Appendix 1: Materials used by Mr. Potter

Class II FOMC – Restricted (FR)

Material for Briefing on

Financial Developments and Open Market Operations

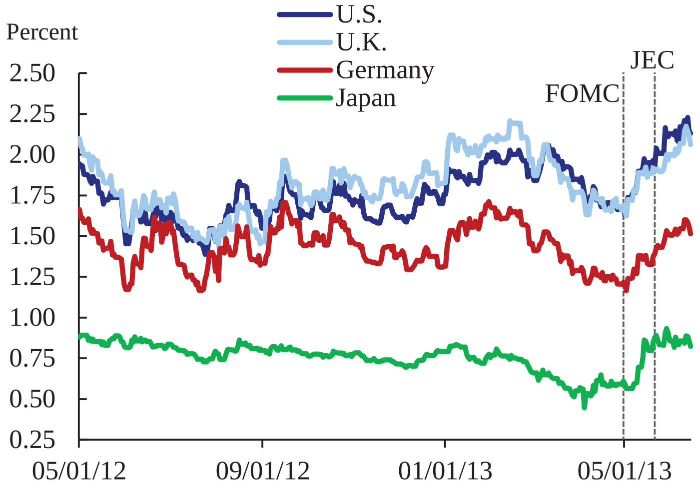
Simon Potter

June 18, 2013

Class II FOMC – Restricted (FR)

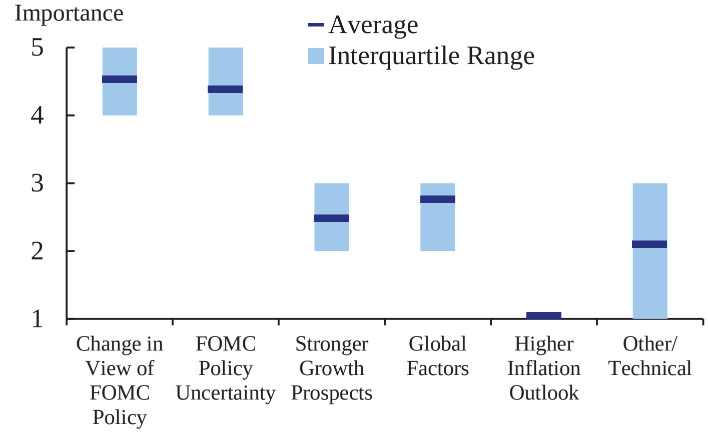
Exhibit 1

(1) Ten-Year Sovereign Yields



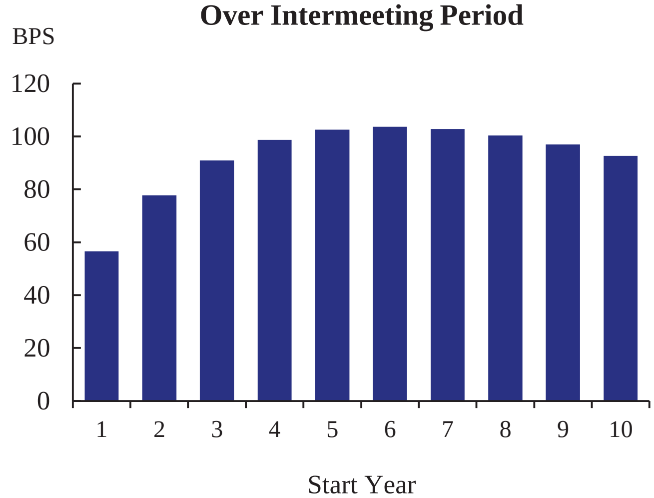
Source: Bloomberg

(2) Factors Contributing to Ten-Year Yield Increase Over Intermeeting Period*



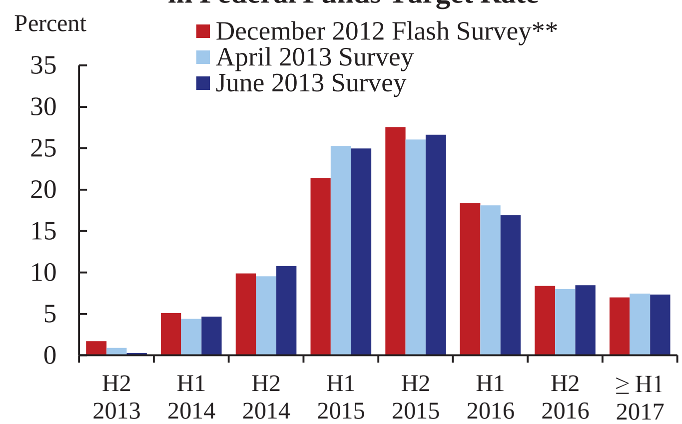
*Responses are expressed in terms of importance of each factor, where 1 is not important and 5 is very important.
Source: Federal Reserve Bank of New York Survey

(3) Changes in One-Year Forward Real Yields Over Intermeeting Period



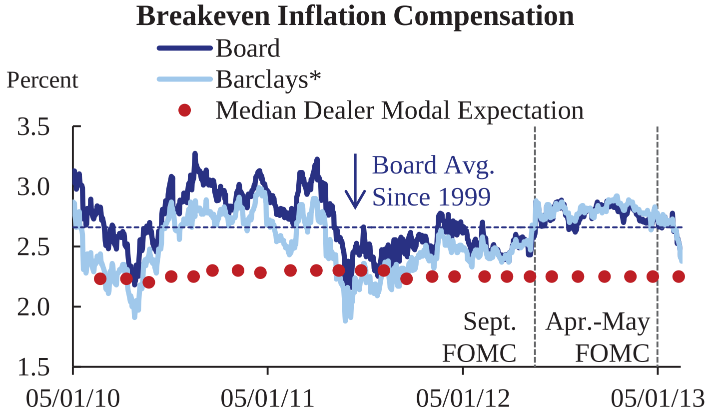
Source: Federal Reserve Board of Governors

(4) Probability Distribution of First Increase in Federal Funds Target Rate*



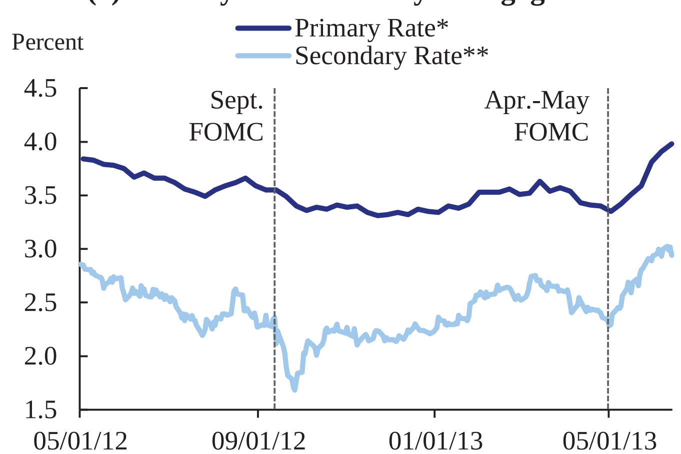
*Average probabilities from dealer responses.
**Flash survey conducted after December 2012 FOMC meeting.
Source: Federal Reserve Bank of New York Survey

(5) Five-Year, Five-Year Forward Breakeven Inflation Compensation



*Barclays measure adjusted for the intermeeting roll to a newly issued 5-year TIPS. The unadjusted measure would currently be 8 bps lower.
Source: Barclays, Federal Reserve Board of Governors, Federal Reserve Bank of New York Survey

(6) Primary and Secondary Mortgage Rates



*FHLMC 30-year survey rate.
**FNMA 30-year current coupon yield.
Source: FHLMC, Bloomberg

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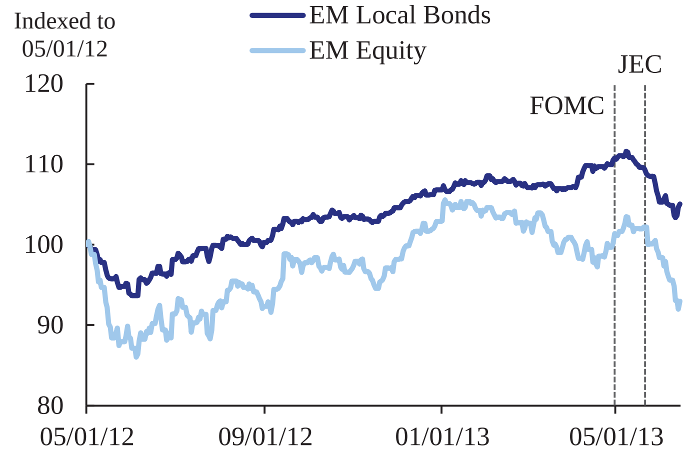
Exhibit 2

(7) Risk Asset Performance

	Change on Period	Change YTD
Credit Spreads to Treasury		
10-Year Swap	+0 bps	+12 bps
IG Debt	+8	+2
HY Debt	+52	-27
ABS	+4	+8
Leveraged Loans	-2	-68
CMBS	+5	+19
Equity Indices		
S&P 500 Index	+1.8%	+14.1%
FTSE All-World Ex-U.S. Index	-4.6%	+0.9%

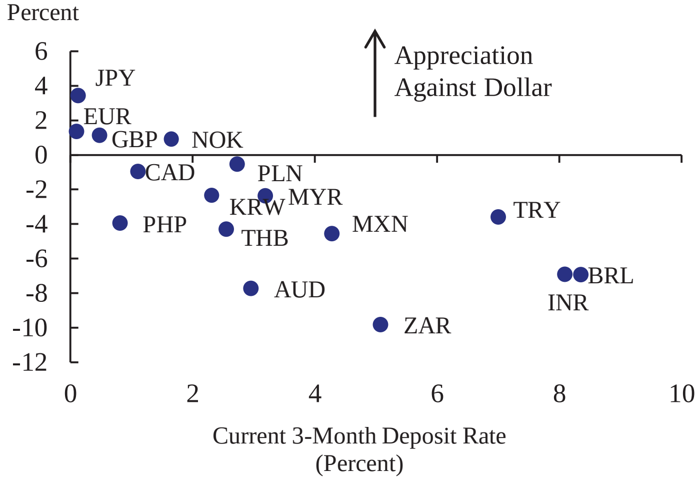
Source: Bloomberg, Barclays, J.P. Morgan

(8) Emerging Market Indices*



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

(9) Currency Performance Against U.S. Dollar Over Intermeeting Period by Deposit Rate



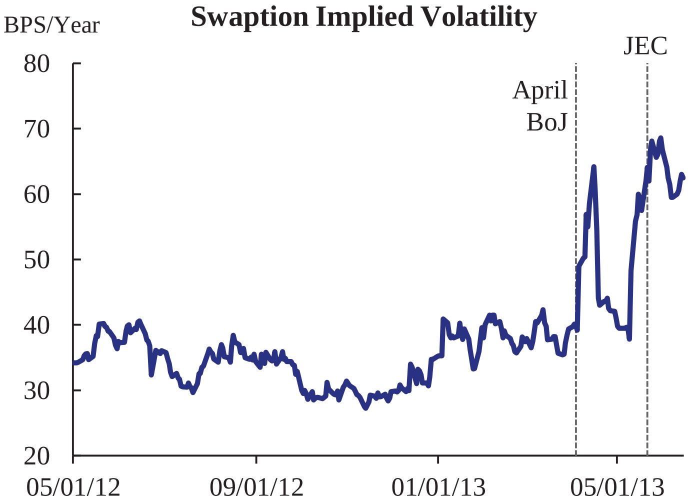
Source: Bloomberg

(10) Japanese Asset Price Changes

	Level	Change Since Recent Peak* (05/22/13)	Change Since Early Elections (11/13/12)
Nikkei Index	12,687	-18.8%	+46.5%
Implied Vol.	41.6%	+14 ppts	+24 ppts
Dollar-Yen	94.31	-8.6%	+18.8%
*Implied Vol.***	16.3%	+4 ppts	+10 ppts
5-Year Real Yield***	-0.95%	+47 bps	-52 bps
10-Year BEI****	1.02%	-16 bps	+65 bps

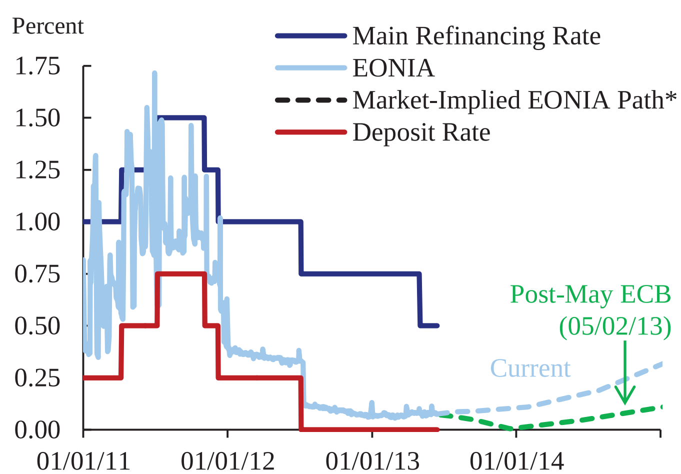
*Recent peak of Nikkei index.
**One-month at-the-money implied volatility.
***Yield on JGBi maturing 06/10/18.
****10-year breakeven swap rate.
Source: Bloomberg, Barclays

(11) Japanese Three-Month, Ten-Year Swaption Implied Volatility



Source: Bloomberg

(12) ECB Policy Rates



*Risk-neutral projection based on forward EONIA swaps.
Source: ECB, Bloomberg, Barclays

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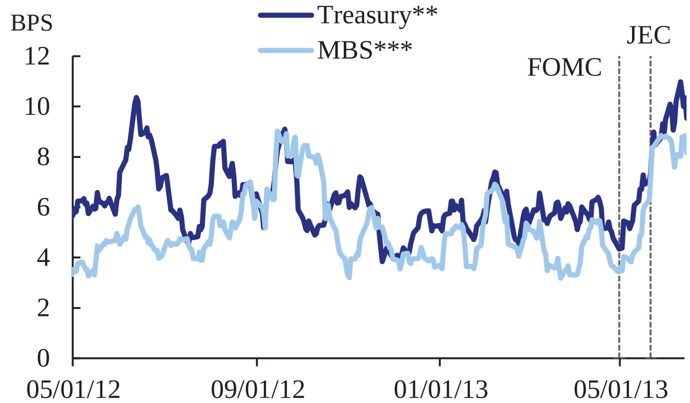
Exhibit 3

(13) Outcome-Based Purchase Operations (Through 06/14/13)

	Treasury	MBS	
Par Amount ($ Bil.)	244	373	Par Amount ($ Bil.)
Total Holdings ($ Bil.)	1,898	1,326	Total Holdings ($ Bil.)
Ownership* (%)	34	35	Ownership* (%)
Duration of Purchases**	9.8	5.8	Duration of Purchases**
Number of Operations	99	3,582	Number of Transactions***

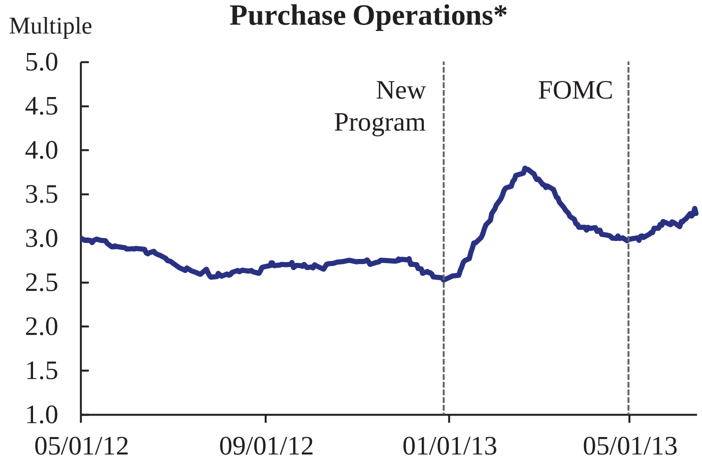
*Treasury ownership is as percent of outstanding with 4-30 years to maturity. MBS ownership is as percent of TBA-eligible outstanding.
**Treasury duration is modified duration. MBS duration is effective duration.
***Outright transactions, including reinvestments, since 09/13/12.
Source: Federal Reserve Bank of New York

