective, the Committee will likely **continue to** reduce the pace of asset purchases ~~in further measured steps~~ at future meetings. However, asset purchases are not on a preset course, and the Committee's decisions about their pace will remain contingent on the Committee's outlook for the labor market and inflation as well as its assessment of the likely efficacy and costs of such purchases.
 5. To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view 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~~. The Committee also reaffirmed its expectation that the current exceptionally low target range for the federal funds rate of 0 to ¼ percent 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 current 0 to ¼ percent target range for the federal funds rate**, the Committee will also consider other information, **assess progress—both realized and expected—toward its objectives of maximum employment and 2 percent inflation**. **This assessment will take into account a wide range of information**, including ~~additional~~ measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. The Committee ~~continues to~~ **now** anticipat**e**s, based on its assessment of these factors, that it likely will be appropriate to maintain the current target range for the federal funds rate ~~well past the time that the unemployment rate declines below 6½ percent~~ **for some time after the asset purchase program ends**, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal, **and provided that longer-term inflation expectations remain well anchored**. 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.

JANUARY 2014 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 $\frac{1}{4}$ percent. The Committee directs the Desk to undertake open market operations as necessary to maintain such conditions. Beginning in February, the Desk is directed to purchase longer-term Treasury securities at a pace of about \$35 billion per month and to purchase agency mortgage-backed securities at a pace of about \$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.

DIRECTIVE FOR MARCH 2014 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. ~~Beginning in February,~~ The Desk is directed to ~~purchase~~ **continue purchasing** longer-term Treasury securities at a pace of about \$35 billion per month and to ~~purchase~~ **continue purchasing** agency mortgage-backed securities at a pace of about \$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.

DIRECTIVE FOR MARCH 2014 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. Beginning in ~~February~~ **April**, the Desk is directed to purchase longer-term Treasury securities at a pace of about ~~\$35~~ **\$30** billion per month and to purchase agency mortgage-backed securities at a pace of about ~~\$30~~ **\$25** 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 MARCH 2014 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 in ~~February~~ **April**, the Desk is directed to purchase longer-term Treasury securities at a pace of about \$~~35~~ **\$25** billion per month and to purchase agency mortgage-backed securities at a pace of about \$~~30~~ **\$20** 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.