Appendix 1: Materials used by Mr. Sack

Material for

FOMC Presentation:
Financial Market Developments and Desk Operations

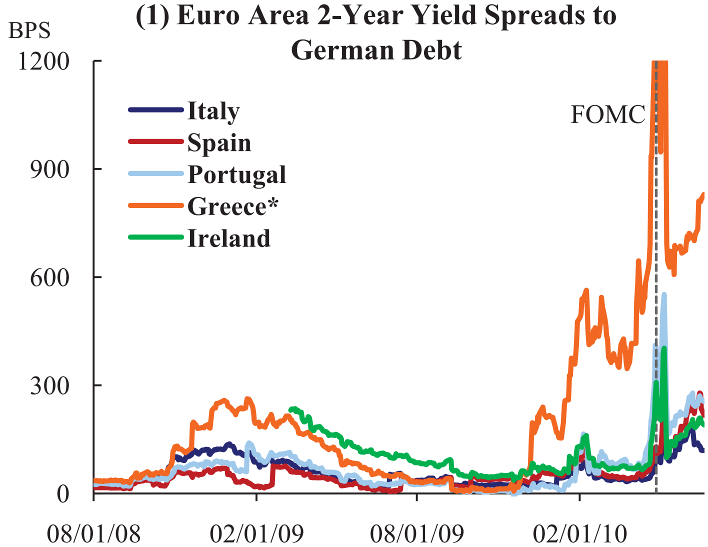
Brian Sack

June 22, 2010

Class II FOMC – Restricted FR

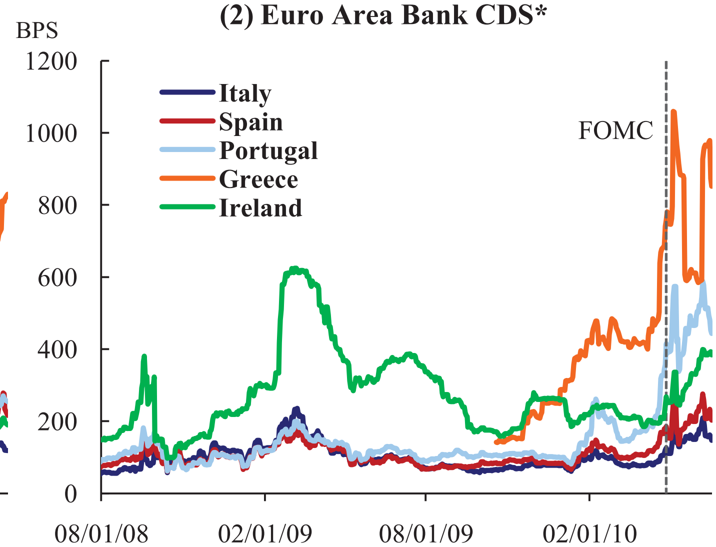
Exhibit 1

(1) Euro Area 2-Year Yield Spreads to German Debt



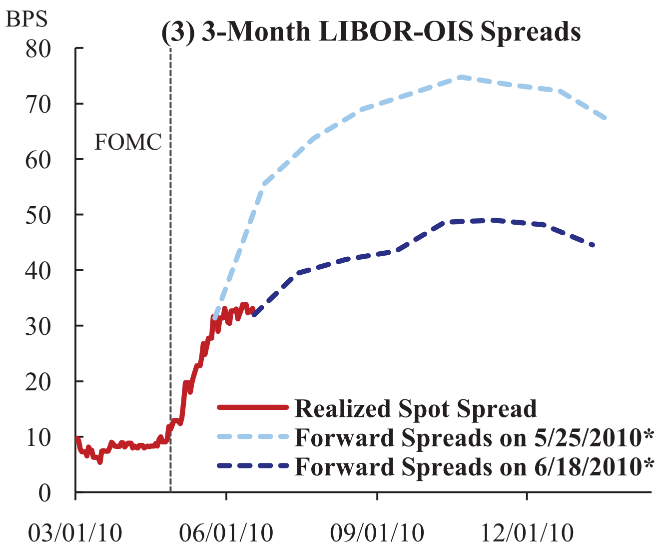
*Spread for Greece reached a peak of 1773 bps on 5/7/10.
Source: Bloomberg

(2) Euro Area Bank CDS*



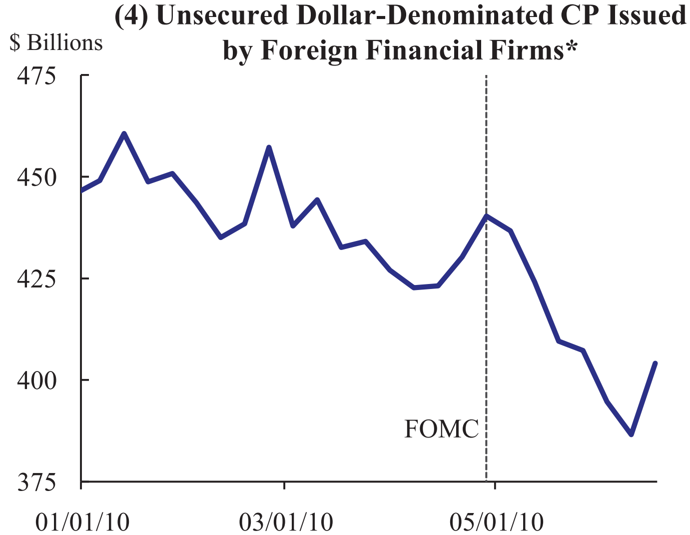
*Average bank CDS by country.
Source: Bloomberg

(3) 3-Month LIBOR-OIS Spreads



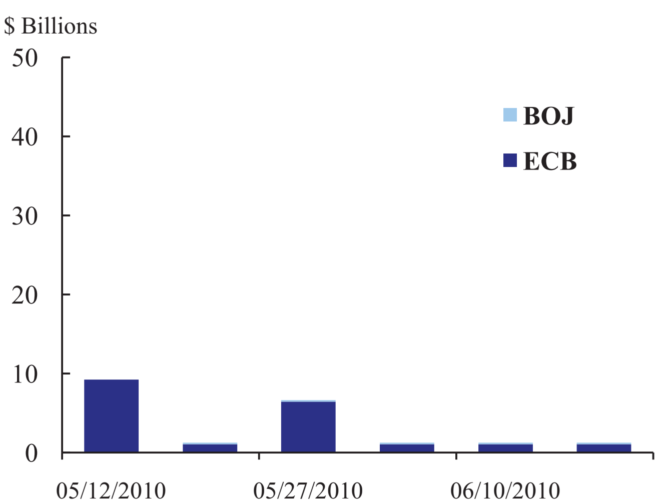
*Implied spreads derived from forward rates on LIBOR and OIS.
Source: Bloomberg

(4) Unsecured Dollar-Denominated CP Issued by Foreign Financial Firms*



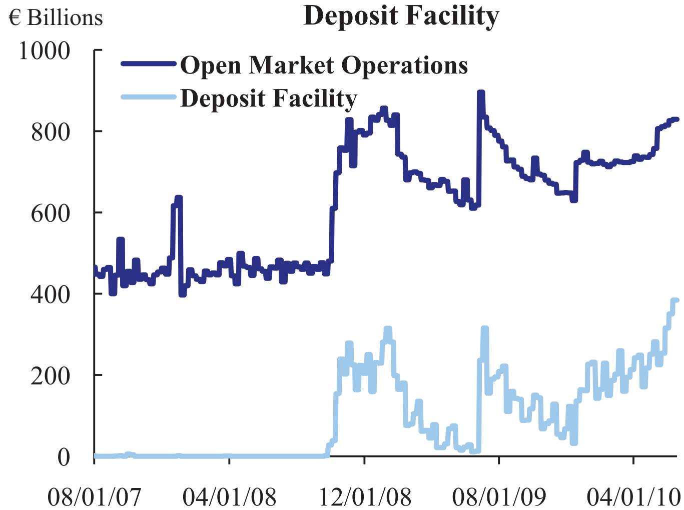
*Includes domestic issuers with foreign parents.
Source: Federal Reserve Board of Governors

