

Appendix 1: Materials used by Mr. Sack

Class II FOMC - Restricted FR

Material for

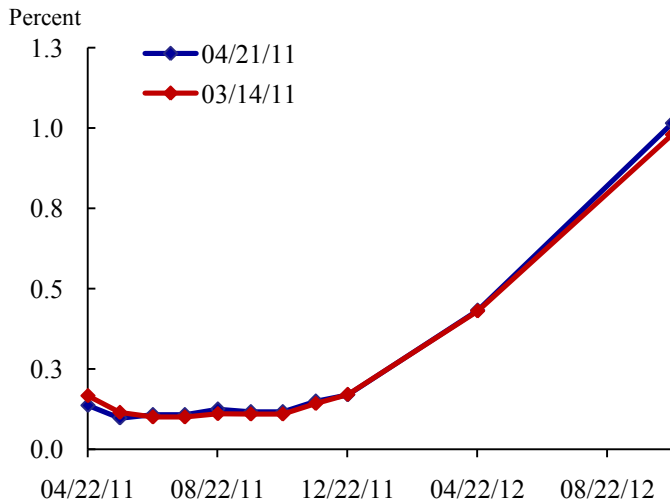
FOMC Presentation:

Financial Market Developments and Desk Operations

Brian Sack

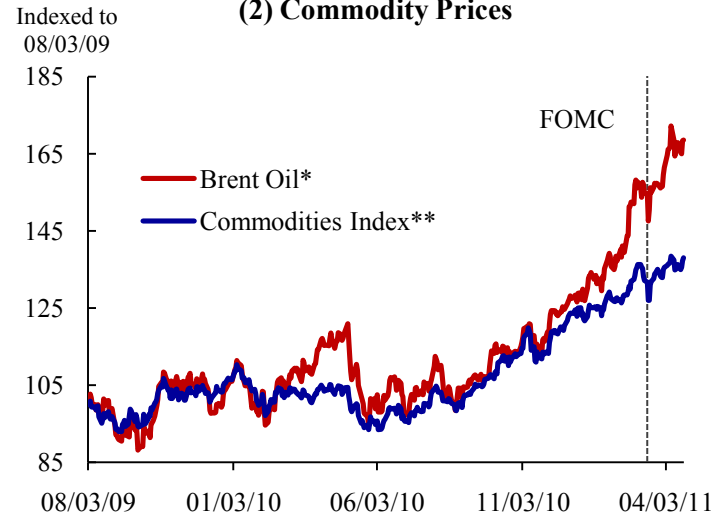
April 26, 2011

(1) Implied Federal Funds Rate Path*



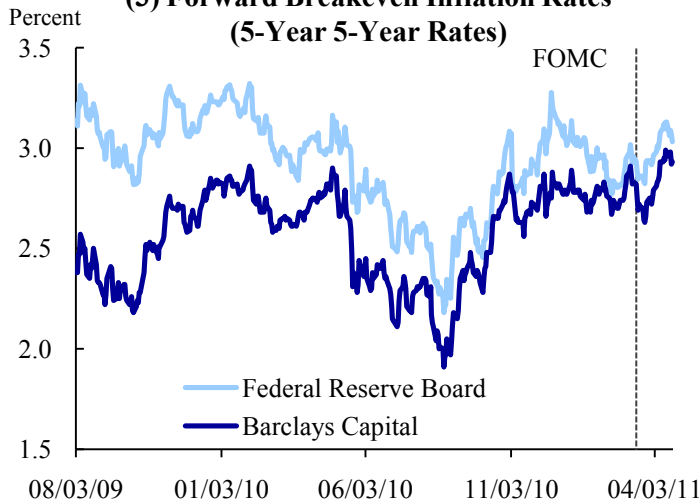
*Based on federal funds and eurodollar futures rates.
Source: Federal Reserve Bank of New York

(2) Commodity Prices



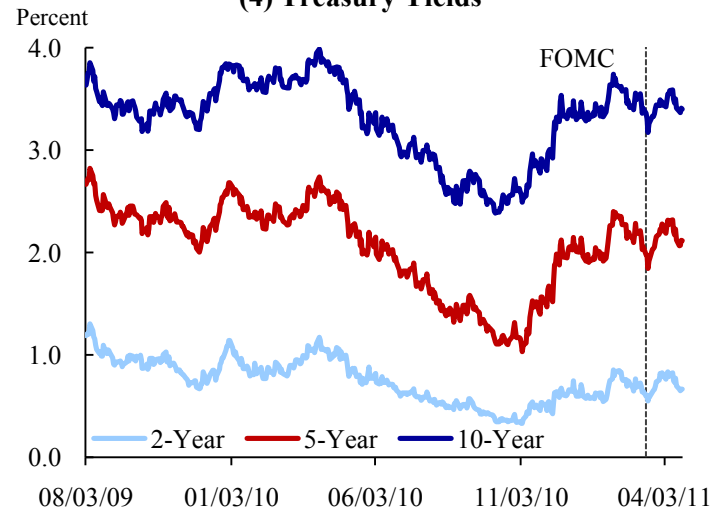
*Front-month futures contract
**Thomson Reuters/Jefferies CRB Commodity Index
Source: Bloomberg

(3) Forward Breakeven Inflation Rates (5-Year 5-Year Rates)



Source: Federal Reserve Board of Governors, Barclays Capital

(4) Treasury Yields



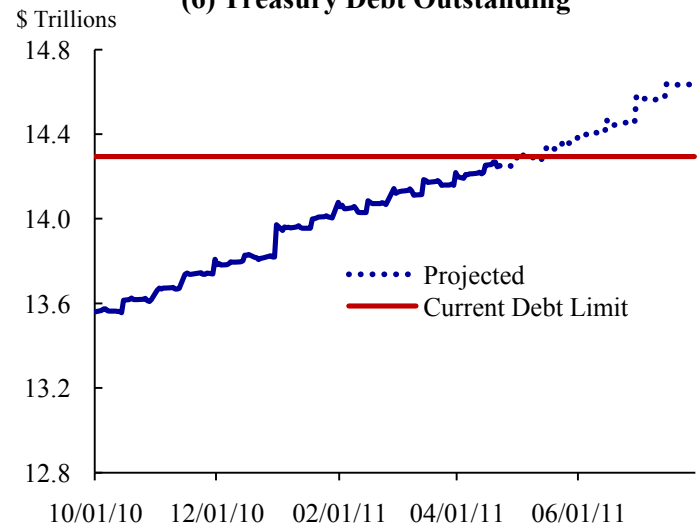
Source: Bloomberg

(5) Market Reaction to S&P Announcement

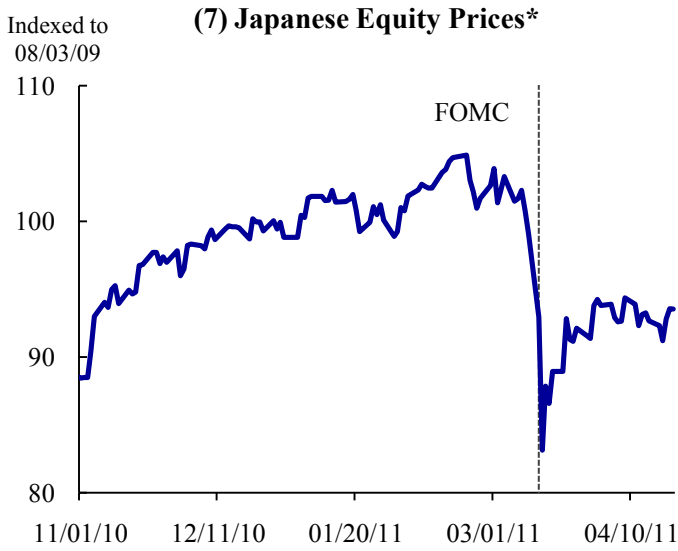
	Immediate Response*	Daily Change**
2Y Treasury	-3 bps	-2 bps
10Y Treasury	+4 bps	-1 bps
30Y Treasury	+9 bps	+2 bps
S&P 500***	-0.7%	-0.7%
DX Dollar	-0.3%	+0.1%

