Accessible Version

Meeting of the Federal Open Market Committee November 1-2, 2011 Presentation Materials

Presentation Materials (PDF)

Pages 239 to 282 of the Transcript

Appendix 1: Materials used by Mr. Kiley

Material for
Alternative Monetary Policy Frameworks

Briefing by Michael T. Kiley
November 1, 2011

Exhibit 1
Alternative Monetary Policy Frameworks

Top panel
Flexible-Inflation Targeting and Commitment

- *Flexible inflation targeting* combines commitment to a medium-run inflation objective with the flexibility to moderate deviations of employment from its "full employment" level.
- We assumed that the Committee aims to achieve:
  - An inflation rate of 2 percent.
  - An unemployment rate in the range of 5 to 6 percent.
- We focused on how strategies that involve making conditional commitments can contribute to improved macroeconomic outcomes.

Middle-left panel
Federal Funds Rate

percent

Period	Optimal control, commitment	Optimal control, discretion	September TB baseline
2011:Q1	0.16	0.16	0.16
2011:Q2	0.09	0.09	0.09
2011:Q3	0.08	0.08	0.08
2011:Q4	0.10	0.09	0.12
2012:Q1	0.10	0.09	0.12
2012:Q2	0.09	0.10	0.12
2012:Q3	0.08	0.11	0.12
2012:Q4	0.07	0.10	0.12
2013:Q1	0.07	0.11	0.12
2013:Q2	0.07	0.11	0.12
2013:Q3	0.07	0.12	0.12

Period	Optimal control, commitment	Optimal control, discretion	September TB baseline
2013:Q4	0.07	0.13	0.12
2014:Q1	0.08	0.14	0.13
2014:Q2	0.08	0.18	0.17
2014:Q3	0.09	0.24	0.32
2014:Q4	0.10	0.40	0.56
2015:Q1	0.11	0.63	0.91
2015:Q2	0.12	0.92	1.35
2015:Q3	0.14	1.23	1.75
2015:Q4	0.25	1.57	2.11
2016:Q1	0.52	1.90	2.42
2016:Q2	0.91	2.22	2.68
2016:Q3	1.36	2.53	2.91
2016:Q4	1.85	2.82	3.11
2017:Q1	2.35	3.09	3.28
2017:Q2	2.84	3.33	3.43
2017:Q3	3.30	3.54	3.57
2017:Q4	3.72	3.72	3.68
2018:Q1	4.10	3.88	3.78
2018:Q2	4.43	4.01	3.86
2018:Q3	4.71	4.12	3.93
2018:Q4	4.95	4.22	3.99

Middle-right panel
Unemployment Rate

percent

Period	Optimal control, commitment	Optimal control, discretion	September TB baseline
2011:Q1	8.93	8.93	8.93
2011:Q2	9.07	9.07	9.07
2011:Q3	9.09	9.09	9.09
2011:Q4	9.11	9.11	9.11
2012:Q1	9.07	9.08	9.10
2012:Q2	8.90	8.95	8.98
2012:Q3	8.70	8.79	8.86
2012:Q4	8.45	8.60	8.70
2013:Q1	8.18	8.38	8.52
2013:Q2	7.98	8.24	8.41
2013:Q3	7.76	8.07	8.28
2013:Q4	7.53	7.90	8.14
2014:Q1	7.22	7.64	7.91
2014:Q2	6.93	7.39	7.69
2014:Q3	6.66	7.17	7.49
2014:Q4	6.41	6.96	7.31
2015:Q1	6.17	6.75	7.12
2015:Q2	5.91	6.53	6.92

Period	Optimal control, commitment	Optimal control, discretion	September TB baseline
2015:Q3	5.68	6.33	6.73
2015:Q4	5.47	6.14	6.55
2016:Q1	5.28	5.97	6.38
2016:Q2	5.12	5.81	6.22
2016:Q3	4.99	5.67	6.07
2016:Q4	4.87	5.53	5.92
2017:Q1	4.83	5.46	5.84
2017:Q2	4.81	5.40	5.76
2017:Q3	4.81	5.35	5.69
2017:Q4	4.83	5.31	5.63
2018:Q1	4.87	5.28	5.58
2018:Q2	4.92	5.26	5.53
2018:Q3	4.99	5.24	5.49
2018:Q4	5.07	5.24	5.45

Bottom-left panel
PCE Prices

4-qtr percent change

Period	Optimal control, commitment	Optimal control, discretion	September TB baseline
2011:Q1	1.78	1.78	1.78
2011:Q2	2.51	2.51	2.51
2011:Q3	2.83	2.83	2.83
2011:Q4	2.80	2.72	2.64
2012:Q1	2.18	2.04	1.90
2012:Q2	1.83	1.62	1.41
2012:Q3	1.75	1.46	1.18
2012:Q4	1.79	1.50	1.21
2013:Q1	1.93	1.62	1.31
2013:Q2	1.96	1.64	1.31
2013:Q3	1.96	1.64	1.30
2013:Q4	1.96	1.63	1.29
2014:Q1	2.00	1.68	1.33
2014:Q2	2.04	1.71	1.36
2014:Q3	2.06	1.74	1.39
2014:Q4	2.09	1.78	1.43
2015:Q1	2.09	1.78	1.43
2015:Q2	2.10	1.79	1.44
2015:Q3	2.11	1.82	1.47
2015:Q4	2.13	1.84	1.49
2016:Q1	2.15	1.86	1.52
2016:Q2	2.18	1.89	1.55
2016:Q3	2.21	1.92	1.58
2016:Q4	2.24	1.95	1.61
2017:Q1	2.27	1.98	1.65

Period	Optimal control, commitment	Optimal control, discretion	September TB baseline
2017:Q2	2.30	2.01	1.68
2017:Q3	2.32	2.04	1.71
2017:Q4	2.34	2.06	1.74
2018:Q1	2.35	2.07	1.76
2018:Q2	2.35	2.09	1.79
2018:Q3	2.34	2.10	1.81
2018:Q4	2.33	2.10	1.83

Bottom-right panel
Lessons

- Optimal policies involve commitments to hold the nominal funds rate near zero persistently.
- Unemployment falls below its natural rate and inflation may rise above its target later in the decade.
- Optimal policies do not result in inflation above 2½ percent for a protracted period under the modal outlook.

Exhibit 2
Practical Approaches

Top-left panel
Strategies

- Notable improvements in resource utilization were achieved by two strategies:
  - **Inertial version of the Taylor 1999 rule**
  - **Nominal income targeting**
- **Price-level targeting** resulted in poorer performance, on average.

Top-right panel
Nominal GDP

Billions of dollars

Period	Assumed target	September TB
2007:Q1	13,758.54	13,758.54
2007:Q2	13,976.83	13,976.83
2007:Q3	14,126.17	14,126.17
2007:Q4	14,253.16	14,253.16
2008:Q1	14,399.47	14,273.92
2008:Q2	14,547.28	14,415.46
2008:Q3	14,696.61	14,395.05
2008:Q4	14,847.47	14,081.72
2009:Q1	14,961.54	13,893.74
2009:Q2	15,076.49	13,854.08
2009:Q3	15,192.32	13,920.55
2009:Q4	15,309.04	14,087.43
2010:Q1	15,450.14	14,277.90

Period	Assumed target	September TB
2010:Q2	15,592.55	14,467.84
2010:Q3	15,736.27	14,605.47
2010:Q4	15,881.31	14,755.01
2011:Q1	16,045.63	14,867.81
2011:Q2	16,211.65	15,008.01
2011:Q3	16,379.39	15,203.68
2011:Q4	16,548.86	15,348.13
2012:Q1	16,720.41	15,456.87
2012:Q2	16,893.75	15,628.42
2012:Q3	17,068.88	15,781.92
2012:Q4	17,245.82	15,946.93
2013:Q1	17,426.82	16,109.37
2013:Q2	17,609.71	16,327.93
2013:Q3	17,794.53	16,523.00
2013:Q4	17,981.28	16,719.57
2014:Q1	18,182.10	16,941.37
2014:Q2	18,386.26	17,165.69
2014:Q3	18,593.64	17,406.28
2014:Q4	18,804.03	17,652.41
2015:Q1	19,017.48	17,919.94
2015:Q2	19,234.13	18,199.26
2015:Q3	19,454.35	18,464.79
2015:Q4	19,677.93	18,728.95
2016:Q1	19,904.95	18,988.72
2016:Q2	20,134.91	19,248.92
2016:Q3	20,367.70	19,506.77
2016:Q4	20,603.28	19,764.87

Middle-left panel
Federal Funds Rate

percent

Period	Inertial Taylor (1999)	Nominal-income targeting	September TB baseline
2011:Q1	0.16	0.16	0.16
2011:Q2	0.09	0.09	0.09
2011:Q3	0.08	0.08	0.08
2011:Q4	0.12	0.12	0.12
2012:Q1	0.12	0.12	0.12
2012:Q2	0.12	0.12	0.12
2012:Q3	0.12	0.12	0.12
2012:Q4	0.12	0.12	0.12
2013:Q1	0.12	0.12	0.12
2013:Q2	0.12	0.12	0.12
2013:Q3	0.16	0.12	0.12
2013:Q4	0.24	0.12	0.12

