

Appendix 1: Materials used by Mr. Potter

Class II FOMC - Restricted (FR)

Material for Briefing on

**Financial Developments and
Open Market Operations**

Simon Potter

Exhibits by **Katie Craig**

September 25, 2018

(1) Asset Price Changes*

	Since Jul./Aug. FOMC	Year-to-Date	Current Level
2-Year Nominal Treasury	+13 bps	+92 bps	2.80%
10-Year Nominal Treasury	+10 bps	+66 bps	3.06%
U.S. Broad T.W. Dollar	+1.3%	+5.4%	125
JPM EM FX Index	-5.2%	-11.3%	62
S&P 500 Index	+4.0%	+9.6%	2930
Eurostoxx 50 Index	-2.7%	-2.1%	3431

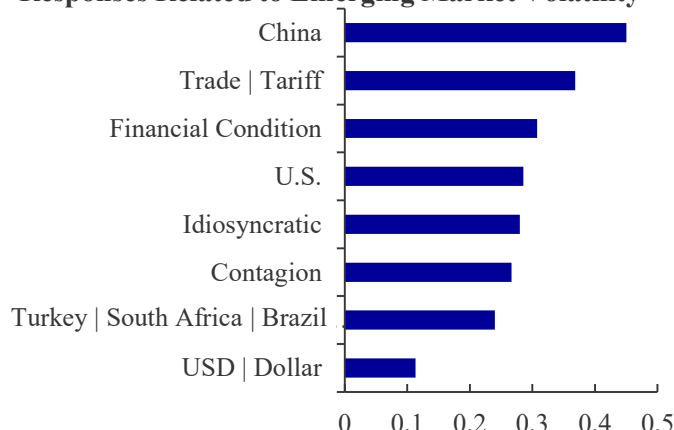
*Red indicates tightening in financial conditions, blue indicates loosening. Source: Bloomberg, Federal Reserve Board, J.P. Morgan

(2) Emerging Market Asset and Euro Area Bank Performance Year-to-Date



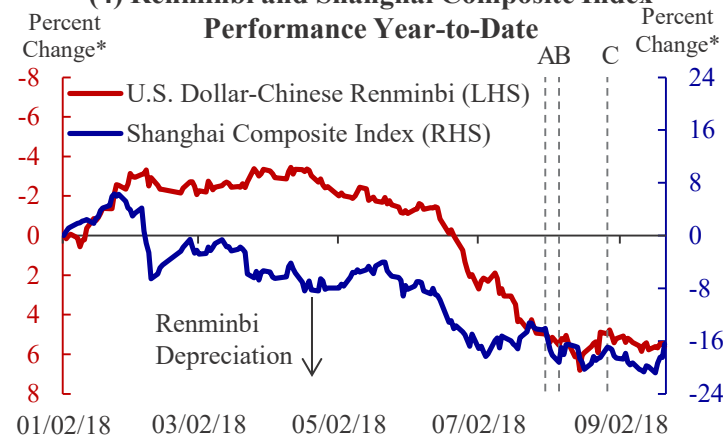
*Cumulative percent change since 01/02/18. Source: Bloomberg, J.P. Morgan

(3) Proportion of Terms Used in Uncertain Context In Responses Related to Emerging Market Volatility*



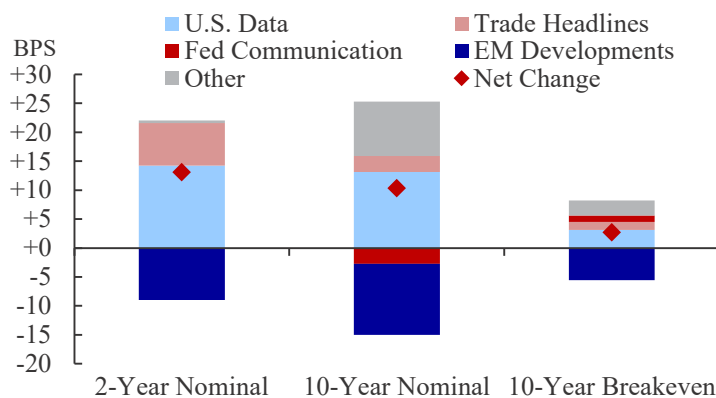
*Based on all responses to the September Surveys of Primary Dealers and Market Participants. Proportion of times the term appears in the same sentence as terms connoting uncertainty. Excludes terms below 0.1. Source: FRBNY, Staff Analysis

(4) Renminbi and Shanghai Composite Index Performance Year-to-Date



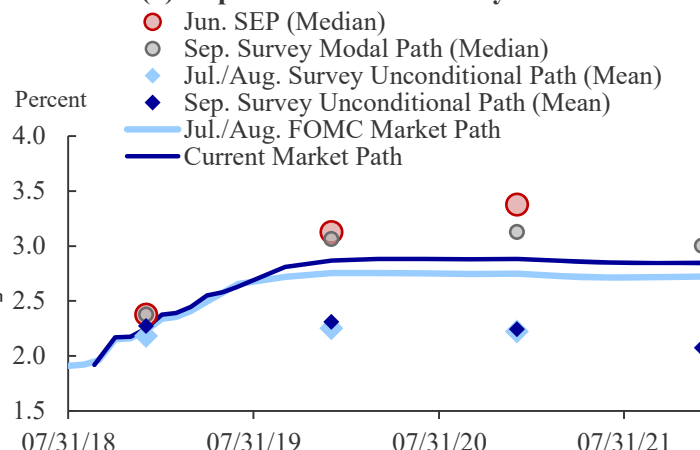
A - 07/31/18: Jul./Aug. FOMC
 B - 08/03/18: PBOC increases reserve requirements on FX forwards
 C - 08/24/18: Counter-cyclical adjustment factor reintroduced
 *Cumulative percent change since 01/02/18. Left-hand axis inverted. Source: Bloomberg

(5) Changes in Nominal U.S. Treasury Yields and Breakevens over the Intermeeting Period*



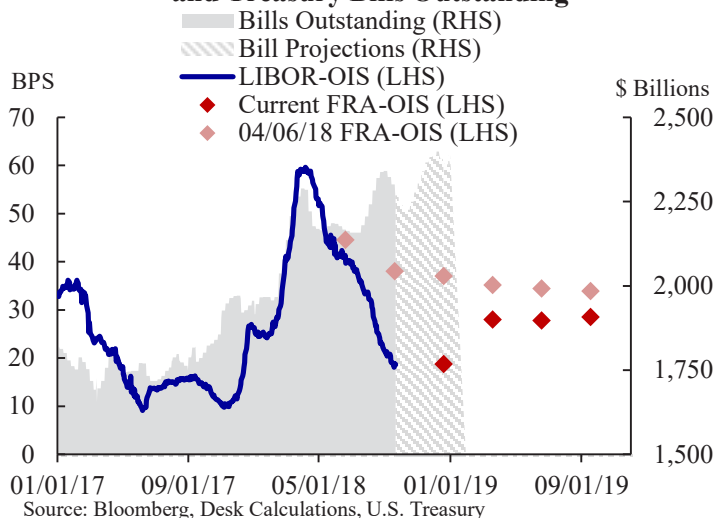
*Entirety of a single day's change attributed to most important driver, according to Desk's market intelligence. Source: Bloomberg, Staff Analysis

(6) Implied Path of the Policy Rate*

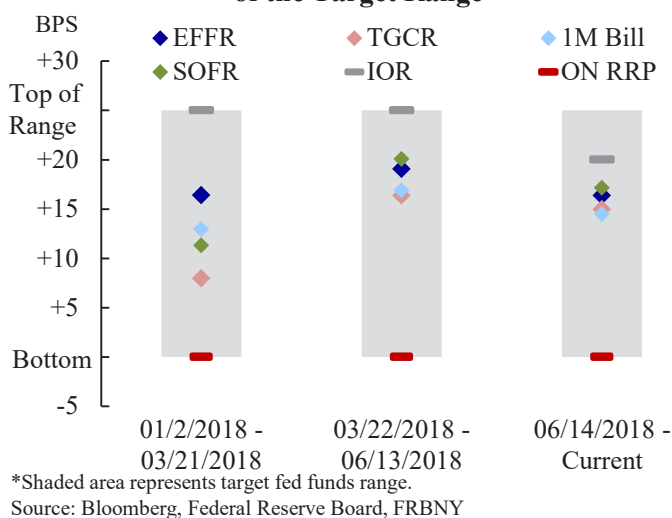


*Market-implied paths derived from federal funds and Eurodollar futures. Unconditional survey path is the average PDF-implied means from the Surveys of Primary Dealers and Market Participants. Source: Bloomberg, Desk Calculations, Federal Reserve Board, FRBNY

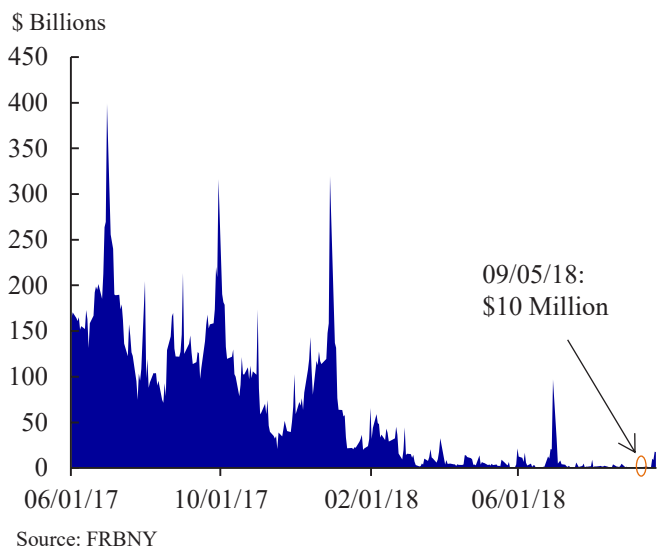
(7) Three-Month LIBOR-OIS, FRA-OIS, and Treasury Bills Outstanding



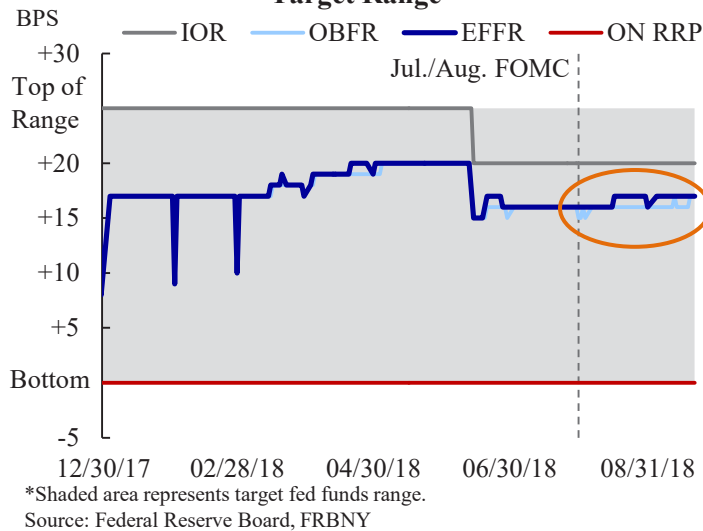
(8) Average Spreads of Overnight Rates to the Bottom of the Target Range