*Change from 9 to 9:30 AM
**Change from 9 AM to close
***Change computed from futures prices.
Source: Bloomberg

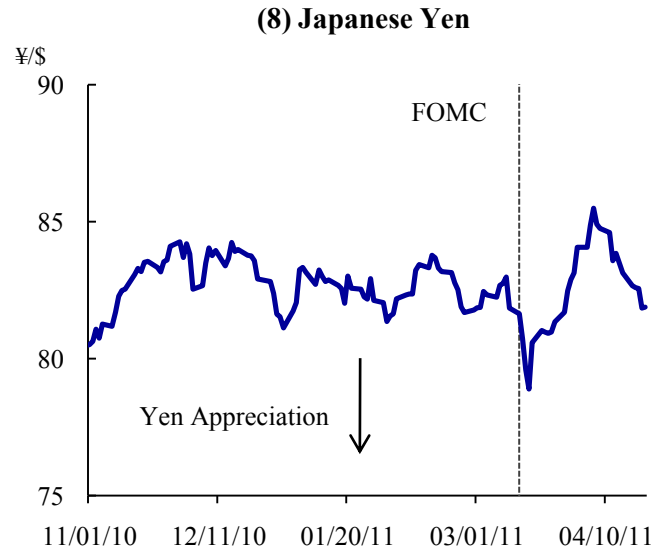
(6) Treasury Debt Outstanding



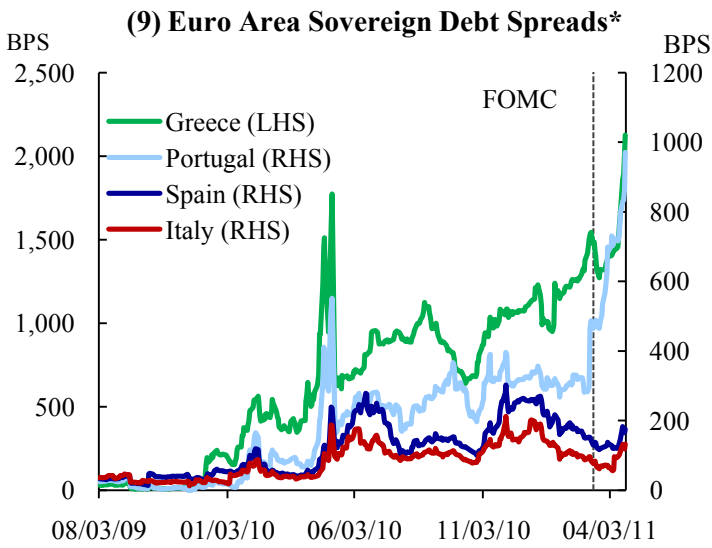
Source: Federal Reserve Board of Governors



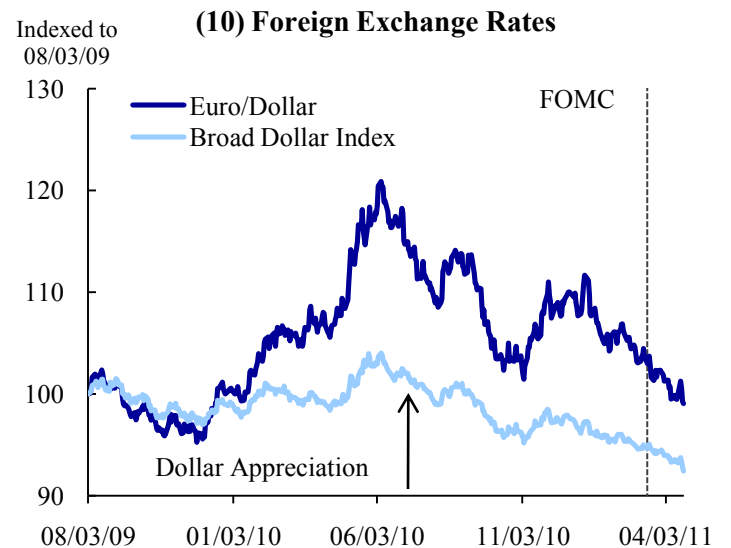
*Nikkei Index
Source: Bloomberg



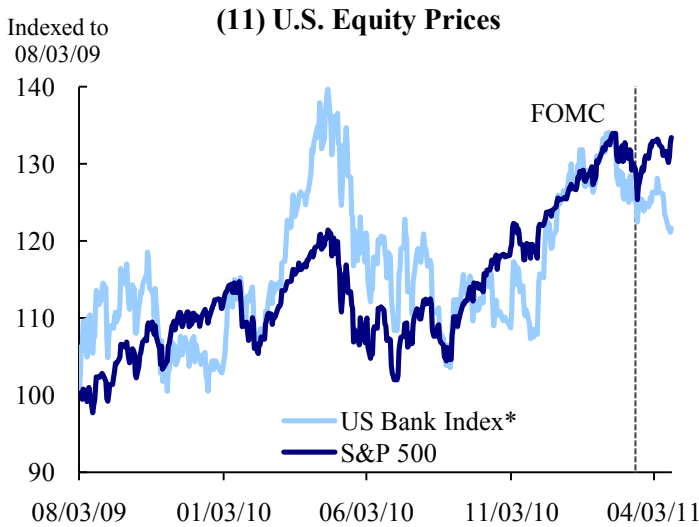
Source: Bloomberg



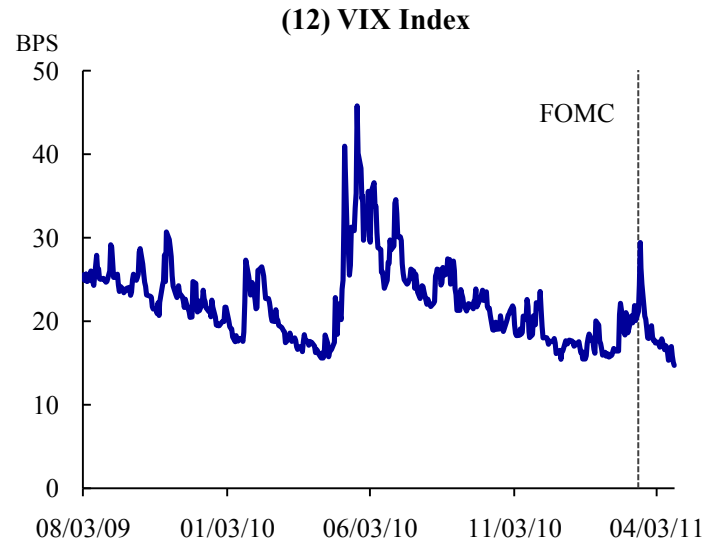
*2-year spreads to Germany
Source: Bloomberg