Period	Inertial Taylor (1999)	Nominal-income targeting	September TB baseline
2014:Q1	0.35	0.12	0.13
2014:Q2	0.49	0.14	0.17
2014:Q3	0.66	0.21	0.32
2014:Q4	0.86	0.33	0.56
2015:Q1	1.10	0.51	0.91
2015:Q2	1.36	0.74	1.35
2015:Q3	1.64	0.99	1.75
2015:Q4	1.93	1.28	2.11
2016:Q1	2.21	1.57	2.42
2016:Q2	2.50	1.88	2.68
2016:Q3	2.77	2.19	2.91
2016:Q4	3.03	2.49	3.11
2017:Q1	3.28	2.79	3.28
2017:Q2	3.50	3.08	3.43
2017:Q3	3.71	3.35	3.57
2017:Q4	3.89	3.60	3.68
2018:Q1	4.00	3.79	3.78
2018:Q2	4.10	3.96	3.86
2018:Q3	4.19	4.13	3.93
2018:Q4	4.26	4.28	3.99

Middle-center panel
Unemployment Rate

percent

Period	Inertial Taylor (1999)	Nominal-income targeting	September TB baseline
2011:Q1	8.93	8.93	8.93
2011:Q2	9.07	9.07	9.07
2011:Q3	9.09	9.09	9.09
2011:Q4	9.11	9.11	9.11
2012:Q1	9.07	9.07	9.10
2012:Q2	8.91	8.91	8.98
2012:Q3	8.71	8.72	8.86
2012:Q4	8.48	8.49	8.70
2013:Q1	8.21	8.23	8.52
2013:Q2	8.02	8.04	8.41
2013:Q3	7.80	7.83	8.28
2013:Q4	7.58	7.62	8.14
2014:Q1	7.28	7.31	7.91
2014:Q2	6.99	7.02	7.69
2014:Q3	6.73	6.76	7.49
2014:Q4	6.49	6.51	7.31
2015:Q1	6.25	6.27	7.12
2015:Q2	6.01	6.02	6.92
2015:Q3	5.78	5.78	6.73

Period	Inertial Taylor (1999)	Nominal-income targeting	September TB baseline
2015:Q4	5.56	5.57	6.55
2016:Q1	5.36	5.37	6.38
2016:Q2	5.18	5.20	6.22
2016:Q3	5.01	5.04	6.07
2016:Q4	4.86	4.91	5.92
2017:Q1	4.79	4.86	5.84
2017:Q2	4.74	4.82	5.76
2017:Q3	4.70	4.81	5.69
2017:Q4	4.67	4.81	5.63
2018:Q1	4.66	4.84	5.58
2018:Q2	4.66	4.87	5.53
2018:Q3	4.68	4.92	5.49
2018:Q4	4.70	4.97	5.45

Middle-right panel
PCE Prices

4-qtr percent change

Period	Inertial Taylor (1999)	Nominal-income targeting	September TB baseline
2011:Q1	1.78	1.78	1.78
2011:Q2	2.51	2.51	2.51
2011:Q3	2.83	2.83	2.83
2011:Q4	2.86	2.79	2.64
2012:Q1	2.32	2.17	1.90
2012:Q2	2.05	1.82	1.41
2012:Q3	2.05	1.75	1.18
2012:Q4	2.13	1.80	1.21
2013:Q1	2.29	1.94	1.31
2013:Q2	2.35	1.97	1.31
2013:Q3	2.37	1.98	1.30
2013:Q4	2.39	1.97	1.29
2014:Q1	2.44	2.02	1.33
2014:Q2	2.49	2.06	1.36
2014:Q3	2.53	2.08	1.39
2014:Q4	2.57	2.11	1.43
2015:Q1	2.57	2.11	1.43
2015:Q2	2.58	2.11	1.44
2015:Q3	2.59	2.13	1.47
2015:Q4	2.60	2.13	1.49
2016:Q1	2.61	2.15	1.52
2016:Q2	2.62	2.16	1.55
2016:Q3	2.63	2.18	1.58
2016:Q4	2.63	2.19	1.61
2017:Q1	2.63	2.20	1.65
2017:Q2	2.63	2.21	1.68

Period	Inertial Taylor (1999)	Nominal-income targeting	September TB baseline
2017:Q3	2.62	2.21	1.71
2017:Q4	2.61	2.21	1.74
2018:Q1	2.59	2.20	1.76
2018:Q2	2.56	2.19	1.79
2018:Q3	2.53	2.18	1.81
2018:Q4	2.50	2.15	1.83

Bottom panel
Key Results

- The inertial Taylor 1999 rule approach brings about a notable improvement in the unemployment rate at the cost of higher inflation.
- Nominal income targeting also improves outcomes for unemployment while bringing inflation closer to 2 percent.
- Each strategy involves clear and credible commitments over the next five-to-ten years.
    - Laying out the course of the federal funds rate or communicating the conditions that may trigger the onset of tightening could facilitate achieving better outcomes.

Exhibit 3
Robustness

Top-left panel
Recession Scenario

- Aggregate demand weakens enough to bring the unemployment rate to over 11½ percent for much of 2012 and 2013 under the baseline strategy.
- For the baseline strategy we use the outcome-based rule reported in the Tealbook.
- This could be interpreted as a continuation of the Committee's historical approach.

Top-right panel
Federal Funds Rate

percent

Period	Inertial Taylor (1999)	Nominal-income targeting	Outcome-based rule
2011:Q1	0.16	0.16	0.16
2011:Q2	0.09	0.09	0.09
2011:Q3	0.08	0.08	0.08
2011:Q4	0.12	0.12	0.12
2012:Q1	0.12	0.12	0.12
2012:Q2	0.12	0.12	0.12
2012:Q3	0.12	0.12	0.12
2012:Q4	0.12	0.12	0.12
2013:Q1	0.12	0.12	0.12
2013:Q2	0.12	0.12	0.12
2013:Q3	0.12	0.12	0.12
2013:Q4	0.12	0.12	0.12

Period	Inertial Taylor (1999)	Nominal-income targeting	Outcome-based rule
2014:Q1	0.12	0.12	0.12
2014:Q2	0.12	0.12	0.12
2014:Q3	0.12	0.12	0.12
2014:Q4	0.12	0.12	0.12
2015:Q1	0.12	0.12	0.12
2015:Q2	0.12	0.12	0.12
2015:Q3	0.14	0.12	0.12
2015:Q4	0.26	0.12	0.12
2016:Q1	0.45	0.14	0.19
2016:Q2	0.71	0.26	0.42
2016:Q3	1.02	0.46	0.77
2016:Q4	1.36	0.72	1.20
2017:Q1	1.72	1.04	1.67
2017:Q2	2.09	1.41	2.13
2017:Q3	2.46	1.81	2.56
2017:Q4	2.83	2.23	2.95
2018:Q1	3.12	2.61	3.29
2018:Q2	3.41	3.01	3.59
2018:Q3	3.68	3.42	3.84
2018:Q4	3.93	3.83	4.04

Middle-left panel
Unemployment Rate

percent

Period	Inertial Taylor (1999)	Nominal-income targeting	Outcome-based rule
2011:Q1	8.93	8.93	8.93
2011:Q2	9.07	9.07	9.07
2011:Q3	9.09	9.09	9.09
2011:Q4	9.65	9.65	9.64
2012:Q1	10.21	10.19	10.25
2012:Q2	10.79	10.72	10.90
2012:Q3	11.09	10.96	11.30
2012:Q4	11.26	11.06	11.57
2013:Q1	11.22	10.95	11.64
2013:Q2	11.15	10.82	11.68
2013:Q3	10.97	10.57	11.59
2013:Q4	10.72	10.26	11.44
2014:Q1	10.34	9.82	11.14
2014:Q2	9.93	9.36	10.80
2014:Q3	9.50	8.89	10.45
2014:Q4	9.07	8.41	10.07
2015:Q1	8.61	7.90	9.66
2015:Q2	8.11	7.37	9.22
2015:Q3	7.62	6.84	8.76

Period	Inertial Taylor (1999)	Nominal-income targeting	Outcome-based rule
2015:Q4	7.14	6.33	8.31
2016:Q1	6.67	5.83	7.86
2016:Q2	6.23	5.36	7.43
2016:Q3	5.81	4.93	7.02
2016:Q4	5.43	4.53	6.63
2017:Q1	5.14	4.23	6.35
2017:Q2	4.90	3.99	6.10
2017:Q3	4.69	3.79	5.89
2017:Q4	4.52	3.64	5.71
2018:Q1	4.40	3.54	5.57
2018:Q2	4.31	3.49	5.46
2018:Q3	4.25	3.49	5.38
2018:Q4	4.22	3.52	5.32