(5) Central Bank Liquidity Swaps Outstanding



Source: Federal Reserve Bank of New York

(6) ECB Open Market Operations and Deposit Facility

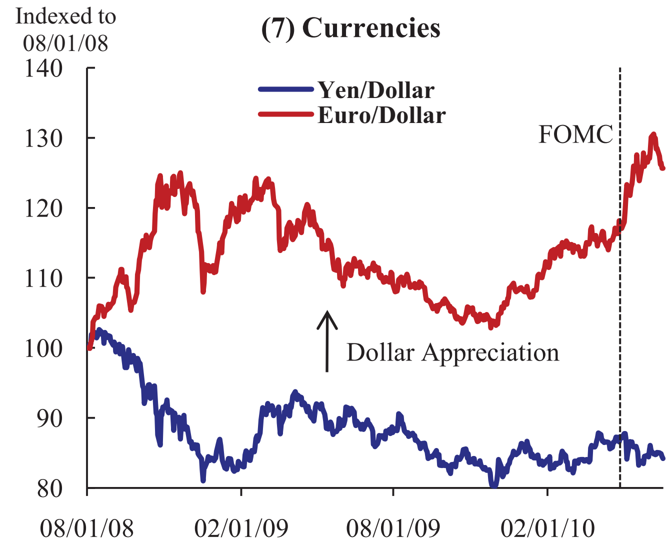


Source: European Central Bank

Class II FOMC – Restricted FR

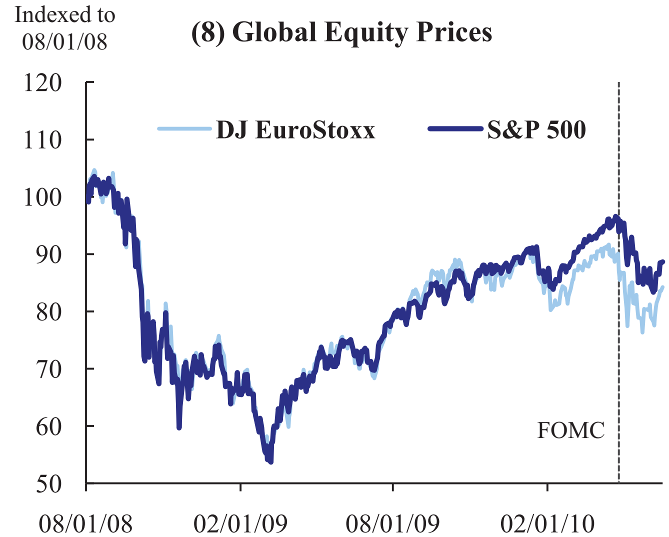
Exhibit 2

(7) Currencies



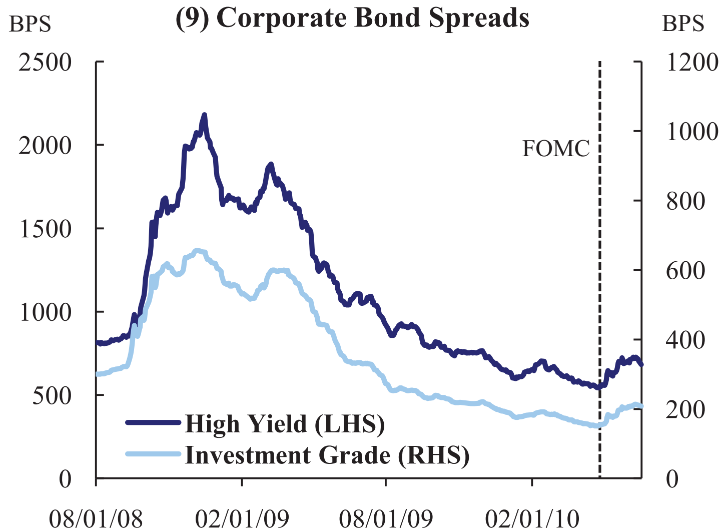
Source: Bloomberg

(8) Global Equity Prices



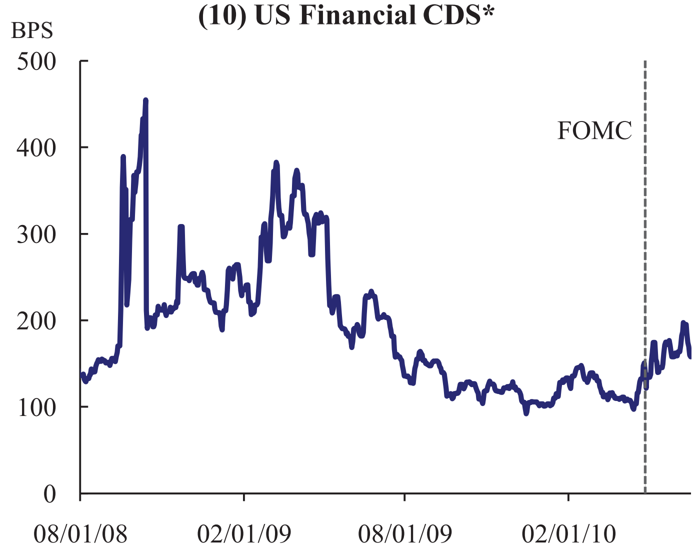
Source: Bloomberg

(9) Corporate Bond Spreads



Source: Bank of America

(10) US Financial CDS*



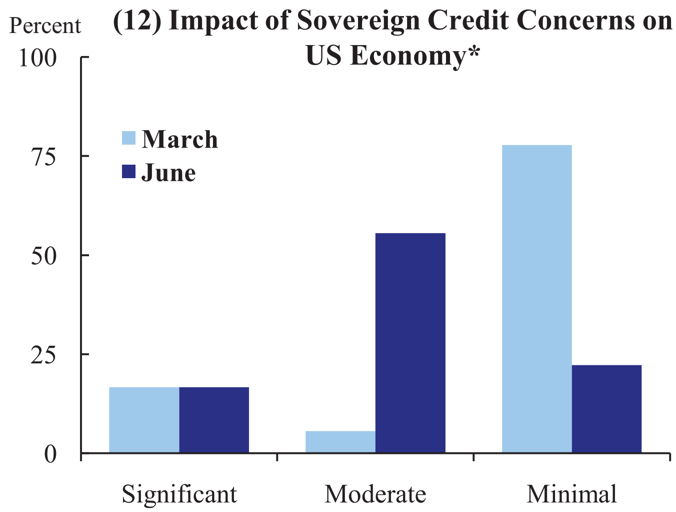
*Average of six large US financial institutions.
Source: Bloomberg

(11) Potential Outcomes in Europe Over the Next 5 Years

Outcome	Average Probability
Fiscal austerity measures	79%
Fiscal integration/coordination	48%
Significant structural reform	45%
Credit event in euro area	62%
More than one credit event in euro area	40%
Country leaves euro	20%

Source: Federal Reserve Bank of New York Dealer Policy Survey

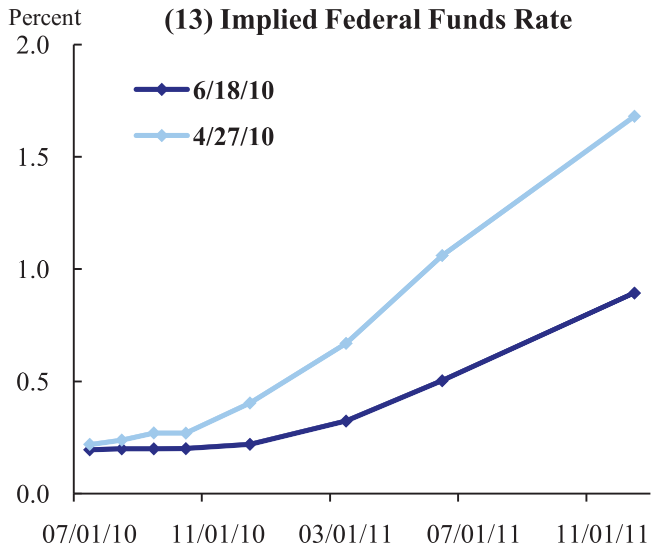
(12) Impact of Sovereign Credit Concerns on US Economy*



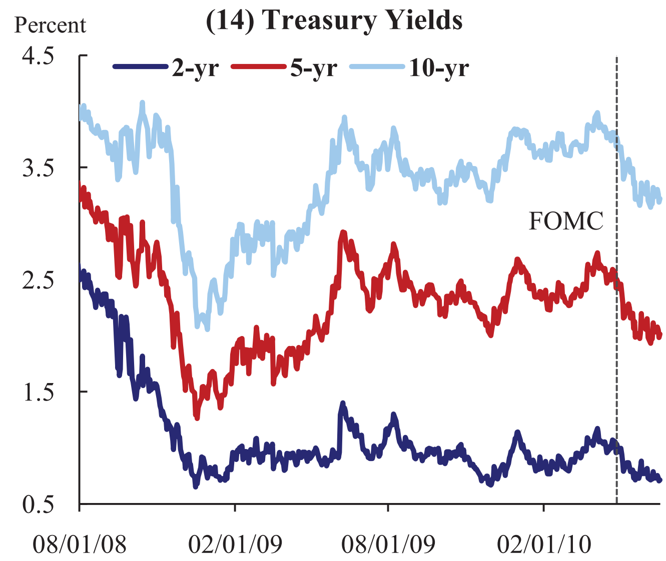
*Levels measured in percent of respondents.
Source: Federal Reserve Bank of New York Dealer Policy Survey

Class II FOMC – Restricted FR

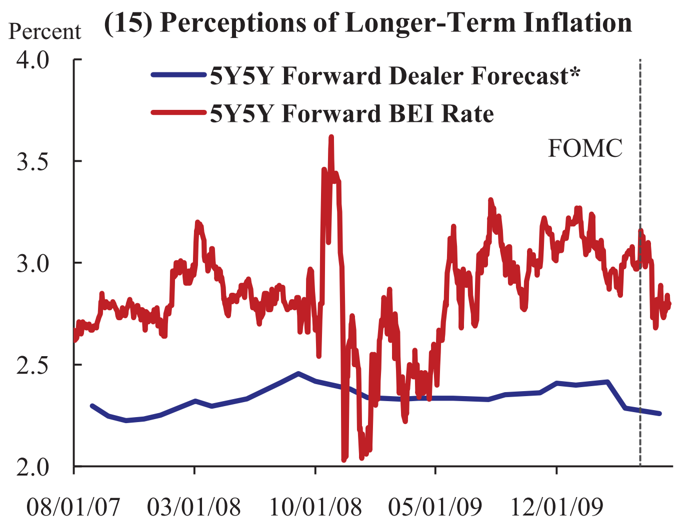
Exhibit 3



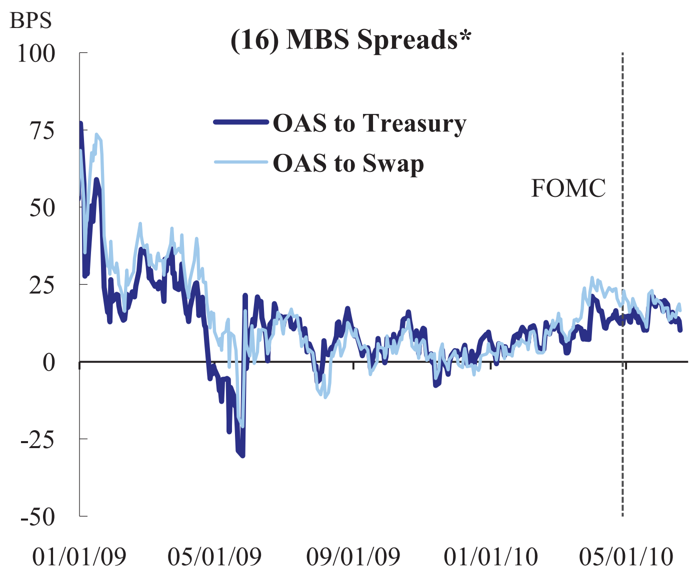
Source: Federal Reserve Bank of New York