(14) Intraday Trading Range*



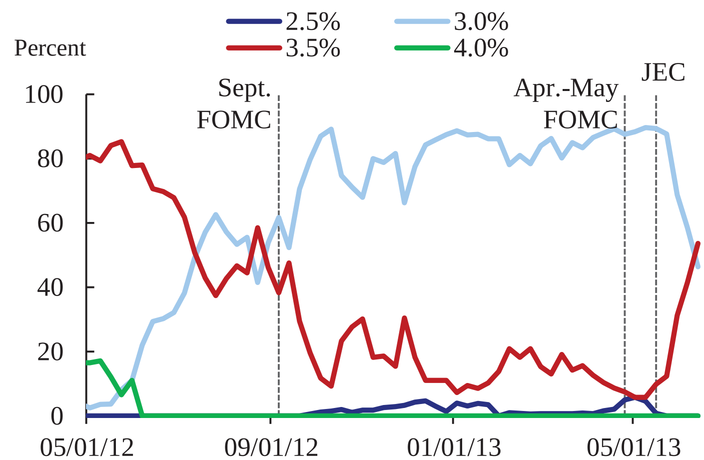
*10-day moving average.
**10-year on-the-run Treasury.
***30-year FNMA current coupon.
Source: Bloomberg

(15) Coverage Ratio for Treasury Purchase Operations*



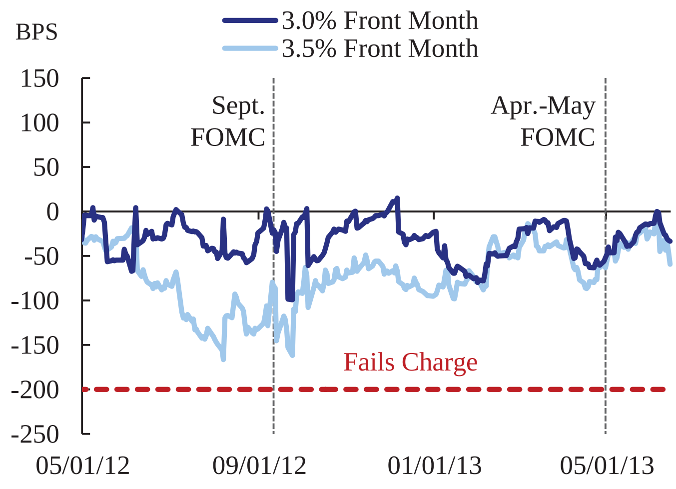
*30-day moving average.
Source: Federal Reserve Bank of New York

(16) Thirty-Year MBS Purchase Allocations (As a Percent of Total)



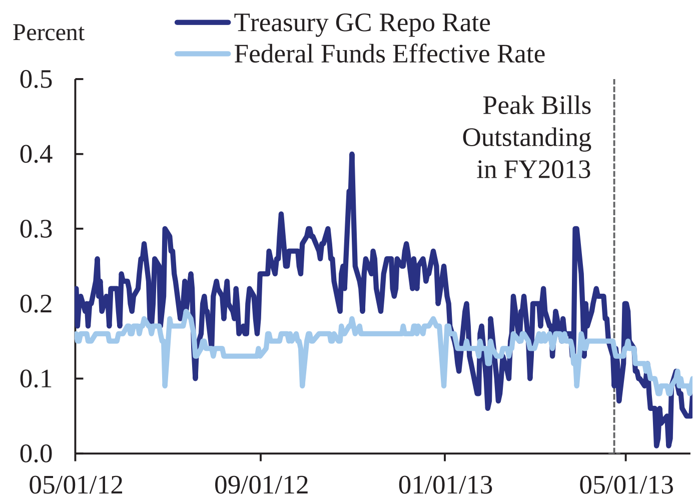
Source: Federal Reserve Bank of New York

(17) Dollar Roll Implied Financing Rates*



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

(18) Overnight Interest Rates

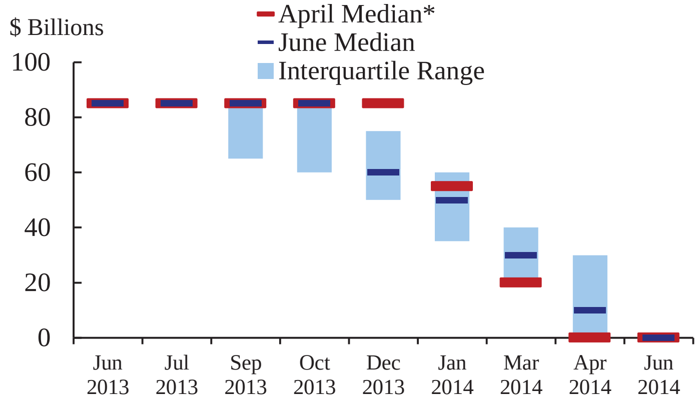


Source: Federal Reserve Bank of New York

Class II FOMC – Restricted (FR)

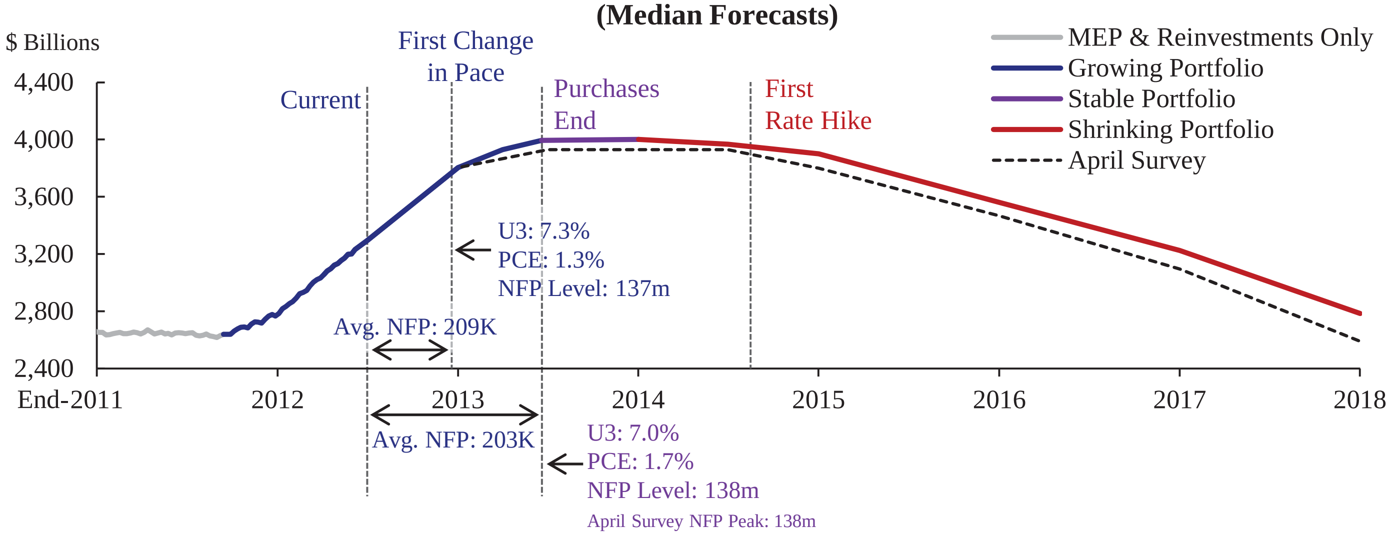
Exhibit 4 (Last)

(19) Median Total Monthly Purchase Pace Announced at FOMC Meetings



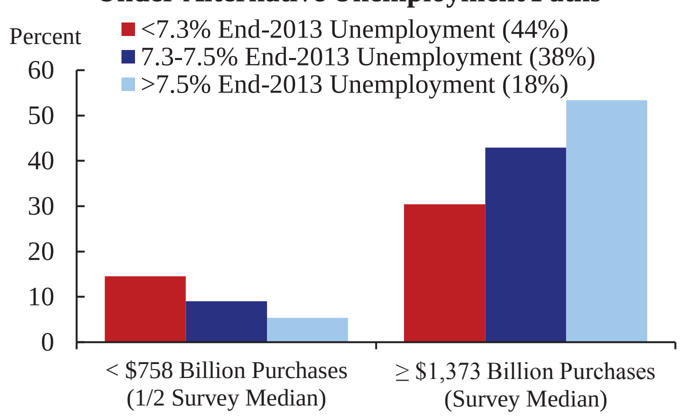
*Sep. 2013, Oct. 2013, Jan. 2014, Mar. 2014 and Jun. 2014 medians derived from a separate question in the April survey.
Source: Federal Reserve Bank of New York Survey

(20) SOMA Portfolio Holdings (Median Forecasts)



Source: Federal Reserve Bank of New York Survey, Bureau of Labor Statistics

(21) Probability of Purchase Program Sizes Under Alternative Unemployment Paths*



*Average dealer probability assigned to unemployment outcomes in parentheses.
Source: Federal Reserve Bank of New York Survey

Appendix 2: Materials used by Messrs. Laubach, Gruber, and Campbell

Class II FOMC – Restricted (FR)

Material for

Staff Presentation on the Economic and Financial Situation

Thomas Laubach, Joseph W. Gruber, Sean Campbell

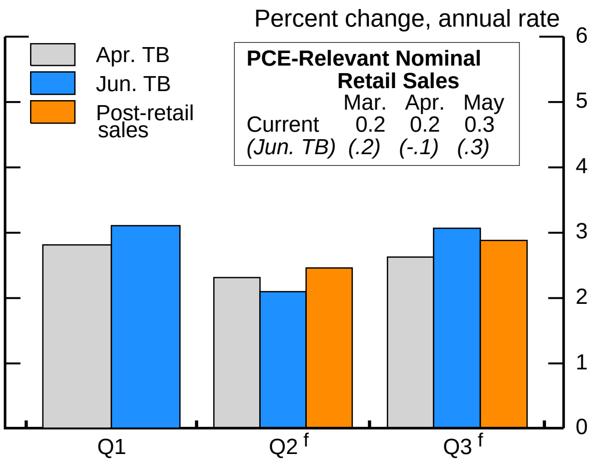
June 18, 2013

Class II FOMC - Restricted (FR)

Exhibit 1

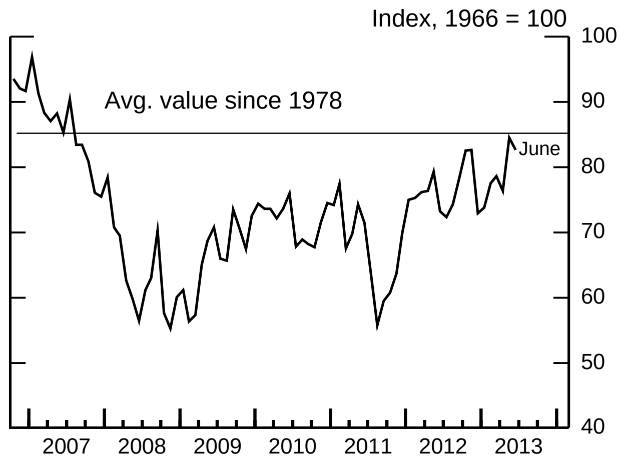
Near-term Developments

Real PCE

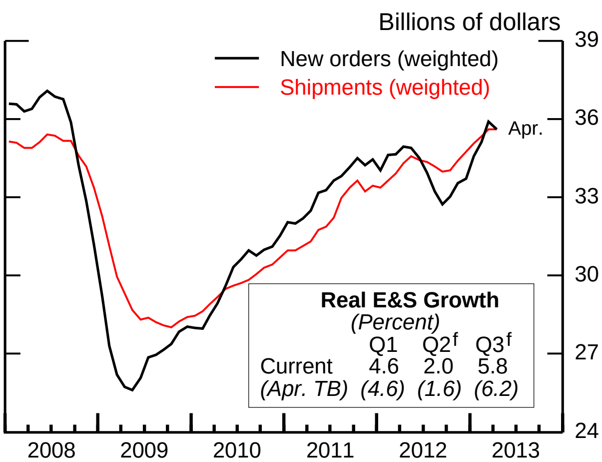


f. Staff forecasts.

Consumer Sentiment: Michigan Survey

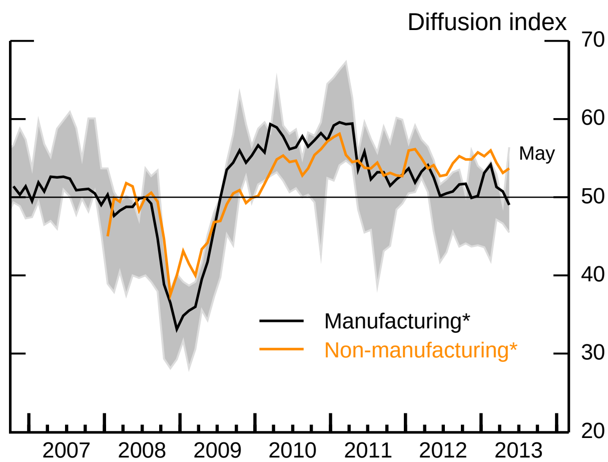


Nondefense Capital Goods ex. Aircraft*



*Three-month moving averages. Weighted by share of total shipments that is purchased for private business investment.
f. Staff forecasts.

Business Conditions Indexes



* PMI (manufacturing) and NMI (nonmanufacturing) indexes.
Note: The shaded area is the range of the available headline indexes from the regional manufacturing surveys.

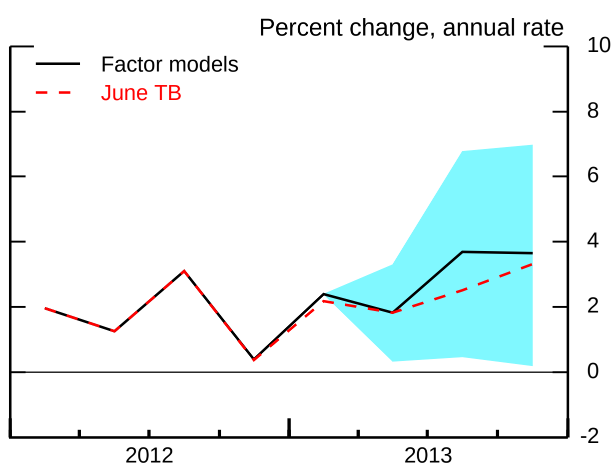
Near-term Outlook for Real GDP

(Percent change, annual rate)

	2013 Q1	2013 Q2^f	2013 H2^f
1. Real GDP	2.1	2.4	2.7
2. (Jun. TB)	*(2.2)*	*(1.8)*	*(2.9)*
3. (Apr. TB)	*(3.1)*	*(1.5)*	*(2.8)*

f. Staff forecasts.

Real GDP Forecasts from the Factor Models



Note. The blue shaded area encompasses the 68% confidence interval.

Class II FOMC - Restricted (FR)

Exhibit 2

Labor Market

Latest Data

(Monthly change, thousands of employees)

	2013 Q1	2013 Apr.	2013 May
1. Total nonfarm payroll employment*	207	149	175
2. (Apr. TB)	*(168)*	*(153)*	*(154)*
3. Private*	212	157	178
4. (Apr. TB)	*(171)*	*(160)*	*(160)*
Memo:			
5. Unemp. rate	7.7	7.5	7.6
6. (Apr. TB)	*(7.7)*	*(7.6)*	*(7.6)*

*Quarterly figures are average monthly changes.