Middle-right panel
PCE Prices

4-qtr percent change

Period	Inertial Taylor (1999)	Nominal-income targeting	Outcome-based rule
2011:Q1	1.78	1.78	1.78
2011:Q2	2.51	2.51	2.51
2011:Q3	2.83	2.83	2.83
2011:Q4	2.53	2.68	2.23
2012:Q1	1.65	1.94	1.10
2012:Q2	1.02	1.46	0.17
2012:Q3	0.63	1.24	-0.53
2012:Q4	0.62	1.25	-0.59
2013:Q1	0.68	1.35	-0.62
2013:Q2	0.66	1.36	-0.70
2013:Q3	0.65	1.37	-0.76
2013:Q4	0.64	1.38	-0.79
2014:Q1	0.70	1.44	-0.75
2014:Q2	0.77	1.52	-0.70
2014:Q3	0.84	1.59	-0.64
2014:Q4	0.93	1.68	-0.56
2015:Q1	1.00	1.74	-0.49
2015:Q2	1.09	1.82	-0.39
2015:Q3	1.20	1.92	-0.27
2015:Q4	1.32	2.03	-0.13
2016:Q1	1.46	2.14	0.02
2016:Q2	1.60	2.27	0.19
2016:Q3	1.75	2.39	0.37
2016:Q4	1.90	2.52	0.55
2017:Q1	2.04	2.64	0.74
2017:Q2	2.19	2.76	0.93

Period	Inertial Taylor (1999)	Nominal-income targeting	Outcome-based rule
2017:Q3	2.32	2.87	1.11
2017:Q4	2.44	2.96	1.28
2018:Q1	2.54	3.04	1.44
2018:Q2	2.63	3.10	1.58
2018:Q3	2.70	3.15	1.71
2018:Q4	2.75	3.17	1.82

Bottom panel
Summary

- We also considered an inflationary scenario:
  - Nominal income targeting stabilized both unemployment and inflation.
  - The inertial Taylor 1999 rule stabilized unemployment, but amplified the impact on inflation.
- Nominal income targeting also achieved improvements in inflation and unemployment in simulations of other models.
- Price-level targeting performed poorly in the FRB/US model and the small model, but well in the EDO (DSGE) model.

Exhibit 4
Questions for Committee Discussion of Monetary Policy Frameworks

1. Under flexible inflation targeting, the central bank pursues an explicit inflation objective, maintains the flexibility to stabilize economic activity, and seeks to communicate its forecasts and policy plans as clearly as possible. Would you view such a framework as consistent with the Federal Reserve's dual mandate of maximum employment and price stability? If so, do you think the Federal Reserve should enunciate such a framework? More generally, would it be helpful to formulate a consensus statement on the Committee's policy framework, perhaps using an approach similar to that of the exit strategy statement that the Committee developed earlier in the year?
2. The staff memo on alternative frameworks noted that, in principle, the Committee's best choice would be to announce and commit to the optimal policy path under commitment. Would it be helpful for the Committee to make such conditional commitments? If so, what are the most effective way(s) to communicate those conditional commitments, for example, by providing policy "thresholds" about the expected future course of policy or other options illustrated in Alternative A1 of the policy alternatives distributed on October 25?
3. The staff memo also described policy strategies that might broadly approximate commitment to the optimal policy path, including a price level target and a nominal income target. Taking into account their relative merits and pitfalls, under what circumstances, if any, would it be appropriate to pursue one of these strategies?
4. What steps, if any, should the Committee take to provide more information to the public about the expected future course of policy?

Appendix 2: Materials used by Mr. Sack

Material for
FOMC Presentation: *Financial Market Developments and Desk Operations*

Brian Sack
November 1, 2011

Exhibit 1

Top-left panel
(1)

Title: Treasury Yields
Series: 2-year, 5-year, 10-year, and 30-year Treasury yields
Horizon: August 3, 2009 - October 28, 2011
Description: Treasury yields increased across the yield curve in the intermeeting period, with particularly large moves at the longer end of the curve.

Source: Bloomberg

Top-right panel
(2)

Title: Economic News Index
Series: Citigroup Economic Surprise Index
Horizon: August 3, 2009 - October 28, 2011
Description: An index tracking surprises in economic data turned positive for the first time in months, indicating that recent releases of economic data have been better than expected.

Source: Citigroup

Middle-left panel
(3)

Title: Changes in One-Year Forward Rates Over the Intermeeting Period
Series: 1-year forward Treasury rate changes for start years 0, 1, 2, 3, 5, 10, 20, and 30
Horizon: September 20, 2011 - October 28, 2011
Description: Forward rates at the front and middle of the Treasury yield curve increased, while those at the back end of the yield curve decreased, indicating a change in the shape of the yield curve.

Source: Federal Reserve Board of Governors

Middle-right panel
*(4) Effects of September FOMC Decisions**

Variable	Movement Around Announcement**	Dealer Estimated Effect***
2-Year Treasury	+3	+7
10-Year Treasury	-8	-10
30-Year Treasury	-21	-20
30-Year Swap Rate	-15	N/A
MBS Spread	-8	-15

*All figures in basis points. Return to text

** From close on day before announcement to close on day of announcement. Return to table

***Median effects as estimated in November Policy Survey. Return to table

Source: Federal Reserve Bank of New York Policy Survey, Barclays Capital, Bloomberg

Bottom-left panel
(5)

Title: Probability Distribution of First Increase in Federal Funds Target Rate
Series: Average probabilities of first increase in federal funds target rate across different quarters, as assessed in September and November Federal Reserve Bank of New York Policy Surveys of primary dealers
Horizon: 2011:Q4 to 2014:Q1 or later
Description: Dealers pushed out their estimates for the first increase in the federal funds rate farther into the future.

Source: Federal Reserve Bank of New York Policy Survey

Bottom-right panel
(6)

Title: MBS Option-Adjusted Spread to Treasury
Series: FNMA current coupon option-adjusted spread to Treasury spliced with 3.5% coupon OAS to Treasury when current coupon rate is below 3.5%
Horizon: March 3, 2011 - October 28, 2011
Description: MBS spreads tightened in the intermeeting period, with a particularly pronounced tightening directly after the September FOMC and some subsequent intermeeting volatility.

Source: Barclays Capital

Exhibit 2

Top-left panel
(7)

Title: Equity Prices
Series: S&P 500 and EuroStoxx Index, indexed to 4/1/2010
Horizon: April 1, 2010 - October 28, 2011
Description: Domestic and European stocks increased sharply in the intermeeting period.

Source: Bloomberg

Top-right panel
(8)

Title: Corporate Bond Spreads to Treasury
Series: Bank of America-Merrill Lynch indices of high yield and investment grade bond spreads to Treasuries
Horizon: April 1, 2010 - October 28, 2011
Description: After initially widening, bond spreads fell fairly significantly in the latter part of the intermeeting period.

Source: Bank of America-Merrill Lynch

Middle-left panel
(9)

Title: Dollar Exchange Rates
Series: Dollar-euro exchange rate, Federal Reserve Board of Governors' trade-weighted dollar measure, and dollar-yen exchange rate
Horizon: April 1, 2010 - October 28, 2011
Description: The dollar depreciated against major currencies in the intermeeting period after exhibiting signs of strength early in the period. It remains particularly low against the yen.

Source: Bloomberg, Federal Reserve Board of Governors

Middle-right panel
(10)

Title: Euro Area Sovereign Debt Spreads
Series: Spanish, Italian, and French 10-year spreads to Germany
Horizon: April 1, 2010 - October 28, 2011
Description: Spanish, Italian, and French debt spreads to Germany remain elevated as compared to recent levels, with some notable volatility in recent weeks.

Source: Bloomberg

Bottom-left panel
(11)

Title: Dollar Funding Spreads to OIS
Series: Spreads of 3-month, 3-months forward Libor and spot Libor to OIS
Horizon: April 1, 2010 - October 28, 2011
Description: These measures of funding stress remain somewhat elevated, with the Libor-OIS spread rising slowly but steadily over the intermeeting period.

Source: Bloomberg

Bottom-right panel
(12)

Title: 5-Year Financial CDS Spreads
Series: Morgan Stanley, Goldman Sachs, and JP Morgan 5-year credit default swap spreads
Horizon: January 1, 2011 - October 28, 2011
Description: After spiking after the September FOMC, CDS spreads for Morgan Stanley and Goldman Sachs retraced to levels similar to those at the September FOMC. The cost of protection against losses on JP Morgan's debt, however, has not exhibited much change.

Source: Markit

Exhibit 3

Top-left panel
(13)

Title: Treasury Market Cost of Transacting
Series: Price impact of simultaneously buying and selling $500 million of benchmark 2-year and 10-year securities, calculated using five best bids and offers
Horizon: April 1, 2010 - October 28, 2011
Description: The Treasury market continues to function normally as exhibited by this metric.

Source: Brokertec, Federal Reserve Bank of New York

Top-right panel
(14)

Title: SOMA Purchases and Gross Issuance (Projections Through June 2012)
Series: Forecasted SOMA purchases and market issuance of 6-8 year, 8-10 year, 10-20 year, and 20-30 year Treasuries, 6-30 year TIPS, and MBS*
Horizon: October 2011 - June 2012
Description: The Maturity Extension Program is forecasted to absorb the equivalent of roughly half of new issuance of Treasuries up to 10 years, a significant amount of issuance in the 10-30 year sector, and very few TIPS. The MBS reinvestment program is forecasted to absorb roughly half of new issuance of MBS.