Source: Federal Reserve Board of Governors, Bloomberg

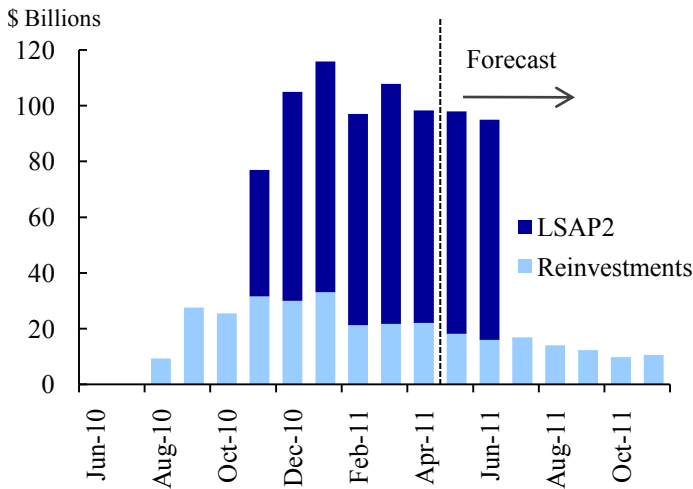


*KBW Bank Index
Source: Bloomberg



Source: Bloomberg

(13) SOMA Purchases of Treasury Securities



Source: Federal Reserve Bank of New York

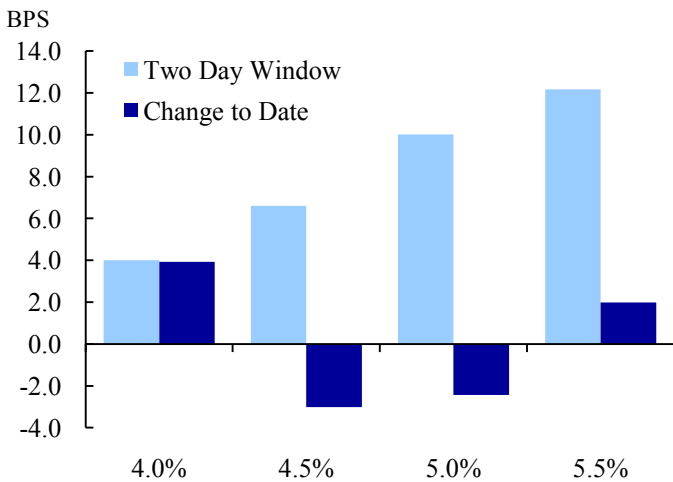
(14) SOMA Portfolio

	June 2011	April 2010
Holdings*		
Treasury	1,634	777
Agency	117	168
MBS	903	1,161
Total	2,654	2,106
Duration	4.64	4.36

*Holdings in \$ billions

Source: Federal Reserve Bank of New York

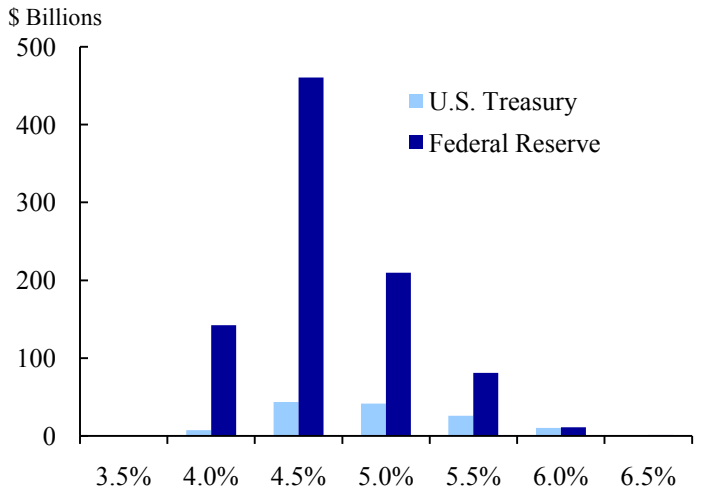
(15) Change in MBS Spreads*



*Option-adjusted spread

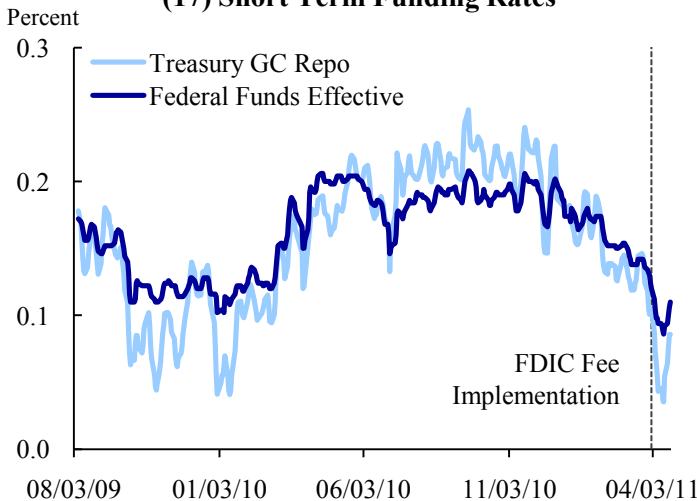
Source: Barclays Capital

(16) MBS Held in Official Portfolios



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

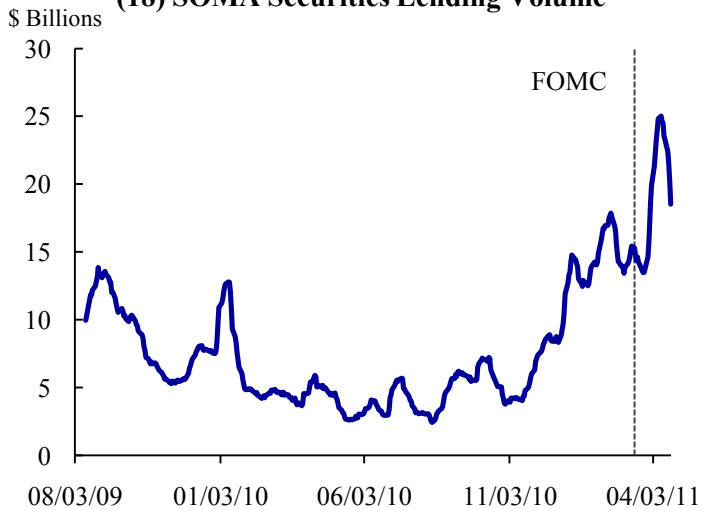
(17) Short Term Funding Rates*



*5-day moving average

Source: Federal Reserve Bank of New York

(18) SOMA Securities Lending Volume*



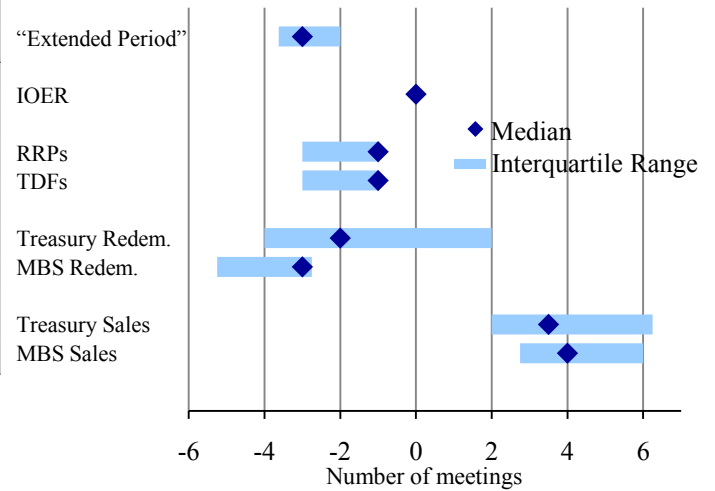
*10-day moving average

Source: Federal Reserve Bank of New York

(19) Expected Use of Exit Tools Relative to First Target Rate Increase (% of Respondents)*