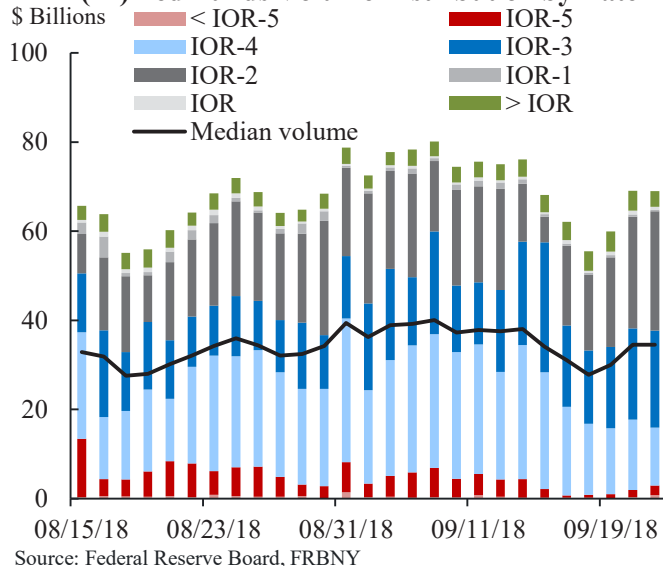
(9) ON RRP Take-Up



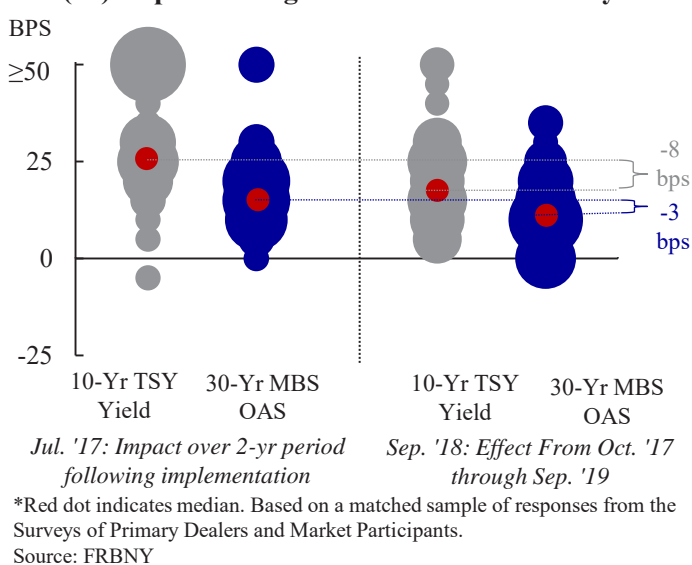
(10) Daily Spreads of Rates to the Bottom of the Target Range*



(11) Fed Funds Volume Distribution by Rate



(12) Impact Changes to Reinvestment Policy*



Appendix 1**(1) Summary of Operational Testing***Summary of Operational Tests in prior period:*

- Domestic Authorization
 - August 16: Treasury bill purchase of \$100 million par
 - August 20 and 21: Coupon swaps with unsettled agency MBS holdings for \$20 million
- Foreign Authorization
 - None
- TDF Test Operation
 - August 23: 7-day operation with total take-up of \$2.5 billion

Upcoming Operational Tests:

- Three tests scheduled under the Domestic Authorization
 - October 11: Treasury bill rollover for \$26 million
 - October 18: Treasury bill sale for \$50 million*
 - October 24: Securities lending (using the backup lending tool) for up to \$115 million
- Three tests scheduled under the Foreign Authorization
 - October 11 and 12: U.S. dollar liquidity swap of USD 51,000 per counterparty (ECB, SNB**, BoC, BoE)
 - October 22 to 24: Japanese yen liquidity swap for JPY 51,000
 - November 6 and 7: Sterling liquidity swap for GBP 51,000

* Bill maturities will occur in November. The sizes of these maturities will depend on the securities sold in the October 18 small value bill sale. On November 8, a minimum of \$24 million and a maximum of \$50 million will mature, and on November 15, a minimum of \$0 and a maximum of \$26 million will mature.

MBS Purchases Summary Since Cap Implementation Through 09/21/18 (\$ M)

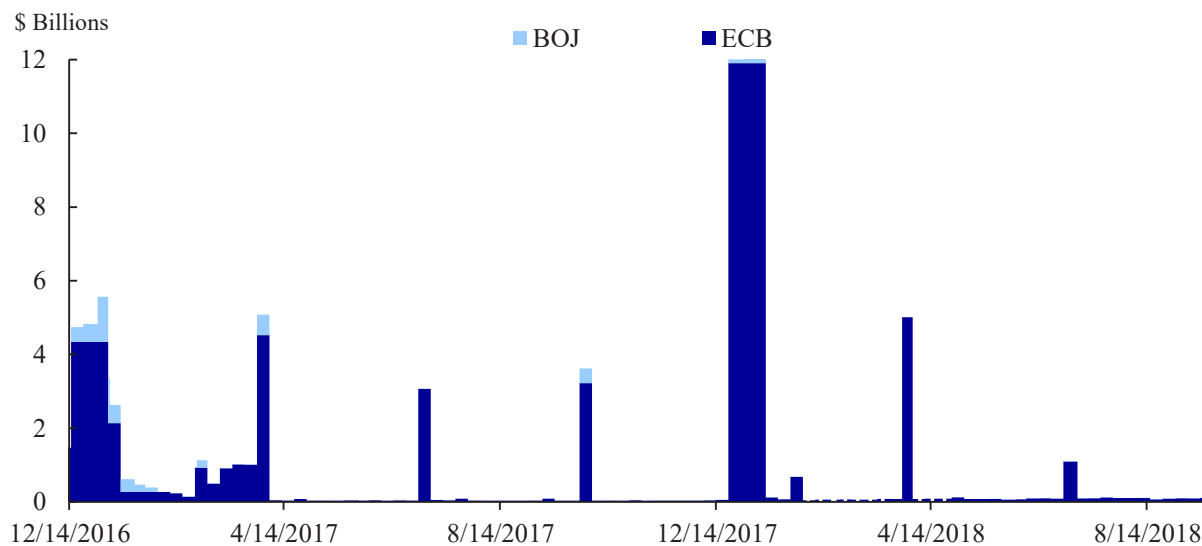
	Purchase Period	Actual Paydowns	Cap	Actual Purchases	Net Deviation	Cumulative Deviation
Oct-17	10/16/17 - 11/13/17	24,353	4,000	20,355	2	2
Nov-17 *	11/14/17 - 12/13/17	28,316	4,000	24,327	11	13
Dec-17	12/14/17 - 01/12/18	24,032	4,000	20,038	6	19
Jan-18	01/16/18 - 02/13/18	22,909	8,000	14,921	12	31
Feb-18	02/14/18 - 03/13/18	20,689	8,000	12,684	(5)	26
Mar-18	03/14/18 - 04/12/18	19,294	8,000	11,308	14	40
Apr-18	04/13/18 - 05/11/18	21,233	12,000	9,234	1	41
May-18	05/14/18 - 06/13/18	20,793	12,000	8,807	14	55
Jun-18	06/14/18 - 07/13/18	24,526	12,000	12,534	8	63
Jul-18	07/16/18 - 08/13/18	22,729	16,000	6,725	(4)	59
Aug-18	08/14/18 - 09/14/18	21,602	16,000	5,607	5	64
Sep-18 **	09/17/18 - 10/12/18	N/A	16,000	1,234		

*Actual paydowns include agency debt maturity. Nov-17: \$2,366 million; Jun-18: \$1,982 million.

**Actual purchases ongoing, reflect data through 09/22/18. Target amount for September purchase period is \$5,759 million.

Appendix 2

(1) FX Swaps Outstanding



Source: FRBNY

(2) FX Intervention

- There were no intervention operations in foreign currencies for the System's account during the intermeeting period

Appendix 2: Materials used by Mr. Wilcox

Class II FOMC - Restricted (FR)

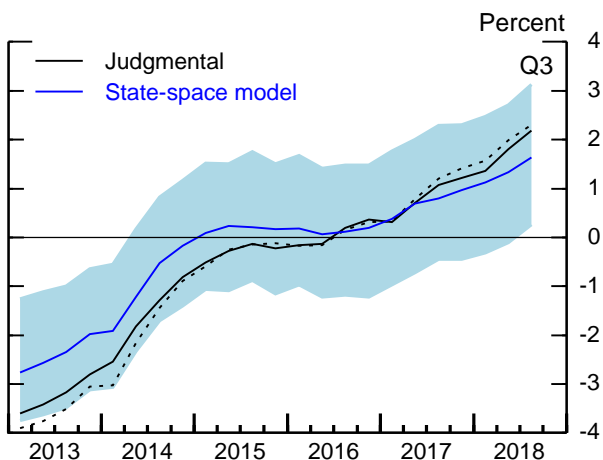
Material for Briefing on
The U.S. Outlook

David W. Wilcox
Exhibits by Bo Yeon Jang and Kelsey O’Flaherty
September 25, 2018

Forecast Summary

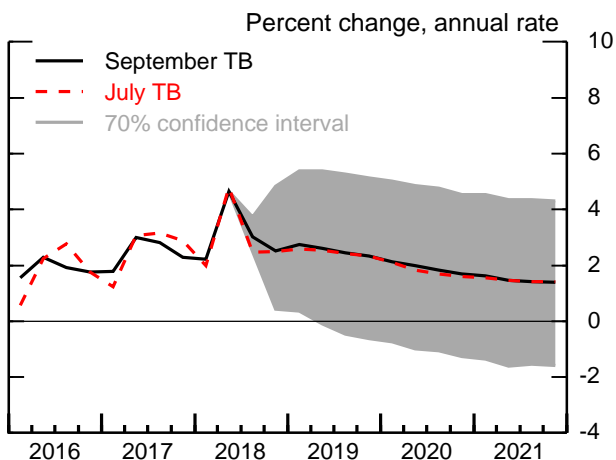
Confidence Intervals for Panels 2, 6, 9, and 10 Based on FRB/US Stochastic Simulations

1. Output Gap Estimates



Note: Dotted line is judgmental estimate from July TB. Shaded region denotes 70 percent confidence interval around September TB model estimate.

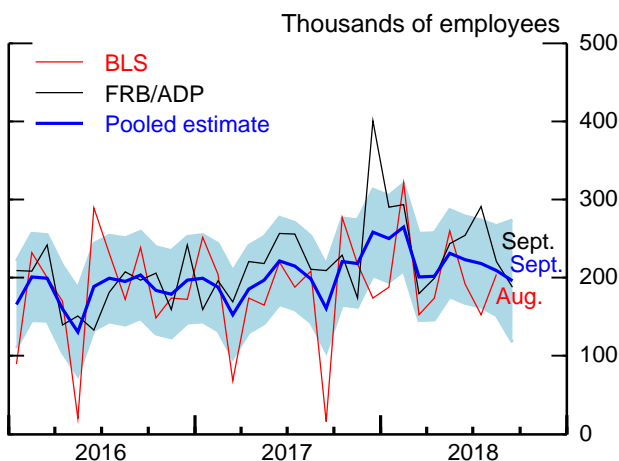
2. Real GDP



3. Estimated Effects of Hurricane Florence on Various Spending and Activity Measures

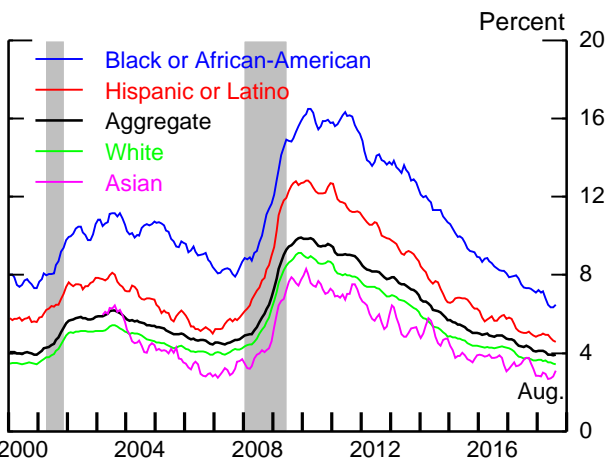
- **Real PCE:** Reduces Q3 growth by 0.05 pp; adds 0.05 pp to Q4 growth.
- **Payroll employment:** Lowers September payrolls by about 30,000; payrolls recover in the following month.
- **Industrial production:** Reduces September IP growth by 0.1 pp; level is back to baseline by December.

4. Estimates of Private Nonfarm Payroll Gains



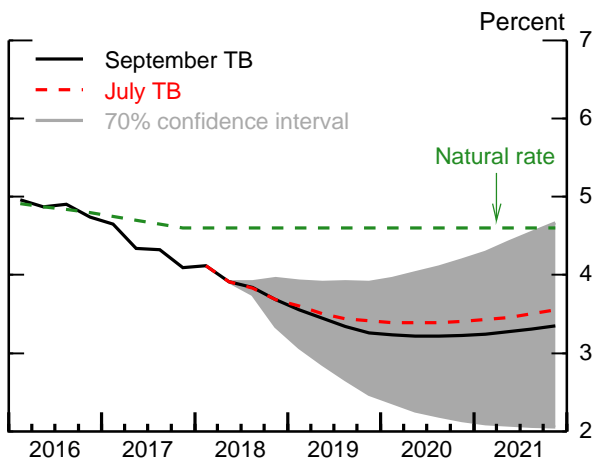
Note: Sept. FRB/ADP value includes data through 9/15; Sept. pooled estimate treats Sept. BLS observation as missing. Shaded region denotes 90% confidence interval for pooled estimate.