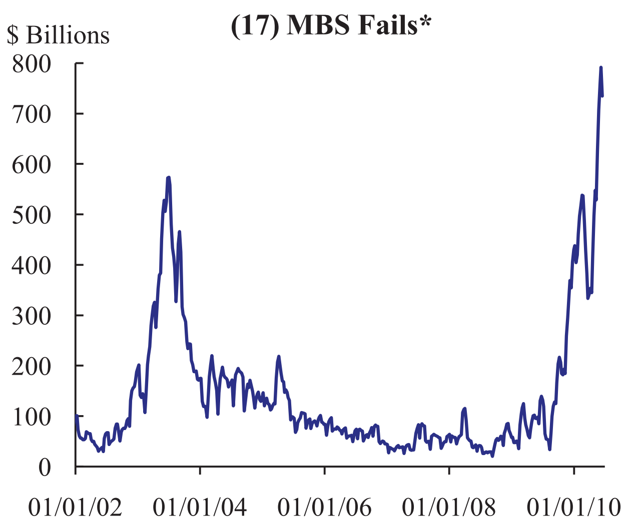
Source: Bloomberg



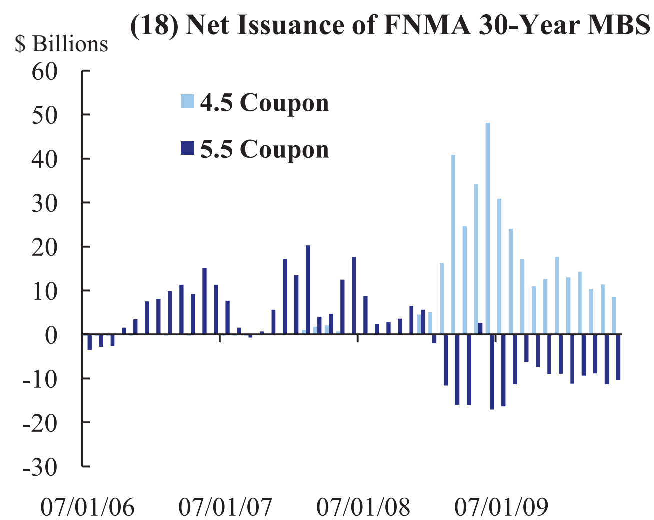
*Modal forecast of headline CPI inflation.
Source: Federal Reserve Board of Governors, Federal Reserve Bank of New York Dealer Policy Survey



* Fannie Mae fixed-rate current coupon spreads.
Source: Barclays Capital



*4-week moving average.
Source: FR2004



Source: eMBS

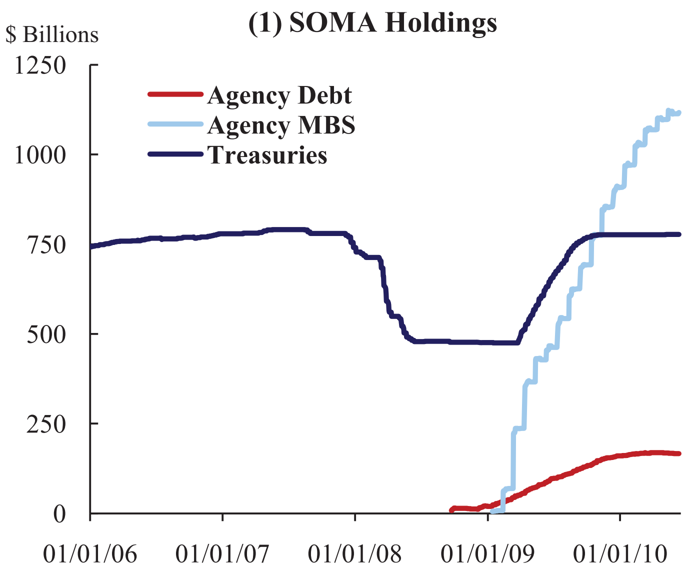
Appendix 2: Materials used by Mr. Sack

Material for

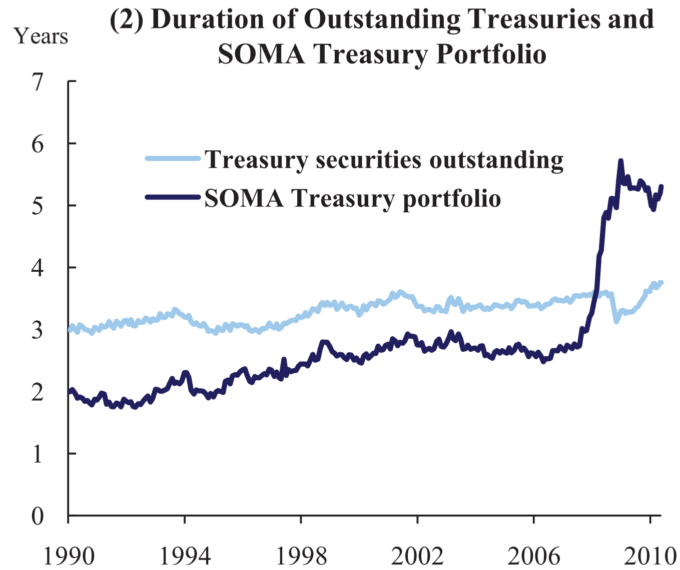
FOMC Presentation:
SOMA Treasury Redemption and Reinvestment Policy

Brian Sack

June 22, 2010



Source: Federal Reserve Bank of New York



Source: Federal Reserve Bank of New York

(3) Treasury Portfolio Metrics Under Different Options

	Historical Baseline	Baseline Portfolio	Option 1: Current Policy	Option 2: Reinvest in Short Maturities	Option 3: Reinvest in Bills Only	Option 4: Full Redemptions
As of Date	7/31/2007	7/1/2010	--------------------- Portfolio as of 7/1/2013			-----------------------
Treasury Portfolio Holdings						
Total ($ Billions, Par)	786	772	773	773	773	477
Components						
Bills	277	18	18	68	297	0
Coupons	509	753	755	706	477	477
Maturities Within 1 Year	402	85	127	211	379	82
Risk Measures						
10-Yr Equivalent ($ Billions, Par)	263	525	527	383	347	340
Duration (Years)	2.6	5.5	5.3	3.9	3.5	5.6
Secondary Market Purchases						
Treasury Purchases Resume	N/A	N/A	Mar-15	Mar-15	Immediately	Feb-14
Market Effect						
Estimated Impact on Long-Term Rates (bps)	N/A	N/A	None	5-10 bps	5-10 bps	10-20 bps

Source: Federal Reserve Bank of New York

Appendix 3: Materials used by Messrs. Wascher and Erceg and Ms. Liang

CLASS II FOMC - Restricted (FR)

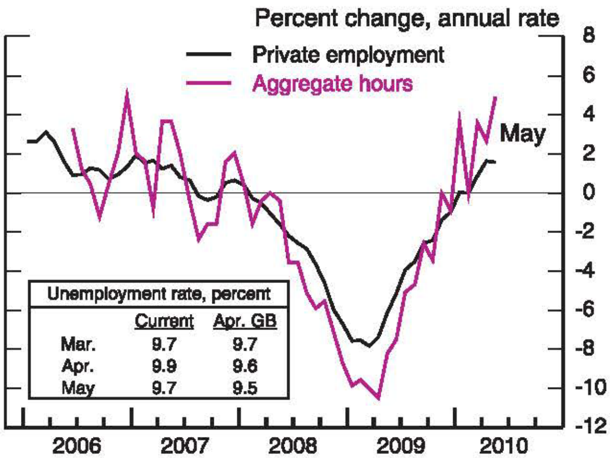
Material for

Staff Presentation on the Economic Outlook

June 22, 2010

Recent Indicators

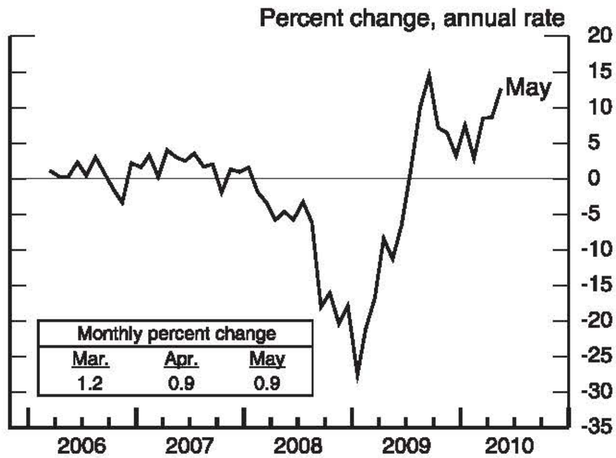
Change in Private Payroll Employment



Unemployment rate, percent		
	Current	Apr. GB
Mar.	9.7	9.7
Apr.	9.9	9.6
May	9.7	9.5

Note: Three-month percent changes.