* Projections based on gross issuance of low-coupon securities. Return to text

Source: Federal Reserve Bank of New York

Middle-left panel
(15)

Title: Probability of Additional Policy Actions
Series: November Dealer Survey additional policy action responses
Horizon: Current meeting to 1 year
Description: Respondents did not expect any further easing at the current meeting, but there was some expectation for further easing within the next year.

Policy actions shown in the chart are "Increase SOMA Duration," "Reduce IOER," "Provide SOMA Guidance," "Increase SOMA Size," and "Change Rate Guidance."

Source: Federal Reserve Bank of New York Policy Survey

Middle-right panel
(16)

Title: Expected SOMA Portfolio Holdings
Series: SOMA portfolio holdings (through 10/14/11), November Dealer Survey responses to the expected size of the portfolio (after 10/14/11)
Horizon: January 1, 2007 - December 31, 2016
Description: Some dealers are incorporating further asset purchases into their forecasts for the SOMA portfolio, although the median forecast is for no further expansion and a slow rolling down of the portfolio starting in 2014.

Source: Federal Reserve Bank of New York Policy Survey

Bottom-left panel
(17)

Title: Euro RRP Rate Offers on 10/28/2011
Series: Spot/next offers, excluding Goldman Sachs' offers, to the New York Fed's trading desk in reverse repurchase transactions on October 28, 2011
Horizon: October 28, 2011
Description: On the first day of differentiating between different types of European collateral in the Fed's reverse repurchase agreements for its euro portfolio, rate offers were as expected, with higher rates for potentially riskier collateral and relatively tight offer ranges across counterparties.

Source: Federal Reserve Bank of New York

Bottom-right panel
*(18) Liability Structure of Financial Institutions**

Type	MF Global	MS	JPM
Repo & Trading Liabilities	61%	36%	15%
LT Unsecured Debt	1%	24%	12%
Deposits	0%	8%	47%
Other Liabilities	35%	24%	18%
Equity	3%	8%	8%
Total	100%	100%	100%

* Expressed as percent of assets. Return to text

Source: MF Global, Morgan Stanley, JP Morgan

Appendix 3: Materials used by Mr. Wilcox

Material for **Forecast Summary**

David Wilcox
November 1, 2011

Forecast Summary

Confidence Intervals Based on Tealbook Track Record

Top-left panel
Real GDP

Percent change, annual rate

Period	October Tealbook	September Tealbook
2010:Q1	3.94	ND
2010:Q2	3.79	ND
2010:Q3	2.51	ND
2010:Q4	2.35	ND
2011:Q1	0.36	ND
2011:Q2	1.34	1.34
Forecast		
2011:Q3	2.68	2.47
2011:Q4	2.50	1.98
2012:Q1	2.36	2.17
2012:Q2	2.46	2.33
2012:Q3	2.58	2.72
2012:Q4	2.69	3.02
2013:Q1	2.94	3.20
2013:Q2	3.14	3.30
2013:Q3	3.35	3.50
2013:Q4	3.52	3.60

The 70% confidence interval begins at about 1.34 in 2011:Q2, follows the contour of the October Tealbook curve, and ends at about [1.4,5.2].

Top-right panel
PCE Prices

Percent change, annual rate

Period	October Tealbook	September Tealbook
2010:Q1	1.86	ND
2010:Q2	0.33	ND
2010:Q3	0.98	ND
2010:Q4	1.95	ND
2011:Q1	3.90	ND
2011:Q2	3.30	3.30
Forecast		
2011:Q3	2.33	2.26

Period	October Tealbook	September Tealbook
2011:Q4	1.20	1.21
2012:Q1	1.43	0.92
2012:Q2	1.38	1.25
2012:Q3	1.35	1.33
2012:Q4	1.34	1.35
2013:Q1	1.39	1.30
2013:Q2	1.36	1.27
2013:Q3	1.37	1.29
2013:Q4	1.39	1.30

The 70% confidence interval begins at about 3.30 in 2011:Q2, follows the contour of the October Tealbook curve, and ends at about [0.1,2.6].

Middle-left panel Unemployment Rate

Percent

Period	October Tealbook	September Tealbook
2010:Q1	9.70	ND
2010:Q2	9.60	ND
2010:Q3	9.60	ND
2010:Q4	9.60	ND
2011:Q1	8.90	ND
2011:Q2	9.10	9.10
Forecast		
2011:Q3	9.09	9.09
2011:Q4	9.08	9.11
2012:Q1	9.03	9.10
2012:Q2	8.90	8.98
2012:Q3	8.76	8.86
2012:Q4	8.60	8.70
2013:Q1	8.44	8.52
2013:Q2	8.36	8.41
2013:Q3	8.27	8.28
2013:Q4	8.14	8.14

The 70% confidence interval begins at about 9.10 in 2011:Q2, follows the contour of the October Tealbook curve, and ends at about [7.05,9.25].

Middle-right panel PCE Prices Excluding Food and Energy

Percent change, annual rate

Period	October Tealbook	September Tealbook
2010:Q1	1.13	ND
2010:Q2	1.28	ND
2010:Q3	0.75	ND
2010:Q4	0.66	ND
2011:Q1	1.56	ND

Period	October Tealbook	September Tealbook
2011:Q2	2.26	2.26
Forecast		
2011:Q3	2.07	2.10
2011:Q4	1.47	1.66
2012:Q1	1.64	1.64
2012:Q2	1.57	1.51
2012:Q3	1.46	1.43
2012:Q4	1.40	1.41
2013:Q1	1.40	1.33
2013:Q2	1.40	1.31
2013:Q3	1.40	1.35
2013:Q4	1.41	1.35

The 70% confidence interval begins at about 2.26 in 2011:Q2, follows the contour of the October Tealbook curve, and ends at about [0.5,2.25].

Bottom-left panel
Change in Private Payroll Employment

Thousands of employees

Period	Three-month moving average
January 2000	241.67
February 2000	188.33
March 2000	216.00
April 2000	216.67
May 2000	145.00
June 2000	103.67
July 2000	92.33
August 2000	143.00
September 2000	147.67
October 2000	79.33
November 2000	139.00
December 2000	94.00
January 2001	85.33
February 2001	12.67
March 2001	-40.33
April 2001	-134.67
May 2001	-159.00
June 2001	-215.33
July 2001	-163.33
August 2001	-199.00
September 2001	-209.33
October 2001	-273.00
November 2001	-325.67
December 2001	-305.67
January 2002	-234.67
February 2002	-172.33

Period	Three-month moving average
March 2002	-125.00
April 2002	-106.67
May 2002	-80.33
June 2002	-54.67
July 2002	-54.33
August 2002	-46.33
September 2002	-54.33
October 2002	13.33
November 2002	27.33
December 2002	-25.33
January 2003	-42.33
February 2003	-90.00
March 2003	-99.67
April 2003	-130.00
May 2003	-71.33
June 2003	-18.00
July 2003	-7.33
August 2003	-3.00
September 2003	63.67
October 2003	112.00
November 2003	113.67
December 2003	96.00
January 2004	105.00
February 2004	103.33
March 2004	167.00
April 2004	184.67
May 2004	277.33
June 2004	209.00
July 2004	148.33
August 2004	79.00
September 2004	98.33
October 2004	193.67
November 2004	168.67
December 2004	162.33
January 2005	85.00
February 2005	153.00
March 2005	157.00
April 2005	240.67
May 2005	211.33
June 2005	250.00
July 2005	228.00
August 2005	242.67
September 2005	183.67
October 2005	122.33
November 2005	161.33

Period	Three-month moving average
December 2005	180.00
January 2006	253.00
February 2006	246.67
March 2006	286.00
April 2006	236.00
May 2006	143.33
June 2006	84.00
July 2006	81.67
August 2006	127.67
September 2006	129.67
October 2006	78.67
November 2006	93.33
December 2006	120.00
January 2007	194.67
February 2007	150.67
March 2007	152.67
April 2007	91.67
May 2007	113.00
June 2007	76.00
July 2007	59.33
August 2007	-5.33
September 2007	-19.00
October 2007	2.67
November 2007	52.00
December 2007	61.00
January 2008	54.33
February 2008	-16.00
March 2008	-69.00
April 2008	-154.33
May 2008	-181.00
June 2008	-220.67
July 2008	-235.33
August 2008	-261.33
September 2008	-326.00
October 2008	-399.67
November 2008	-567.33
December 2008	-645.00
January 2009	-764.67
February 2009	-740.67
March 2009	-783.67
April 2009	-771.33
May 2009	-633.67
June 2009	-513.33
July 2009	-344.67
August 2009	-313.67

Period	Three-month moving average
September 2009	-233.00
October 2009	-211.67
November 2009	-152.67
December 2009	-131.33
January 2010	-67.33
February 2010	-62.33
March 2010	24.67
April 2010	102.33
May 2010	139.33
June 2010	123.00
July 2010	89.33
August 2010	104.00
September 2010	111.67
October 2010	146.33
November 2010	148.33
December 2010	156.67
January 2011	131.00
February 2011	172.00
March 2011	212.33
April 2011	260.67
May 2011	211.00
June 2011	158.00
July 2011	128.33
August 2011	109.67
September 2011	147.67

Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research: March 2001-November 2001, and December 2007-June 2009.