	Before	Concurrent	After	Never
"Extended Period"	100	0	0	0
IOER	5	95	0	0
RRPs	85	15	0	0
TDFs	90	10	0	0
Treasury Redem.	55	5	25	15
MBS Redem.	95	0	5	0
Treasury Sales	0	5	75	20
MBS Sales	0	0	80	20

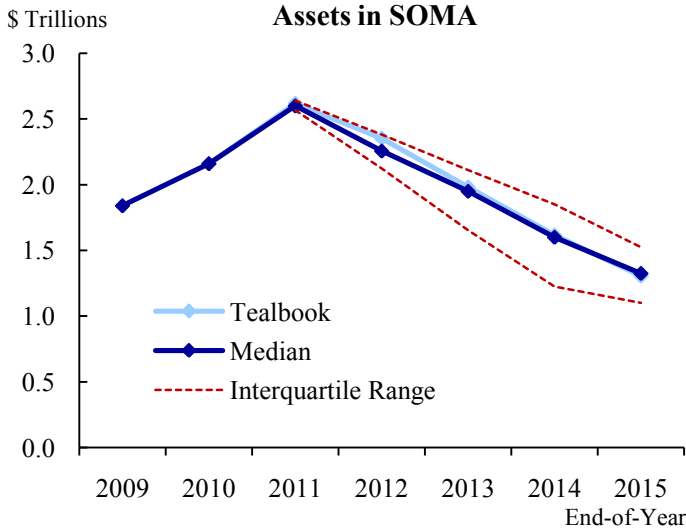
(20) Expected Timing of Exit Tools Relative to First Target Rate Increase



*Views on agency debt sales and redemptions largely followed those for MBS.
Source: Federal Reserve Bank of New York Policy Survey

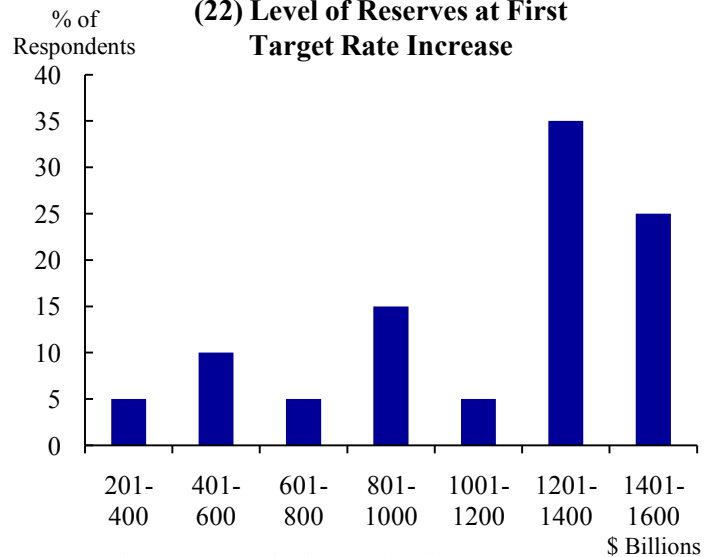
Source: Federal Reserve Bank of New York Policy Survey

(21) Expected Size of Domestic Assets in SOMA



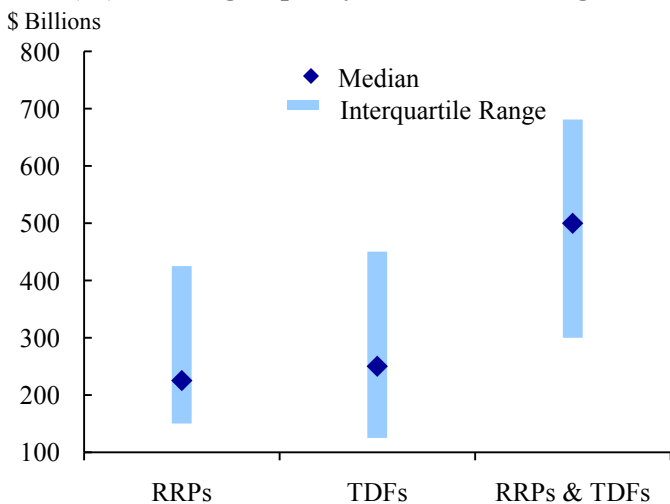
Source: Federal Reserve Bank of New York Policy Survey

(22) Level of Reserves at First Target Rate Increase



Source: Federal Reserve Bank of New York Policy Survey

(23) Draining Capacity over Intermeeting Period



Source: Federal Reserve Bank of New York Policy Survey

(24) Expected Spread between IOER Rate and Federal Funds Rate (in BPS)*

	Level of Excess Reserves			
	\$1.5 Trillion	\$1 Trillion	\$500 Billion	\$0 - \$25 Billion
IOER Rate	16	9	2	-1
	17	14	5	-3
	25	15	6	0

*Median values

Source: Federal Reserve Bank of New York Policy Survey

Appendix 2: Materials used by Mr. Nelson

Material for

**FOMC Briefing on Strategies for Removing
Policy Accommodation**

William R. Nelson

April 26, 2011

Questions for Discussion: Strategies for Removing Policy Accommodation

1. Should the first step in exit be to stop the current policy of reinvesting the principal payments from agency securities? Should that first step also include a halt to reinvestments of the principal payments from Treasury securities?
2. In removing policy accommodation would you prefer to put asset sales on a largely pre-determined and pre-announced path, or would you prefer to actively vary the pace of asset sales in response to changes in the economic outlook?
3. In sequencing actions to remove accommodation, would you favor starting to sell assets before, after, or at the same time as increasing the funds rate? Would you place a high priority on reducing the size of the SOMA portfolio quickly, even if that would delay liftoff of the funds rate?
4. Do you agree with each of the following statements?
 - The exit strategy should shrink the SOMA portfolio over the intermediate term to a level no larger than what is necessary to implement the Committee’s monetary policy framework.
 - The exit strategy should return the SOMA portfolio to an all-Treasuries composition over the intermediate term, which will require sales of agency securities.
 - Asset sales should be implemented within a framework that has been communicated to the public in advance, and at a pace that potentially could be adjusted in response to changes in economic or financial conditions.