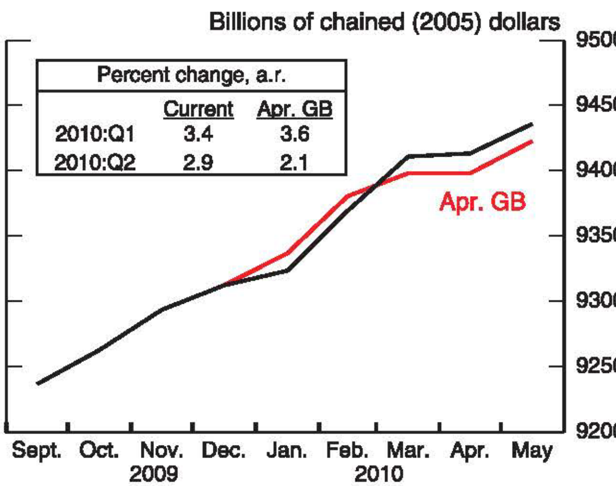
Manufacturing IP



Monthly percent change		
Mar.	Apr.	May
1.2	0.9	0.9

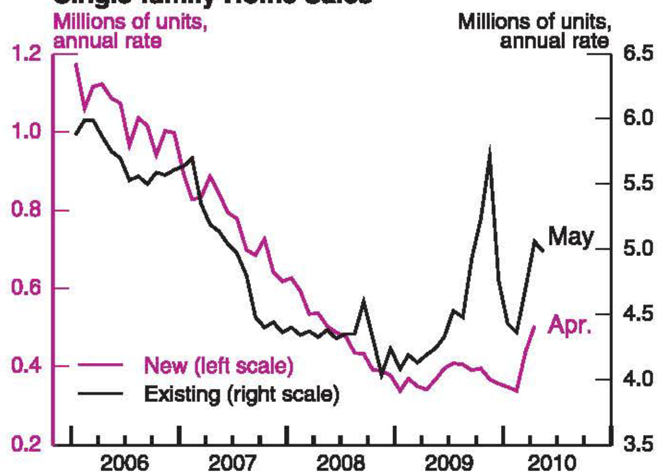
Note: Three-month percent changes.

Real PCE

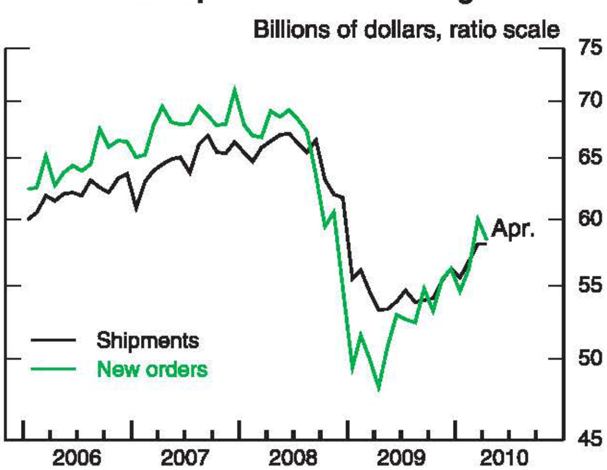


Percent change, a.r.		
	Current	Apr. GB
2010:Q1	3.4	3.6
2010:Q2	2.9	2.1

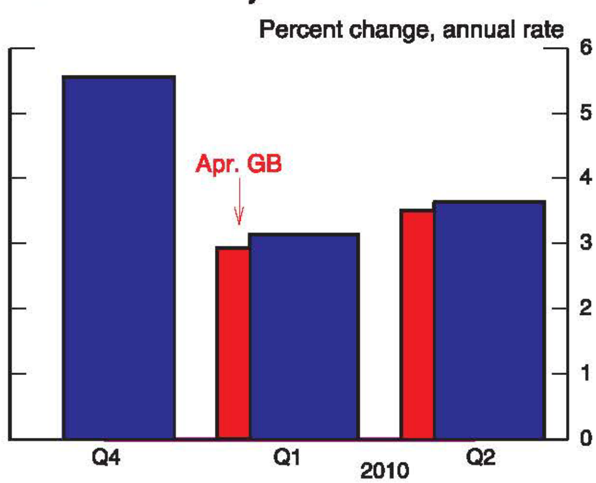
Single-family Home Sales



Nondefense Capital Goods Excluding Aircraft



Near-term GDP Projection



Medium-term Outlook

Changes in Key Background Factors

Negatives:

- Lower stock market
- Higher dollar
- Weaker foreign growth

Positives:

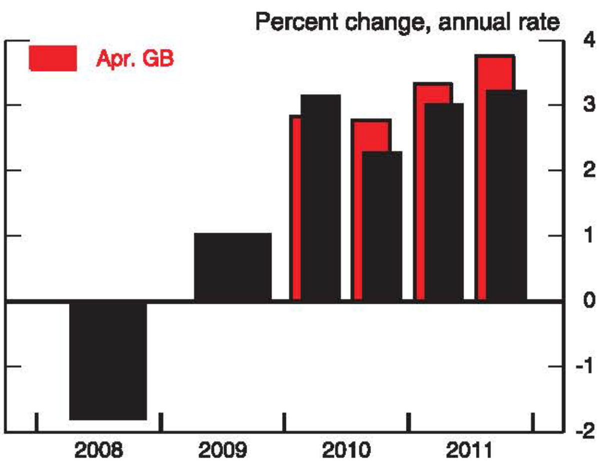
- Lower oil prices
- Some lower interest rates

Real GDP and Selected Components
(Percent change, annual rate)

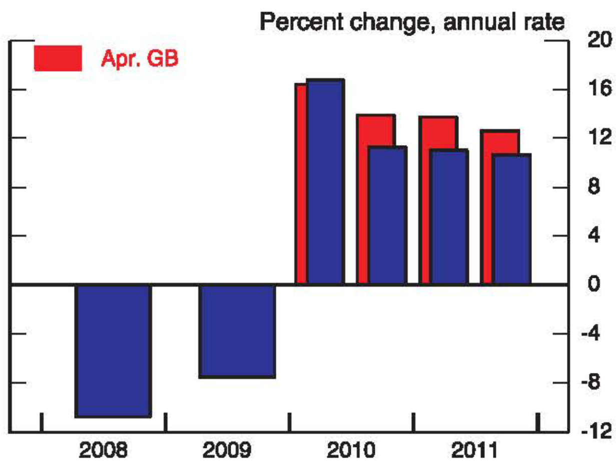
	2010[p]		2011[p]
	H1	H2	
1. Real GDP	3.4	3.0	3.7
2. Apr. GB	*3.2*	*3.7*	*4.4*
<u>Selected contributions (p.p.):</u>			
3. Domestic final sales	3.1	2.7	3.5
4. Apr. GB	*3.0*	*3.2*	*4.1*
5. Inventory investment	0.8	0.4	0.3
6. Net exports	-0.5	-0.1	-0.2
7. Apr. GB	*-0.0*	*-0.2*	*-0.0*

p. Staff forecast.