Key Labor Market Metrics

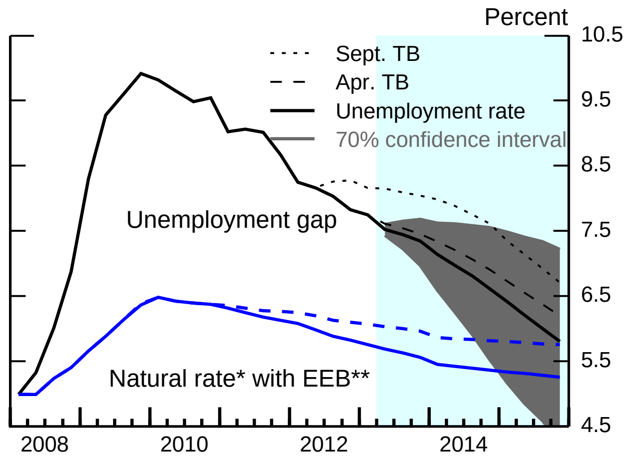
- Increase in payroll employment
- Decline in unemployment rate
- Rise in employment-to-population ratio

Labor Market Data and Projections

	Estimate/Projection for Aug. 2012	Estimate/Projection for 2013:Q4	Diff*
Total payroll employment (millions)			
1. Jun. TB	133.9	136.6	2.7
2. Sept. TB**	133.3	135.5	2.2
Unemployment rate (pct.)			
3. Jun. TB	8.1	7.3	-0.8
4. Sept. TB**	8.1	8.0	-0.1
Employment/population ratio (pct.)			
5. Jun. TB	58.4	58.7	0.3
6. Sept. TB**	58.3	58.6	0.2

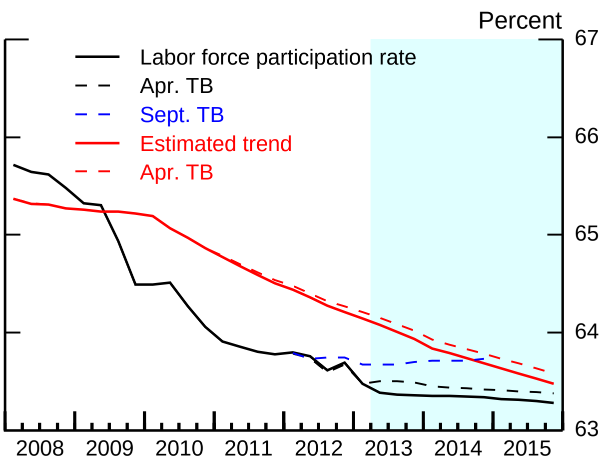
*Value is calculated by subtracting Aug. 2012 value from 2013:Q4 value.
**Aug. 2012 values as published by BLS in Sept. 2012.

Unemployment Rate Forecast



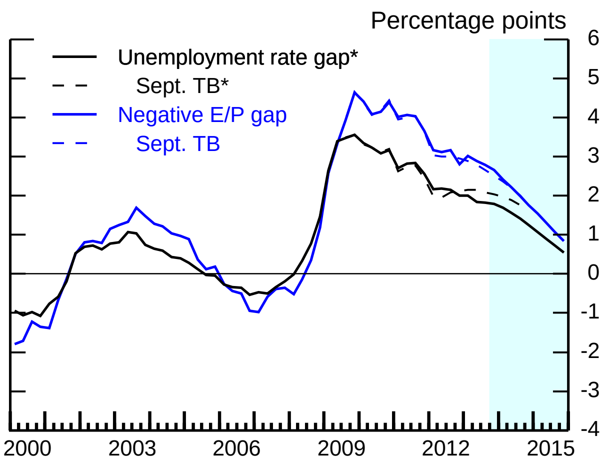
*Staff estimate. **Emergency unemployment compensation and state-federal extended benefits programs.

Labor Force Participation Rate*



*Published data adjusted by staff to account for changes in population weights.

Unemployment and Employment-Population Gaps



*Net of EUC effect.

Class II FOMC - Restricted (FR)

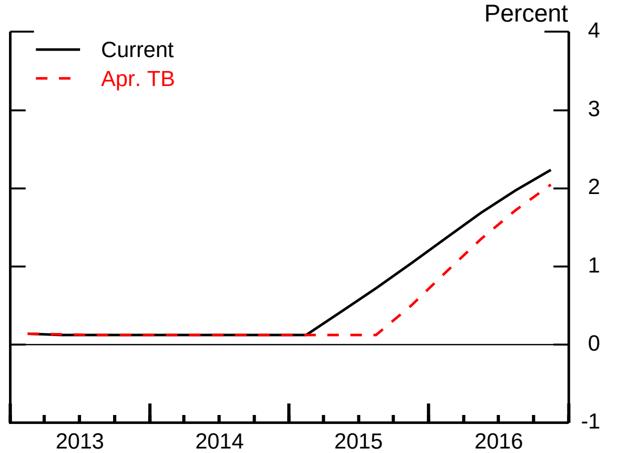
Exhibit 3

Medium-term Outlook

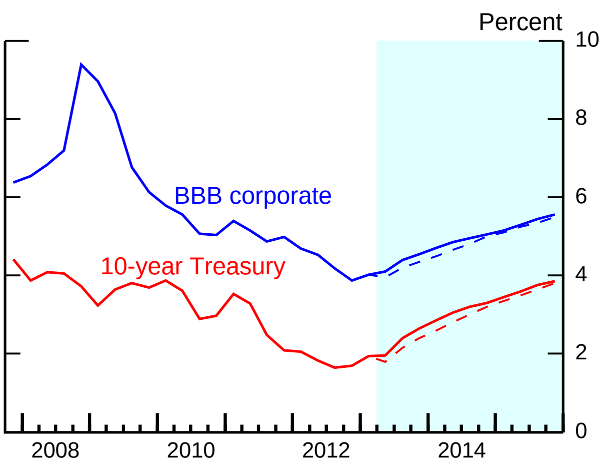
Monetary Policy Assumptions

- $750 billion of asset purchases in 2013
- Federal funds rate lifts off in 2015q2
- Following liftoff, more gradual Increase than in April TB.

Federal Funds Rate

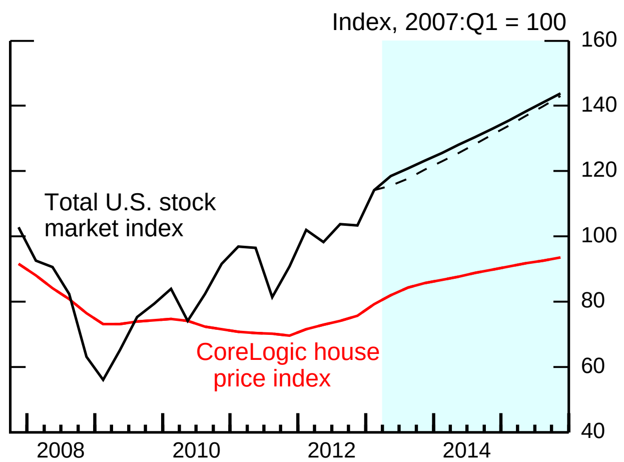


Interest Rates



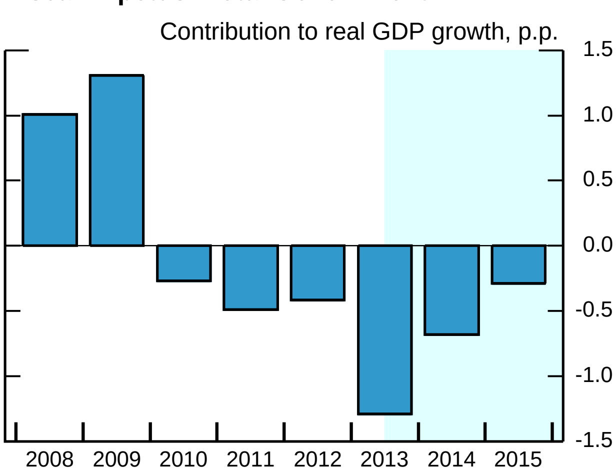
Note. Dashed lines are Apr. TB.

Asset Prices



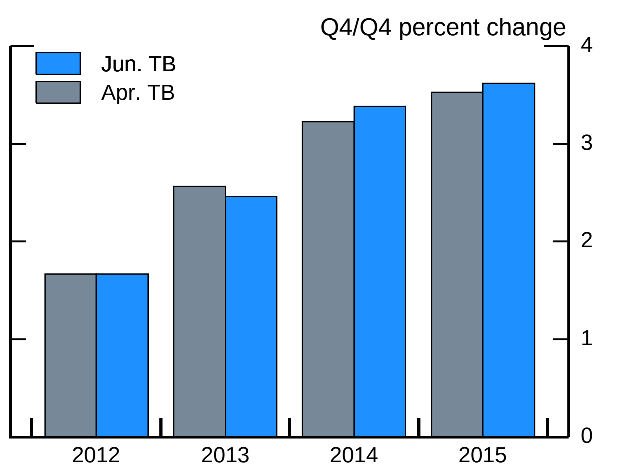
Note. Dashed lines are Apr. TB.

Fiscal Impetus: Total Government



Note: Staff estimates.

Medium-term Outlook for Real GDP



Class II FOMC - Restricted (FR)

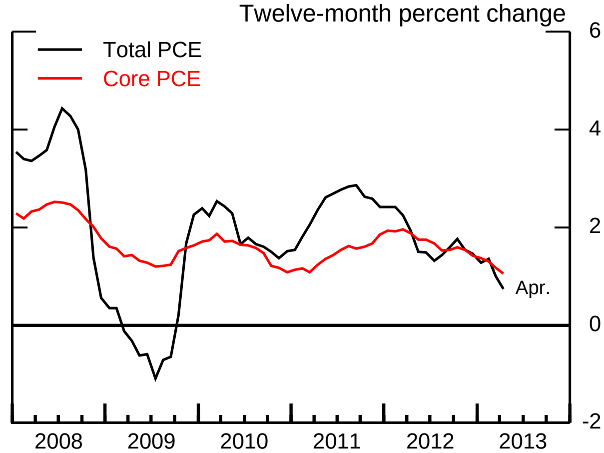
Exhibit 4

Inflation

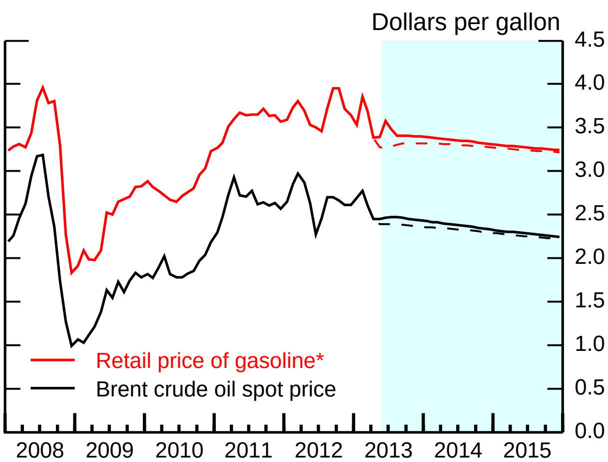
Consumer Price Index
(Percent change)

	2013 Mar.	2013 Apr.	2013 May
1. All items	-0.2	-0.4	0.1
2. Energy	-2.6	-4.3	0.4
3. Food	0.0	0.2	-0.1
4. Less food and energy	0.1	0.1	0.2

PCE Prices

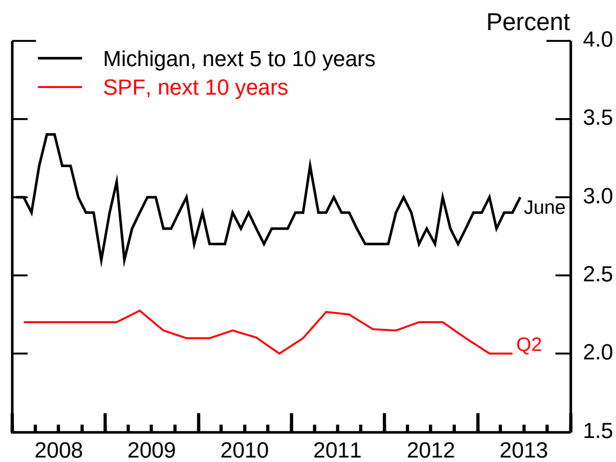


Crude Oil and Gasoline Prices



*All grades, SA. Dashed lines are Apr. TB.

Inflation Expectations

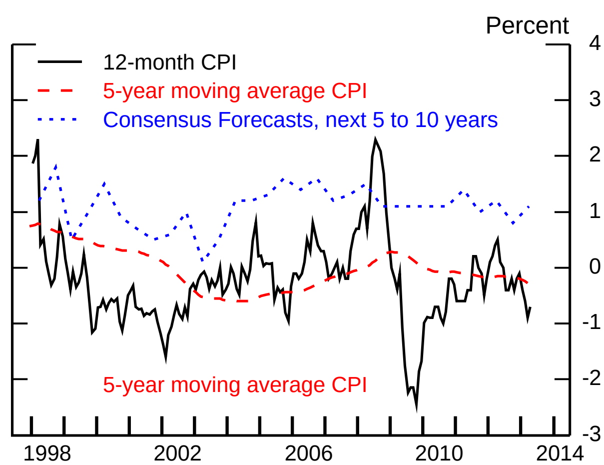


Note. Median responses. The SPF projection is for the PCE price index.

PCE Price Projection
(Q4/Q4 percent change)

	2012	2013	2014	2015
1. Total	1.6	0.9	1.4	1.6
2. (Apr. TB)	*(1.6)*	*(0.9)*	*(1.4)*	*(1.6)*
3. Energy	3.2	-5.0	-0.9	-0.9
4. (Apr. TB)	*(3.2)*	*(-5.0)*	*(-0.9)*	*(-0.9)*
5. Food	1.1	1.2	0.9	1.4
6. (Apr. TB)	*(1.1)*	*(1.2)*	*(0.9)*	*(1.4)*
7. Core	1.5	1.2	1.6	1.8
8. (Apr. TB)	*(1.5)*	*(1.2)*	*(1.6)*	*(1.8)*

Inflation and Inflation Expectations in Japan



Class II FOMC - Restricted (FR)

Exhibit 5

International Outlook: Emerging Market Economies

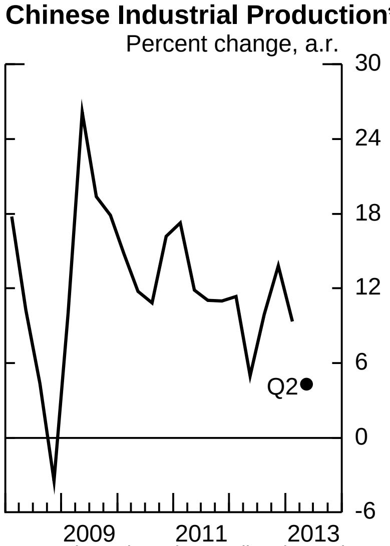
Real GDP*

Percent change, a.r.

	2012 Q4	2013 Q1	2013 Q2f	2013 H2f	2014f	2015f
1. Total Foreign	**2.3**	**2.0**	**2.3**	**3.0**	**3.3**	**3.5**
April Tealbook	*2.1*	*2.3*	*2.7*	*3.0*	*3.3*	*3.5*
2. Emerging Market Economies	**4.8**	**2.4**	**3.3**	**4.3**	**4.7**	**4.8**
April Tealbook	*4.8*	*3.8*	*4.2*	*4.5*	*4.7*	*4.8*
Of which:						
3. China	9.5	6.5	6.5	7.9	8.0	7.8
4. Emerging Asia ex. China	4.7	1.3	3.0	4.0	4.5	4.6
5. Mexico	2.7	1.8	2.2	3.3	3.9	3.8
6. Brazil	2.6	2.2	2.8	3.4	3.7	4.0

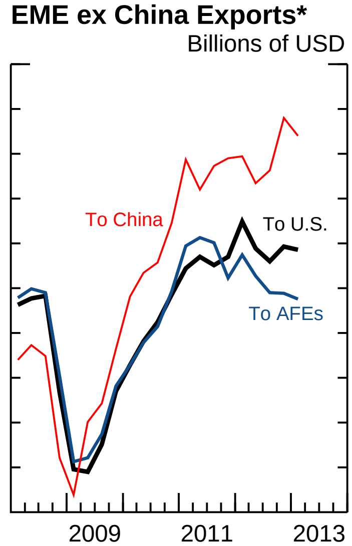
* GDP aggregates weighted by shares of U.S. merchandise exports.
f. Staff forecasts.