5. Unemployment Rates by Race or Ethnicity

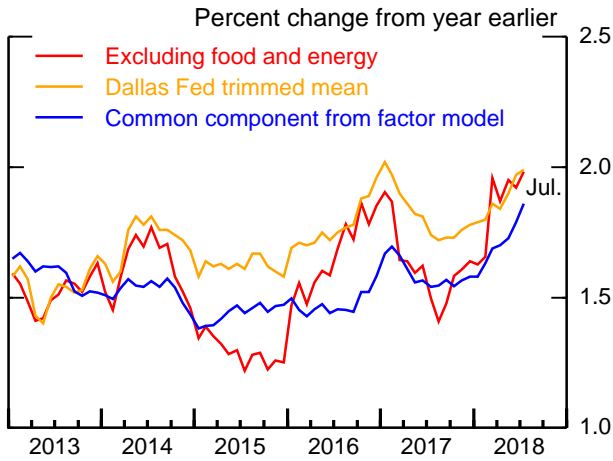


Note: Three-month moving averages. Shaded bars indicate a period of business recession as defined by the NBER.

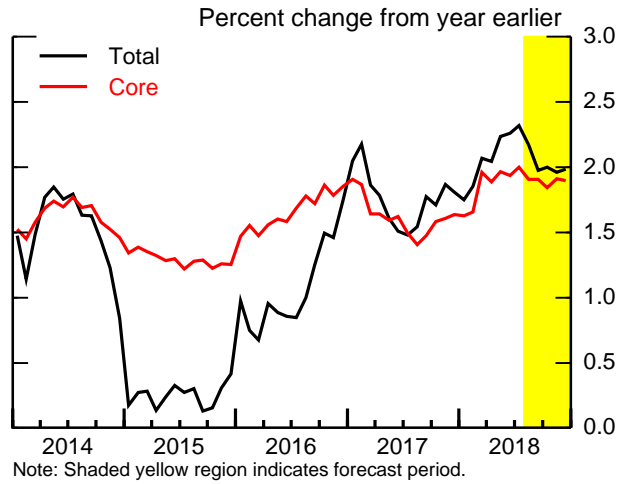
6. Unemployment Rate



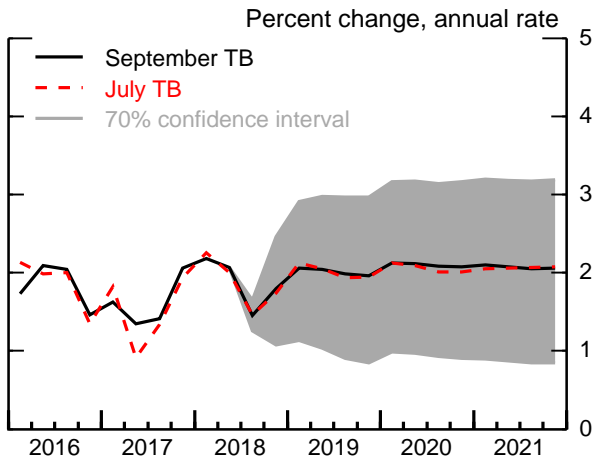
7. Measures of Underlying PCE Price Inflation



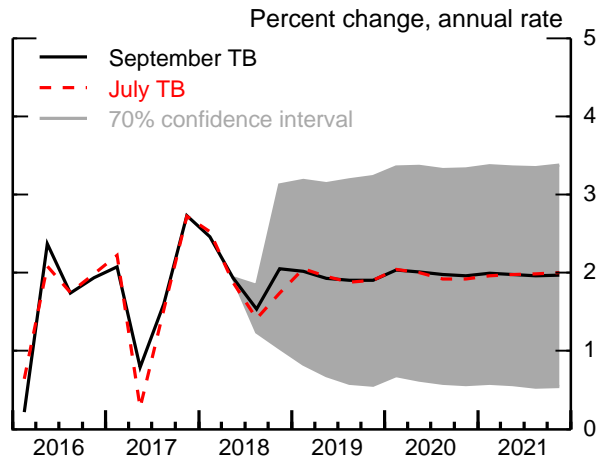
8. Monthly PCE Price Inflation



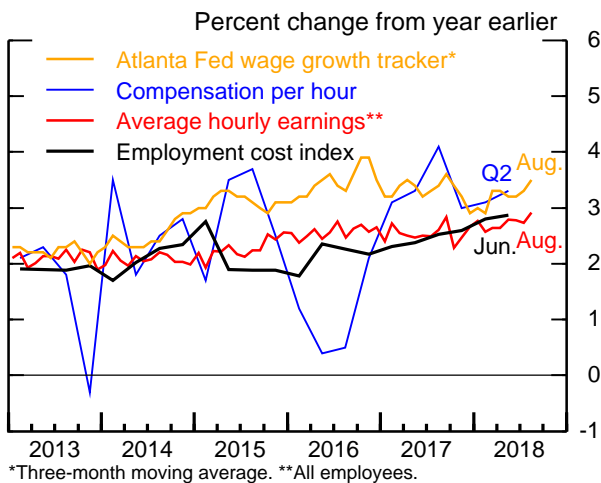
9. PCE Prices Excluding Food and Energy



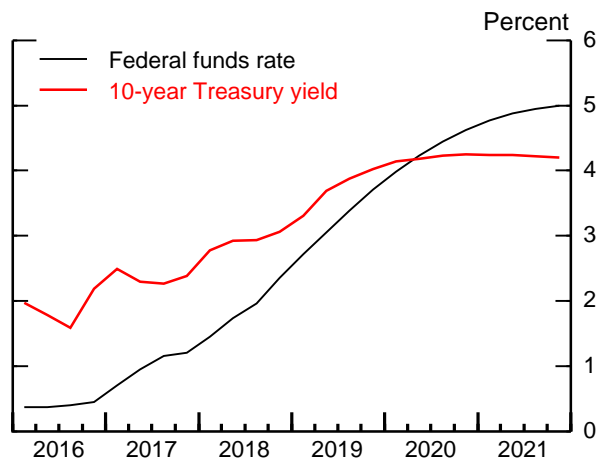
10. Total PCE Prices



11. Measures of Labor Compensation



12. Interest Rate Paths



13. Why the Yield Curve Inverts in the Baseline Forecast

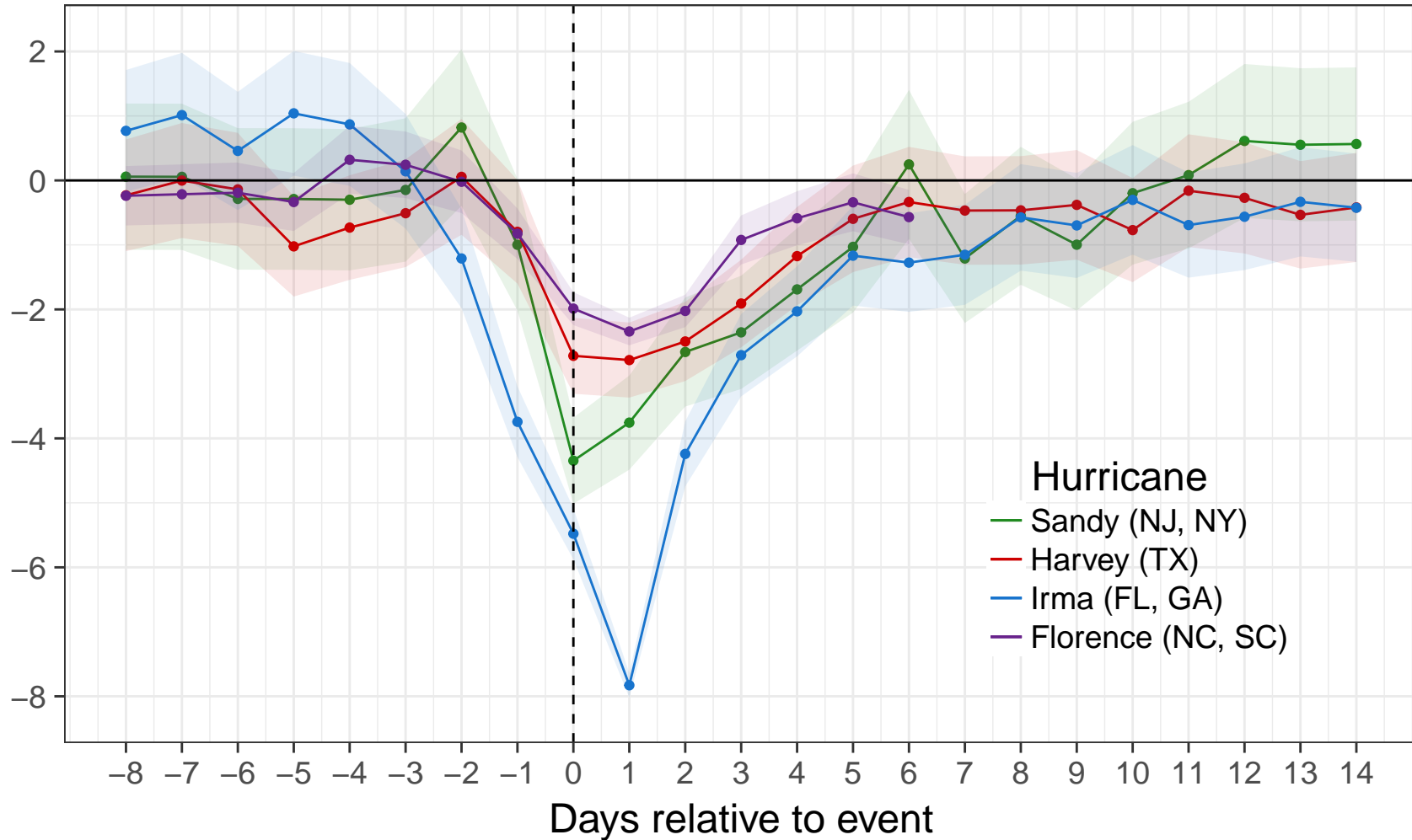
In the baseline forecast:

- The unemployment rate is below its natural rate (U^*), and needs to come back up to U^* .
- Otherwise, inflation would remain above 2 percent.
- In order to raise the unemployment rate, our policy rule boosts the funds rate above the 10-year rate.
- During the period when the unemployment rate is rising, GDP growth is projected to be positive but low...
 - ... and only relatively modest negative shocks would be sufficient to tip the economy into recession.

There are multiple ways the baseline projection could be wrong...

National Retail Sales Group Spending

Percent Deviation from Baseline Daily Spending



Note: Estimates are from state-level indexes of retail spending constructed using First Data electronic transaction data. The Carolinas represent 4.2% of national retail sales group spending; New Jersey and New York are a combined 10.6%; Florida and Georgia are a combined 10%; Texas is 8%.