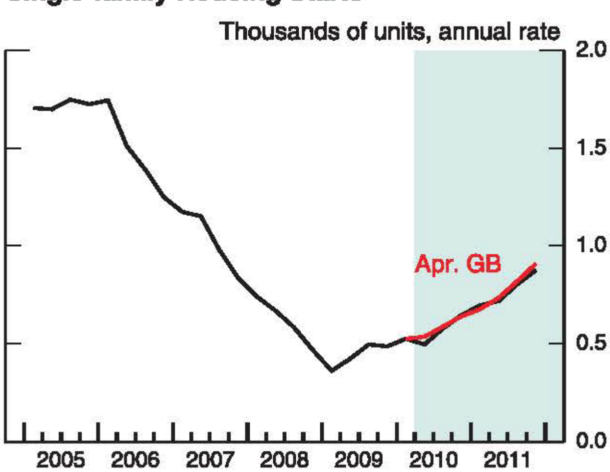
Real PCE



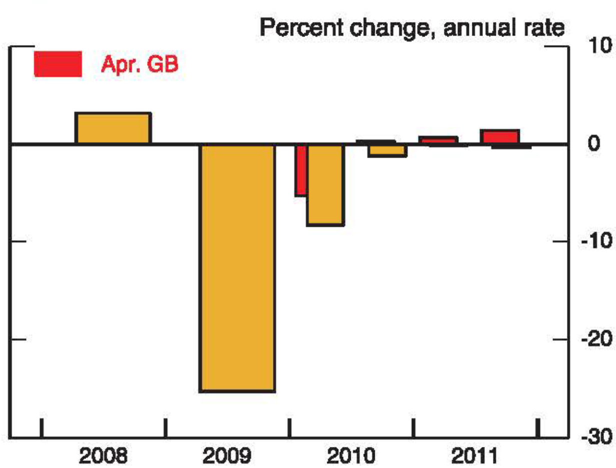
Real Equipment and Software Investment



Single-family Housing Starts

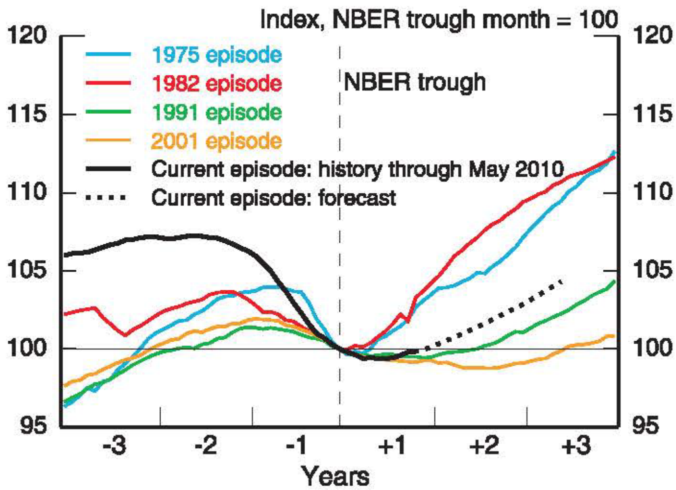


Real Nonresidential Structures Investment

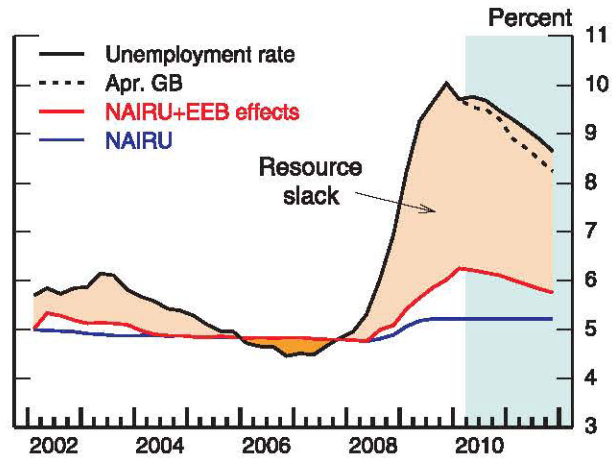


Labor Markets and Inflation

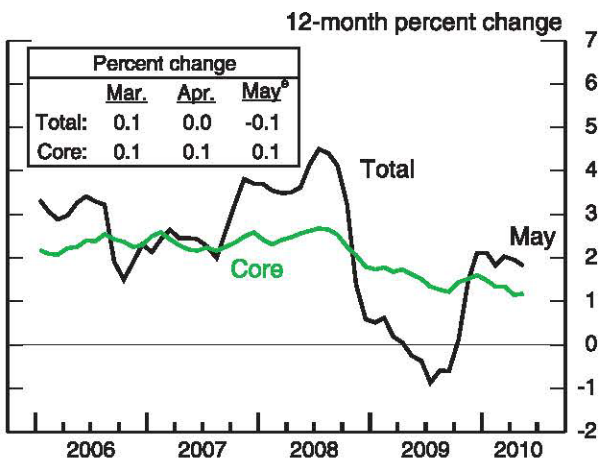
Private Payroll Employment



Unemployment Rate and the NAIRU

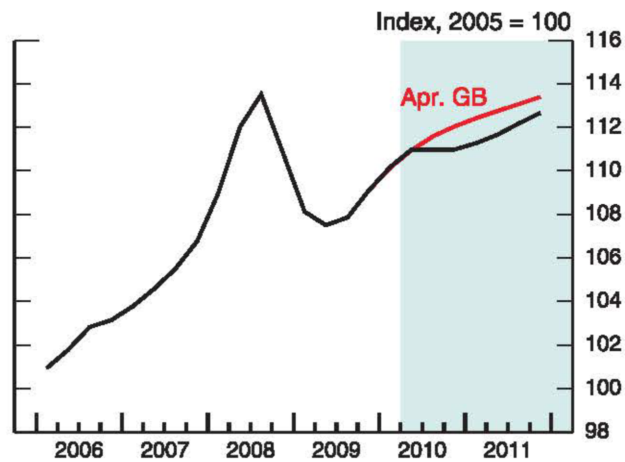


PCE Price Index

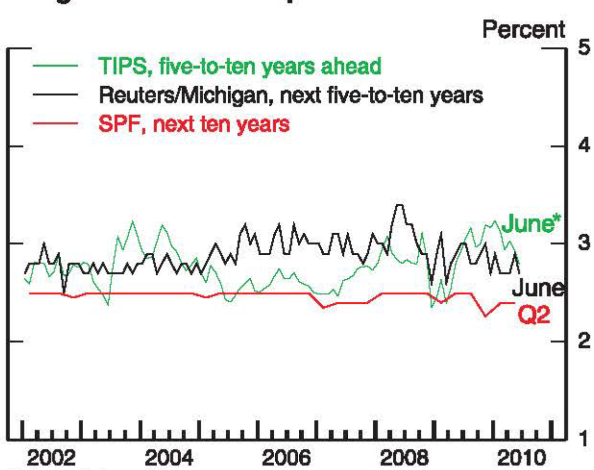


e. Staff estimate.

Core Nonfuel Import Prices



Long-term Inflation Expectations



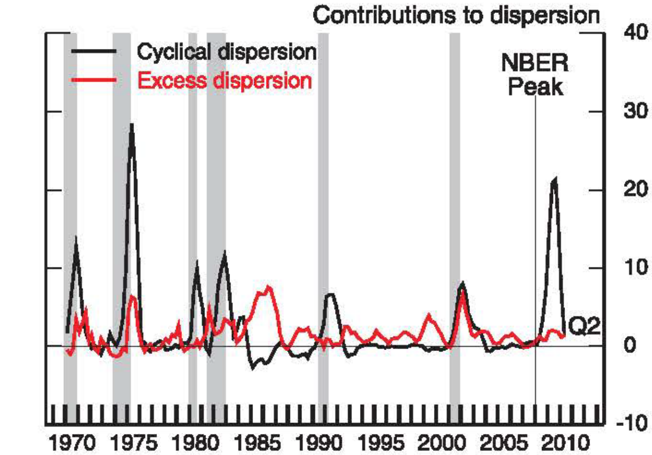
* Through June 18.

PCE Price Projections
(Percent change, Q4/Q4)

	2009	2010	2011
1. Total	1.2	0.9	1.0
2. Apr. GB		*1.3*	*1.0*
3. Energy	1.1	2.3	3.9
4. Apr. GB		*7.6*	*2.4*
5. Core	1.5	0.8	0.8
6. Apr. GB		*0.9*	*0.9*

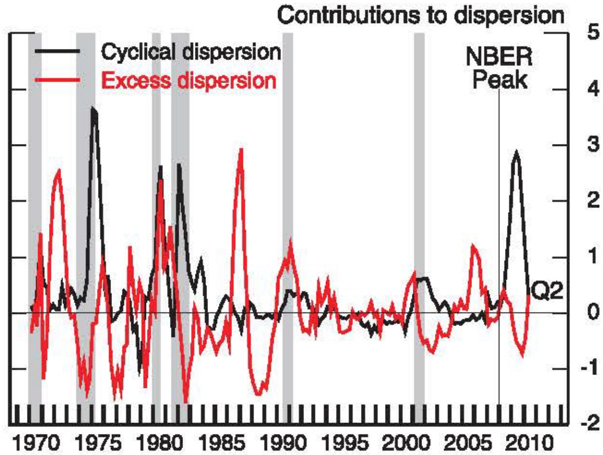
Sectoral Reallocation and the NAIRU

Industry Reallocation



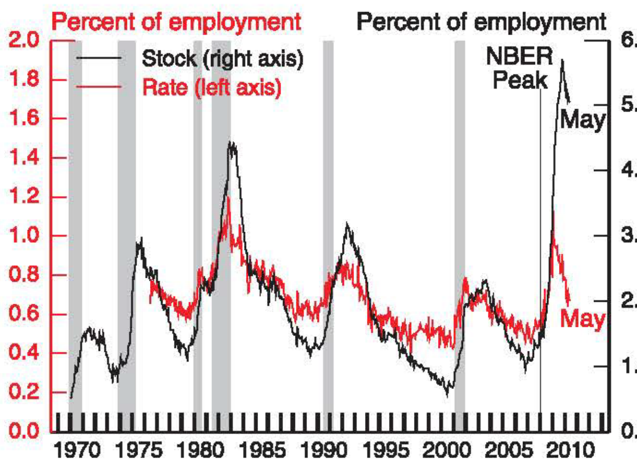
Note: Dispersion is measured as the variance in employment growth across 14 industry groups. 2010:Q2 value is based on April and May data.

Geographic Reallocation



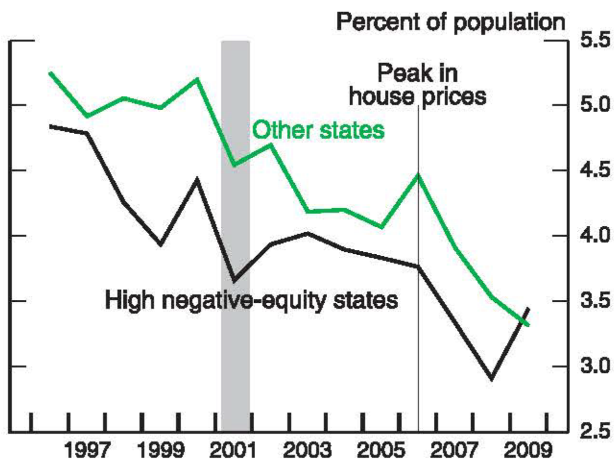
Note: Dispersion is measured as the variance in employment growth across states. 2010:Q2 value is based on April and May data.

Permanent Job Losers



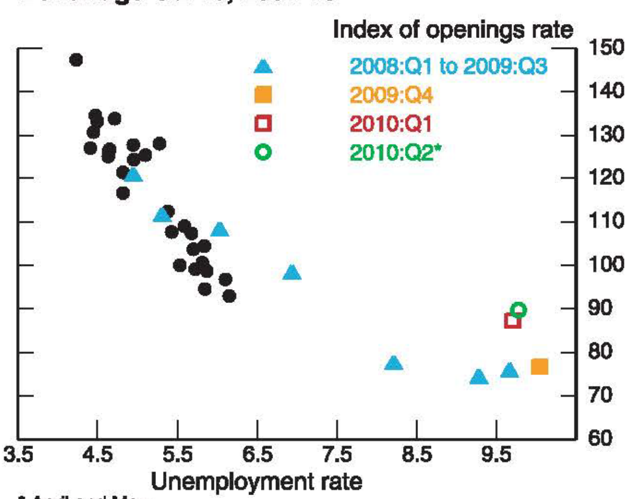
Note: Rate includes job losers not on layoff, unemployed less than five weeks. Stock includes all job losers not on layoff.

Migration Rate



Note: Includes inter-state and inter-county moves. High negative equity states are CA, NV, AZ, FL, and MI.

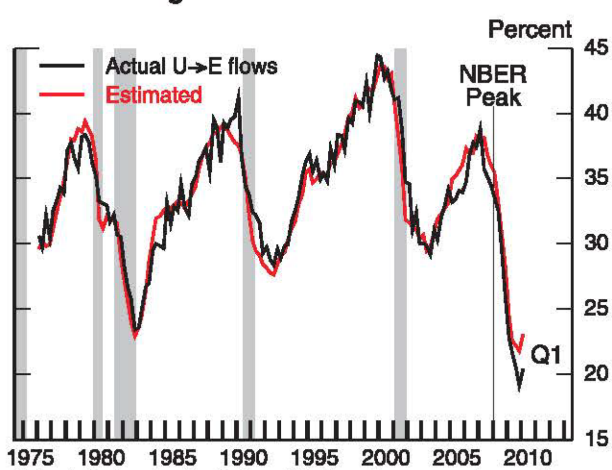
Beveridge Curve, 2001-10



* April and May.