Bottom-right panel
Consumer Sentiment

Period	University of Michigan (1966 = 100)	Conference Board (1985 = 100)
January 2000	112.00	144.70
February 2000	111.30	140.80
March 2000	107.10	137.10
April 2000	109.20	137.70
May 2000	110.70	144.70
June 2000	106.40	139.20
July 2000	108.30	143.00
August 2000	107.30	140.80
September 2000	106.80	142.50
October 2000	105.80	135.80
November 2000	107.60	132.60
December 2000	98.40	128.60
January 2001	94.70	115.70

Period	University of Michigan (1966 = 100)	Conference Board (1985 = 100)
February 2001	90.60	109.20
March 2001	91.50	116.90
April 2001	88.40	109.90
May 2001	92.00	116.10
June 2001	92.60	118.90
July 2001	92.40	116.30
August 2001	91.50	114.00
September 2001	81.80	97.00
October 2001	82.70	85.30
November 2001	83.90	84.90
December 2001	88.80	94.60
January 2002	93.00	97.80
February 2002	90.70	95.00
March 2002	95.70	110.70
April 2002	93.00	108.50
May 2002	96.90	110.30
June 2002	92.40	106.30
July 2002	88.10	97.40
August 2002	87.60	94.50
September 2002	86.10	93.70
October 2002	80.60	79.60
November 2002	84.20	84.90
December 2002	86.70	80.70
January 2003	82.40	78.80
February 2003	79.90	64.80
March 2003	77.60	61.40
April 2003	86.00	81.00
May 2003	92.10	83.60
June 2003	89.70	83.50
July 2003	90.90	77.00
August 2003	89.30	81.70
September 2003	87.70	77.00
October 2003	89.60	81.70
November 2003	93.70	92.50
December 2003	92.60	94.80
January 2004	103.80	97.70
February 2004	94.40	88.50
March 2004	95.80	88.50
April 2004	94.20	93.00
May 2004	90.20	93.10
June 2004	95.60	102.80
July 2004	96.70	105.70
August 2004	95.90	98.70
September 2004	94.20	96.70
October 2004	91.70	92.90

Period	University of Michigan (1966 = 100)	Conference Board (1985 = 100)
November 2004	92.80	92.60
December 2004	97.10	102.70
January 2005	95.50	105.10
February 2005	94.10	104.40
March 2005	92.60	103.00
April 2005	87.70	97.50
May 2005	86.90	103.10
June 2005	96.00	106.20
July 2005	96.50	103.60
August 2005	89.10	105.50
September 2005	76.90	87.50
October 2005	74.20	85.20
November 2005	81.60	98.30
December 2005	91.50	103.80
January 2006	91.20	106.80
February 2006	86.70	102.70
March 2006	88.90	107.50
April 2006	87.40	109.80
May 2006	79.10	104.70
June 2006	84.90	105.40
July 2006	84.70	107.00
August 2006	82.00	100.20
September 2006	85.40	105.90
October 2006	93.60	105.10
November 2006	92.10	105.30
December 2006	91.70	110.00
January 2007	96.90	110.20
February 2007	91.30	111.20
March 2007	88.40	108.20
April 2007	87.10	106.30
May 2007	88.30	108.50
June 2007	85.30	105.30
July 2007	90.40	111.90
August 2007	83.40	105.60
September 2007	83.40	99.50
October 2007	80.90	95.20
November 2007	76.10	87.80
December 2007	75.50	90.60
January 2008	78.40	87.30
February 2008	70.80	76.40
March 2008	69.50	65.90
April 2008	62.60	62.80
May 2008	59.80	58.10
June 2008	56.40	51.00
July 2008	61.20	51.90

Period	University of Michigan (1966 = 100)	Conference Board (1985 = 100)
August 2008	63.00	58.50
September 2008	70.30	61.40
October 2008	57.60	38.80
November 2008	55.30	44.70
December 2008	60.10	38.60
January 2009	61.20	37.40
February 2009	56.30	25.30
March 2009	57.30	26.90
April 2009	65.10	40.80
May 2009	68.70	54.80
June 2009	70.80	49.30
July 2009	66.00	47.40
August 2009	65.70	54.50
September 2009	73.50	53.40
October 2009	70.60	48.70
November 2009	67.40	50.60
December 2009	72.50	53.60
January 2010	74.40	56.50
February 2010	73.60	46.40
March 2010	73.60	52.30
April 2010	72.20	57.70
May 2010	73.60	62.70
June 2010	76.00	54.30
July 2010	67.80	51.00
August 2010	68.90	53.20
September 2010	68.20	48.60
October 2010	67.70	49.90
November 2010	71.60	57.80
December 2010	74.50	63.40
January 2011	74.20	64.80
February 2011	77.50	72.00
March 2011	67.50	63.80
April 2011	69.80	66.00
May 2011	74.30	61.70
June 2011	71.50	57.60
July 2011	63.70	59.20
August 2011	55.80	45.20
September 2011	59.50	46.40
October 2011	60.80	40.90

Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research: March 2001-November 2001, and December 2007-June 2009.

Appendix 4: Material distributed by Ms. Leonard

Material for Briefing on
FOMC Participants' Economic Projections

Deborah Leonard
November 1, 2011

Exhibit 1. Central tendencies and ranges of economic projections, 2011-14 and over the longer run

Actual values for years 2006 through 2010.

Change in real GDP
Percent

	2006	2007	2008	2009	2010	2011	2012	2013	2014	Longer run
Actual	2.4	2.2	-3.3	-0.5	3.1	-	-	-	-	-
Upper End of Range	-	-	-	-	-	1.8	3.5	4.0	4.5	3.0
Upper End of Central Tendency	-	-	-	-	-	1.7	2.9	3.5	3.9	2.7
Lower End of Central Tendency	-	-	-	-	-	1.6	2.5	3.0	3.0	2.4
Lower End of Range	-	-	-	-	-	1.6	2.3	2.7	2.7	2.2

Unemployment rate
Percent

	2006	2007	2008	2009	2010	2011	2012	2013	2014	Longer run
Actual	4.5	4.8	6.9	10.0	9.6	-	-	-	-	-
Upper End of Range	-	-	-	-	-	9.1	8.9	8.4	8.0	6.0
Upper End of Central Tendency	-	-	-	-	-	9.1	8.7	8.2	7.7	6.0
Lower End of Central Tendency	-	-	-	-	-	9.0	8.5	7.8	6.8	5.2
Lower End of Range	-	-	-	-	-	8.9	8.1	7.5	6.5	5.0

PCE inflation
Percent

	2006	2007	2008	2009	2010	2011	2012	2013	2014	Longer run
Actual	1.9	3.5	1.7	1.5	1.3	-	-	-	-	-
Upper End of Range	-	-	-	-	-	3.3	2.8	2.5	2.4	2.0
Upper End of Central Tendency	-	-	-	-	-	2.9	2.0	2.0	2.0	2.0
Lower End of Central Tendency	-	-	-	-	-	2.7	1.4	1.5	1.5	1.7
Lower End of Range	-	-	-	-	-	2.5	1.4	1.4	1.5	1.5

Core PCE inflation
Percent

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Actual	2.3	2.4	2.0	1.7	1.0	-	-	-	-
Upper End of Range	-	-	-	-	-	2.0	2.1	2.1	2.2
Upper End of Central Tendency	-	-	-	-	-	1.9	2.0	1.9	2.0
Lower End of Central Tendency	-	-	-	-	-	1.8	1.5	1.4	1.5
Lower End of Range	-	-	-	-	-	1.7	1.3	1.4	1.4

Exhibit 2. Economic projections for 2011 (percent)

Change in real GDP

	2011	2011:H1	2011:H2
Central Tendency	1.6 to 1.7	0.8 to 0.8	2.4 to 2.6
June projections	*2.7 to 2.9*	*2.0 to 2.1*	*3.3 to 3.6*
Range	1.6 to 1.8	0.8 to 0.8	2.4 to 2.8
June projections	*2.5 to 3.0*	*1.9 to 2.2*	*2.9 to 4.0*
Memo: Tealbook	1.7	0.8	2.6
June Tealbook	*2.7*	*2.0*	*3.4*

Unemployment Rate

	2011:Q4
Central Tendency	9.0 to 9.1
June projections	*8.6 to 8.9*
Range	8.9 to 9.1
June projections	*8.4 to 9.1*
Memo: Tealbook	9.1
June Tealbook	*8.9*

PCE Inflation

	2011	2011:H1	2011:H2
Central Tendency	2.7 to 2.9	3.6 to 3.6	1.8 to 2.2
June projections	*2.3 to 2.5*	*3.5 to 3.6*	*1.0 to 1.7*
Range	2.5 to 3.3	3.6 to 3.6	1.4 to 3.0
June projections	*2.1 to 3.5*	*3.1 to 4.0*	*0.6 to 3.0*
Memo: Tealbook	2.7	3.6	1.8
June Tealbook	*2.3*	*3.6*	*1.1*

Core PCE Inflation

	2011	2011:H1	2011:H2
Central Tendency	1.8 to 1.9	1.9 to 1.9	1.7 to 1.9
June projections	*1.5 to 1.8*	*1.7 to 1.8*	*1.3 to 1.8*
Range	1.7 to 2.0	1.9 to 2.0	1.5 to 2.1
June projections	*1.5 to 2.3*	*1.6 to 1.9*	*1.2 to 2.7*
Memo: Tealbook	1.8	1.9	1.8
June Tealbook	*1.7*	*1.8*	*1.5*

Note: For change in real GDP and inflation, the values for 2011, 2011:H1, and 2011:H2 are at annual rates in percent, measured in terms of Q4/Q4, Q2/Q4, and Q4/Q2, respectively.