Appendix 3: Materials used by Mr. Gruber

Class II FOMC - Restricted (FR)

Material for Briefing on

The International Outlook

Joseph Gruber

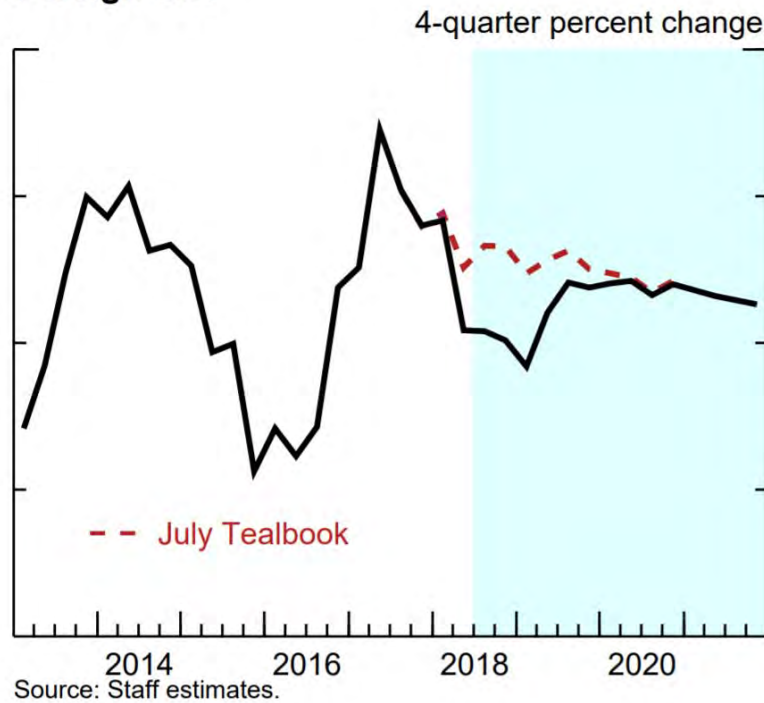
Exhibits by Mandy Bowers

September 25, 2018

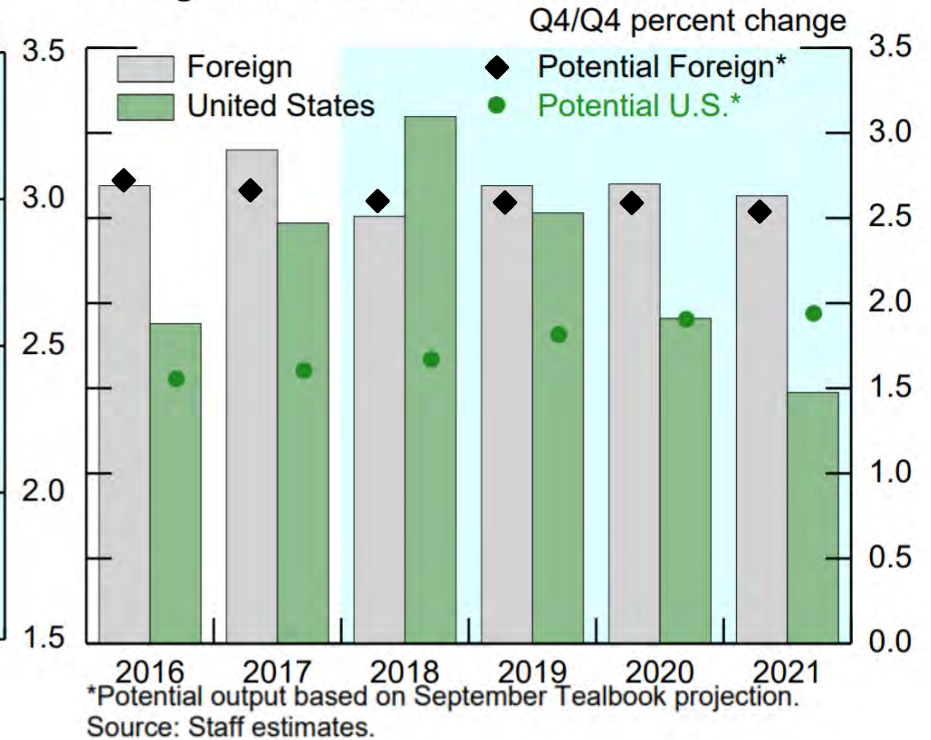
Foreign growth momentum continues to slow

- Disappointing data led us to revise down our foreign outlook.
- Momentum from strong 2017 less than we anticipated.
- Foreign growth solid (at potential) while U.S. economy is booming.

Foreign GDP

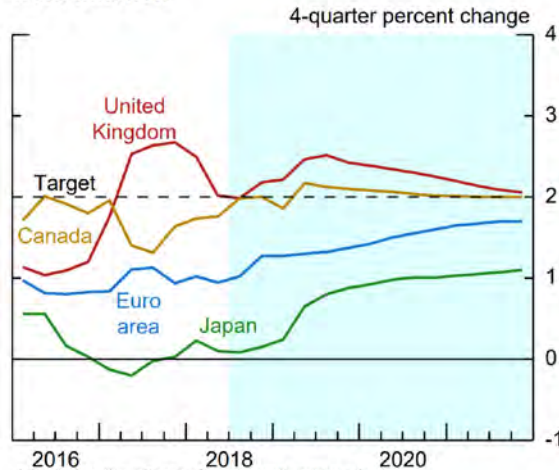


Foreign and U.S. Real GDP



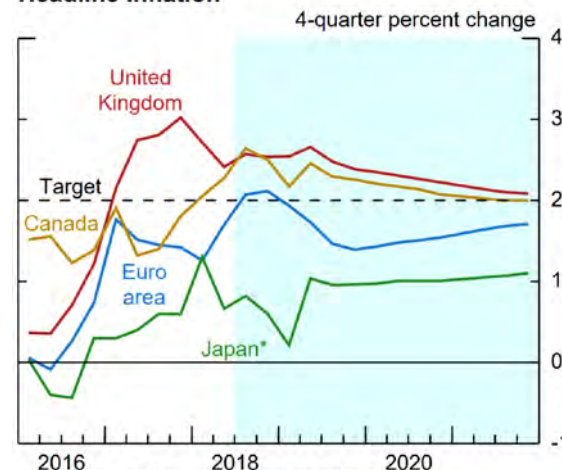
Foreign inflation subdued despite higher oil prices

Core Inflation



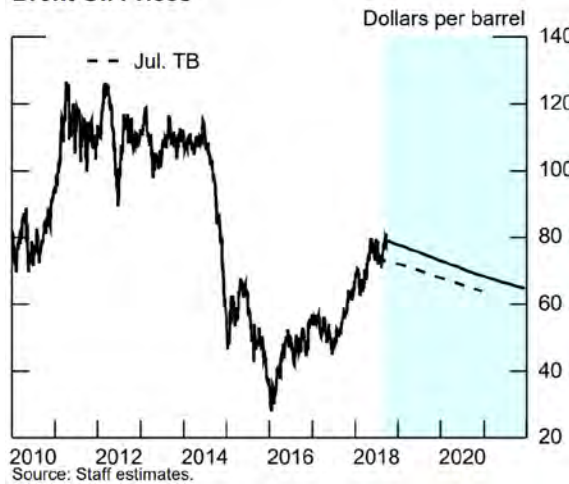
* Excludes the effects of consumption taxes in Japan.
Source: Staff estimates, Haver, national statistical offices.

Headline Inflation



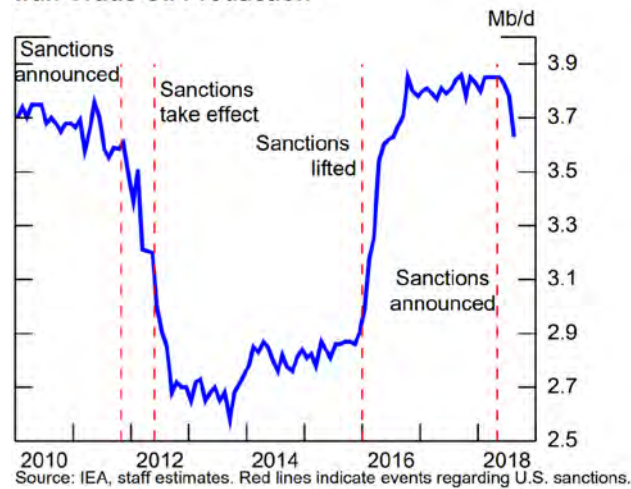
* Excludes the effects of consumption taxes in Japan.
Source: Staff estimates, Haver, national statistical offices.

Brent Oil Prices



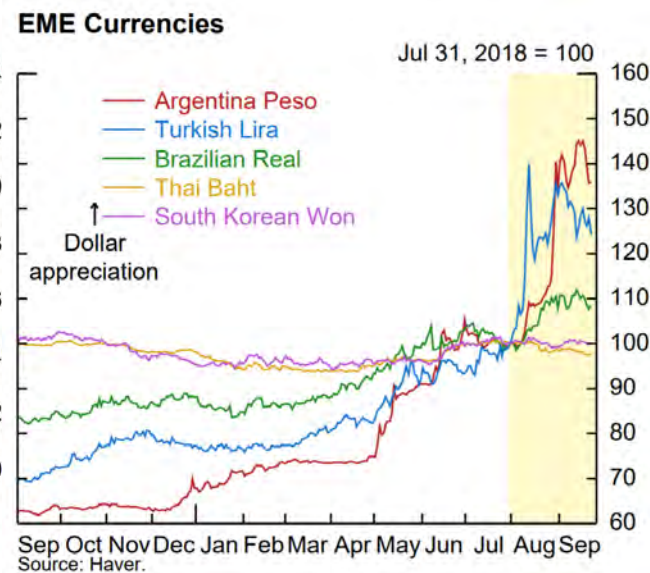
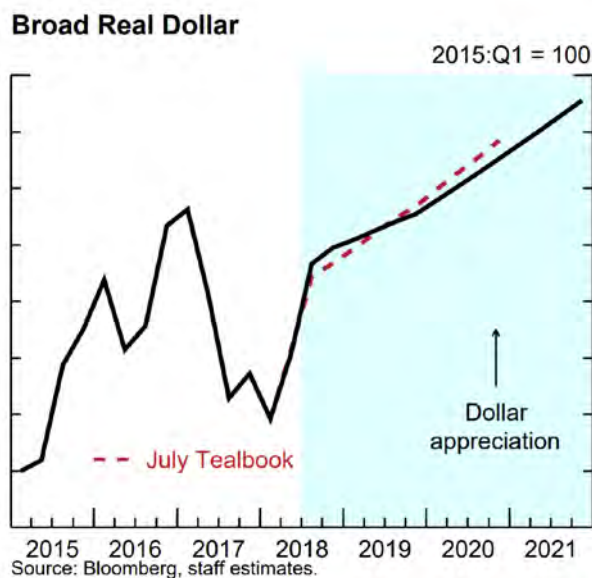
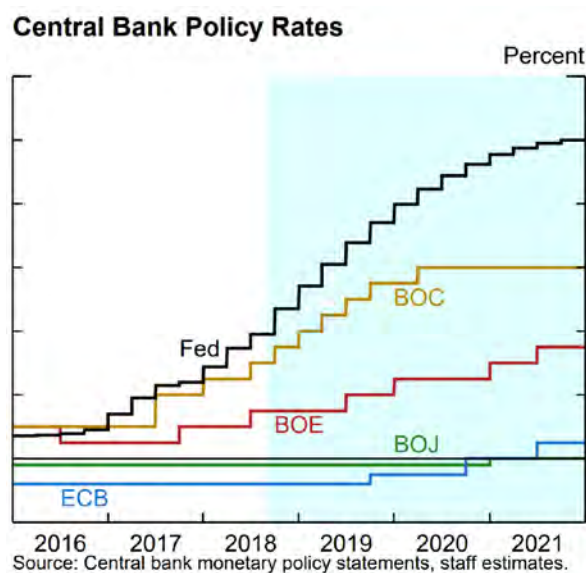
Source: Staff estimates.