Note: Index of openings rate is constructed from Staff Composite Help Wanted Index.

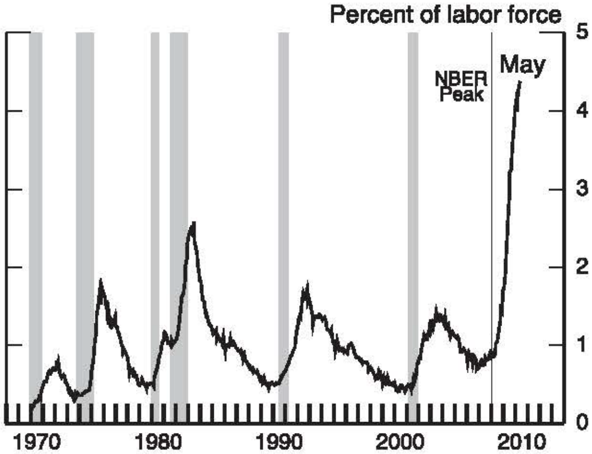
Job Matching



Note: Actual and estimated monthly flows from unemployment to employment. Estimated values are from a regression of the rate of U->E flows on the log of the ratio of vacancies to unemployment.

Long-term Unemployment and Hysteresis

Long-term Unemployment Rate

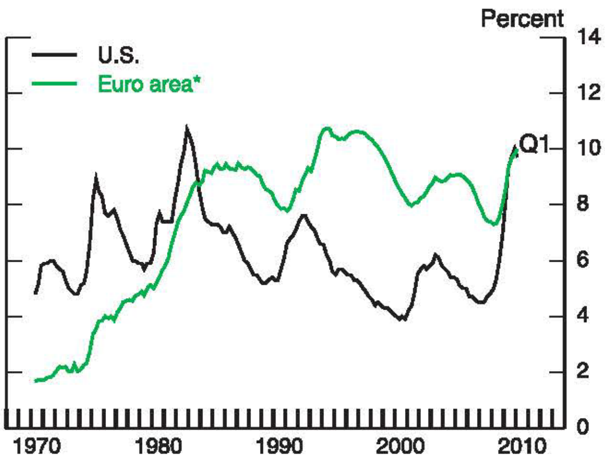


Note: Unemployed for more than 26 weeks.

Sources of Rising Long-term Unemployment

- Permanent job loss
- Weak labor demand
- EEB benefits
- Will high levels of long-term unemployment raise the NAIRU?

Unemployment Rate in the U.S. and Euro Area

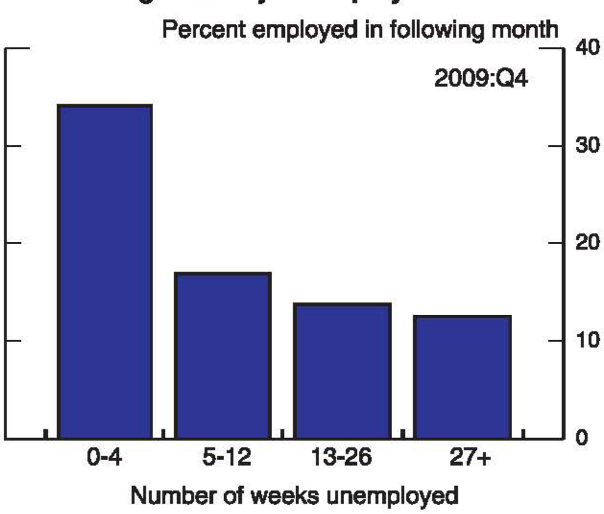


Note: Staff estimate based on series from Eurostat and ECB Area-Wide Model.

U.S. vs. Euro Area: Historical Evidence

- Unemployment shocks less likely to lead to persistently high levels of long-term unemployment in the U.S. than in Europe.
- Long-term unemployment exerts greater downward pressure on inflation in the U.S. than in Europe.
- Differences usually attributed to differences in labor market institutions.

Job Finding Rates by Unemployment Duration

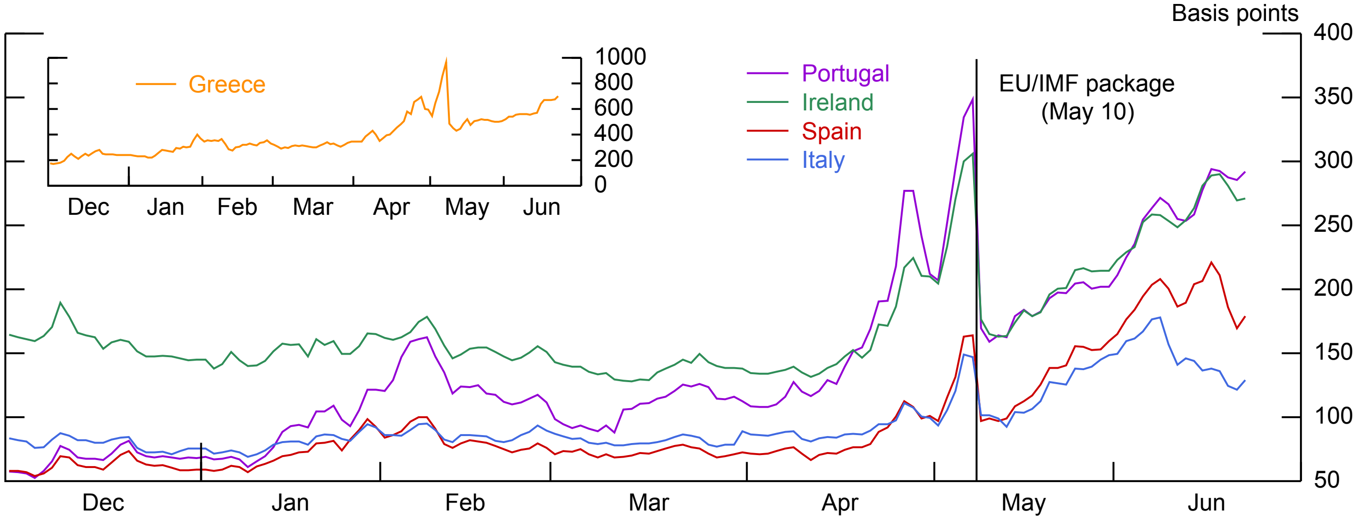


Potential Consequences of Long-term Unemployment

- Depreciation of skills
- Deterioration in social networks
- Employer bias against the long-term unemployed
- Prevents youth from gaining a foothold in the labor market

Financial Markets

European Ten-year Government Debt Spreads*



* Spread over German bunds.

European Rescue Plan

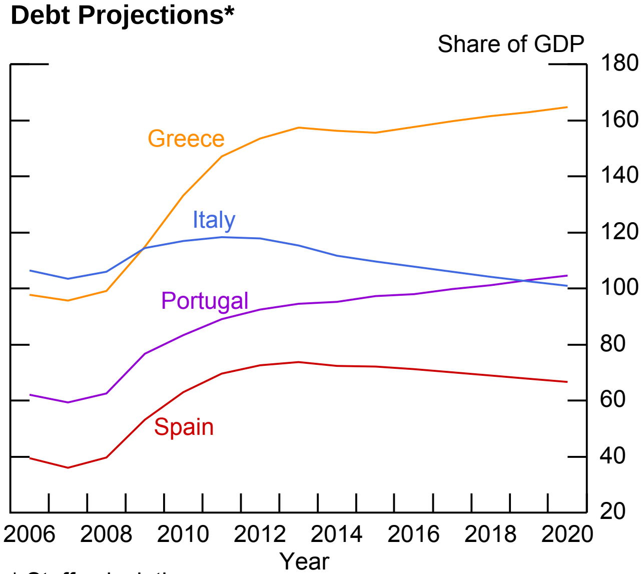
- European Union: Support up to €60 bn of lending
- Special purpose vehicle: Issue up to €440 bn of debt
- Bilateral IMF programs
- ECB: Implementing program to purchase European sovereign debt
- ECB: Modified refinancing operations to provide more term funding
- ECB: Reinstituted dollar swaps with Fed

Announced Fiscal Consolidation*

	Change in Primary Balance (Percent of GDP)	End Date
Greece	15	2014
Spain	10	2013
Ireland	9	2014
Portugal	8	2013
Italy	3	2012

* Sources: Stability and Growth Program Submissions; for Greece, IMF standby arrangement.

Debt Projections*



* Staff calculations.

Key Assumptions Underlying Outlook

- European rescue plan and aggressive fiscal consolidation will eventually restore financial market confidence.
- Spain and Italy should be able to progressively differentiate themselves.
- Unsettled financial conditions through early next year will weigh on global outlook.

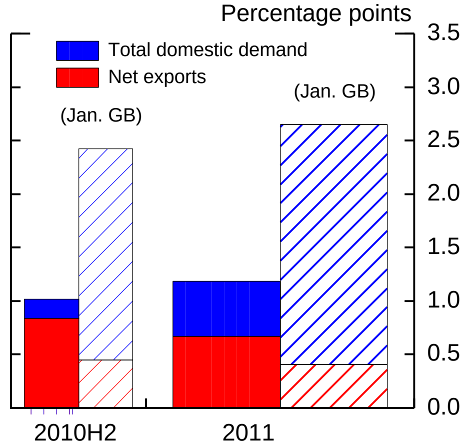
Euro Area

Real GDP

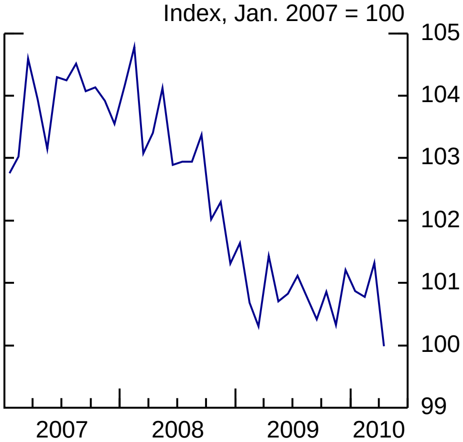
Percent change, a.r.