Exhibit 3. Economic projections for 2012-2014 and over the longer run (percent)

Change in real GDP

	2012	2013	2014	Longer run
Central Tendency	2.5 to 2.9	3.0 to 3.5	3.0 to 3.9	2.4 to 2.7
June projections	*3.3 to 3.7*	*3.5 to 4.2*	---	*2.5 to 2.8*
Range	2.3 to 3.5	2.7 to 4.0	2.7 to 4.5	2.2 to 3.0
June projections	*2.2 to 4.0*	*3.0 to 4.5*	---	*2.4 to 3.0*
Memo: Tealbook	2.5	3.2	3.9	2½
June Tealbook	*3.5*	*4.2*	*4.0*	*2½*

Unemployment rate

	2012	2013	2014	Longer run
Central Tendency	8.5 to 8.7	7.8 to 8.2	6.8 to 7.7	5.2 to 6.0
June projections	*7.8 to 8.2*	*7.0 to 7.5*	---	*5.2 to 5.6*
Range	8.1 to 8.9	7.5 to 8.4	6.5 to 8.0	5.0 to 6.0
June projections	*7.5 to 8.7*	*6.5 to 8.3*	---	*5.0 to 6.0*
Memo: Tealbook	8.6	8.1	7.3	5¼
June Tealbook	*8.1*	*7.1*	*6.0*	*5¼*

PCE inflation

	2012	2013	2014	Longer run
Central Tendency	1.4 to 2.0	1.5 to 2.0	1.5 to 2.0	1.7 to 2.0
June projections	*1.5 to 2.0*	*1.5 to 2.0*	---	*1.7 to 2.0*
Range	1.4 to 2.8	1.4 to 2.5	1.5 to 2.4	1.5 to 2.0
June projections	*1.2 to 2.8*	*1.3 to 2.5*	---	*1.5 to 2.0*
Memo: Tealbook	1.4	1.4	1.5	2
June Tealbook	*1.5*	*1.5*	*1.5*	*2*

Core PCE inflation

	2012	2013	2014
Central Tendency	1.5 to 2.0	1.4 to 1.9	1.5 to 2.0
June projections	*1.4 to 2.0*	*1.4 to 2.0*	---
Range	1.3 to 2.1	1.4 to 2.1	1.4 to 2.2
June projections	*1.2 to 2.5*	*1.3 to 2.5*	---
Memo: Tealbook	1.5	1.4	1.4
June Tealbook	*1.5*	*1.5*	*1.6*

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

Exhibit 4. Risks and uncertainty in economic projections

Uncertainty about GDP growth
Number of participants

	Lower	Similar	Higher
November projections	0	1	16
June projections	0	4	13

Risks to GDP growth
Number of participants

	Downside	Balanced	Upside
November projections	11	6	0
June projections	11	6	0

Uncertainty about Unemployment
Number of participants

	Lower	Similar	Higher
November projections	0	3	14
June projections	0	4	13

Risks to Unemployment
Number of participants

	Downside	Balanced	Upside
November projections	0	6	11
June projections	0	8	9

Uncertainty about PCE inflation
Number of participants

	Lower	Similar	Higher
November projections	1	4	12
June projections	1	2	14

Risks to PCE inflation
Number of participants

	Downside	Balanced	Upside
November projections	4	10	3
June projections	1	10	6

Uncertainty about Core PCE inflation
Number of participants

	Lower	Similar	Higher
November projections	1	5	11
June projections	1	4	12

Risks to Core PCE inflation
Number of participants

	Downside	Balanced	Upside
November projections	4	10	3
June projections	2	9	6

Appendix 5: Material distributed by Ms. Mester

Material for Briefing on
Trial-Run Policy Projections

Loretta J. Mester
November 1, 2011

Exhibit 1: Central tendencies and ranges

Top panel
Fed Funds Rate

(percent)

	2011	2012	2013	2014	Longer run
Central Tendency	0.13 to 0.13	0.13 to 0.67	0.13 to 1.50	0.13 to 2.50	4.00 to 4.50
Range	0.13 to 0.50	0.13 to 1.50	0.13 to 2.50	0.13 to 4.00	3.75 to 4.75

Note: Projections of the target federal funds rate in the fourth quarter of the year indicated. The fed funds rate projection corresponds to the participant's assessment of appropriate monetary policy.

Bottom panel
Fed Funds Rate

	2006	2007	2008	2009	2010	2011	2012	2013	2014	Longer Run
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Longer Run
Actual	5.25	4.52	1.04	0.13	0.13	-	-	-	-	-
Upper End of Range	-	-	-	-	-	0.50	1.50	2.50	4.00	4.75
Upper End of Central Tendency	-	-	-	-	-	0.13	0.67	1.50	2.50	4.50
Lower End of Central Tendency	-	-	-	-	-	0.13	0.13	0.13	0.13	4.00
Lower End of Range	-	-	-	-	-	0.13	0.13	0.13	0.13	3.75

Exhibit 2. Distribution of federal funds rate projections

Histograms, five panels.

Number of participants

Percent range	2011	2012	2013	2014	Longer run
0.0 - 0.3	16	13	11	5	0
0.4 - 0.7	1	1	1	2	0
0.8 - 1.1	0	2	1	4	0
1.2 - 1.5	0	1	2	0	0
1.6 - 1.9	0	0	0	1	0
2.0 - 2.3	0	0	1	0	0
2.4 - 2.7	0	0	1	3	0
2.8 - 3.1	0	0	0	1	0
3.2 - 3.5	0	0	0	0	0
3.6 - 3.9	0	0	0	0	3
4.0 - 4.3	0	0	0	1	9
4.4 - 4.7	0	0	0	0	4
4.8 - 5.1	0	0	0	0	1
5.2 - 5.5	0	0	0	0	0
5.6 - 5.9	0	0	0	0	0

Exhibit 3. Distribution of participants' projections for year of first fed funds rate increase

Top panel

Projected year	Number of participants
2011	1
2012	3
2013	2
2014	7
2015	3
2016	1

Bottom panel
Key factors underlying policy path:

For those favoring lift-off in 2014 or later:

- Slow growth and high unemployment + moderate inflation
- Large and persistent output and unemployment gaps
- Zero lower bound is limiting support of monetary policy

For those favoring lift-off in 2013 or earlier:

- Stronger inflation pressures despite elevated unemployment
- To forestall build-up of financial and structural imbalances
- To keep inflation expectations anchored

Exhibit 4. Projections aligned by year of lift-off

Panel A. Central tendencies and ranges in 2011, the year before lift-off, and the year of lift-off *

Percent

	Change in Real GDP			Unemployment Rate			PCE Inflation		
	2011	Year before first rise	Year of first rise	2011	Year before first rise	Year of first rise	2011	Year before first rise	Year of first rise
Upper End of Range	1.8	4.0	4.5	9.1	9.6	9.0	3.3	3.0	2.9
Upper End of Central Tendency	1.7	3.8	4.1	9.1	8.9	8.1	2.9	2.8	2.2
Lower End of Central Tendency	1.6	2.6	2.8	9.0	7.7	6.6	2.7	1.5	1.6
Lower End of Range	1.6	1.6	1.7	8.9	7.2	6.5	2.5	1.3	1.5

* Projections for the year before the first federal funds rate increase (i.e., for the year before lift-off) are not available for the participant projecting this increase will occur in 2016. Return to text

Panel B. Scatter plots of projections in year of lift-off *

Bottom-left panel

Plotted point	Change in Real GDP	Unemployment Rate
1	1.7	9.0
2	2.5	8.7
3	2.7	7.5
4	2.8	8.8
5 (Lift-off in 2014)	2.9	8.0
6	3.2	7.9
7 (Lift-off in 2012)	3.2	8.1
8	3.3	7.6
9	3.4	7.1
10	3.5	6.5
11	3.8	7.5
12	3.9	7.3
13	4.0	6.5
14	4.1	6.6
15	4.2	6.9
16	4.3	6.5
17	4.5	6.7

| Plotted point | Change in Real GDP | PCE Inflation |

Plotted point	Change in Real GDP	PCE Inflation
1	1.7	2.9
2	2.5	2.0
3	2.7	2.2
4	2.8	2.0
5	2.9	1.9
6	3.2	1.7
7	3.2	2.2
8	3.3	2.0
9	3.4	1.6
10	3.5	2.9
11	3.8	2.5
12	3.9	1.5
13	4.0	1.8
14	4.1	1.5
15	4.2	1.5
16	4.3	2.0
17	4.5	2.0

Bottom-right panel

Plotted point	Unemployment Rate	PCE Inflation
1	6.5	1.8
2	6.5	2.0
3	6.5	2.9
4	6.6	1.5
5	6.7	2.0
6	6.9	1.5
7	7.1	1.6
8	7.3	1.5
9	7.5	2.2
10	7.5	2.5
11	7.6	2.0
12	7.9	1.7
13	8.0	1.9
14	8.1	2.2
15	8.7	2.0
16	8.8	2.0
17	9.0	2.9