Iran Crude Oil Production

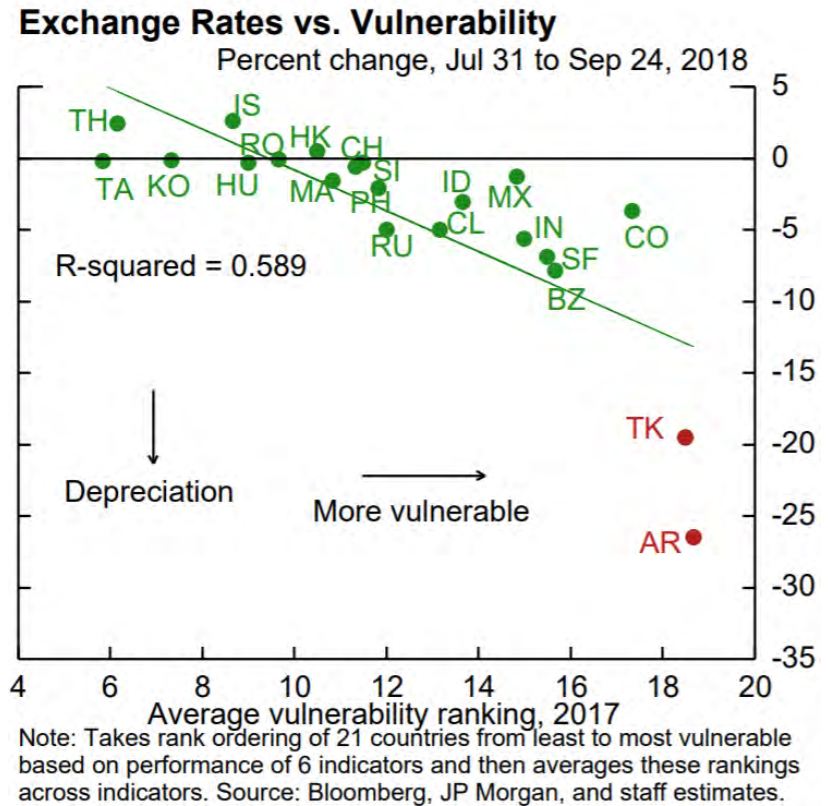
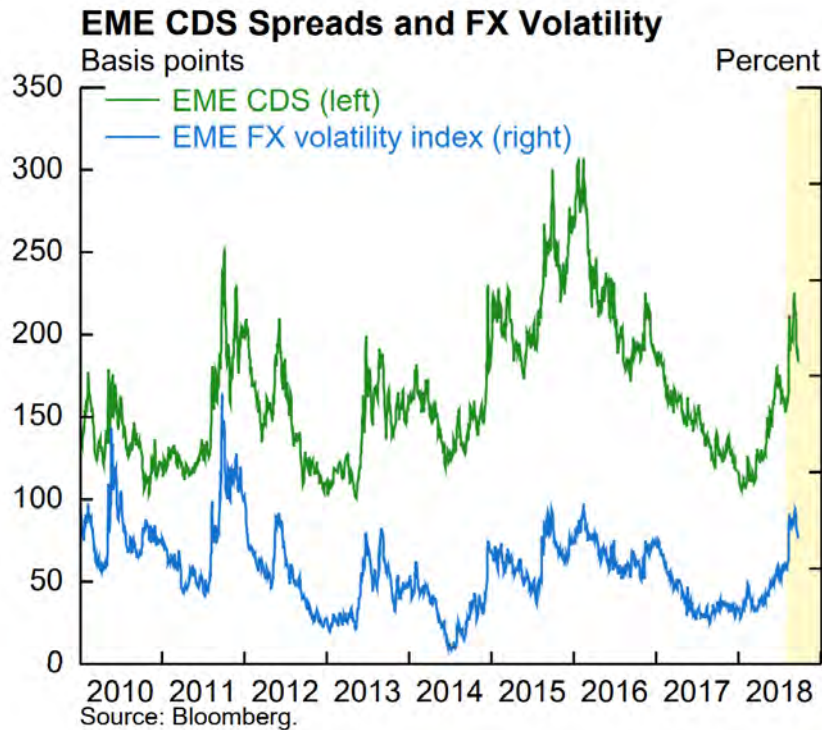


Source: IEA, staff estimates. Red lines indicate events regarding U.S. sanctions.

The dollar has risen and is expected to appreciate

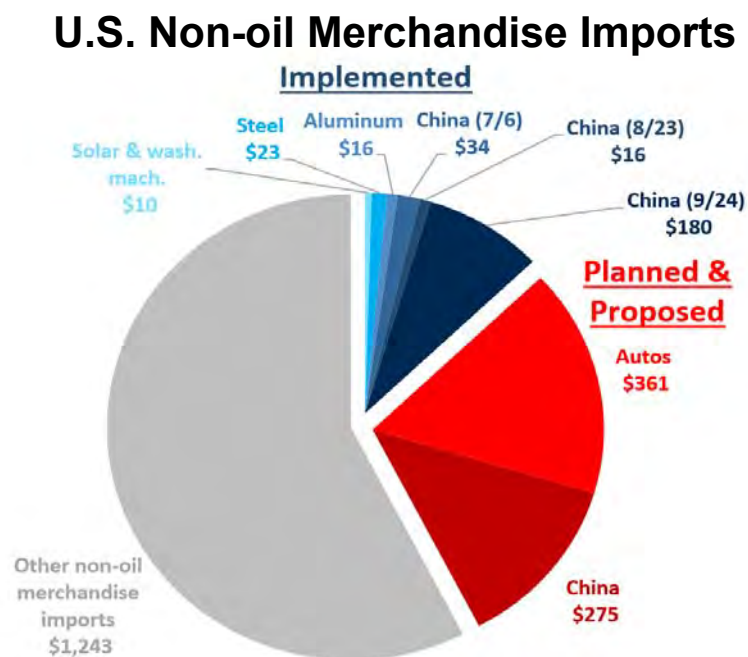


Emerging market stress increases but remains contained



Tariffs and trade tensions

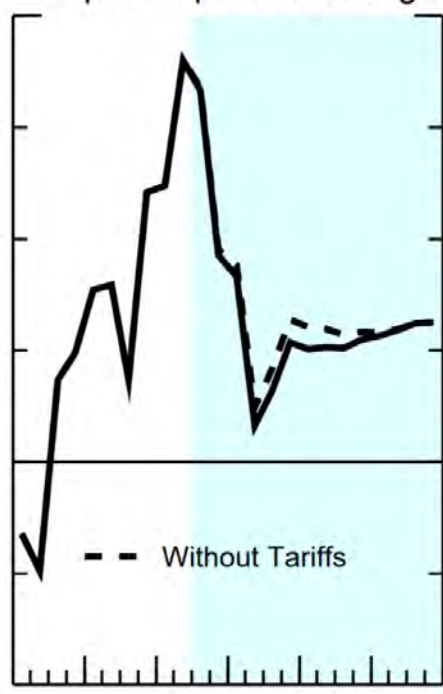
- Recent tariff increases now affect 13 percent of U.S. non-oil merchandise imports.
- China’s retaliation limited by amount of total imports from U.S. (\$130 billion in 2017.)



Source: Staff estimates.

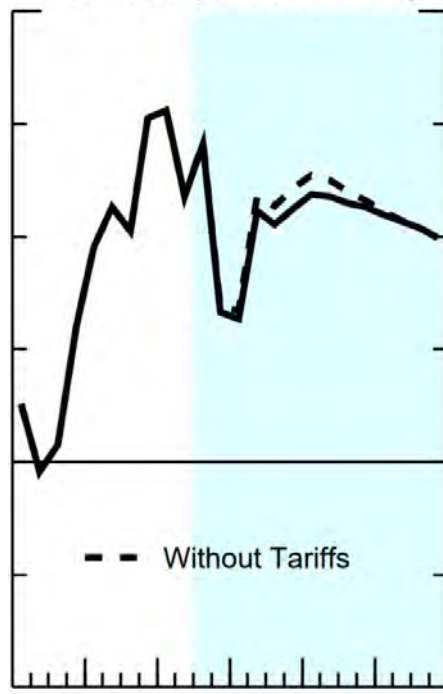
Tariffs lower both U.S. exports and imports

Core Goods Exports
4-quarter percent change



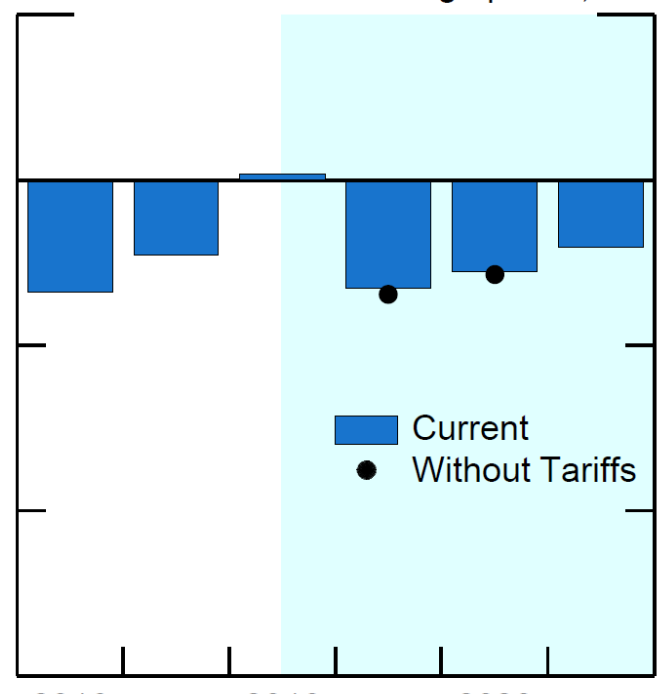
2016 2018 2020
Source: NIPA, staff estimates.

Core Goods Imports
4-quarter percent change



2016 2018 2020
Source: NIPA, staff estimates.

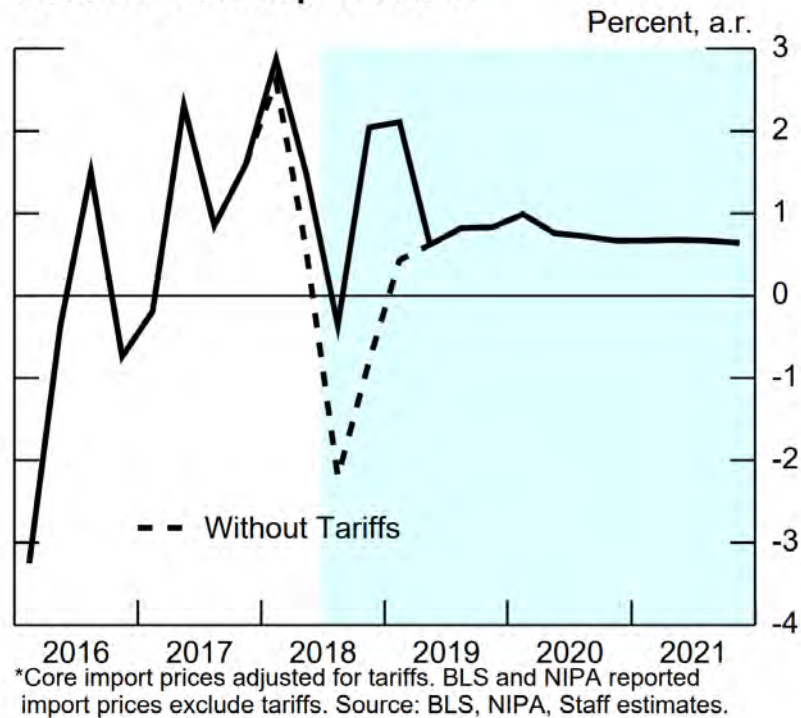
Net Export Contribution to Growth
Percentage points, a.r.



2016 2018 2020
Source: NIPA, Staff estimates.