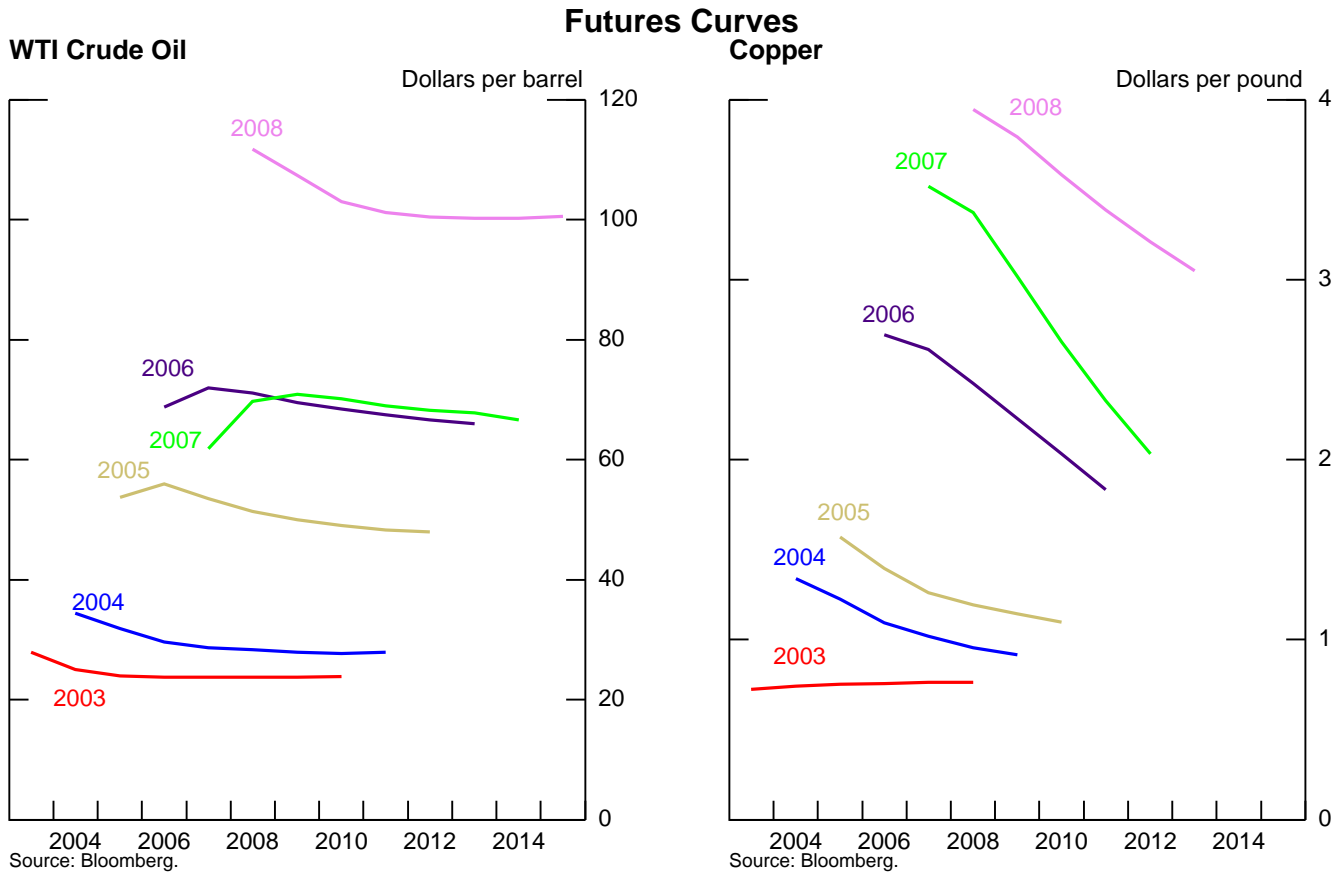
Appendix 3: Materials used by Mr. Sheets

Material for
FOMC Briefing on International Developments

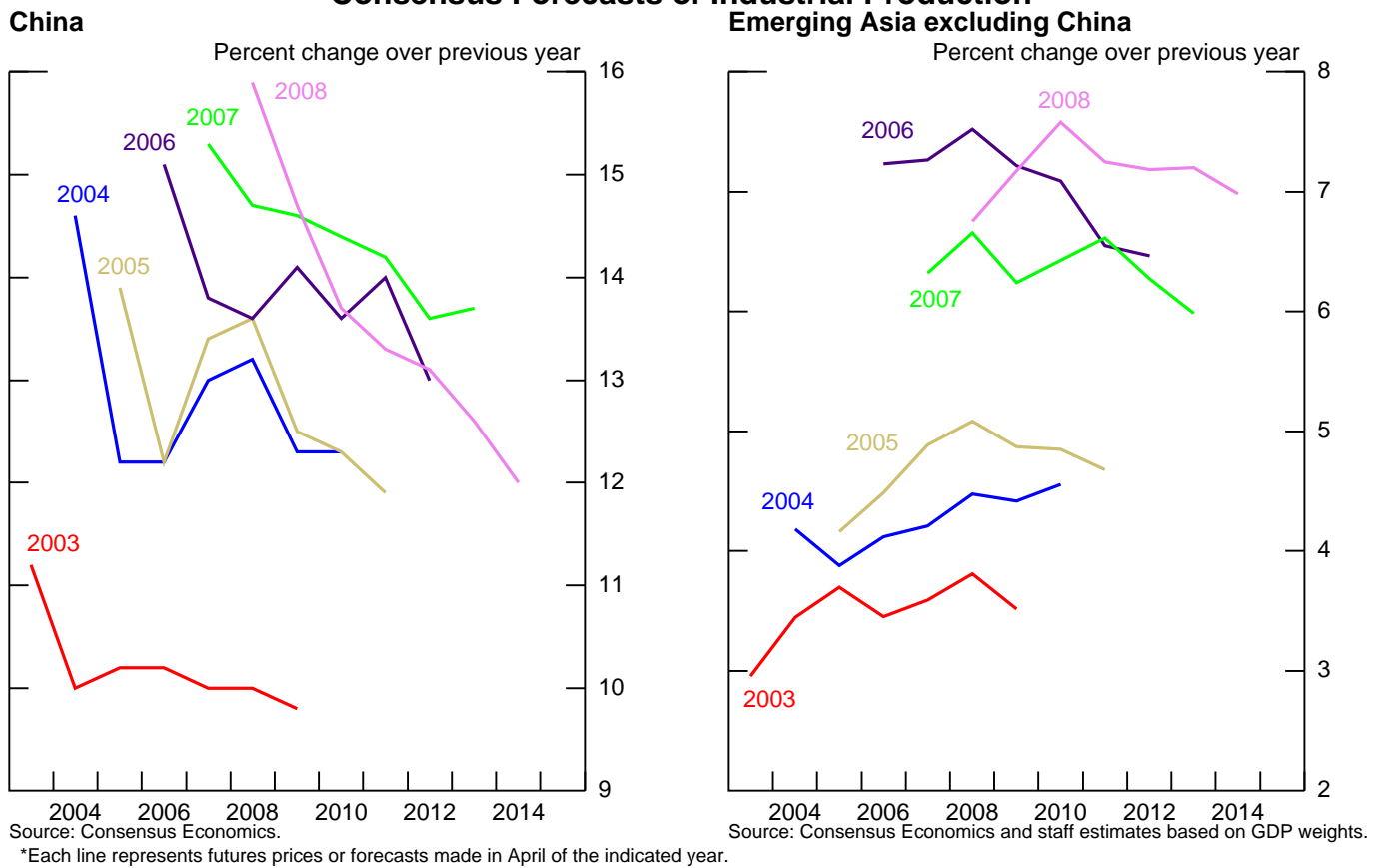
Nathan Sheets
April 26, 2011

Exhibit 1

Commodities: 2003 to 2008*



Consensus Forecasts of Industrial Production



Appendix 4: Materials used by Mr. Natalucci

Material for Briefing on

FOMC Participants' Economic Projections

Fabio Natalucci
April 26, 2011

Exhibit 1. Central tendencies and ranges of economic projections, 2011–13 and over the longer run