Chinese Industrial Production*

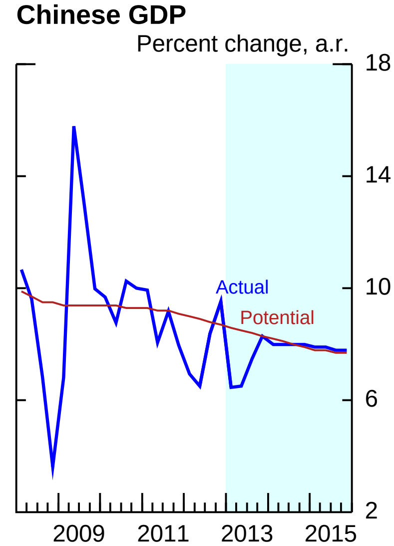


* Q2 estimate based on April and May data.

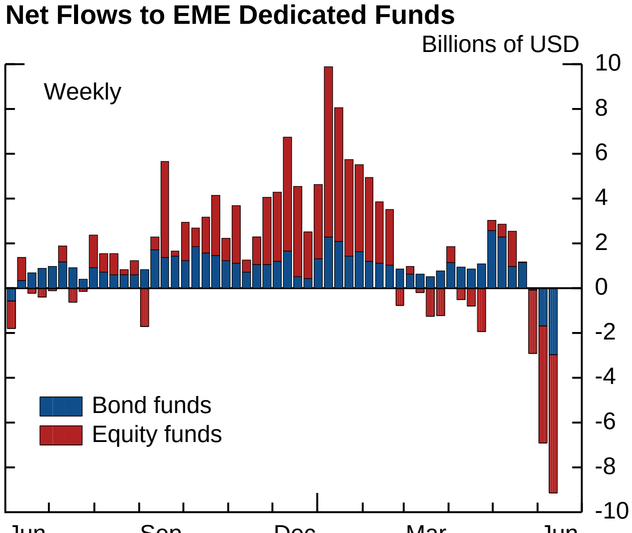
EME ex China Exports*



Chinese GDP

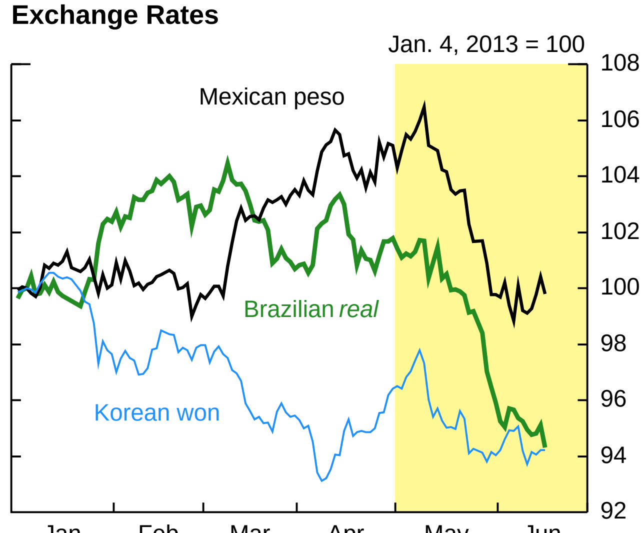


Net Flows to EME Dedicated Funds



Source: Emerging Portfolio Fund Research.

Exchange Rates



Note: Dollar/foreign currency.

Exhibit 6

International Outlook: Advanced Foreign Economies

Real GDP*

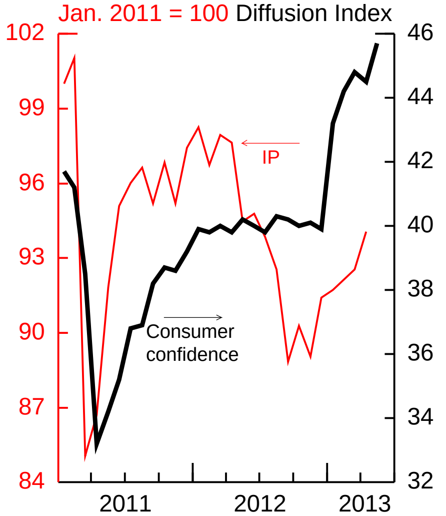
Percent change, a.r.

	2012 Q4	2013 Q1	2013 Q2[f]	2013 H2[f]	2014[f]	2015[f]
1. **Total Foreign**	**2.3**	**2.0**	**2.3**	**3.0**	**3.3**	**3.5**
April Tealbook	*2.1*	*2.3*	*2.7*	*3.0*	*3.3*	*3.5*
2. **Advanced Foreign Economies**	**-0.2**	**1.5**	**1.3**	**1.7**	**2.0**	**2.3**
April Tealbook	*-0.4*	*0.8*	*1.2*	*1.6*	*1.9*	*2.3*
Of which:						
3. Canada	0.9	2.5	2.0	2.2	2.6	2.6
4. Euro Area	-2.3	-0.8	-0.3	0.5	1.3	2.0
5. Japan	1.2	4.1	3.2	2.8	0.9	1.0
6. United Kingdom	-1.2	1.3	1.0	1.6	2.3	2.6

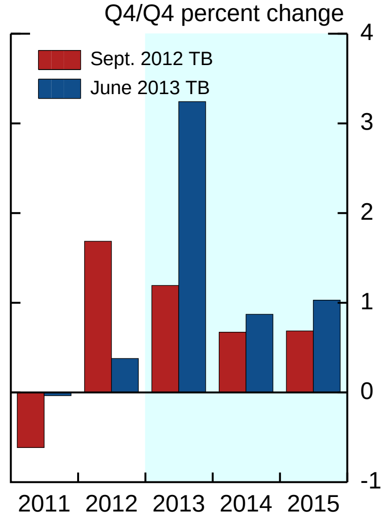
* GDP aggregates weighted by shares of U.S. merchandise exports.
f. Staff forecasts.

Japan

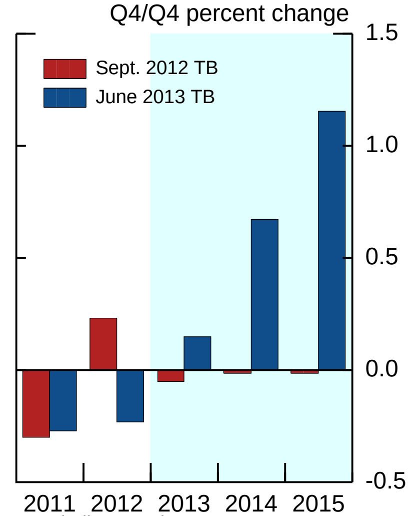
Japanese Indicators



Japanese GDP

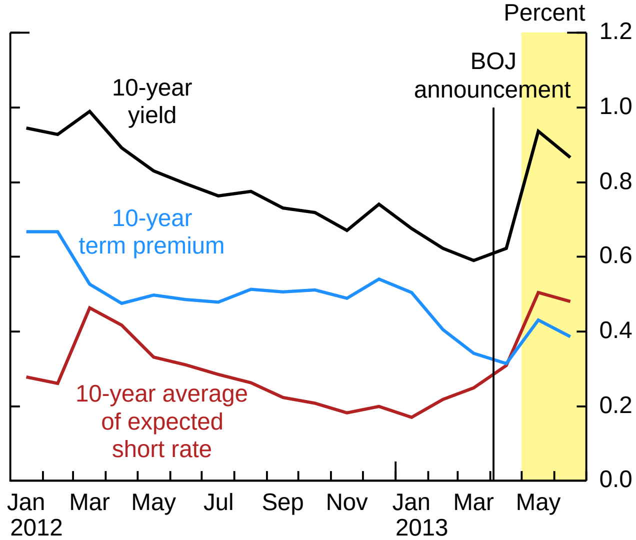


Japanese Inflation*

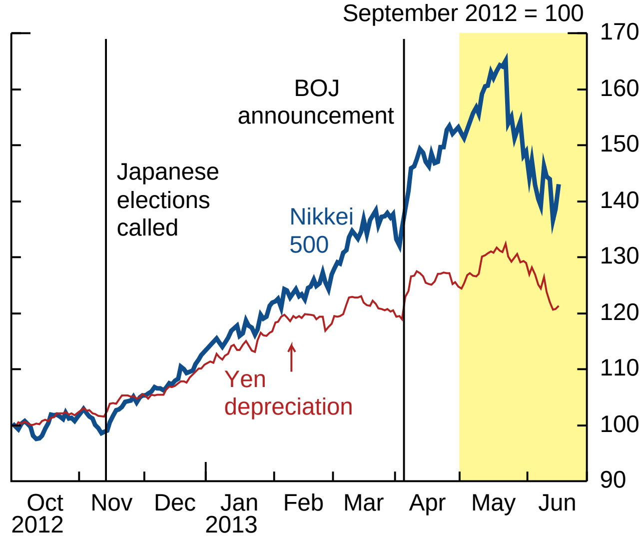


* Excluding VAT increase.

Japanese Yield Decomposition



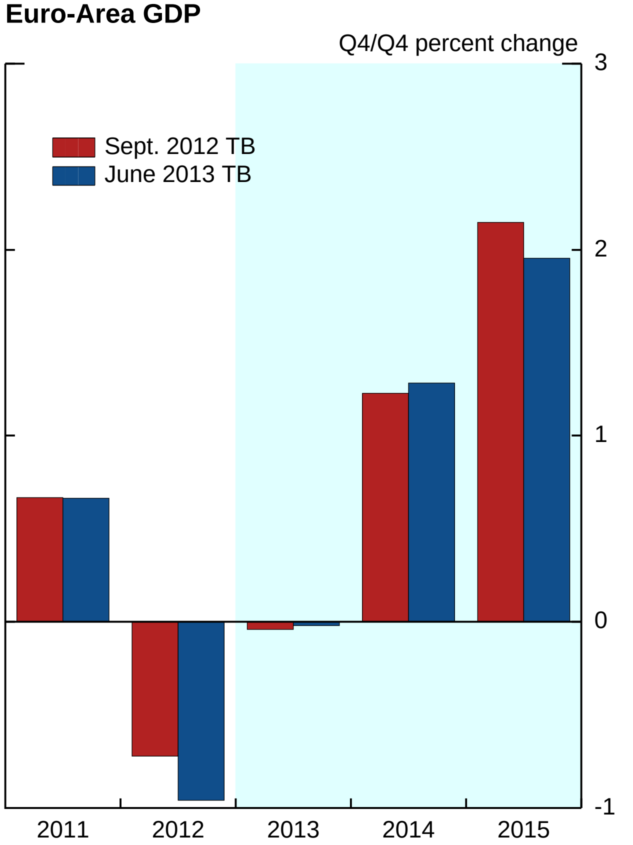
Japanese Equities and Yen

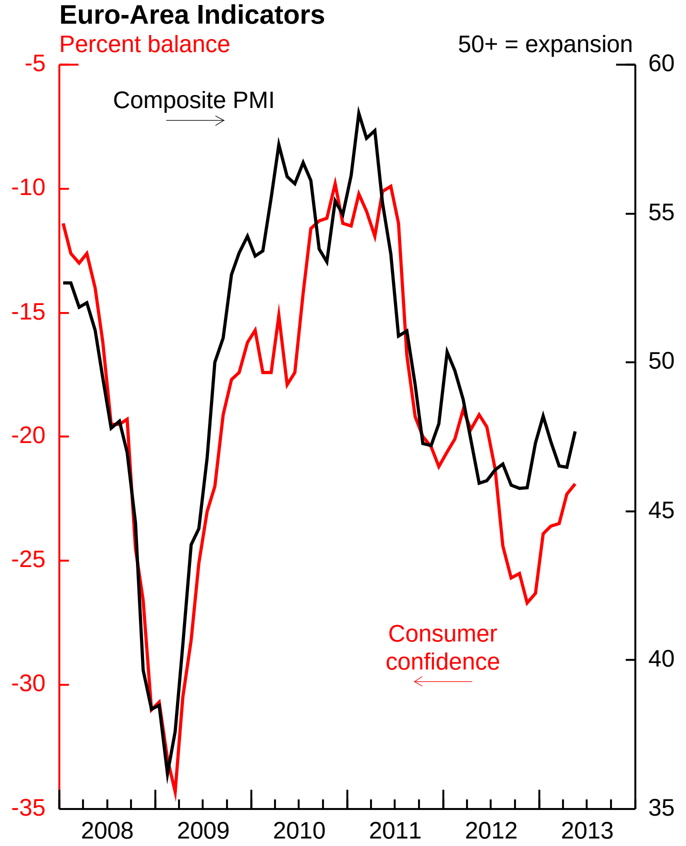


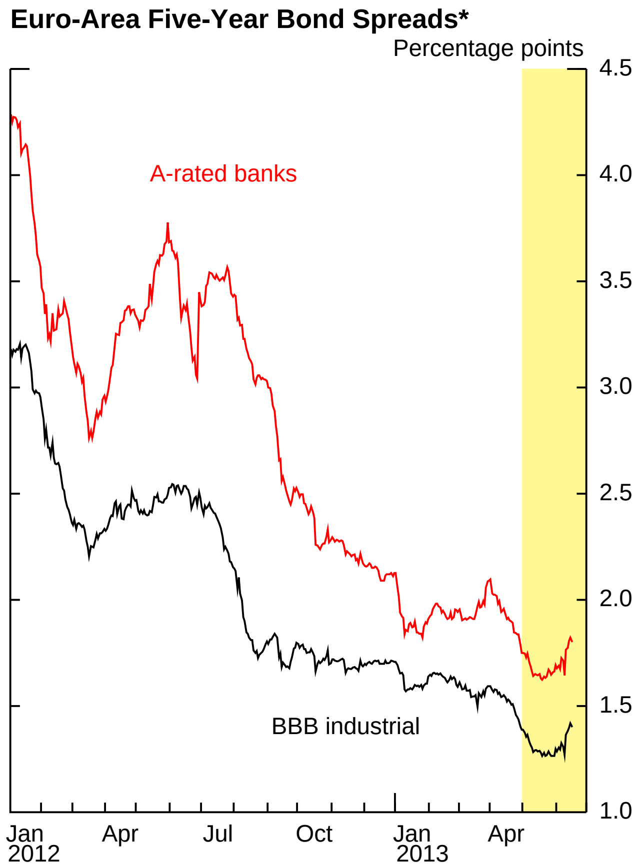
Class II FOMC - Restricted (FR)

Exhibit 7

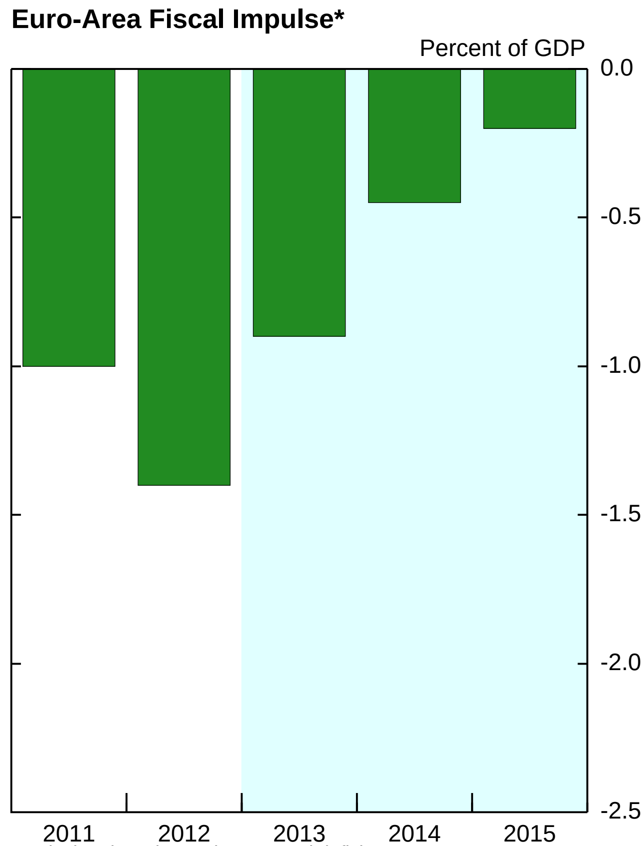
Euro Area







* Over five-year German sovereign.