	2010 Q1	2010 Q2[p]	2010 H2[p]	2011[p]
1. Euro Area	**0.8**	**1.9**	**1.0**	**1.2**
January Greenbook	*1.6*	*1.9*	*2.4*	*2.7*
2. Germany	0.6	2.9	1.5	1.8
3. France	0.5	2.1	1.0	1.5
4. Greece	-4.0	-8.0	-7.0	-0.0
5. Spain	0.3	0.7	-0.6	0.2

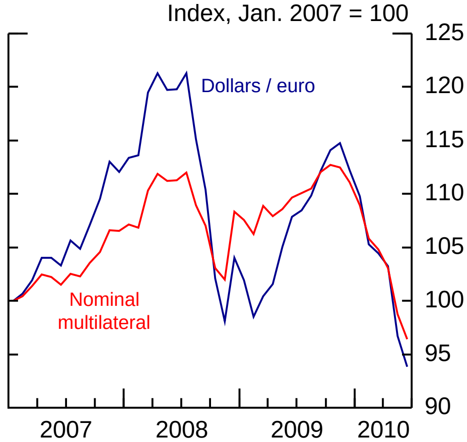
Contributions to GDP



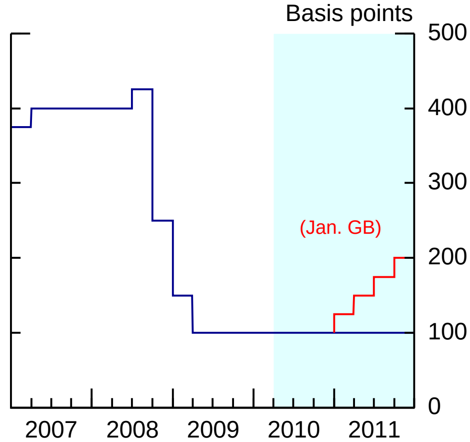
Retail Sales



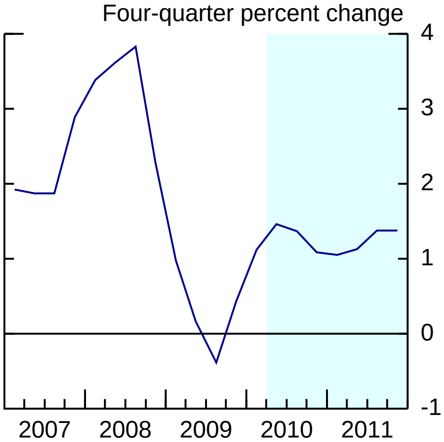
Exchange Rates



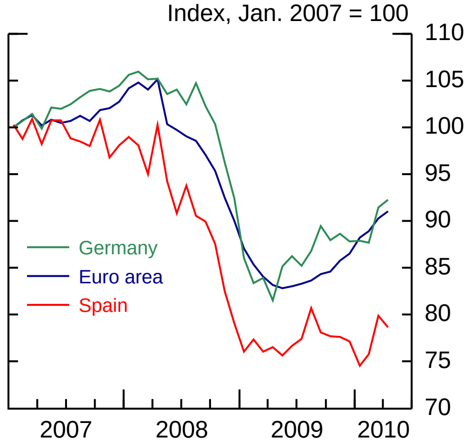
Policy Rate



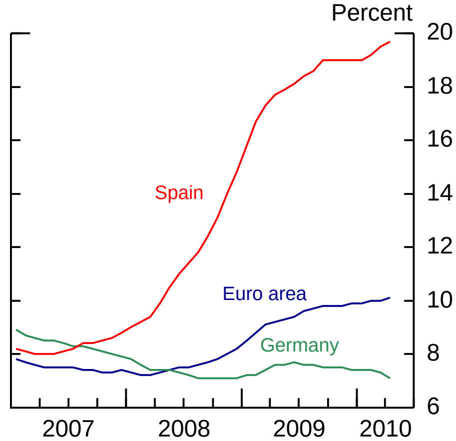
Inflation



Industrial Production



Unemployment



Foreign Economic Indicator Indexes

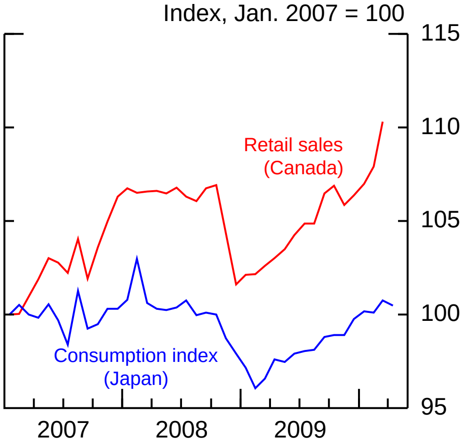
Real GDP*

Percent change, a.r.

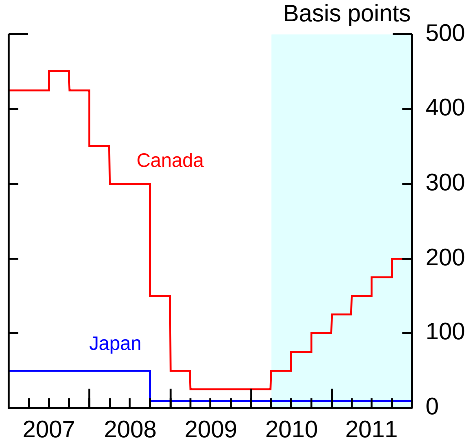
	2009 Q3	2009 Q4	2010 Q1	2010 Q2p	2010 H2p	2011p
1. Total Foreign	**4.4**	**4.8**	**4.9**	**4.3**	**3.3**	**3.3**
April Greenbook	*4.2*	*4.7*	*4.5*	*3.7*	*3.8*	*3.8*
2. Advanced Foreign Economies	**0.9**	**3.1**	**3.6**	**3.1**	**2.3**	**2.3**
3. Euro Area	1.6	0.5	0.8	1.9	1.0	1.2
4. United Kingdom	-1.1	1.8	1.2	2.1	2.0	2.2
5. Canada	0.9	4.9	6.1	4.1	3.3	3.2
6. Japan	0.4	4.6	5.0	3.8	1.9	1.7
7. Emerging Market Economies	**8.8**	**6.9**	**6.5**	**5.7**	**4.6**	**4.6**
8. Emerging Asia ex. China	9.9	5.9	14.6	5.3	3.7	4.6
9. China	10.8	10.1	11.3	9.5	8.9	8.5
10. Latin America	7.9	7.1	0.4	5.1	4.0	3.6

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

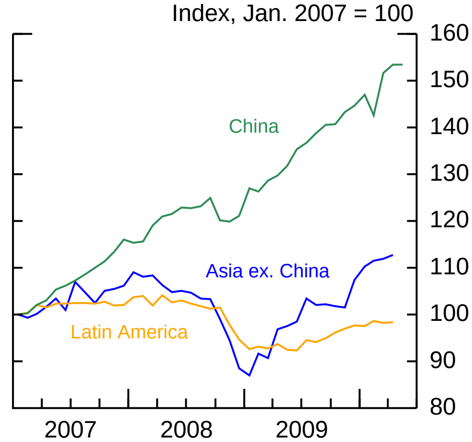
Consumption Indicators



Policy Rates

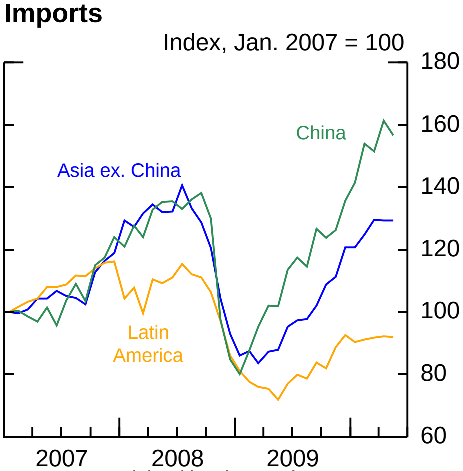


Industrial Production



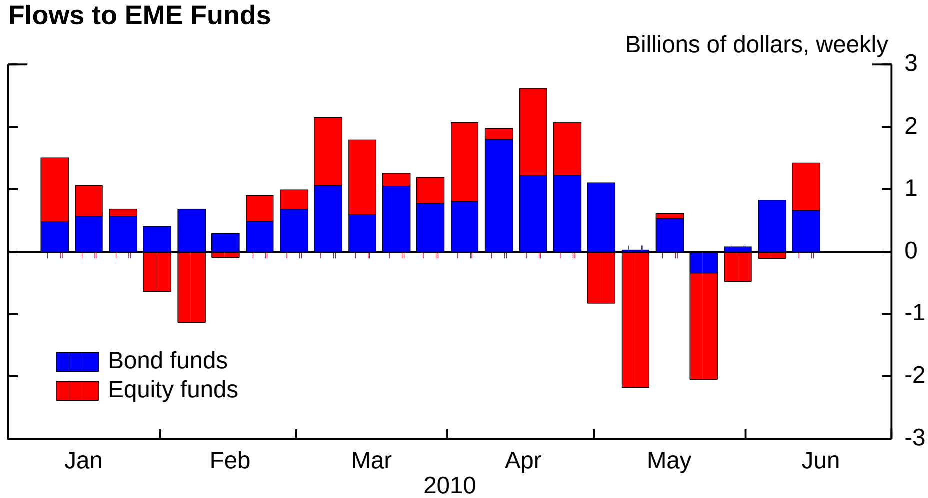
Aggregates weighted by shares of U.S. merchandise exports.

Imports



Aggregates weighted by shares of U.S. merchandise exports.