Tariffs boost prices and lower GDP

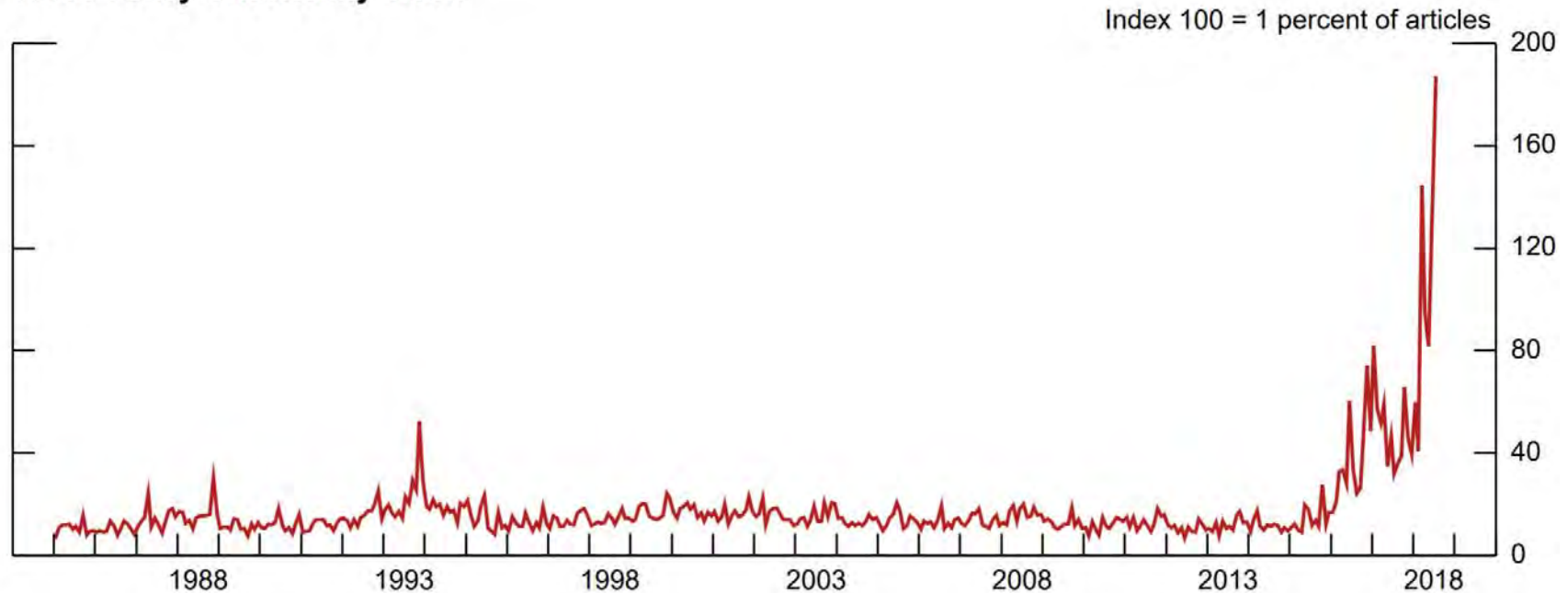
Effective Core Import Prices*



- Implemented tariffs raise effective price of imports by 2 percent.
- Boosting core PCE prices by about 0.2 percent by end of 2019.
- Lowering consumption and investment.
- GDP drag of about 0.1 percent.
- China GDP also revised down on tariffs.

Trade Policy Uncertainty

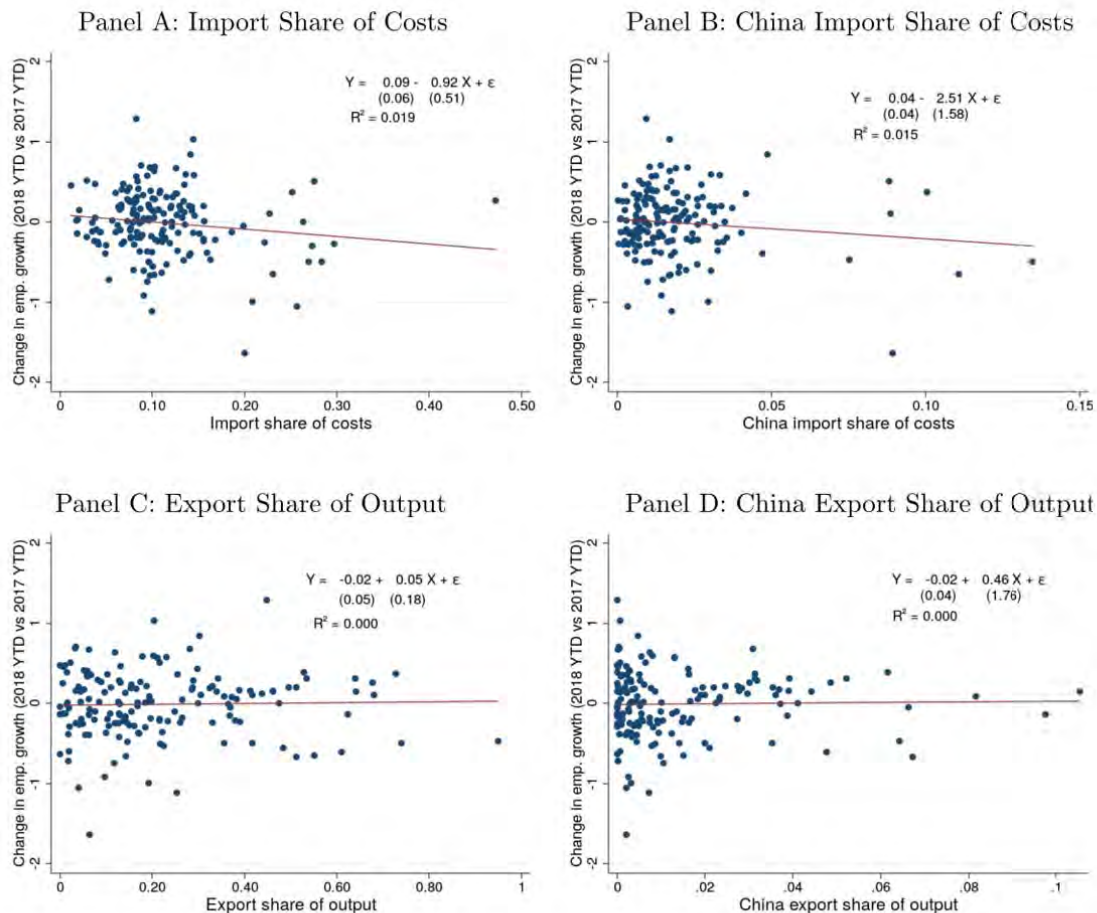
Trade Policy Uncertainty Index



Note: Share of articles in major daily U.S., U.K., and Canadian newspapers that mention uncertainty and an additional trade-policy-related word.
Source: Staff calculations.

But little sign of effects in the data

Trade Exposure Measures and Employment Growth

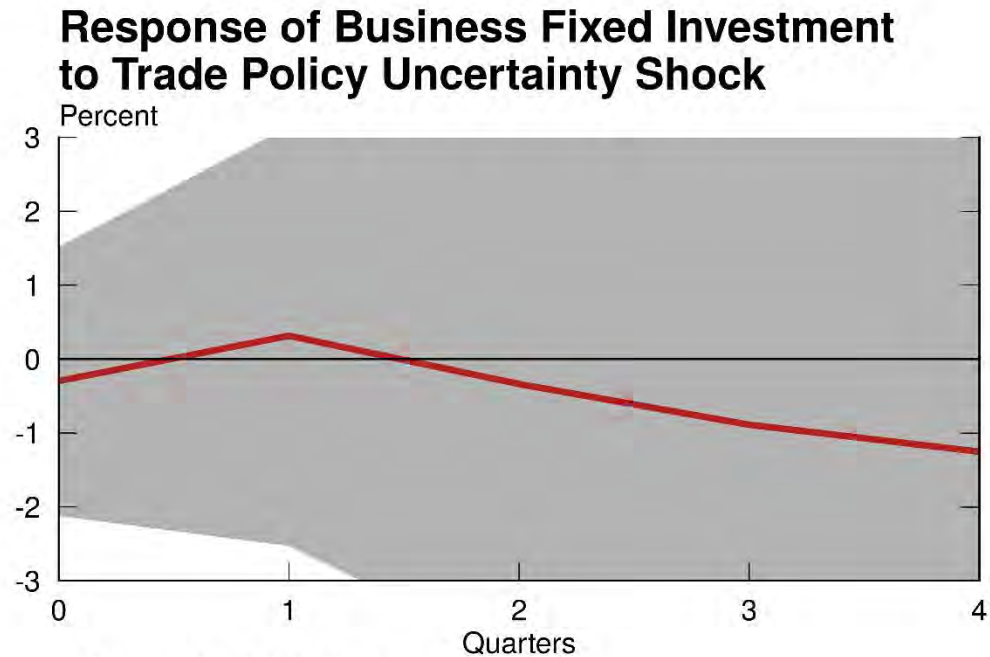


Note: Employment data through August.

Source: Staff calculation from Bureau of Economic Analysis, U.S. Census Bureau, and Bureau of Labor Statistics.

Estimates from historical data

- Negative effects could be masked by other factors.
- With current situation unprecedented, little basis for estimating effects from historical data.

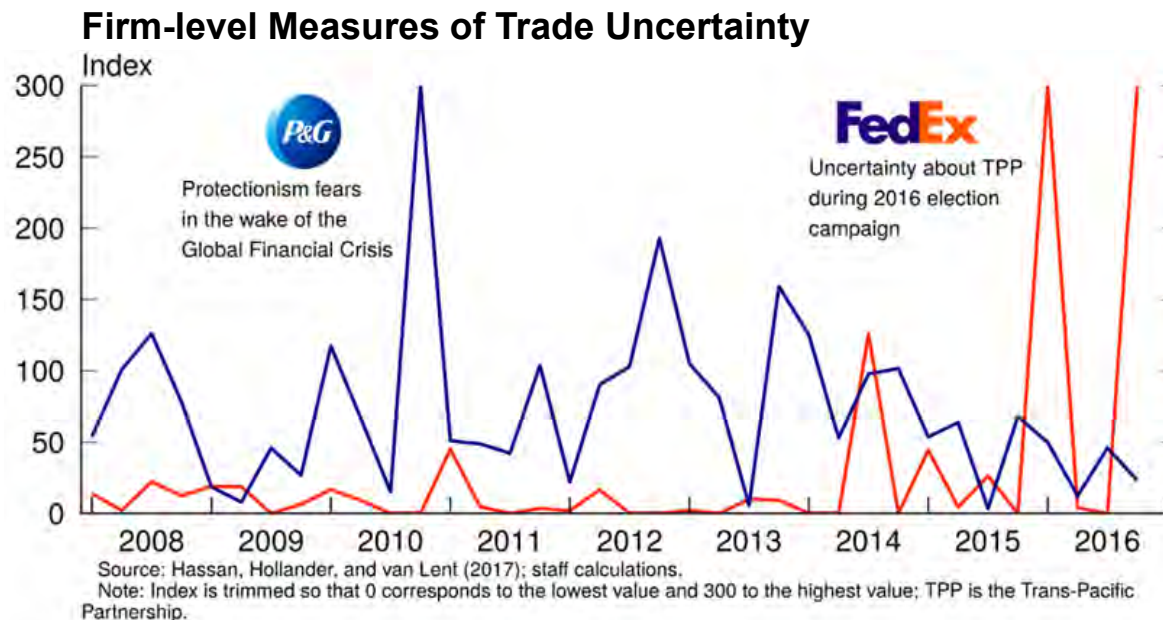


Source: Staff Calculations.

Note: Solid line is the median response; shaded area is the 68 percent confidence interval.

Estimates from firm level data

- Exploit greater variation in firm-level measures of trade policy uncertainty.



- Uncertainty estimated to reduce aggregate investment by 2 percent and GDP by $\frac{1}{4}$ percent.
- However, wide range of plausible effects, including zero.