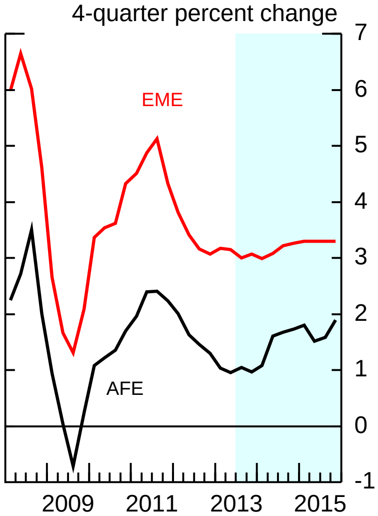
* Calculated as change in structural deficit.

Class II FOMC - Restricted (FR)

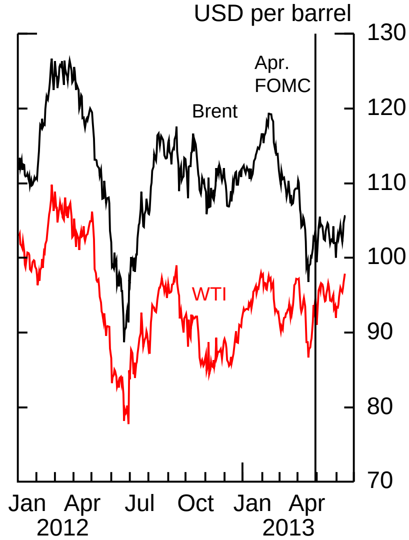
Exhibit 8

Prices and Commodities

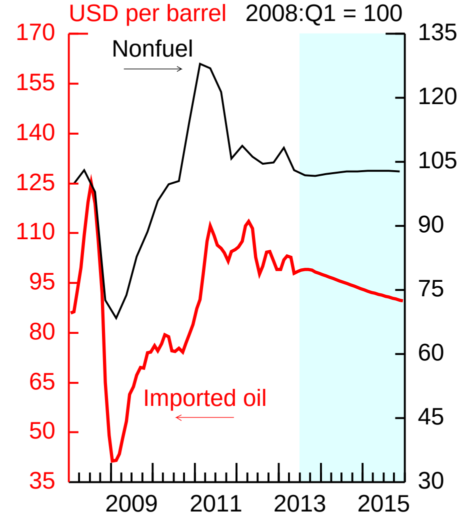
Foreign CPI



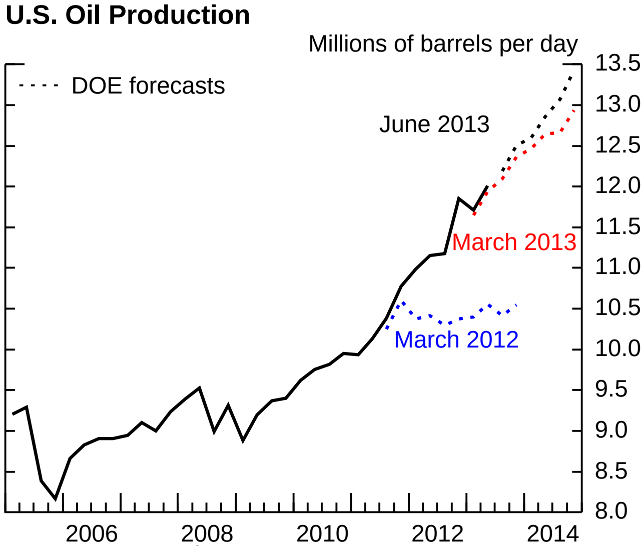
Oil Prices



Commodity Price Outlook



U.S. Oil Production

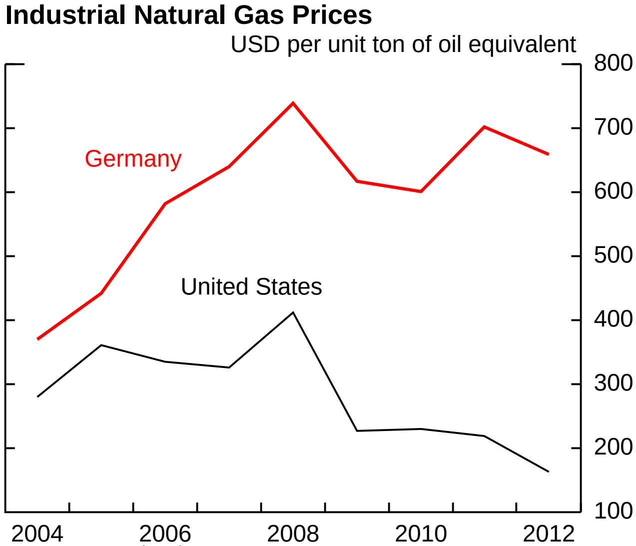


Source: Department of Energy.

U.S. Energy Boom

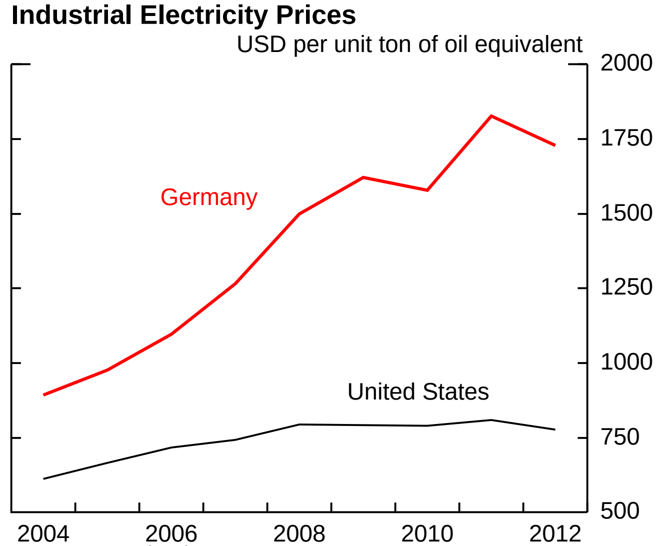
- Could affect U.S. international competitiveness by decreasing price of energy inputs relative to foreign economies.
- Oil production small relative to economy. Accounts for only 1 percent of GDP.
- Oil market internationally integrated. Relative price of U.S. oil unlikely to be more than temporarily depressed.
- Natural gas market highly segmented. Lower domestic price likely to be more persistent.

Industrial Natural Gas Prices



Source: International Energy Agency.

Industrial Electricity Prices



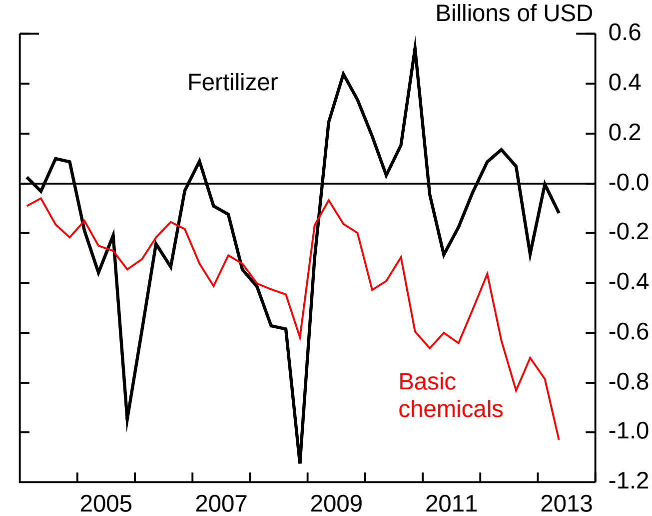
Source: International Energy Agency.

Class II FOMC - Restricted (FR)

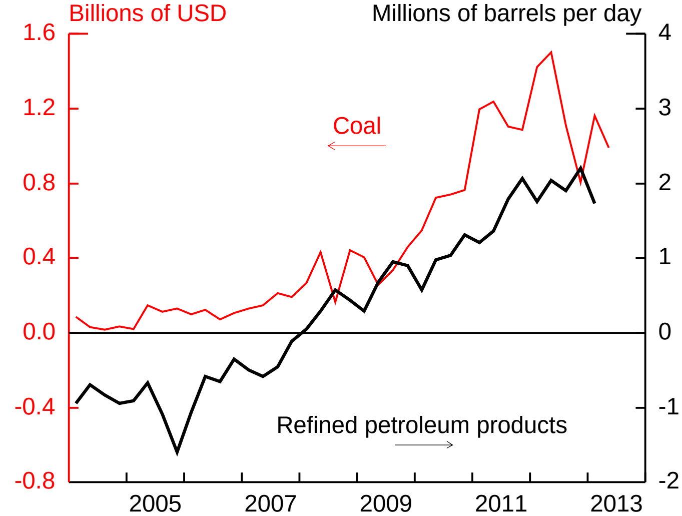
Exhibit 9

U.S. External Sector

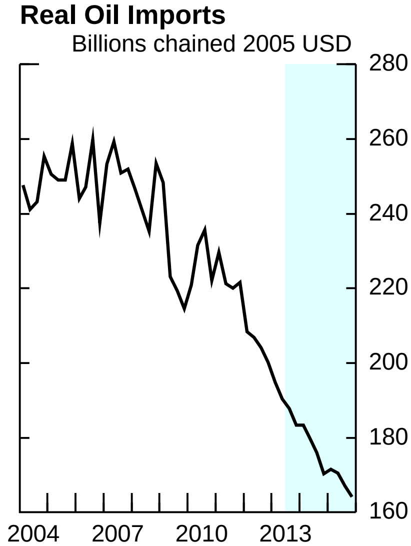
Trade Balance



Trade Balance



Real Oil Imports

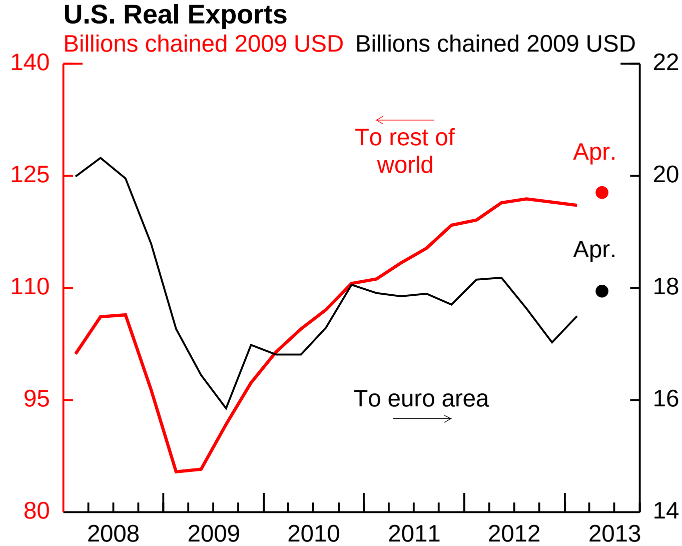


Trade in Real Goods and Services

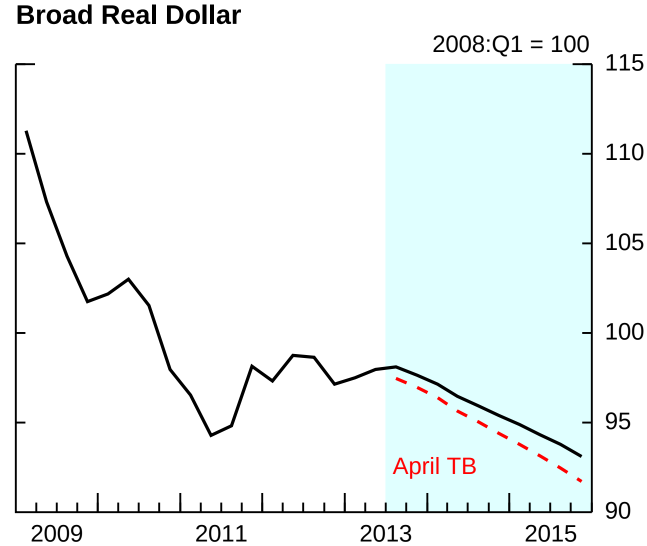
	2012 H2	2013 Q1	2013 Q2	2013 H2[f]	2014[f]	2015[f]
Annualized Percent Change						
1. Imports	-2.4	0.1	3.0	3.9	4.7	5.3
April Tealbook	*-2.4*	*3.3*	*4.2*	*4.1*	*4.7*	*5.0*
2. Exports	-0.5	-1.2	5.7	4.0	5.1	6.5
April Tealbook	*-0.5*	*3.0*	*7.2*	*3.6*	*5.3*	*6.8*
Contribution to Real GDP Growth (percentage points, a.r.)						
3. Net Exports	0.4	-0.2	0.3	-0.1	-0.1	-0.0
April Tealbook	*0.4*	*-0.1*	*0.3*	*-0.2*	*-0.1*	*0.1*

f. Staff forecasts.

U.S. Real Exports

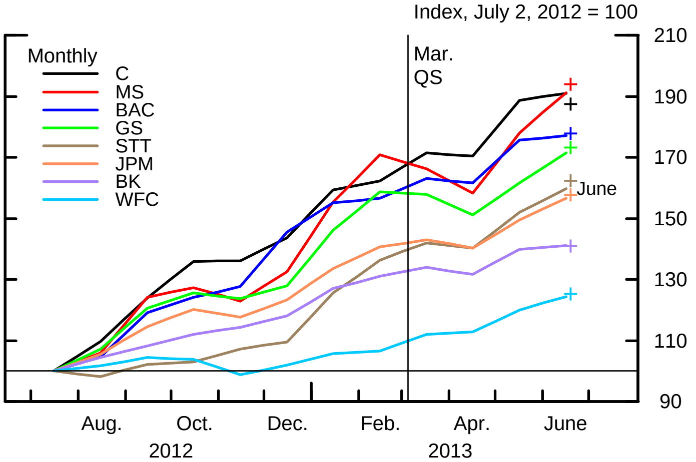


Broad Real Dollar



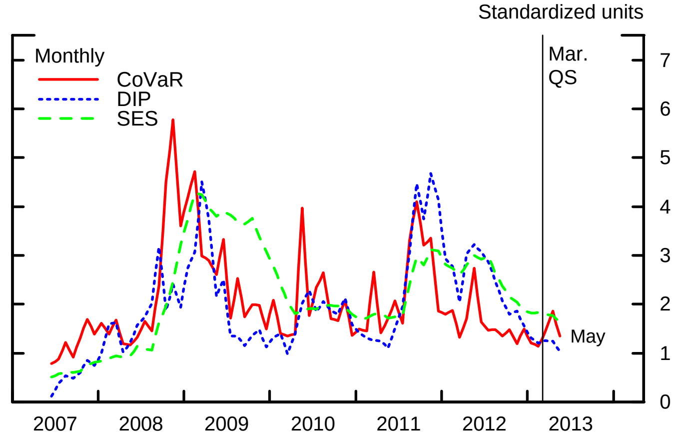
Banking Firms

Stock Prices for LISCC Firms



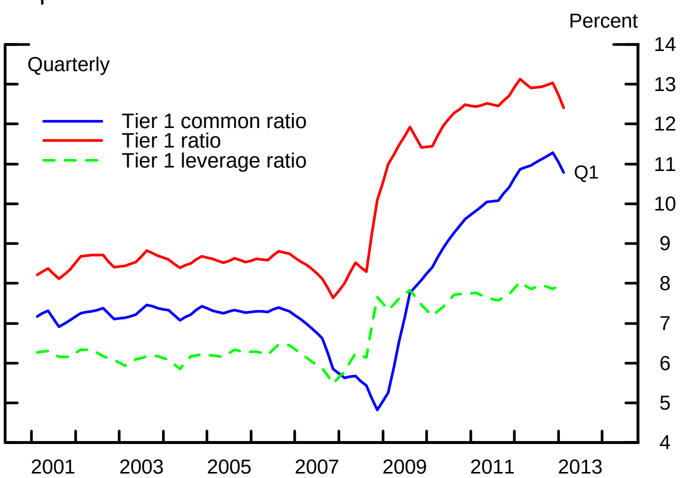
+: Denotes latest daily observation on June 17, 2013.
Source: Yahoo! Finance.