* Each dot represents the combination of projected values of the two variables for an individual participant. Return to text

Appendix 6: Material distributed by Mr. English

Material for
FOMC Briefing on Monetary Policy Alternatives

Bill English
November 2, 2011

Table 1: Overview of Alternatives for the Nov. 2 FOMC Statement

Selected Elements	September Statement	November Alternatives			
		A1	A2	B	C
Balance Sheet					
MEP	$400 billion; complete by end of June 2012	unchanged	unchanged	unchanged	cut to $200 billion; complete by end of March 2012
Reinvestments	payments of agency debt and MBS into agency MBS; Treasuries into Treasuries	unchanged	unchanged	unchanged	unchanged
Additional Purchases	none	none	$600 billion of Treasuries by end of Sept. 2012 OR $300 billion each of Treasuries and agency MBS by end of June 2012	none	none
Forward Guidance					
First Option	at least through mid-2013	at least through mid-2014	unchanged	unchanged	at least through 2012
Second Option		through end of 2014 and forecasts of unemployment and inflation at that time		at least for the next six to seven quarters	at least for the next four quarters
Third Option		at least as long as unemployment and inflation conditions hold; expect such conditions to prevail through end of 2014			

September FOMC Statement

1. Information received since the Federal Open Market Committee met in August indicates that economic growth remains slow. Recent indicators point to continuing weakness in overall labor market conditions, and the unemployment rate remains elevated. Household spending has been increasing at only a modest pace in recent months despite some recovery in sales of motor vehicles as supply-chain disruptions eased. Investment in nonresidential structures is still weak, and the housing sector remains depressed. However, business investment in equipment and software continues to expand. Inflation appears to have moderated since earlier in the year as prices of energy and some commodities have declined from their peaks. 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 continues to expect some pickup in the pace of recovery over coming quarters but anticipates that the unemployment rate will decline only gradually toward levels that the Committee judges to be consistent with its dual mandate. Moreover, there are significant downside risks to the economic outlook, including strains in global financial markets. The Committee also anticipates that inflation will settle, over coming quarters, at levels at or below those consistent with the Committee's dual mandate as the effects of past energy and other commodity price increases dissipate further. However, the Committee will continue to pay close attention to the evolution of inflation and inflation expectations.

3. To support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate, the Committee decided today to extend the average maturity of its holdings of securities. The Committee intends to purchase, by the end of June 2012, $400 billion of Treasury securities with remaining

maturities of 6 years to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less. This program should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate.

4. To help support conditions in mortgage markets, the Committee will now reinvest principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities. In addition, the Committee will maintain its existing policy of rolling over maturing Treasury securities at auction.

5. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013.

6. The Committee discussed the range of policy tools available to promote a stronger economic recovery in a context of price stability. It will continue to assess the economic outlook in light of incoming information and is prepared to employ its tools as appropriate.

[Note: In the November FOMC Statement Alternatives, emphasis (strike-through) indicates strike-through text, strong emphasis (bold) indicates bold red underlined text, and curly brackets { } indicate bold blue underlined text, respectively, in the original document.]

November FOMC Statement--Alternative A1

1. Information received since the Federal Open Market Committee met in ~~August~~ **September** indicates that economic growth ~~remains slow~~ **strengthened somewhat in the third quarter, but the pickup was due predominantly to a reversal of the temporary factors that had weighed on growth earlier in the year**. Recent indicators point to continuing weakness in overall labor market conditions, and the unemployment rate remains elevated. Household spending has ~~been~~ increas**ed**~~ing~~ at ~~only a modest~~ **a somewhat faster** pace in recent months ~~despite some recovery in sales of motor vehicles as supply chain disruptions have eased~~. ~~However,~~ Business investment in equipment and software **has** continue**d**~~s~~ to expand**, but** investment in nonresidential structures is still weak and the housing sector remains depressed. Inflation ~~appears to have~~ **has** moderated since earlier in the year as prices of energy and some commodities have declined from their peaks. 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 continues to expect ~~some pickup in the~~ **a moderate** pace of ~~recovery~~ **economic growth** over coming quarters ~~but~~ **and consequently** anticipates that the unemployment rate will decline only gradually toward levels that the Committee judges to be consistent with its dual mandate. ~~Moreover~~ **However**, there are significant downside risks to the economic outlook, including strains in global financial markets. The Committee ~~also~~ anticipates that inflation will settle, over coming quarters, at levels at or below those consistent with the Committee's dual mandate ~~as the effects of past energy and other commodity price increases dissipate further~~. ~~However,~~ The Committee will continue to pay close attention to the evolution of inflation and inflation expectations.

3. To support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate, the Committee decided today to **continue its program to** extend the average maturity of its holdings of securities **as announced in September**. ~~The Committee intends to purchase, by the end of June 2012, $400 billion of Treasury securities with remaining maturities of 6 years to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less. This program should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative. To help support conditions in mortgage markets,~~ The Committee ~~will now~~ **is maintaining its existing policies of** reinvest**ing** principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities~~. In addition the Committee will maintain its existing policy~~ **and** of rolling over maturing Treasury securities at auction. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate.

4. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent. ~~and currently~~ The Committee **now** anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least through ~~mid-2013~~ **mid-2014**.

OR

4′. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent. ~~and currently~~ The Committee **now** anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant **this** exceptionally low ~~levels~~ **range** for the federal funds rate ~~at least through mid-2013~~ **through the end of 2014. On the basis of currently available information, the Committee projects the unemployment rate to be about [6½ to 7] percent and the inflation rate (as measured by the price index for Personal Consumption Expenditures) to be around [1¾ to 2¼] percent at that time.**

OR

4″. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent. ~~and currently~~ **The Committee** anticipates that ~~economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant~~ **this** exceptionally low ~~levels~~ **range** for the federal funds rate **will be appropriate at least as long as the unemployment rate exceeds [7] percent, inflation (as measured by the price index for Personal Consumption Expenditures) is projected to be at or below [2½] percent in the medium term, and longer-term inflation expectations continue to be well anchored. On the basis of currently available information, the Committee expects these conditions to prevail through the end of 2014.**

5. The Committee ~~discussed the range of policy tools available~~ will continue to assess the economic outlook in light of incoming information and is prepared to employ its tools as appropriate to promote a stronger economic recovery in a context of price stability.

November FOMC Statement--Alternative A2

1. Information received since the Federal Open Market Committee met in ~~August~~ **September** indicates that economic growth ~~remains slow~~ **strengthened somewhat in the third quarter, but the pickup was due predominantly to a reversal of the temporary factors that had weighed on growth earlier in the year**. Recent indicators point to continuing weakness in overall labor market conditions, and the unemployment rate remains elevated. Household spending has ~~been~~ increas**ed**~~ing~~ at ~~only a modest~~ **a somewhat faster** pace in recent months ~~despite some recovery in sales of motor vehicles as supply chain disruptions have eased~~. ~~However,~~ Business investment in equipment and software **has** continue**d**~~s~~ to expand**, but** investment in nonresidential structures is still weak and the housing sector remains depressed. Inflation ~~appears to have~~ **has** moderated since earlier in the year as prices of energy and some commodities have declined from their peaks. 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 ~~continues to~~ expect**s** ~~some pickup in~~ the pace of ~~recovery~~ **economic growth** over coming quarters **to be relatively modest** ~~but~~ **and consequently** anticipates that the unemployment rate will decline only gradually toward levels that the Committee judges to be consistent with its dual mandate. ~~Moreover~~ **However**, there are significant downside risks to the economic outlook, including strains in global financial markets. The Committee ~~also~~ anticipates that inflation will settle, over coming quarters, at levels at or below those consistent with the Committee's dual mandate ~~as the effects of past energy and other commodity price increases dissipate further~~. ~~However,~~ The Committee will continue to pay close attention to the evolution of inflation and inflation expectations.

3. To support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate, the Committee decided today to **continue its program to** extend the average maturity of its holdings of securities **as announced in September**. ~~The Committee intends to purchase, by the end of June 2012, $400 billion of Treasury securities with remaining maturities of 6 years to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less.~~ **In addition, the Committee intends to purchase a further [$600 billion of longer-term Treasury securities by the end of September 2012 | $300 billion of longer-term Treasury securities and $300 billion of agency mortgage-backed securities by the end of June 2012].** ~~This~~ **These** program**s** should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative. ~~To help support conditions in mortgage markets,~~ The Committee ~~will now~~ **is maintaining its existing policies of** reinvest**ing** principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities~~. In addition the Committee will maintain its existing policy~~ **and** of rolling over maturing Treasury securities at auction. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate.

4. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation

over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013.

5. The Committee ~~discussed the range of policy tools available~~ will continue to assess the economic outlook in light of incoming information and is prepared to employ its tools as appropriate to promote a stronger economic recovery in a context of price stability.

Note: If policymakers decide it is appropriate to reduce the remuneration rate on reserve balances, the Board of Governors would issue an accompanying statement that might read:

In a related action, the Board of Governors voted today to reduce the interest rate paid on required and excess reserve balances from 25 basis points to 10 basis points effective with the reserve maintenance period that begins on November 17, 2011.