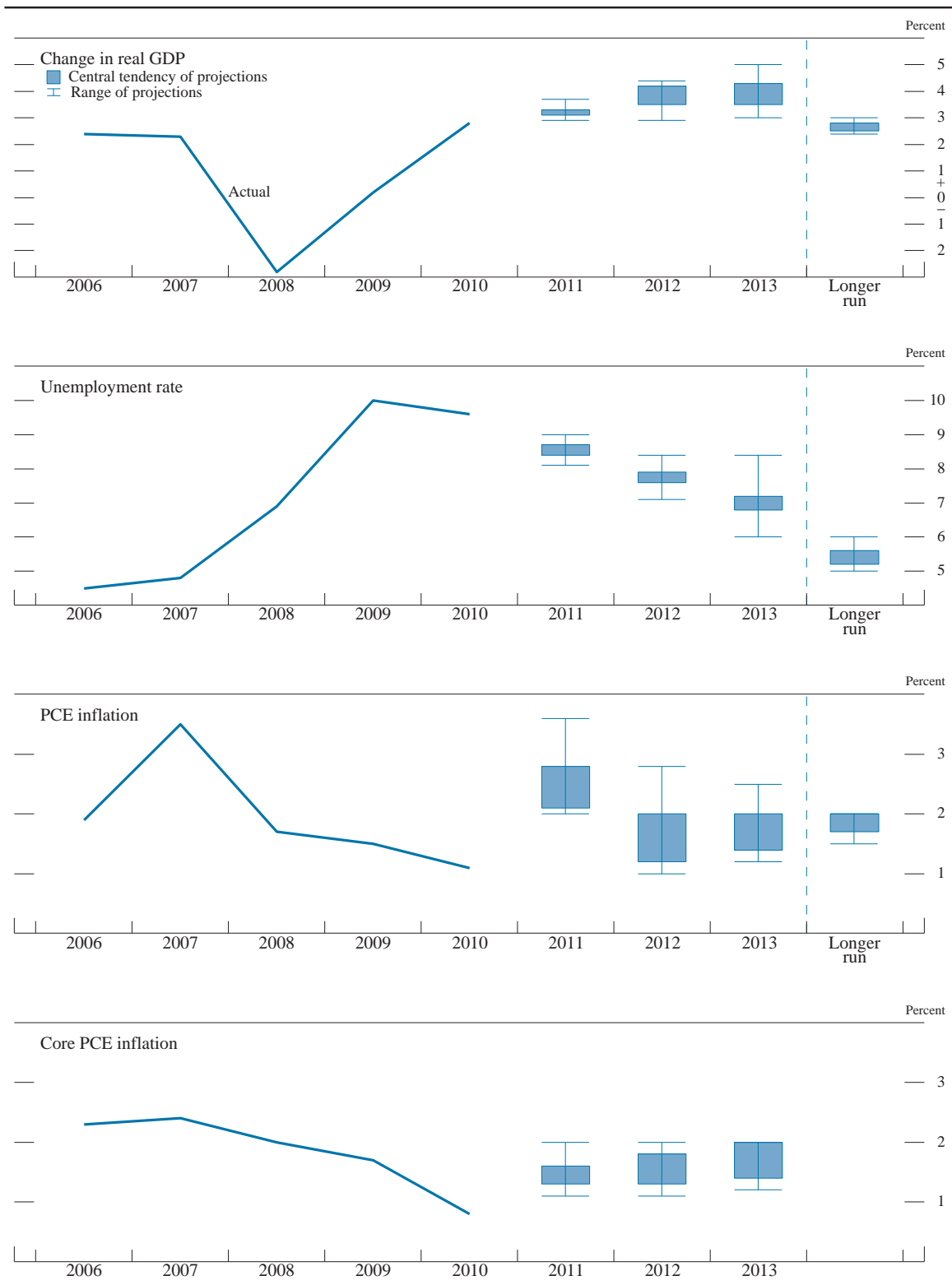
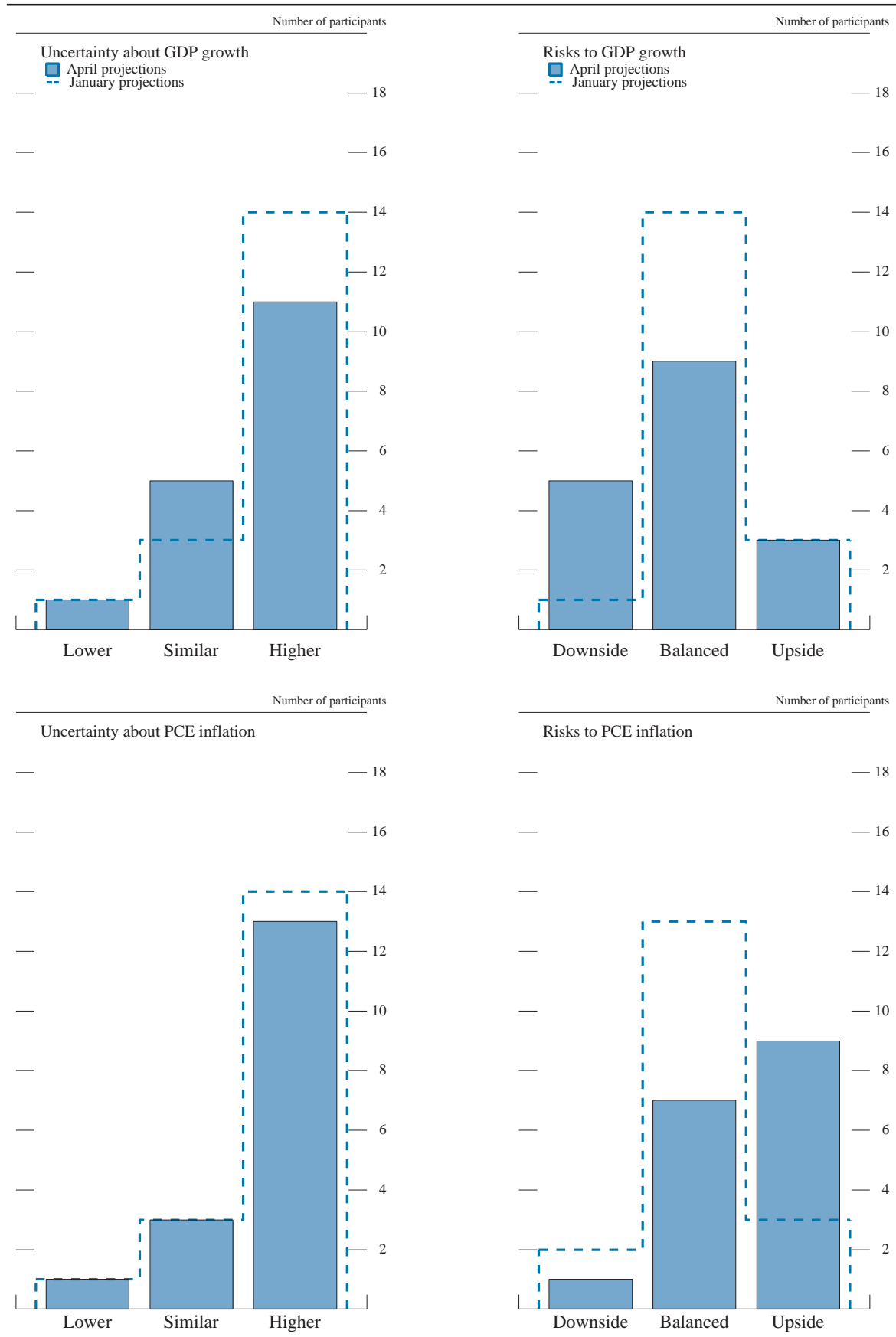