U.S. LISCC Firm Systemic Risk Measures



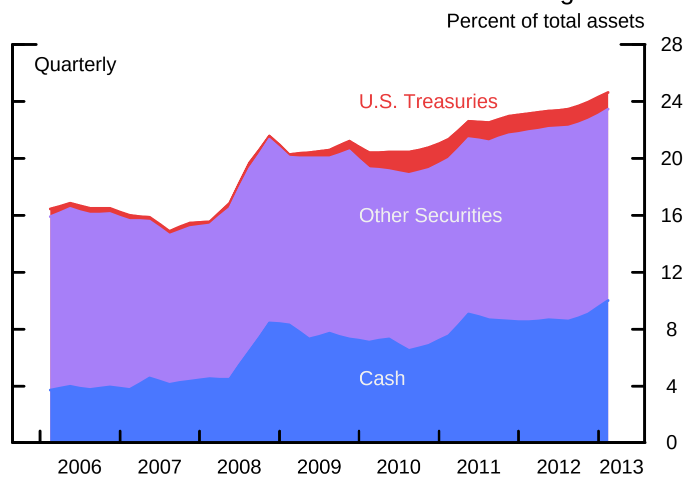
Note: Each risk measure is averaged across the six largest LISCC banks (Bank of America, Citigroup, Goldman Sachs, JP Morgan, Morgan Stanley, and Wells Fargo). Each resulting time-series is then re-scaled by its standard deviation.

Capital Ratios of SCAP 19 BHCs



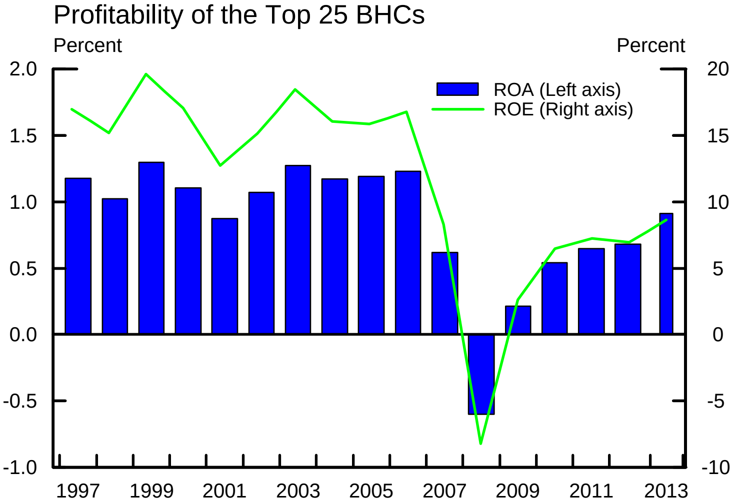
Source: FR Y9-C.

U.S. LISSC Firms: Securities and Cash Holdings



Source: SNL Financial.

Profitability of the Top 25 BHCs



Source: FRY-9C.

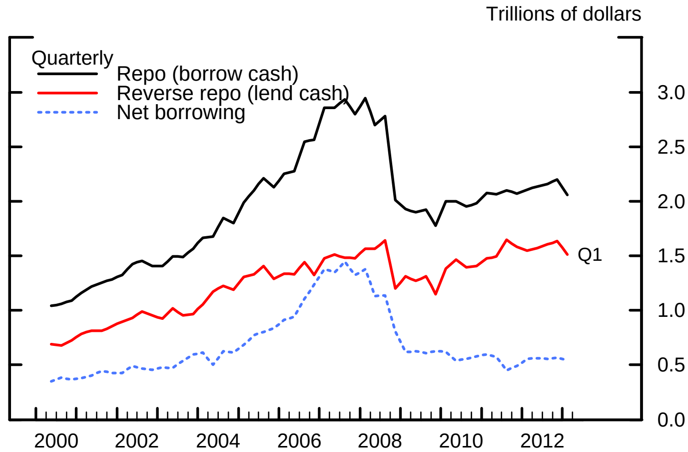
Interest Rate Risk at Banks and Insurance Firms

- Despite significant holdings of long-term, fixed rate securities, banks are likely positioned to benefit from a modest (100-200 bps) rate rise
- Insurance companies have increased holdings of credit sensitive and less liquid assets in response to low interest rates
- Analysis suggests insurance companies are well positioned for gradual rate rise
- Larger spike in rates that requires selling of credit sensitive and less liquid assets could be problematic

Exhibit 11

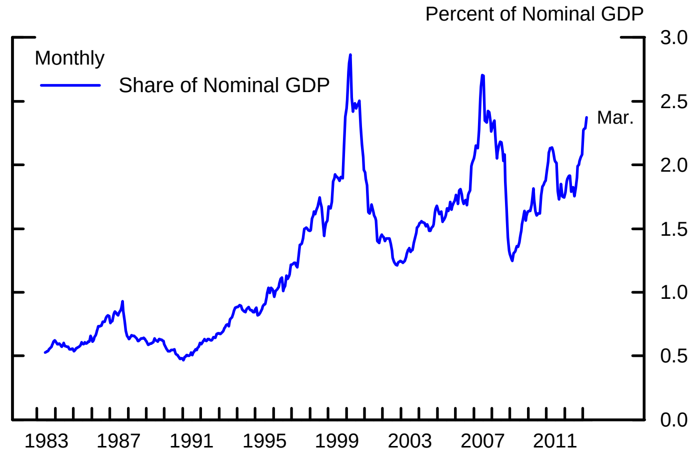
Shadow Banking

Repo Activity by Dealers



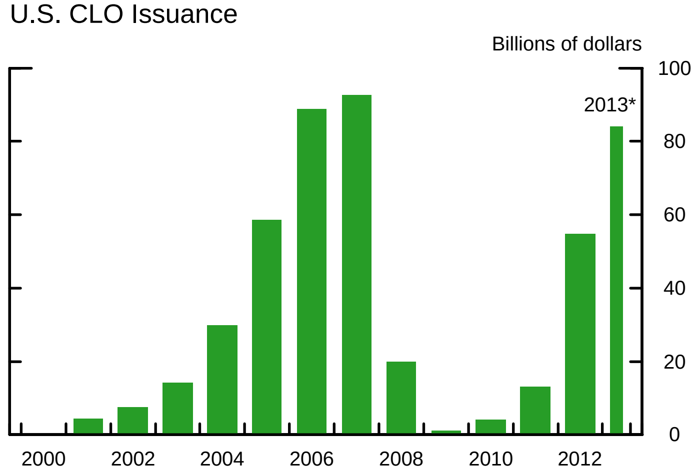
Source: SEC FOCUS reports.

Margin Credit in Equities



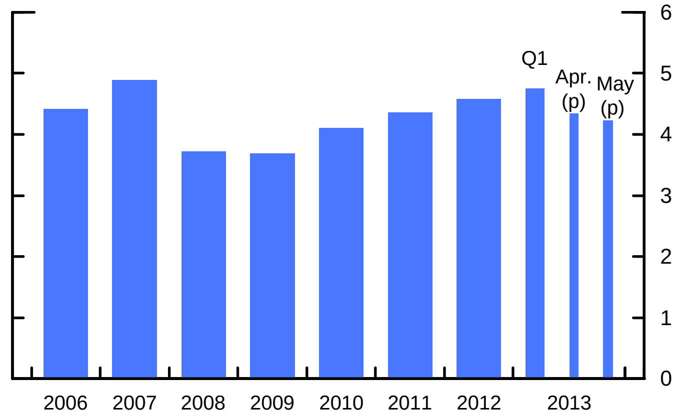
Source: Federal Reserve Board.

U.S. CLO Issuance



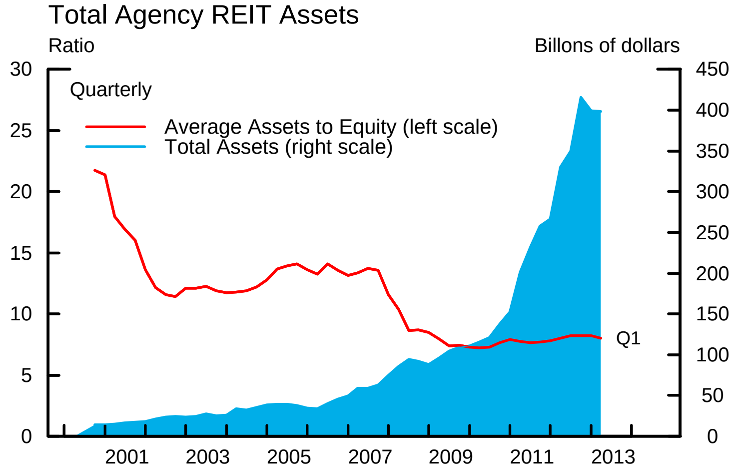
* Data for 2013 includes January through May, at an annual rate.
Source: Thomson Reuters LPC LoanConnector.

Average Debt Multiples of Highly Leveraged Loans



Note: Highly leveraged loans are those rated BB+ or lower or those with spreads to LIBOR of more than 225 basis points.
(p): Denotes preliminary values.
Source: S&P Capital IQ LCD.

Total Agency REIT Assets



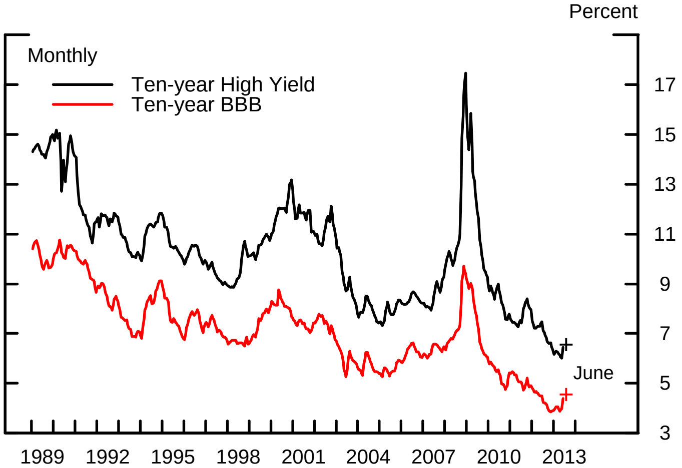
Source: Bloomberg.

Swap Futurization

- Regulatory arbitrage
- Increased regulation of swaps
- Exchanges creating economically equivalent futures contracts
- Futures have lower initial margin

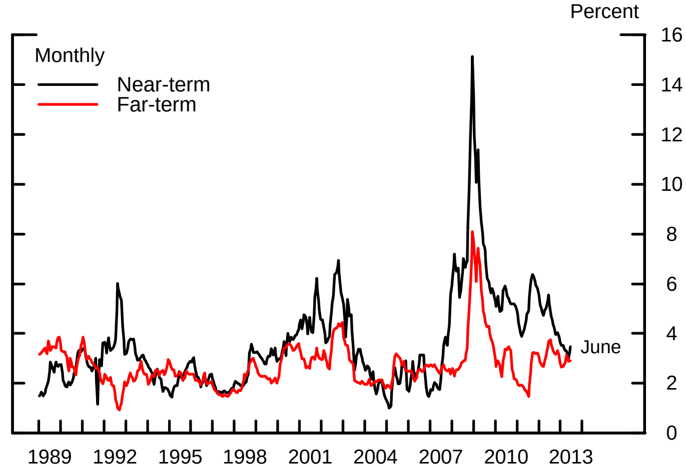
Asset Valuations

Corporate Bond Yields



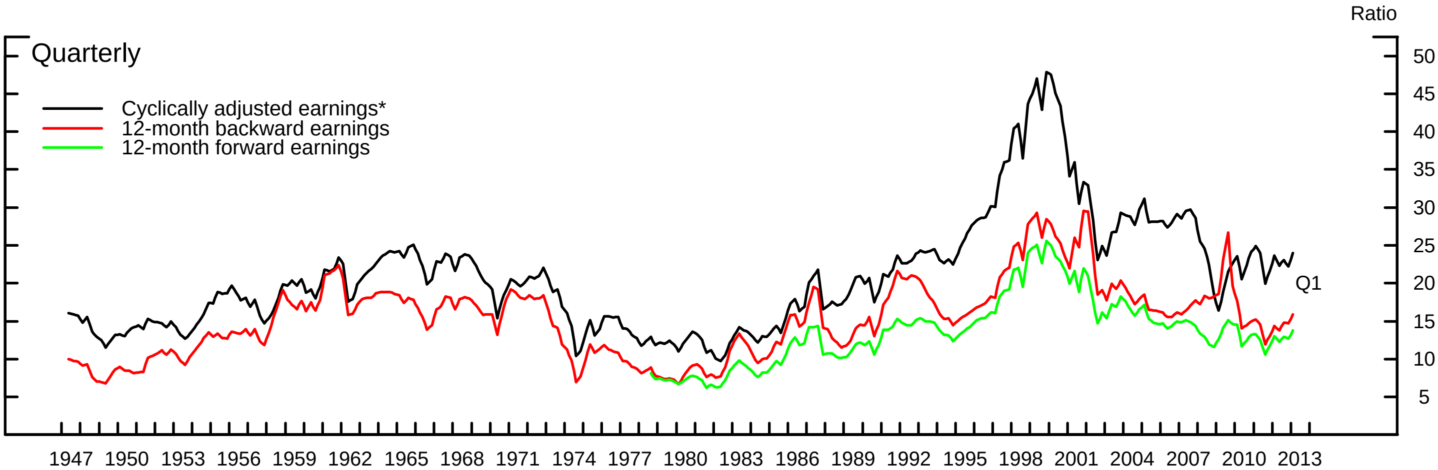
+ Denotes the latest daily observation.
Source: Staff estimates of smoothed yield curves based on Merrill Lynch bond data.

BB Rated Near and Far-Term Corporate Bond Spreads



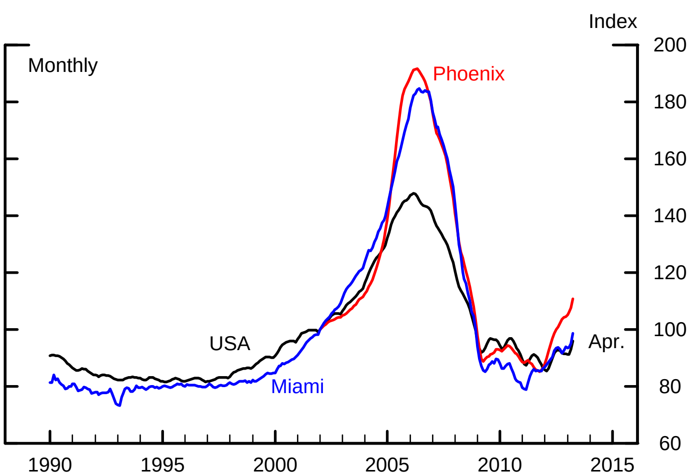
Note: Near-term forward spread between years two and three, and far-term forward spread between years nine and ten.
Source: Staff estimates.

Alternative PE Ratios



*10-year moving average of GAAP earnings
Source: Standard & Poors, Thomson Financial

House Price-Rent Ratio



Note: Monthly rent values for Phoenix extrapolated from semiannual numbers.
Source: For house prices, Corelogic; for rent data, Bureau of Labor Statistics.