November FOMC Statement--Alternative B

1. Information received since the Federal Open Market Committee met in ~~August~~ **September** indicates that economic growth ~~remains slow~~ **strengthened somewhat in the third quarter, reflecting in part a reversal of the temporary factors that had weighed on growth earlier in the year**. **Nonetheless,** recent indicators point to continuing weakness in overall labor market conditions, and the unemployment rate remains elevated. Household spending has ~~been~~ increas**ed**~~ing~~ at ~~only a modest~~ **a somewhat faster** pace in recent months ~~despite some recovery in sales of motor vehicles as supply chain disruptions have eased~~. ~~However,~~ Business investment in equipment and software **has** continue**d**~~s~~ to expand**, but** investment in nonresidential structures is still weak, and the housing sector remains depressed. Inflation appears to have moderated since earlier in the year as prices of energy and some commodities have declined from their peaks. 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 continues to expect ~~some pickup in the~~ **a moderate** pace of ~~recovery~~ **economic growth** over coming quarters ~~but~~ **and consequently** anticipates that the unemployment rate will decline only gradually toward levels that the Committee judges to be consistent with its dual mandate. Moreover, ~~there are~~ { [significant] } downside risks to the economic outlook **remain**, including strains in global financial markets. The Committee also anticipates that inflation will settle, over coming quarters, at levels at or below those consistent with the Committee's dual mandate as the effects of past energy and other commodity price increases dissipate further. However, the Committee will continue to pay close attention to the evolution of inflation and inflation expectations.

3. To support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate, the Committee decided today to **continue its program to** extend the average maturity of its holdings of securities **as announced in September**. ~~The Committee intends to purchase, by the end of June 2012, $400 billion of Treasury securities with remaining maturities of 6 years to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less. This program should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative. To help support conditions in mortgage markets,~~ The Committee ~~will now~~ **is maintaining its existing policies of** reinvest**ing** principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities~~. In addition the Committee will maintain its existing policy~~ **and** of rolling over maturing Treasury securities at auction. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate.

4. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least **[** through mid-2013 **| for the next six to seven quarters]**.

5. The Committee ~~discussed the range of policy tools available~~ will continue to assess the economic outlook in light of incoming information and is prepared to employ its tools to promote a stronger economic recovery in a context of price stability.

November FOMC Statement--Alternative C

1. Information received since the Federal Open Market Committee met in ~~August~~ **September** indicates that economic growth ~~remains slow~~ **of late has been somewhat stronger than the Committee had expected**.

~~Recent indicators point to continuing weakness in overall labor market conditions, and~~ **Although** the unemployment rate remains elevated, household spending has ~~been~~ increas**ed**~~ing~~ at ~~only a modest~~ **a faster** pace in recent months ~~despite some recovery in sales of motor vehicles as supply chain disruptions have eased~~. ~~However,~~ Business investment in equipment and software continues to expand**, and** investment in nonresidential structures ~~is still weak~~ **has increased**. ~~and~~ The housing sector remains depressed. Inflation appears to have moderated **only somewhat** since earlier in the year**, despite a decline in the** ~~as~~ prices of energy and some commodities ~~have declined from their peaks~~. 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 continues to expect ~~some pickup in the~~ **a moderate** pace of ~~recovery~~ **growth** over coming quarters ~~but~~ **and** anticipates that the unemployment rate will decline ~~only~~ gradually toward levels that the Committee judges to be consistent with its dual mandate. ~~Moreover, there are significant downside risks to the economic outlook, including strains in global financial markets.~~ The Committee also anticipates that inflation will settle, over coming quarters, at levels ~~at or below those~~ consistent with the Committee's dual mandate as the effects of past energy and other commodity price increases dissipate further. However, the Committee will continue to pay close attention to the evolution of inflation and inflation expectations.

3. ~~To support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate~~ **In light of the recent improvement in the economic outlook**, the Committee decided today to **reduce by half the size of the program to** extend the average maturity of its holdings of securities **that it announced in September**. ~~The Committee intends to purchase, by the end of June 2012, $400 billion of Treasury securities with remaining maturities of 6 years to 30 years and to sell an equal amount of Treasury securities with remaining maturities of 3 years or less. This program should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodative.~~ **In particular, the Committee intends to limit purchases and sales of securities under this program to $200 billion each and to complete these operations by the end of March 2012.** ~~To help support conditions in mortgage markets,~~ The Committee ~~will now~~ **is maintaining its existing policies of** reinvest**ing** principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities~~. In addition the Committee will maintain its existing policy~~ **and** of rolling over maturing Treasury securities at auction. The Committee will regularly review the size and composition of its securities holdings and is prepared to adjust those holdings as appropriate.

4. The Committee also decided to keep the target range for the federal funds rate at 0 to ¼ percent and ~~currently,~~ **now** anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are likely to warrant exceptionally low levels for the federal funds rate at least **[** through **2012** ~~mid-2013~~ **| for the next four quarters]**.

5. The Committee ~~discussed the range of policy tools available to promote a stronger economic recovery in the context of price stability. It~~ will continue to assess the economic outlook in light of incoming information and is prepared to employ its tools as appropriate **to promote its objectives of maximum employment and stable prices**.

September 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 1/4 percent. The Committee directs the Desk to purchase, by the end of June 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of $400 billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of $400 billion. The Committee also directs the Desk to maintain its existing policy of rolling over maturing Treasury securities into new issues and to reinvest principal payments on all agency debt and agency mortgage-backed securities in the System Open Market Account in agency mortgage-backed securities in order to maintain the total face value of domestic securities at approximately $2.6 trillion. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. 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.

[Note: In the November 2011 FOMC Directive Alternatives, emphasis (strike-through) indicates strike-through text in the original document, and strong emphasis (bold) indicates bold red underlined text in the original document.]

November 2011 FOMC Directive -- Alternative A1

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 1/4 percent. The Committee directs the Desk to **continue the maturity extension program it began in September to** purchase, by the end of June 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of $400 billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of $400 billion. The Committee also directs the Desk to maintain its existing polic~~y~~**ies** of rolling over maturing Treasury securities into new issues and ~~to~~ **of** reinvest**ing** principal payments on all agency debt and agency mortgage-backed securities in the System Open Market Account in agency mortgage-backed securities in order to maintain the total face value of domestic securities at approximately $2.6 trillion. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. 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.

November 2011 FOMC Directive -- Alternative A2

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 1/4 percent. The Committee directs the Desk to **continue the maturity extension program it began in September to** purchase, by the end of June 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of $400 billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of $400 billion. **The Committee also 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 $3.3 trillion by the end of September 2012.** The Committee also directs the Desk to maintain its existing polic~~y~~**ies** of rolling over maturing Treasury securities into new issues and ~~to~~ **of** reinvest**ing** principal payments on all agency debt and agency mortgage-backed securities in the System Open Market Account in agency mortgage-backed securities ~~in order to maintain the total face value of domestic securities at approximately $2.6 trillion~~. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. 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.

OR

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 1/4 percent. The Committee directs the Desk to **continue the maturity extension program it began in September to** purchase, by the end of June 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of $400 billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of $400 billion. **The Committee also directs the Desk to execute purchases of longer-term Treasury securities and of agency mortgage-backed securities of approximately equal face amounts in order to increase the total face value of domestic securities held in the System Open Market Account to approximately $3.3 trillion by the end of June 2012.** The Committee also directs the Desk to maintain its existing polic~~y~~**ies** of rolling over maturing Treasury securities into new issues and ~~to~~ **of** reinvest**ing** principal payments on all agency debt and agency mortgage-backed securities in the System Open Market Account in agency mortgage-backed securities ~~in order to maintain the total face value of domestic securities at approximately $2.6 trillion~~. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. 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.

November 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 1/4 percent. The Committee directs the Desk to **continue the maturity extension program it began in September to** purchase, by the end of June 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of $400 billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of $400 billion. The Committee also directs the Desk to maintain its existing polic~~y~~**ies** of rolling over maturing Treasury securities into new issues and ~~to~~ **of** reinvest**ing** principal payments on all agency debt and agency mortgage-backed securities in the System Open Market Account in agency mortgage-backed securities in order to maintain the total face value of domestic securities at approximately $2.6 trillion. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. 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.

November 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 1/4 percent. The Committee directs the Desk to **modify the maturity extension program it began in September so as to** purchase, by the end of **March**~~June~~ 2012, Treasury securities with remaining maturities of approximately 6 years to 30 years with a total face value of **$200**~~$400~~ billion, and to sell Treasury securities with remaining maturities of 3 years or less with a total face value of **$200**~~$400~~ billion. The Committee also directs the Desk to maintain its existing polic~~y~~**ies** of rolling over maturing Treasury securities into new issues and ~~to~~ **of** reinvest**ing** principal payments on all agency debt and agency mortgage-backed securities in the System Open Market Account in agency mortgage-backed securities in order to maintain the total face value of domestic securities at approximately **$2.4**~~$2.6~~ trillion. The Committee directs the Desk to engage in dollar roll transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. 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.