Exhibit 2. Economic projections for 2011-2013 and over the longer run (percent)

Change in real GDP				
	2011	2012	2013	Longer run
Central Tendency	3.1 to 3.3	3.5 to 4.2	3.5 to 4.3	2.5 to 2.8
<i>January projections</i>	<i>3.4 to 3.9</i>	<i>3.5 to 4.4</i>	<i>3.7 to 4.6</i>	<i>2.5 to 2.8</i>
Range	2.9 to 3.7	2.9 to 4.4	3.0 to 5.0	2.4 to 3.0
<i>January projections</i>	<i>3.2 to 4.2</i>	<i>3.4 to 4.5</i>	<i>3.0 to 5.0</i>	<i>2.4 to 3.0</i>
Memo: Tealbook	3.2	4.2	4.3	2.8
<i>January Tealbook</i>	<i>3.8</i>	<i>4.4</i>	<i>4.6</i>	<i>3.0</i>
Unemployment rate				
	2011	2012	2013	Longer run
Central Tendency	8.4 to 8.7	7.6 to 7.9	6.8 to 7.2	5.2 to 5.6
<i>January projections</i>	<i>8.8 to 9.0</i>	<i>7.6 to 8.1</i>	<i>6.8 to 7.2</i>	<i>5.0 to 6.0</i>
Range	8.1 to 9.0	7.1 to 8.4	6.0 to 8.4	5.0 to 6.0
<i>January projections</i>	<i>8.4 to 9.0</i>	<i>7.2 to 8.4</i>	<i>6.0 to 7.9</i>	<i>5.0 to 6.2</i>
Memo: Tealbook	8.7	7.7	7.0	5.2
<i>January Tealbook</i>	<i>8.9</i>	<i>7.8</i>	<i>7.0</i>	<i>5.2</i>
PCE inflation				
	2011	2012	2013	Longer run
Central Tendency	2.1 to 2.8	1.2 to 2.0	1.4 to 2.0	1.7 to 2.0
<i>January projections</i>	<i>1.3 to 1.7</i>	<i>1.0 to 1.9</i>	<i>1.2 to 2.0</i>	<i>1.6 to 2.0</i>
Range	2.0 to 3.6	1.0 to 2.8	1.2 to 2.5	1.5 to 2.0
<i>January projections</i>	<i>1.0 to 2.0</i>	<i>0.7 to 2.2</i>	<i>0.6 to 2.0</i>	<i>1.5 to 2.0</i>
Memo: Tealbook	2.2	1.2	1.5	2.0
<i>January Tealbook</i>	<i>1.3</i>	<i>1.0</i>	<i>1.2</i>	<i>2.0</i>
Core PCE inflation				
	2011	2012	2013	
Central Tendency	1.3 to 1.6	1.3 to 1.8	1.4 to 2.0	
<i>January projections</i>	<i>1.0 to 1.3</i>	<i>1.0 to 1.5</i>	<i>1.2 to 2.0</i>	
Range	1.1 to 2.0	1.1 to 2.0	1.2 to 2.0	
<i>January projections</i>	<i>0.7 to 1.8</i>	<i>0.6 to 2.0</i>	<i>0.6 to 2.0</i>	
Memo: Tealbook	1.4	1.4	1.5	
<i>January Tealbook</i>	<i>1.0</i>	<i>1.0</i>	<i>1.2</i>	

NOTE: The changes in real GDP and inflation are measured Q4/Q4

Exhibit 3. Risks and uncertainty in economic projections



Appendix 5: Materials used by Mr. English

Material for

FOMC Briefing on Monetary Policy Alternatives

Bill English
April 27, 2011

MARCH FOMC STATEMENT

1. Information received since the Federal Open Market Committee met in January suggests that the economic recovery is on a firmer footing, and overall conditions in the labor market appear to be improving gradually. Household spending and business spending on equipment and software continue to expand. However, investment in nonresidential structures is still weak, and the housing sector continues to be depressed. Commodity prices have risen significantly since the summer, and concerns about global supplies of crude oil have contributed to a sharp run-up in oil prices in recent weeks. Nonetheless, longer-term inflation expectations have remained stable, and measures of underlying inflation have been subdued.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. Currently, the unemployment rate remains elevated, and measures of underlying inflation continue to be somewhat low, relative to levels that the Committee judges to be consistent, over the longer run, with its dual mandate. The recent increases in the prices of energy and other commodities are currently putting upward pressure on inflation. The Committee expects these effects to be transitory, but it will pay close attention to the evolution of inflation and inflation expectations. The Committee continues to anticipate a gradual return to higher levels of resource utilization in a context of price stability.
3. To promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee decided today to continue expanding its holdings of securities as announced in November. In particular, the Committee is maintaining its existing policy of reinvesting principal payments from its securities holdings and intends to purchase \$600 billion of longer-term Treasury securities by the end of the second quarter of 2011. The Committee will regularly review the pace of its securities purchases and the overall size of the asset-purchase program in light of incoming information and will adjust the program as needed to best foster maximum employment and price stability.
4. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate for an extended period.
5. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to support the economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate.