House Price Developments

- Prices rising fastest in areas with largest price declines
- Investors are a source of stable housing demand
- Underwriting standards remain firm

Appendix 3: Materials used by Ms. Ihrig

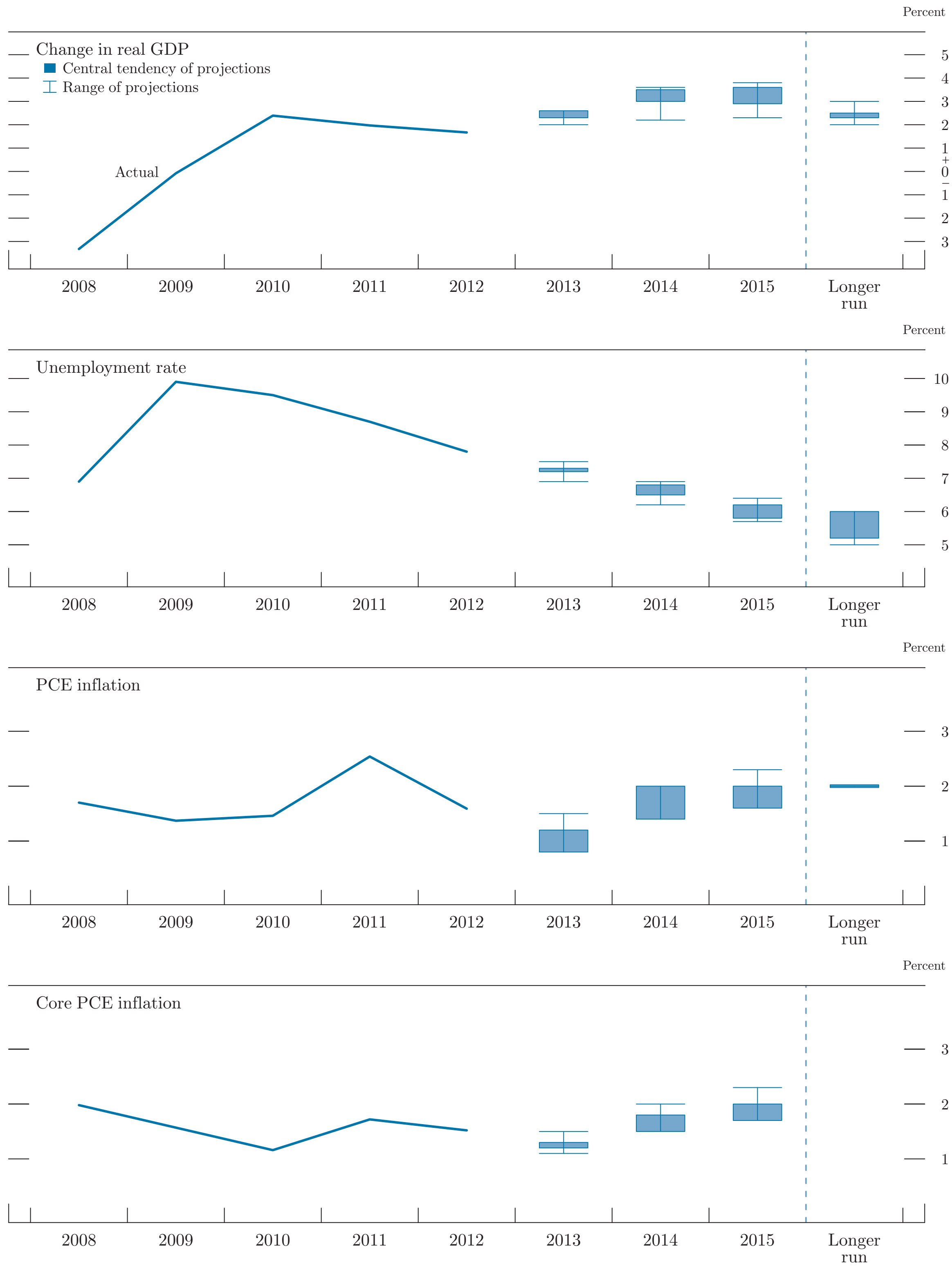
Class I FOMC – Restricted Controlled (FR)

Material for

Summary of Economic Projections

Jane Ihrig
June 18, 2013

Exhibit 1. Central tendencies and ranges of economic projections, 2013–15 and over the longer run



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

Exhibit 2. Economic projections for 2013-2015 and over the longer run (percent)

Change in real GDP

	2013	2014	2015	Longer run
Central Tendency	2.3 to 2.6	3.0 to 3.5	2.9 to 3.6	2.3 to 2.5
March projections	*2.3 to 2.8*	*2.9 to 3.4*	*2.9 to 3.7*	*2.3 to 2.5*
Range	2.0 to 2.6	2.2 to 3.6	2.3 to 3.8	2.0 to 3.0
March projections	*2.0 to 3.0*	*2.6 to 3.8*	*2.5 to 3.8*	*2.0 to 3.0*
Memo: Tealbook	2.5	3.4	3.6	2.3
March Tealbook	*2.5*	*3.2*	*3.6*	*2.3*

Unemployment rate

	2013	2014	2015	Longer run
Central Tendency	7.2 to 7.3	6.5 to 6.8	5.8 to 6.2	5.2 to 6.0
March projections	*7.3 to 7.5*	*6.7 to 7.0*	*6.0 to 6.5*	*5.2 to 6.0*
Range	6.9 to 7.5	6.2 to 6.9	5.7 to 6.4	5.0 to 6.0
March projections	*6.9 to 7.6*	*6.1 to 7.1*	*5.7 to 6.5*	*5.0 to 6.0*
Memo: Tealbook	7.3	6.6	5.8	5.2
March Tealbook	*7.5*	*7.1*	*6.3*	*5.2*

PCE inflation

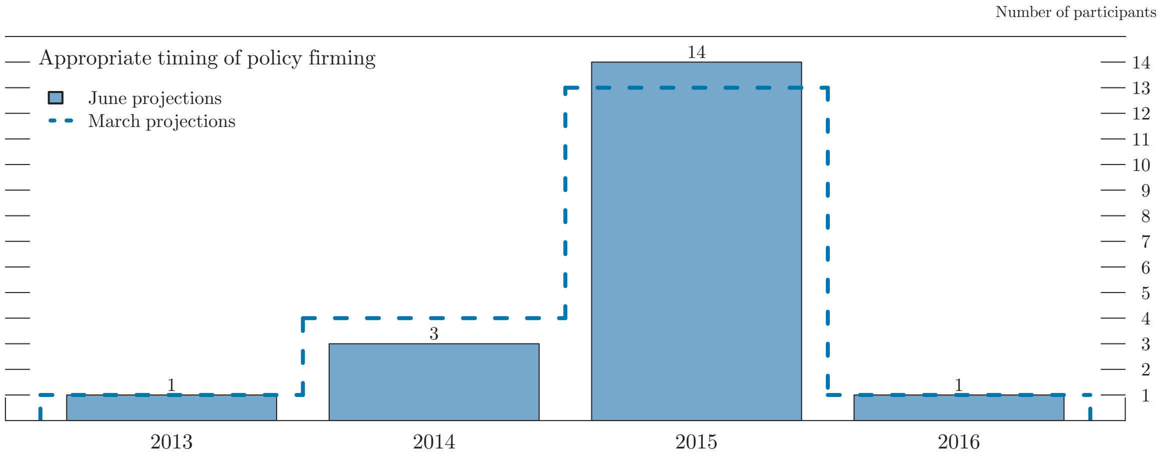
	2013	2014	2015	Longer run
Central Tendency	0.8 to 1.2	1.4 to 2.0	1.6 to 2.0	2.0
March projections	*1.3 to 1.7*	*1.5 to 2.0*	*1.7 to 2.0*	*2.0*
Range	0.8 to 1.5	1.4 to 2.0	1.6 to 2.3	2.0
March projections	*1.3 to 2.0*	*1.4 to 2.1*	*1.6 to 2.6*	*2.0*
Memo: Tealbook	0.9	1.4	1.6	2.0
March Tealbook	*1.3*	*1.5*	*1.6*	*2.0*

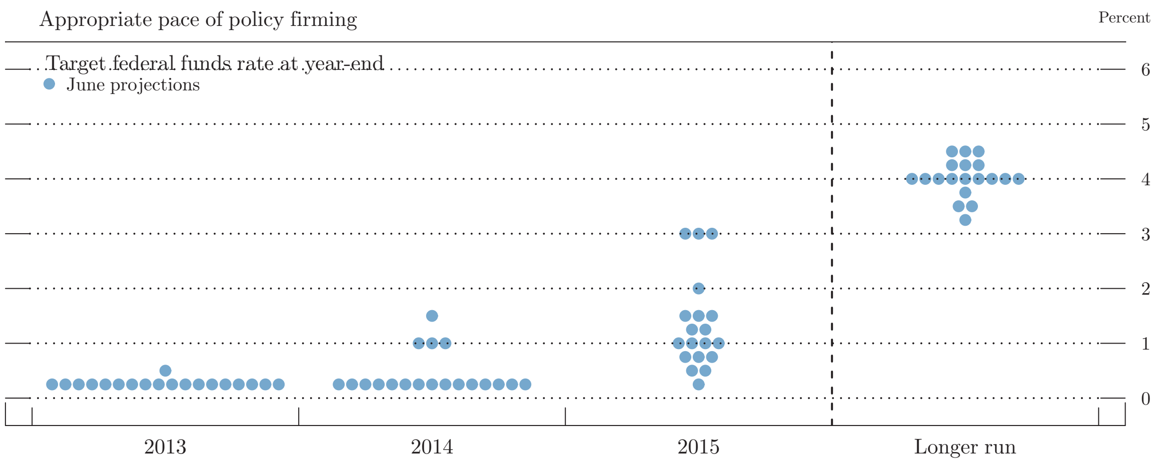
Core PCE inflation

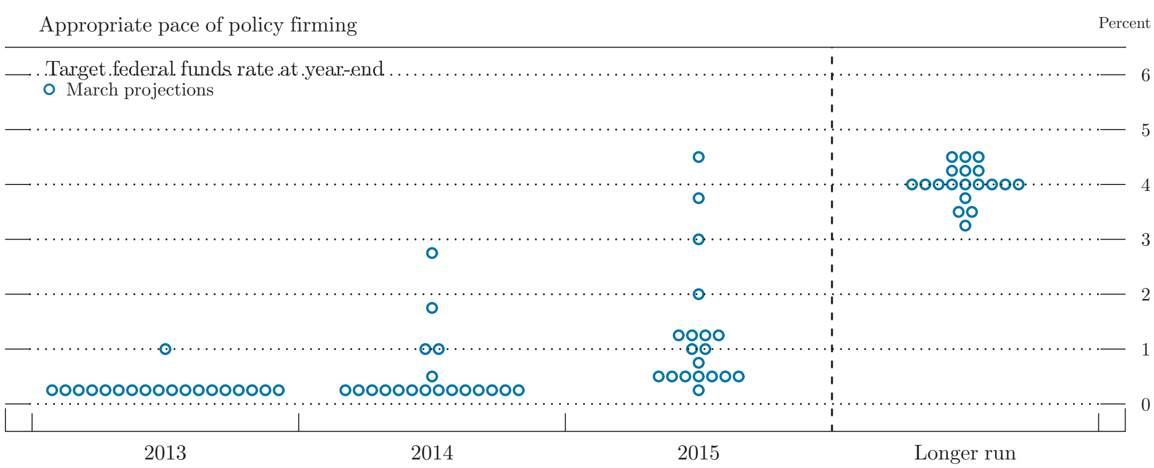
	2013	2014	2015
Central Tendency	1.2 to 1.3	1.5 to 1.8	1.7 to 2.0
March projections	*1.5 to 1.6*	*1.7 to 2.0*	*1.8 to 2.1*
Range	1.1 to 1.5	1.5 to 2.0	1.7 to 2.3
March projections	*1.5 to 2.0*	*1.5 to 2.1*	*1.7 to 2.6*
Memo: Tealbook	1.2	1.6	1.8
March Tealbook	*1.6*	*1.7*	*1.7*