Appendix 4: Materials used by Mr. Huther

Class I FOMC - Restricted Controlled (FR)

Material for Briefing on

Summary of Economic Projections

Jeff Huther

Exhibits and support by Erik Larsson and Mark Wilkinson

September 25, 2018

Class I FOMC – Restricted Controlled (FR)

Exhibit 1. Economic projections for 2018–21 and over the longer run (percent)

Change in real GDP					
	2018	2019	2020	2021	Longer run
Median.....	3.1	2.5	2.0	1.8	1.8
June projection	2.8	2.4	2.0	n.a.	1.8
Range.....	2.9 – 3.2	2.1 – 2.8	1.7 – 2.4	1.5 – 2.1	1.7 – 2.1
June projection	2.5 – 3.0	2.1 – 2.7	1.5 – 2.2	n.a.	1.7 – 2.1
Memo: Tealbook.....	3.2	2.5	1.9	1.5	1.7
June projection	2.8	2.4	1.8	n.a.	1.7

Unemployment rate					
	2018	2019	2020	2021	Longer run
Median.....	3.7	3.5	3.5	3.7	4.5
June projection	3.6	3.5	3.5	n.a.	4.5
Range.....	3.7 – 3.8	3.4 – 3.8	3.3 – 4.0	3.4 – 4.2	4.0 – 4.6
June projection	3.5 – 3.8	3.3 – 3.8	3.3 – 4.0	n.a.	4.1 – 4.7
Memo: Tealbook.....	3.7	3.3	3.2	3.4	4.6
June projection	3.6	3.4	3.4	n.a.	4.7

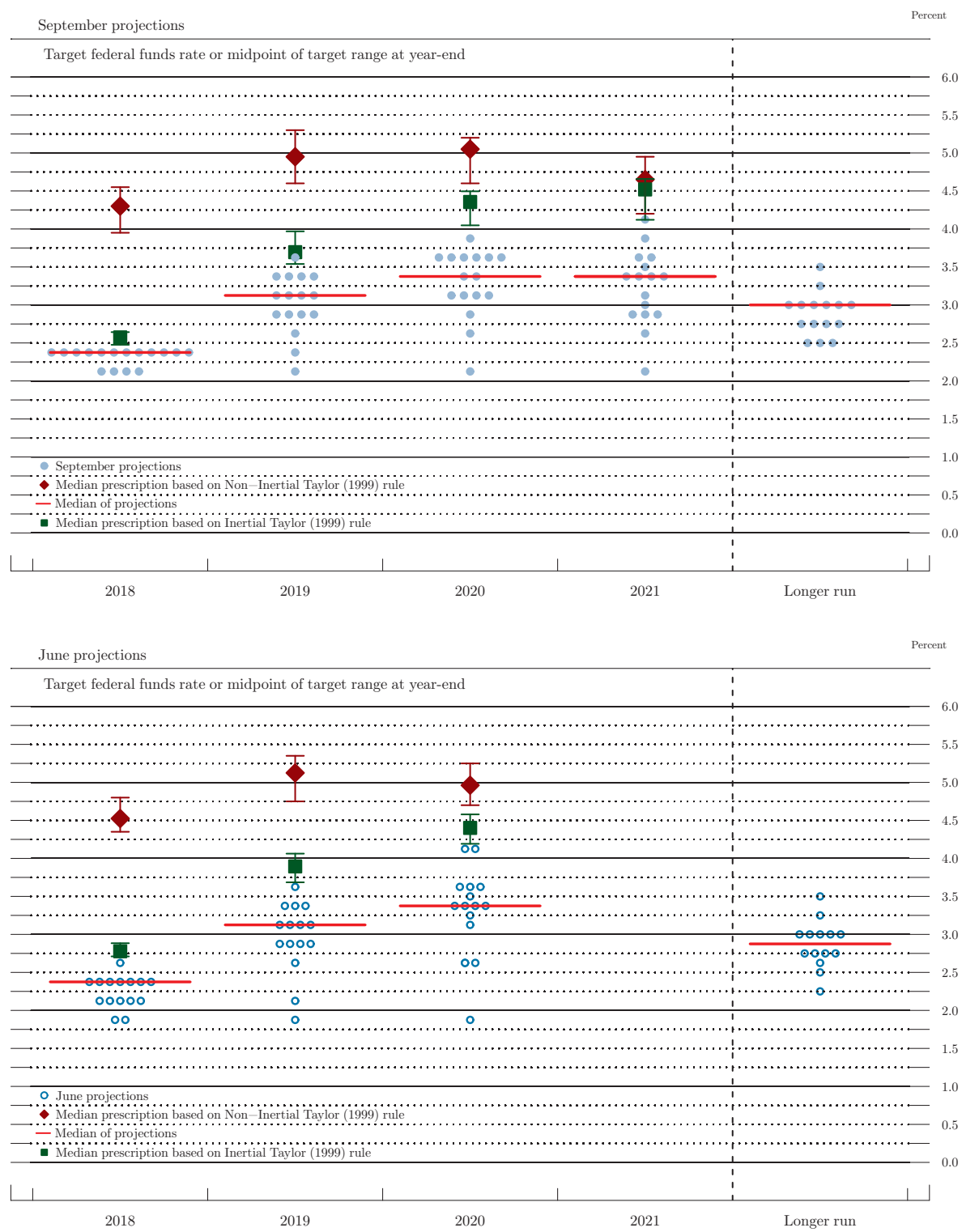
PCE inflation					
	2018	2019	2020	2021	Longer run
Median.....	2.1	2.0	2.1	2.1	2.0
June projection	2.1	2.1	2.1	n.a.	2.0
Range.....	1.9 – 2.2	2.0 – 2.3	2.0 – 2.2	2.0 – 2.3	2.0
June projection	2.0 – 2.2	1.9 – 2.3	2.0 – 2.3	n.a.	2.0
Memo: Tealbook.....	2.0	2.1	2.0	2.0	2.0
June projection	2.1	1.9	2.0	n.a.	2.0

Core PCE inflation					
	2018	2019	2020	2021	
Median.....	2.0	2.1	2.1	2.1	
June projection	2.0	2.1	2.1	n.a.	
Range.....	1.9 – 2.0	2.0 – 2.3	2.0 – 2.2	2.0 – 2.3	
June projection	1.9 – 2.1	2.0 – 2.3	2.0 – 2.3	n.a.	
Memo: Tealbook.....	1.9	2.1	2.1	2.1	
June projection	1.9	2.0	2.1	n.a.	

NOTE: Updated September Tealbook values are reported. The percent changes in real GDP and inflation are measured Q4/Q4. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. One participant did not submit longer-run projections for the change in real GDP, the unemployment rate, or the federal funds rate in conjunction with the June 12–13, 2018, meeting, and one participant did not submit such projections in conjunction with the September 25–26, 2018, meeting.

Class I FOMC – Restricted Controlled (FR)

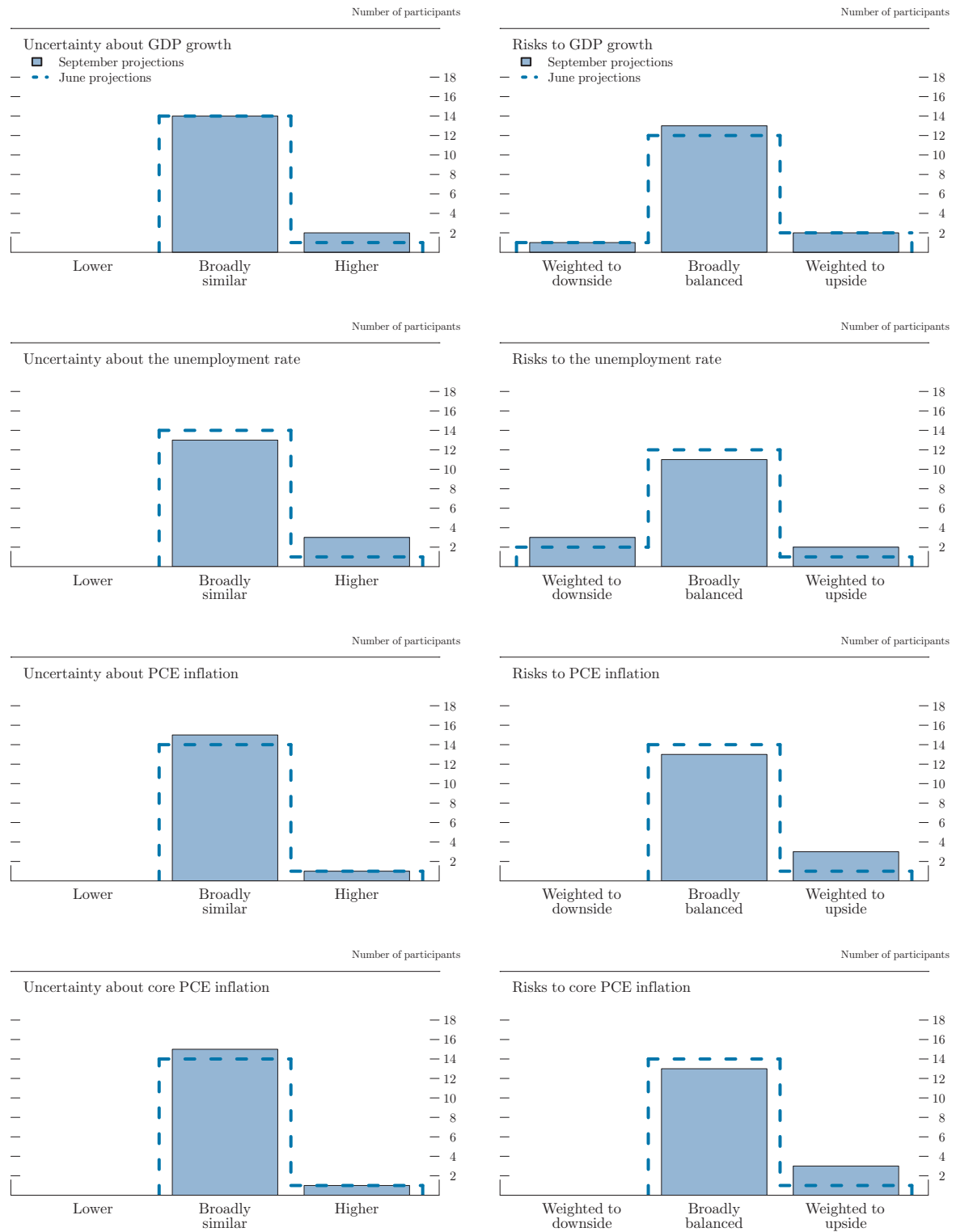
Exhibit 2. Overview of FOMC participants’ assessments of appropriate monetary policy



NOTE: In these two panels, each blue dot indicates the value (rounded to 1/8 percentage point) of an individual participant’s judgment of the midpoint of the appropriate target range for the federal funds rate, or the appropriate target level for that rate, at the end of the specified year or over the longer run. Each red diamond is the median value, for the indicated year, of the set of prescriptions for the federal funds rate that are generated by inserting into the non-inertial Taylor (1999) rule each participant’s projections of core PCE inflation and the unemployment rate along with the participant’s projections of the longer-run nominal federal funds rate and longer-run unemployment rate rate. The green squares are the medians of prescriptions generated using the inertial Taylor (1999) rule. The red and green whiskers show the central tendency, for each year, of the prescriptions that result from using the non-inertial Taylor (1999) rule and the inertial Taylor (1999) rule, respectively. One participant did not submit longer-run projections for the federal funds rate or unemployment rate.

Class I FOMC – Restricted Controlled (FR)

Exhibit 3. Uncertainty and risks in economic projections



Appendix 5: Materials used by Mr. Laubach

Class I FOMC – Restricted Controlled (FR)

Material for the Briefing on

Monetary Policy Alternatives

Thomas Laubach
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Monetary Policy Considerations

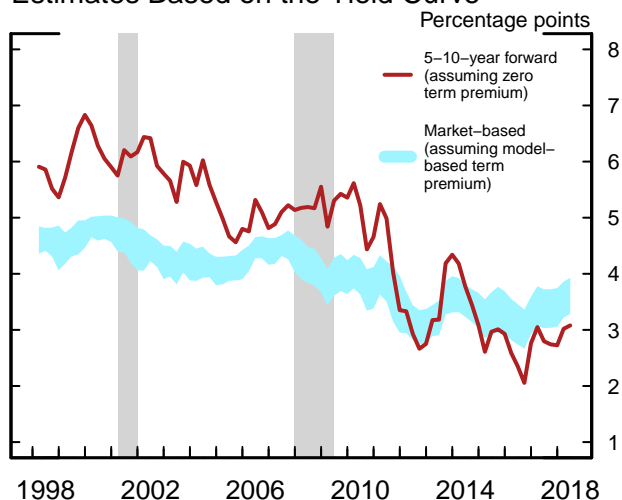
Statement Language

- Removing "accommodative":
 - Funds rate at lower end of range of longer-run estimates.
 - Longer-run estimates are uncertain.
- Federal funds rate has moved up, asset purchase effects have been waning.
 - Assessment of stance increasingly uncertain.

The Longer-Run Federal Funds Rate

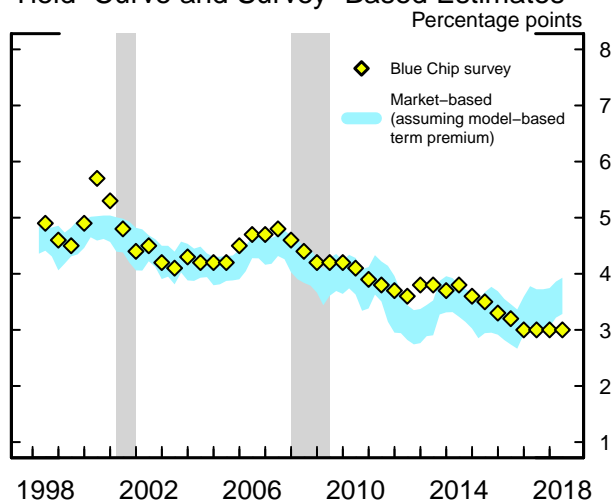
- Level of longer-run neutral rate affects funds rate path.
 - If you use r^* estimate in deciding on appropriate funds rate level.
 - If you use first-difference rule because r^* affects economic outcomes.
- r^* estimates uncertain, market-based measures can be a cross-check.