APRIL FOMC STATEMENT—ALTERNATIVE A

1. Information received since the Federal Open Market Committee met in ~~January~~ **March** suggests that the economic recovery is ~~on a firmer footing~~ **proceeding at a moderate pace, albeit somewhat more slowly than had been anticipated**, and ~~that~~ overall conditions in the labor market ~~appear to be~~ **are** improving **only** gradually. Household spending and business investment in equipment and software continue to expand, **but increased energy costs may be weighing on consumer purchases of non-energy goods and services**. ~~However~~ Investment in nonresidential structures is still weak, and the housing sector continues to be depressed. Commodity prices have risen significantly since ~~the last~~ summer, and concerns about global supplies of crude oil have contributed to a ~~sharp run-up~~ **further increase** in oil prices ~~in recent weeks~~ **since the Committee met in March**. Nonetheless, **While inflation has picked up in recent months**, longer-term inflation expectations have remained stable and measures of underlying inflation ~~have been~~ **are still** subdued.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. ~~Currently~~, The unemployment rate remains elevated, and measures of underlying inflation continue to be somewhat low, relative to levels that the Committee judges to be consistent, over the longer run, with its dual mandate. ~~The recent~~ Increases in the prices of energy and other commodities are ~~currently~~ putting upward pressure on inflation. The Committee expects these effects to be transitory, but it will pay close attention to the evolution of inflation and inflation expectations. **Although** the Committee continues to anticipate a gradual return to higher levels of resource utilization in a context of price stability, **recent developments have increased the downside risks to the outlook for economic growth**.
3. To promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee decided today to continue expanding its holdings of securities as announced in November. In particular, the Committee is maintaining its existing policy of reinvesting principal payments from its securities holdings and ~~intends~~ **will complete** ~~to~~ purchases **of** \$600 billion of longer-term Treasury securities by the end of the ~~second~~ **current** quarter of 2011. The Committee ~~will regularly review the pace of its securities purchases and the overall size of the asset-purchase program in light of incoming information and will adjust~~ **is prepared to expand and extend the purchase program** ~~the program as~~ **if** needed to best foster maximum employment and price stability.
4. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and ~~continues~~ ~~to~~ **currently** anticipate ~~s~~ that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate ~~for an extended period~~ **at least through mid-2012**.
5. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to support the economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate.

APRIL FOMC STATEMENT—ALTERNATIVE B

1. Information received since the Federal Open Market Committee met in ~~January~~ **March** suggests **indicates** that the economic recovery is ~~on a firmer footing~~ **proceeding at a moderate pace** and overall conditions in the labor market ~~appear to be~~ **are** improving gradually. Household spending and business investment in equipment and software continue to expand. However, investment in nonresidential structures is still weak, and the housing sector continues to be depressed. Commodity prices have risen significantly since ~~the last~~ **the last** summer, and concerns about global supplies of crude oil have contributed to a ~~sharp run-up~~ **further increase** in oil prices ~~in recent weeks~~ **since the Committee met in March**. Nonetheless, **Inflation has picked up in recent months, but** longer-term inflation expectations have remained **[generally]** stable and measures of underlying inflation ~~have been~~ **are still** subdued.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. ~~Currently,~~ The unemployment rate remains elevated, and measures of underlying inflation continue to be somewhat low, relative to levels that the Committee judges to be consistent, over the longer run, with its dual mandate. ~~The recent~~ **Increases in the prices of energy and other commodities have pushed up inflation in recent months** are currently putting upward pressure on inflation. The Committee expects these effects to be transitory, but it will pay close attention to the evolution of inflation and inflation expectations. The Committee ~~continues to anticipate~~ **a gradual return to higher levels of resource utilization and a decline in inflation to rates consistent with the Federal Reserve's mandate** in a context of price stability.
3. To promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee decided today to continue expanding its holdings of securities as announced in November. In particular, the Committee is maintaining its existing policy of reinvesting principal payments from its securities holdings and ~~intends to~~ **will complete purchases of** \$600 billion of longer-term Treasury securities by the end of the ~~second~~ **current** quarter of 2011. The Committee will regularly review the ~~pace~~ **size and composition** of its securities ~~purchases~~ **holdings** and ~~the overall size of the asset purchase program~~ in light of incoming information and ~~will adjust the program~~ **is prepared to adjust those holdings** as needed to best foster maximum employment and price stability.
4. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate for an extended period.
5. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to support the economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate.

APRIL FOMC STATEMENT—ALTERNATIVE C

1. Information received since the Federal Open Market Committee met in ~~January~~ **March** suggests **indicates** that the economic recovery is on a firmer footing and overall conditions in the labor market ~~appear to be~~ **are** improving gradually. Household spending and business investment in equipment and software continue to expand. ~~However, investment in nonresidential structures is still weak, and the housing sector continues to be depressed.~~ Commodity prices have risen significantly since the summer, and concerns about global supplies of crude oil have contributed to a ~~sharp run-up~~ **further increase** in oil prices in recent weeks **since the Committee met in March**. Nonetheless, **Inflation has picked up in recent months, but** longer-term inflation expectations have remained [**generally**] stable and measures of underlying inflation ~~have been~~ **are still** subdued.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. ~~Currently,~~ The unemployment rate ~~remains elevated~~ and measures of underlying inflation ~~continue to be somewhat low, relative~~ **have moved somewhat closer** to levels that the Committee judges to be consistent, over the longer run, with its dual mandate. ~~However,~~ ~~The recent increases in the prices of energy and other commodities are currently putting upward pressure on~~ **are boosting overall** inflation. The Committee expects these effects to be transitory **so long as longer-term inflation expectations remain stable**, but **and** it will pay close attention to the evolution of inflation and inflation expectations. The Committee continues to anticipate a gradual return to higher levels of resource utilization in a context of price stability.
3. ~~To promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate~~ **In light of incoming information, the Committee judges that the increase in its holdings of longer-term securities since November is sufficient to promote appropriate progress toward maximum employment and price stability. Accordingly,** the Committee decided today to ~~continue expanding~~ **complete only \$450 billion of the intended \$600 billion increase in** its holdings of securities as announced in November. ~~In particular~~ **For now,** the Committee is maintaining its existing policy of reinvesting principal payments from its securities holdings and ~~intends to purchase \$600 billion of longer term Treasury securities by the end of the second quarter of 2011.~~ **The Committee** will regularly review the pace of its securities purchases and the overall size of the asset-purchase program needed **its reinvestment policy and the level of its securities holdings** in light of incoming information and will ~~adjust the program~~ **make adjustments** as needed to best foster maximum employment and price stability.
4. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and ~~continues to anticipate~~ that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate for an ~~extended period~~ **some time**.
5. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to support the economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate.

March 2011 FOMC Directive

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to $\frac{1}{4}$ percent. The Committee directs the Desk to execute purchases of longer-term Treasury securities in order to increase the total face value of domestic securities held in the System Open Market Account to approximately \$2.6 trillion by the end of June 2011. The Committee also directs the Desk to reinvest principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury 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.

April 2011 FOMC Directive — Alternative A

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to $\frac{1}{4}$ percent. The Committee directs the Desk to execute purchases of longer-term Treasury securities in order to increase the total face value of domestic securities held in the System Open Market Account to approximately \$2.6 trillion by the end of June 2011. The Committee also directs the Desk to reinvest principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury 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.

April 2011 FOMC Directive — Alternative B

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to $\frac{1}{4}$ percent. The Committee directs the Desk to execute purchases of longer-term Treasury securities in order to increase the total face value of domestic securities held in the System Open Market Account to approximately \$2.6 trillion by the end of June 2011. The Committee also directs the Desk to reinvest principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury 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.

April 2011 FOMC Directive — Alternative C

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to $\frac{1}{4}$ percent. The Committee directs the Desk to execute purchases of longer-term Treasury securities in order to increase the total face value of domestic securities held in the System Open Market Account to approximately ~~\$2.6~~ **\$2.5** trillion by **mid-May** 2011. The Committee also directs the Desk to reinvest principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury 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.