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

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

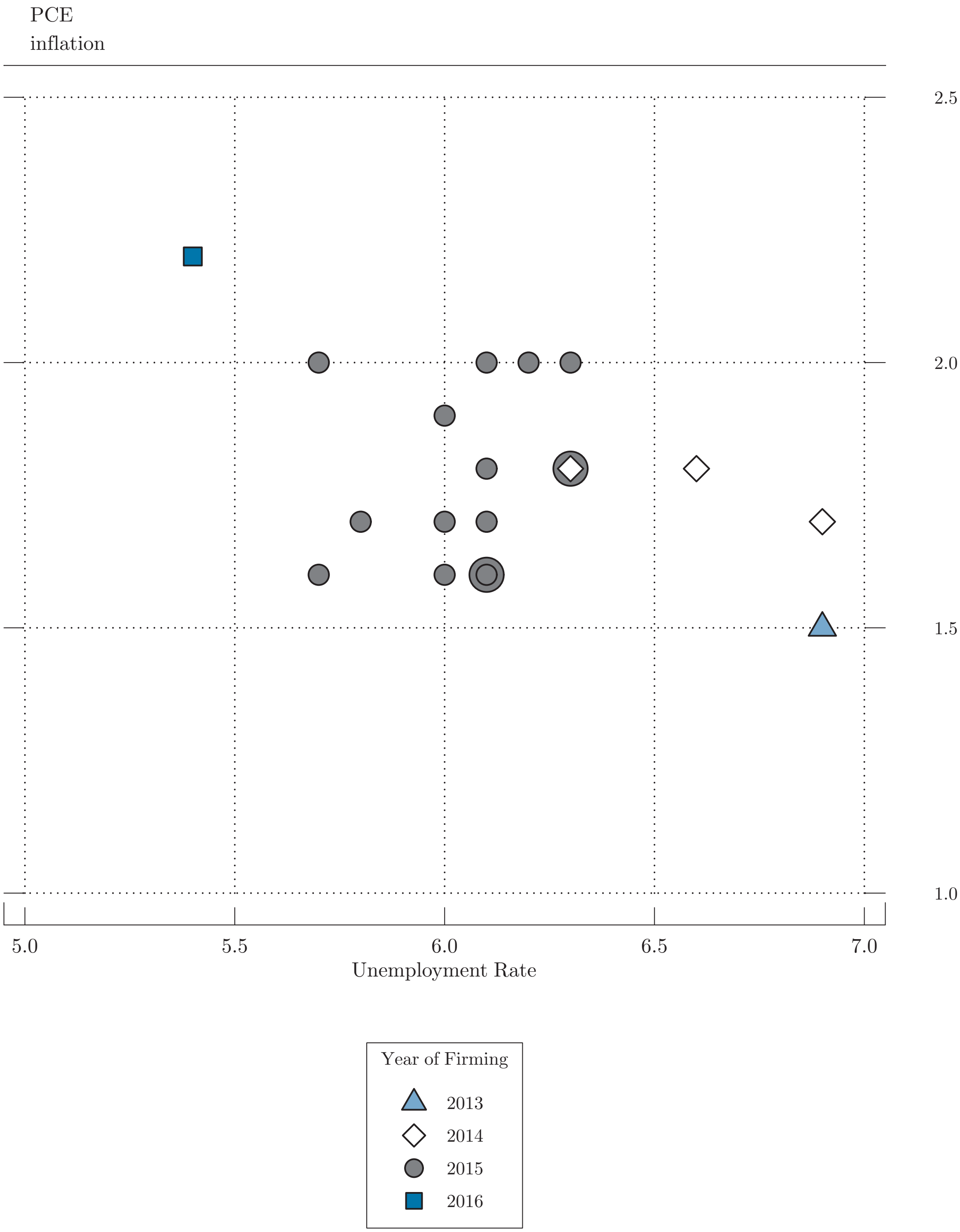






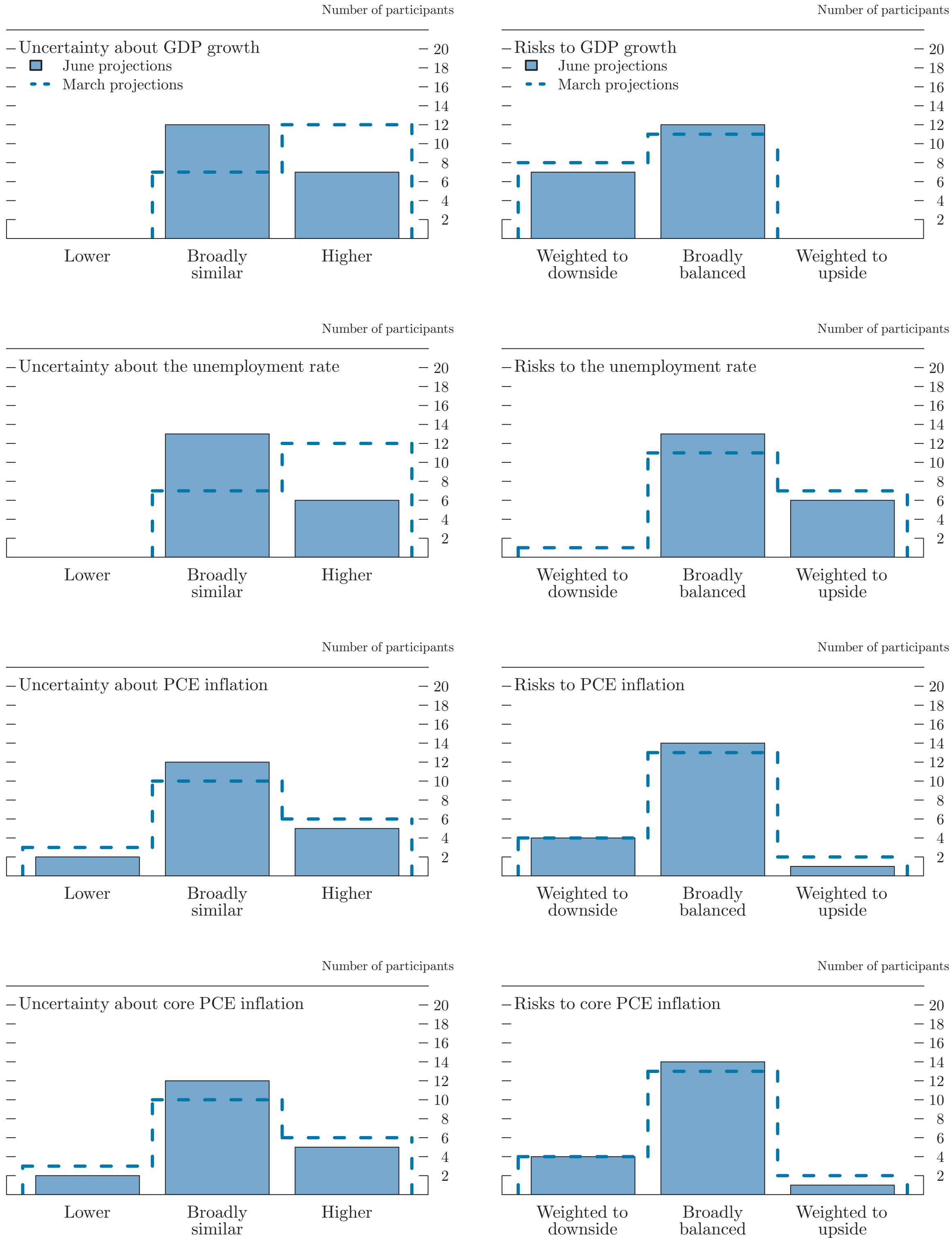
NOTE: In the upper panel, the height of each bar denotes the number of FOMC participants who judge that, under appropriate monetary policy, the first increase in the target federal funds rate from its current range of 0 to 1/4 percent will occur in the specified calendar year. In the middle and lower 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 Chairman Bernanke

FOMC STATEMENT—JUNE 2013 ALTERNATIVE B PARAGRAPH 4

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

OR

4′. The Committee will closely monitor incoming information on economic and financial developments in coming months. The Committee will continue its purchases of Treasury and agency mortgage-backed securities, and employ other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability. **The stance of policy will depend on the incoming data and their implications for the outlook as well as the cumulative progress toward the Committee's objectives since the program began in September. The paths for the economy that the Committee sees as relatively more likely involve inflation moving back toward its 2 percent objective over time and further improvement in labor market conditions supported by moderate growth that picks up over the next several quarters as the near-term restraint from fiscal policy and other headwinds diminishes. If the economy develops broadly along these lines, the Committee currently anticipates that it would be appropriate to reduce the monthly pace of its asset purchases later this year and, so long as conditions continue to improve about as expected, reduce the pace of purchases in measured steps through the first half of next year, ending purchases about mid-year. If conditions improve faster than expected, the pace of asset purchases could be reduced somewhat more quickly. If the outlook becomes less favorable, on the other hand, or if financial conditions are judged not to be consistent with further progress in labor markets, reductions in the pace of purchases could be delayed. Indeed, if necessary, the Committee would be prepared to employ all of its tools, including an increase in the pace of purchases for a time, to promote a return to maximum employment in a context of price stability.** ~~The Committee is prepared to increase or reduce the pace of its purchases to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes. In determining the size, pace, and composition of its asset purchases, the Committee will continue to take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives.~~

Appendix 5: Materials used by Mr. English

Class I FOMC – Restricted Controlled (FR)

Material for

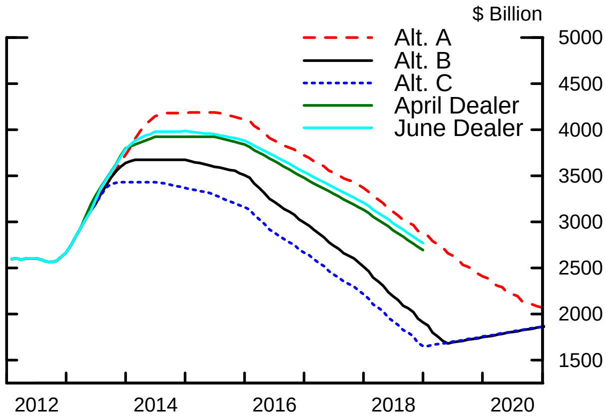
FOMC Briefing on Monetary Policy Alternatives

Bill English

June 18-19, 2013

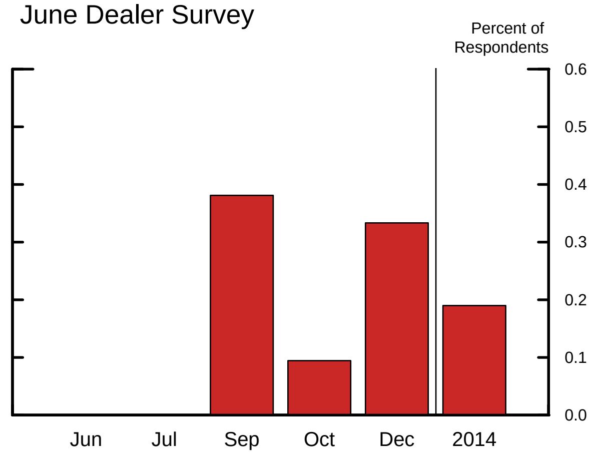
Dealer Survey and Summary of Economic Projections

Total Projected SOMA Security Holdings



Note. Dealer projections are median of responses.

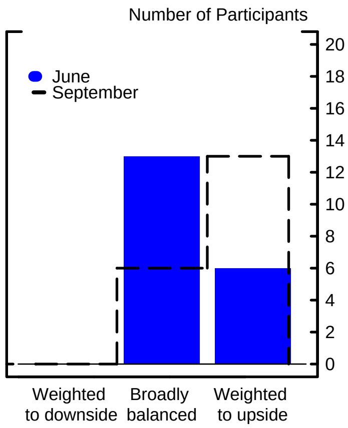
Expected Timing of First Pace Reduction: June Dealer Survey



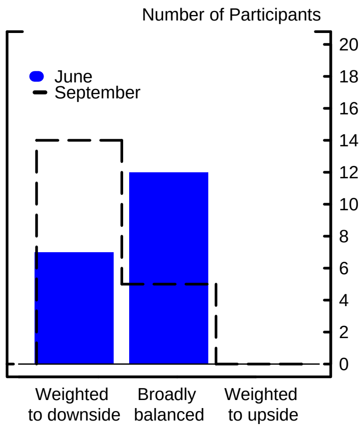
Summary of Economic Projections: Central Tendencies (Percent)

SEP Date	Unemployment Rate 2013	Unemployment Rate 2014	Real GDP Growth 2013	Real GDP Growth 2014	PCE Inflation 2013	PCE Inflation 2014
Sept. 2012	7.6 to 7.9	6.7 to 7.3	2.5 to 3.0	3.0 to 3.8	1.6 to 2.0	1.6 to 2.0
June 2013	7.2 to 7.3	6.5 to 6.8	2.3 to 2.6	3.0 to 3.5	0.8 to 1.2	1.4 to 2.0

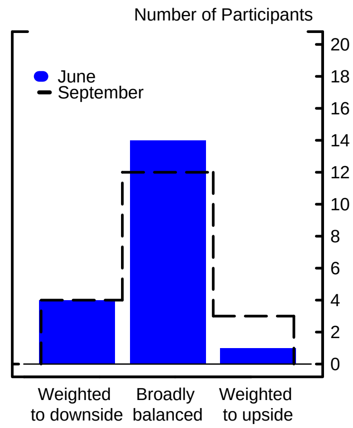
Risks to the Unemployment Rate: SEP



Risks to GDP Growth: SEP



Risks to PCE Inflation: SEP



May FOMC Statement

1. Information received since the Federal Open Market Committee met in March suggests that economic activity has been expanding at a moderate pace. Labor market conditions have shown some improvement in recent months, on balance, but the unemployment rate remains elevated. Household spending and business fixed investment advanced, and the housing sector has strengthened further, but fiscal policy is restraining economic growth. Inflation has been running somewhat below the Committee's longer-run objective, apart from temporary variations that largely reflect fluctuations in energy prices. Longer-term inflation expectations have remained stable.

2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that, with appropriate policy accommodation, economic growth will proceed at a moderate pace and the unemployment rate will gradually decline toward levels the Committee judges consistent with its dual mandate. The Committee continues to see downside risks to the economic outlook. The Committee also anticipates that inflation over the medium term likely will run at or below its 2 percent objective.

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

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

5. To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. In particular, the Committee decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6½ percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the

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

FOMC STATEMENT—JUNE 2013 ALTERNATIVE A

1. Information received since the Federal Open Market Committee met in ~~March~~ **May** suggests that economic activity has been expanding at a moderate pace. Labor market conditions have shown some improvement in recent months, on balance, but the unemployment rate remains elevated. Household spending and business fixed investment advanced, and the housing sector has strengthened further, but **manufacturing activity has slowed and** fiscal policy is restraining economic growth. Inflation has been running ~~somewhat~~ below the Committee's longer-run objective, **even** apart from temporary variations that largely reflect fluctuations in energy prices. Longer-term inflation expectations have remained stable.

2. ~~Consistent with~~ **In pursuing** its statutory mandate, the Committee ~~seeks~~ **takes a balanced approach** to foster**ing** maximum employment and price stability. The Committee expects that, with appropriate policy accommodation, economic growth will proceed at a moderate pace, ~~and~~ the unemployment rate will gradually decline toward levels the Committee judges consistent with its dual mandate, ~~The Committee also anticipates that~~ **and** inflation over the medium-term ~~likely~~ will ~~run at or below~~ **move up to** its 2 percent objective, **or [even] modestly higher for a time**. **Nonetheless,** the Committee continues to see downside risks to the economic outlook.

3. To support a stronger economic recovery and to help ensure that inflation~~, over time, is at~~ **does not remain below** the rate most consistent with its dual mandate, the Committee decided to continue purchasing additional agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury securities at a pace of $45 billion per month. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. **In addition, the Committee now intends to rely upon paydowns of principal rather than sales of agency mortgage-backed securities when it eventually becomes appropriate to reduce its holdings of those securities.** Taken together, these actions should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative.

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

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

FOMC Statement—June 2013 Alternative B

1. Information received since the Federal Open Market Committee met in ~~March~~ **May** suggests that economic activity has been expanding at a moderate pace. Labor market conditions have shown ~~some~~ **further** improvement in recent months, on balance, but the unemployment rate remains elevated. Household spending and business fixed investment advanced, and the housing sector has strengthened further, but fiscal policy is restraining economic growth. **[Partly reflecting transitory influences,]** inflation has been running **[** somewhat **]** below the Committee's longer-run objective, ~~apart from temporary variations that largely reflect fluctuations in energy prices.~~ **but** longer-term inflation expectations have remained stable.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that, with appropriate policy accommodation, economic growth will proceed at a moderate pace and the unemployment rate will gradually decline toward levels the Committee judges consistent with its dual mandate. The Committee ~~continues to~~ see**s the** downside risks to the ~~economic~~ outlook **for the economy and the labor market as having diminished since the fall**. The Committee also anticipates that inflation over the medium term likely will run at or below its 2 percent objective.
3. To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee decided to continue purchasing additional agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury securities at a pace of $45 billion per month. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. Taken together, these actions should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative.
4. The Committee will closely monitor incoming information on economic and financial developments in coming months. The Committee will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability. The Committee is prepared to increase or reduce the pace of its purchases to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes. In determining the size, pace, and composition of its asset purchases, the Committee will continue to take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives.
5. To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. In particular, the Committee decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6½ percent, inflation between one and

two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent.

FOMC STATEMENT—JUNE 2013 ALTERNATIVE C

1. Information received since the Federal Open Market Committee met in ~~March~~ **May** ~~suggests~~ **indicates** that economic activity has been expanding at a moderate pace. Labor market conditions have ~~shown some improvement~~ **continued to improve** in recent months, ~~on balance,~~ **with ongoing gains in payroll employment,** ~~but~~ **although** the unemployment rate remains elevated. Household spending and business fixed investment advanced, and the housing sector has strengthened further, but fiscal policy is restraining economic growth. Inflation has been running somewhat below the Committee's longer-run objective, ~~apart from temporary variations that largely reflect fluctuations in energy prices.~~ **but** longer-term inflation expectations have remained stable.

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

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

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

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

April-May Directive

Consistent with its statutory mandate, the Federal Open Market Committee seeks monetary and financial conditions that will foster maximum employment and price stability. In particular, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to undertake open market operations as necessary to maintain such conditions. The Desk is directed to continue purchasing longer-term Treasury securities at a pace of about $45 billion per month and to continue purchasing agency mortgage-backed securities at a pace of about $40 billion per month. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency mortgage-backed securities transactions. The Committee directs the Desk to maintain its policy of rolling over maturing Treasury securities into new issues and its policy of reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

Directive for June 2013 Alternative A

Consistent with its statutory mandate, the Federal Open Market Committee seeks monetary and financial conditions that will foster maximum employment and price stability. In particular, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to undertake open market operations as necessary to maintain such conditions. The Desk is directed to continue purchasing longer-term Treasury securities at a pace of about $45 billion per month and to continue purchasing agency mortgage-backed securities at a pace of about $40 billion per month. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve’s agency mortgage-backed securities transactions. The Committee directs the Desk to maintain its policy of rolling over maturing Treasury securities into new issues and its policy of reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System’s balance sheet that could affect the attainment over time of the Committee’s objectives of maximum employment and price stability.

Directive for June 2013 Alternative B

Consistent with its statutory mandate, the Federal Open Market Committee seeks monetary and financial conditions that will foster maximum employment and price stability. In particular, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to undertake open market operations as necessary to maintain such conditions. The Desk is directed to continue purchasing longer-term Treasury securities at a pace of about $45 billion per month and to continue purchasing agency mortgage-backed securities at a pace of about $40 billion per month. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency mortgage-backed securities transactions. The Committee directs the Desk to maintain its policy of rolling over maturing Treasury securities into new issues and its policy of reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

Directive for June 2013 Alternative C

Consistent with its statutory mandate, the Federal Open Market Committee seeks monetary and financial conditions that will foster maximum employment and price stability. In particular, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to undertake open market operations as necessary to maintain such conditions. **Beginning with the month of July,** the Desk is directed to ~~continue purchasing~~ **purchase** longer-term Treasury securities at a pace of about ~~$45~~ **$35** billion per month and to ~~continue purchasing~~ **purchase** agency mortgage-backed securities at a pace of about ~~$40~~ **$35** 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.