Estimates Based on the Yield Curve



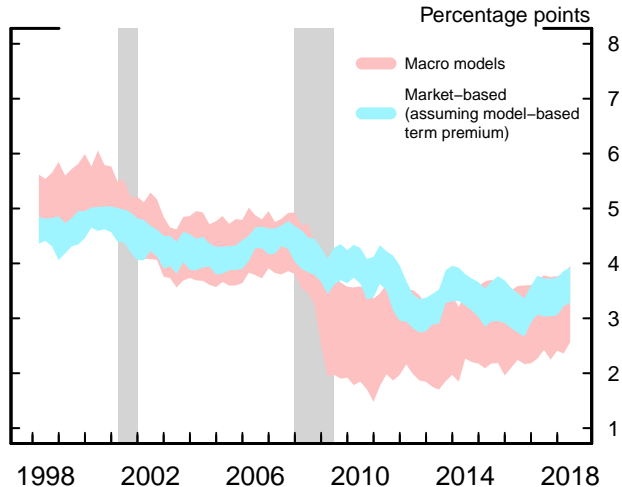
Note: Blue shading shows range of federal funds rate five to ten years ahead from alternative term structure models. Gray shading shows NBER-dated recessions.
Source: FRBNY, NBER, and Board staff calculations.

Yield-Curve and Survey-Based Estimates



Note: Blue shading shows range of federal funds rate five to ten years ahead from alternative term structure models. Gray shading shows NBER-dated recessions.
Source: FRBNY, NBER, and Board staff calculations.

Yield-Curve and Macro-Model Estimates



Note: Blue shading shows range of federal funds rate five to ten years ahead from alternative term structure models. Pink shading shows range of r^* estimates based on five macro models. Gray shading shows NBER-dated recessions.
Source: FRBNY, NBER, and Board staff calculations.

Policy Considerations

- Uncertainty suggests risk management approach.
- Risk of underestimating longer-run neutral rate.
 - Inflation overshoot, financial imbalances.
 - Possible asset losses.
- Risk of longer-run neutral rate lower than estimated.
 - Reduced monetary policy space.
- Gradual pace balances risks.

AUGUST 2018 FOMC STATEMENT

1. Information received since the Federal Open Market Committee met in June indicates that the labor market has continued to strengthen and that economic activity has been rising at a strong rate. Job gains have been strong, on average, in recent months, and the unemployment rate has stayed low. Household spending and business fixed investment have grown strongly. On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2 percent. Indicators of longer-term inflation expectations are little changed, on balance.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective over the medium term. Risks to the economic outlook appear roughly balanced.
3. In view of realized and expected labor market conditions and inflation, the Committee decided to maintain the target range for the federal funds rate at 1-3/4 to 2 percent. The stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return to 2 percent inflation.
4. In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

ALTERNATIVE A FOR SEPTEMBER 2018

1. Information received since the Federal Open Market Committee met in ~~June~~ **August** indicates that the labor market has continued to strengthen and that economic activity has been rising at a strong rate. Job gains have been strong, on average, in recent months, and the unemployment rate has stayed low. Household spending and business fixed investment have grown strongly. On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2 percent. Indicators of longer-term inflation expectations are little changed, on balance.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that ~~further gradual increases in the~~ **current** target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective over the medium term. Risks to the economic outlook appear roughly balanced.
3. In view of realized and expected labor market conditions and inflation, the Committee decided to maintain the target range for the federal funds rate at 1-3/4 to 2 percent. ~~The stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return to 2 percent inflation.~~
4. In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

ALTERNATIVE B FOR SEPTEMBER 2018

1. Information received since the Federal Open Market Committee met in ~~June~~ **August** indicates that the labor market has continued to strengthen and that economic activity has been rising at a strong rate. Job gains have been strong, on average, in recent months, and the unemployment rate has stayed low. Household spending and business fixed investment have grown strongly. On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2 percent. Indicators of longer-term inflation expectations are little changed, on balance.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective over the medium term. Risks to the economic outlook appear roughly balanced.
3. In view of realized and expected labor market conditions and inflation, the Committee decided to ~~maintain~~ **raise** the target range for the federal funds rate at ~~1-3/4 to 2~~ **to 2-1/4** percent. ~~The stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return to 2 percent inflation.~~
4. In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

ALTERNATIVE C FOR SEPTEMBER 2018

1. Information received since the Federal Open Market Committee met in ~~June~~ **August** indicates that the labor market has continued to strengthen and that economic activity has been rising at a strong rate. Job gains have been strong, on average, in recent months, and the unemployment rate has stayed low. Household spending and business fixed investment have grown strongly. On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2 percent. Indicators of longer-term inflation expectations are little changed, on balance.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that further ~~gradual~~ increases in the target range for the federal funds rate will be ~~consistent with sustained~~ **warranted to achieve a sustainable** expansion of economic activity, **maintain** strong labor market conditions, and **keep** inflation near the Committee's symmetric 2 percent objective over the medium term. Risks to the economic outlook appear roughly balanced, **but the Committee is closely monitoring the economic and financial implications of high levels of resource utilization.**
3. In view of realized and expected labor market conditions and inflation, the Committee decided to ~~maintain~~ **raise** the target range for the federal funds rate at ~~1-3/4 to 2~~ **to 2-1/4** percent. The stance of monetary policy remains accommodative, ~~thereby supporting strong labor market conditions and a sustained return to 2 percent inflation.~~
4. In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.

Implementation Note for September 2018 Alternative A

Release Date: September 26, 2018

Decisions Regarding Monetary Policy Implementation

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee (FOMC) in its [statement](#) on ~~August 1~~ **September 26**, 2018:

- The Board of Governors of the Federal Reserve System voted **[unanimously]** to maintain the interest rate paid on required and excess reserve balances at 1.95 percent, effective ~~August 2~~ **September 27**, 2018.
- As part of its policy decision, the Federal Open Market Committee voted to authorize and direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:

“Effective ~~August 2~~ **September 27**, 2018, the Federal Open Market Committee directs the Desk to undertake open market operations as necessary to maintain the federal funds rate in a target range of 1-3/4 to 2 percent, including overnight reverse repurchase operations (and reverse repurchase operations with maturities of more than one day when necessary to accommodate weekend, holiday, or similar trading conventions) at an offering rate of 1.75 percent, in amounts limited only by the value of Treasury securities held outright in the System Open Market Account that are available for such operations and by a per-counterparty limit of \$30 billion per day.

The Committee directs the Desk to continue rolling over at auction the amount of principal payments from the Federal Reserve’s holdings of Treasury securities maturing during ~~each calendar month~~ **September** that exceeds \$24 billion, and to **continue** reinvesting in agency mortgage-backed securities the amount of principal payments from the Federal Reserve’s holdings of agency debt and agency mortgage-backed securities received during ~~each calendar month~~ **September** that exceeds \$16 billion. **Effective in October, the Committee directs the Desk to roll over at auction the amount of principal payments from the Federal Reserve’s holdings of Treasury securities maturing during each calendar month that exceeds \$30 billion, and to reinvest in agency mortgage-backed securities the amount of principal payments from the Federal Reserve’s holdings of agency debt and agency mortgage-backed securities received during each calendar month that exceeds \$20 billion.** Small deviations from these amounts for operational reasons are acceptable.

Class I FOMC – Restricted Controlled (FR)

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.”

- In a related action, the Board of Governors of the Federal Reserve System voted [unanimously] to approve the establishment of the primary credit rate at the existing level of 2.50 percent.

This information will be updated as appropriate to reflect decisions of the Federal Open Market Committee or the Board of Governors regarding details of the Federal Reserve’s operational tools and approach used to implement monetary policy.

More information regarding open market operations and reinvestments may be found on the Federal Reserve Bank of New York’s [website](#).

Implementation Note for September 2018 Alternatives B and C

Release Date: September 26, 2018

Decisions Regarding Monetary Policy Implementation

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee (FOMC) in its [statement](#) on ~~August 1~~ **September 26**, 2018:

- The Board of Governors of the Federal Reserve System voted **[unanimously]** to ~~maintain~~ **raise** the interest rate paid on required and excess reserve balances at ~~to 1.95~~ **2.20** percent, effective ~~August 2~~ **September 27**, 2018.
- As part of its policy decision, the Federal Open Market Committee voted to authorize and direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:

“Effective ~~August 2~~ **September 27**, 2018, the Federal Open Market Committee directs the Desk to undertake open market operations as necessary to maintain the federal funds rate in a target range of ~~1-3/4 to 2~~ **to 2-1/4** percent, including overnight reverse repurchase operations (and reverse repurchase operations with maturities of more than one day when necessary to accommodate weekend, holiday, or similar trading conventions) at an offering rate of ~~1.75~~ **2.00** percent, in amounts limited only by the value of Treasury securities held outright in the System Open Market Account that are available for such operations and by a per-counterparty limit of \$30 billion per day.

The Committee directs the Desk to continue rolling over at auction the amount of principal payments from the Federal Reserve’s holdings of Treasury securities maturing during ~~each calendar month~~ **September** that exceeds \$24 billion, and to **continue** ~~reinvesting~~ in agency mortgage-backed securities the amount of principal payments from the Federal Reserve’s holdings of agency debt and agency mortgage-backed securities received during ~~each calendar month~~ **September** that exceeds \$16 billion. **Effective in October, the Committee directs the Desk to roll over at auction the amount of principal payments from the Federal Reserve’s holdings of Treasury securities maturing during each calendar month that exceeds \$30 billion, and to reinvest in agency mortgage-backed securities the amount of principal payments from the Federal Reserve’s holdings of agency debt and agency mortgage-backed securities received during each calendar month that exceeds \$20 billion.** Small deviations from these amounts for operational reasons are acceptable.

Class I FOMC – Restricted Controlled (FR)

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.”

- In a related action, the Board of Governors of the Federal Reserve System voted [unanimously] to approve ~~the establishment of~~ **a 1/4 percentage point increase in the primary credit rate at the existing level of 2.50 to 2.75 percent, effective September 27, 2018. In taking this action, the Board approved requests to establish that rate submitted by the Boards of Directors of the Federal Reserve Banks of . . .**

This information will be updated as appropriate to reflect decisions of the Federal Open Market Committee or the Board of Governors regarding details of the Federal Reserve’s operational tools and approach used to implement monetary policy.

More information regarding open market operations and reinvestments may be found on the Federal Reserve Bank of New York’s [website](#).

Potential Actions of the Board of Governors of the Federal Reserve SystemPotential Board actions associated with FOMC Alternative A

Interest on required and excess reserve balances

Leave the interest rates paid on required and excess reserve balances unchanged at 1.95 percent, effective September 27, 2018.

Establishment of the primary, secondary, and seasonal credit rates

Approve establishment of the primary credit rate at the existing level of 2.50 percent and establishment of the rates for secondary and seasonal credit under the existing formulas specified in the staff's September 21, 2018, memo to the Board.

Potential Board actions associated with FOMC Alternatives B & C

Interest on required and excess reserve balances

Raise the interest rate paid on required and excess reserve balances to 2.20 percent, effective September 27, 2018.

Establishment of the primary, secondary, and seasonal credit rates

Approve establishment of the primary credit rate by the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, Dallas, and San Francisco at 2-3/4 percent, effective September 27, 2018. This action will encompass approval of the establishment of a 2-3/4 percent primary credit rate by each of the remaining Federal Reserve Banks, effective on the later of September 27, 2018, or the date such Reserve Banks inform the Secretary of the Board of such a request; the Secretary of the Board would be authorized to inform each such Reserve Bank of the approval of the Board of Governors upon such notification by the Reserve Bank. Lastly, this vote will also encompass the establishment of the rates for secondary and seasonal credit under the existing formulas specified in staff's September 21, 2018, memo to the Board.