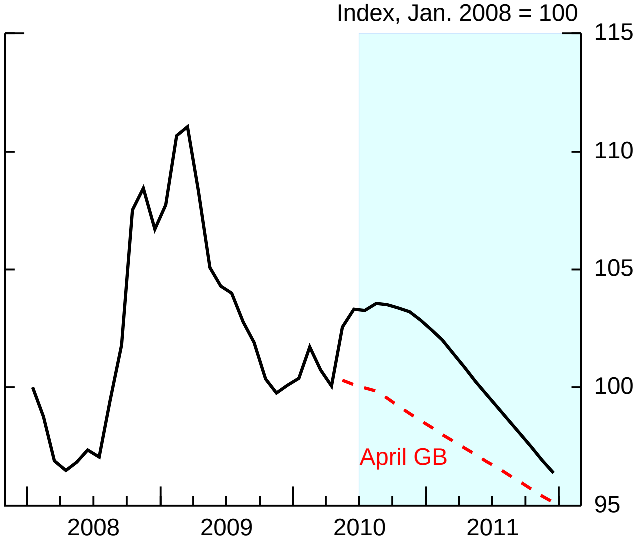
Flows to EME Funds



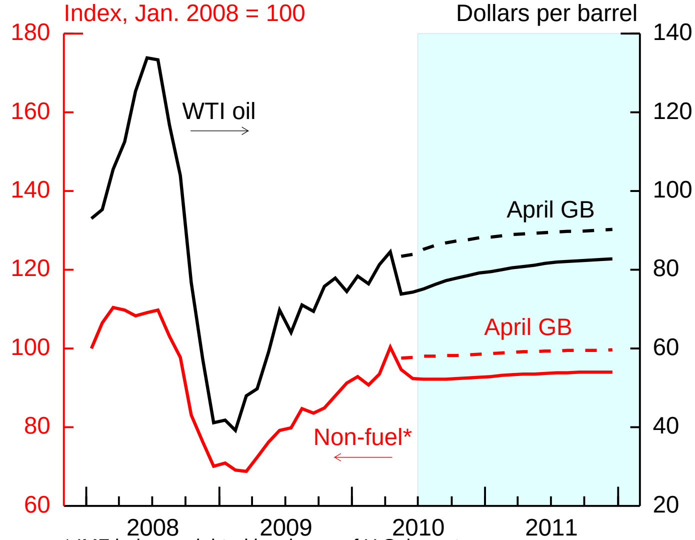
Source: Emerging Portfolio Fund Research (EPFR).

The U.S. External Sector

Broad Real Dollar

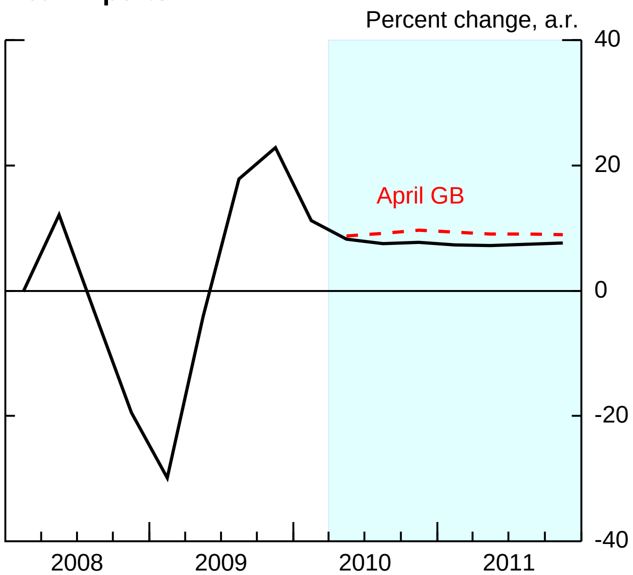


Primary Commodity Prices

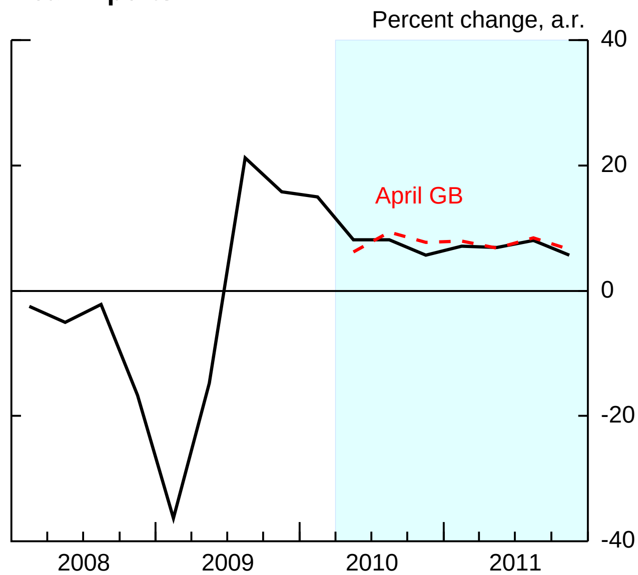


* IMF index, weighted by shares of U.S. imports.

Real Exports



Real Imports



Trade in Real Goods and Services

	2009	2010			2011^p
		Q1	Q2^p	H2^p	
Annualized percent change					
1. Exports	-0.7	11.2	8.2	7.6	7.4
2. Imports	-6.6	15.0	8.1	6.9	6.9
Contribution to Real GDP Growth (percentage points, a.r.)					
3. Net Exports	1.0	-0.9	-0.2	-0.1	-0.2
4. Revision from April Greenbook	*-0.0*	*-0.7*	*-0.3*	*0.0*	*-0.1*
5. Revision assuming no change in U.S. GDP forecast				*-0.1*	*-0.3*
Memo:					
6. Current Account Balance (% of GDP)*	-2.7	-3.0	-2.8	-3.0	-3.2

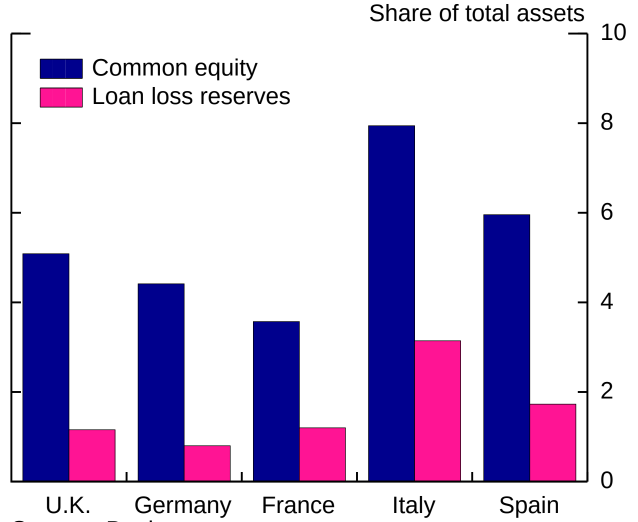
* June Tealbook, updated with Q1 BOP data.

Banking Sector Vulnerabilities

European Banking Sector Losses

- European banks experienced substantial losses on loans and securities in aftermath of global financial crisis.
- IMF estimated in April that euro-area and U.K. banks faced about $350 billion in additional writedowns on top of the $750 billion they have recognized since 2007.
- Capital, loan loss reserves, and retained earnings should cover expected losses.

Capital and Loan Loss Reserves 2009



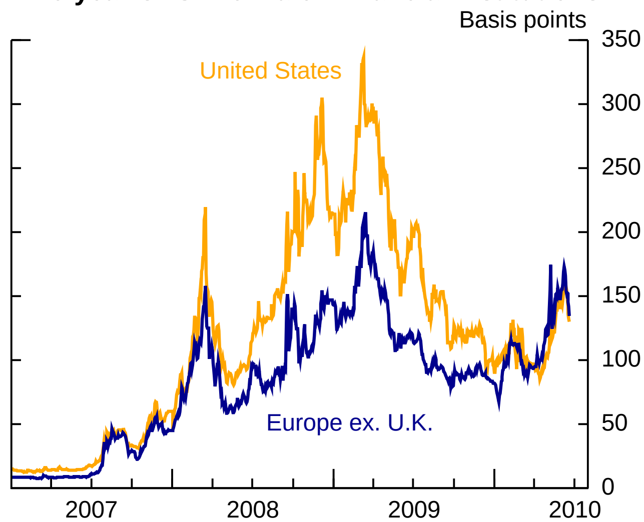
Source: Bankscope.

Sovereign Support for Banks in 2008

In the fall of 2008, European countries:

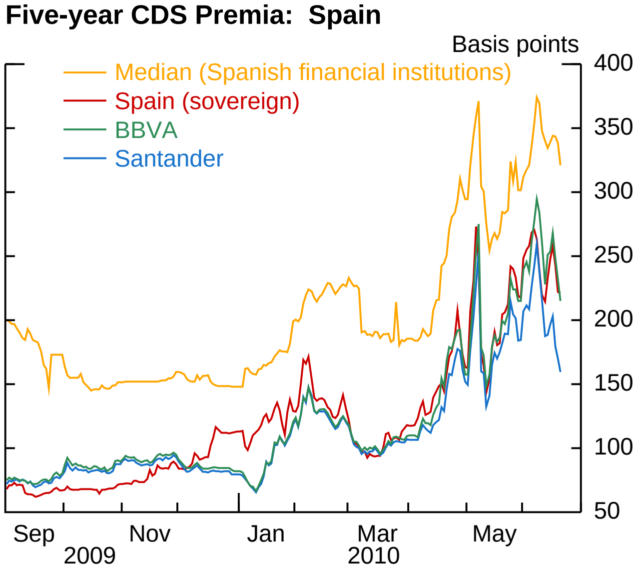
- Substantially expanded the maximum amount of retail deposits guaranteed.
- Guaranteed or sold guarantees on nondeposit liabilities, subject to very high caps (e.g. 17% of GDP for France and Germany).
- Allotted sizeable funds for capital injections.

Five-year CDS Premia of Financial Institutions*



*Premia for firms rated ’A’ or higher by Standard and Poor’s.

Five-year CDS Premia: Spain



Risks

Europe’s sovereign debt problems could intensify if:

- Some countries fail to implement fiscal consolidation.
- Banking sector problems become more severe.

European Debt Crisis Scenarios

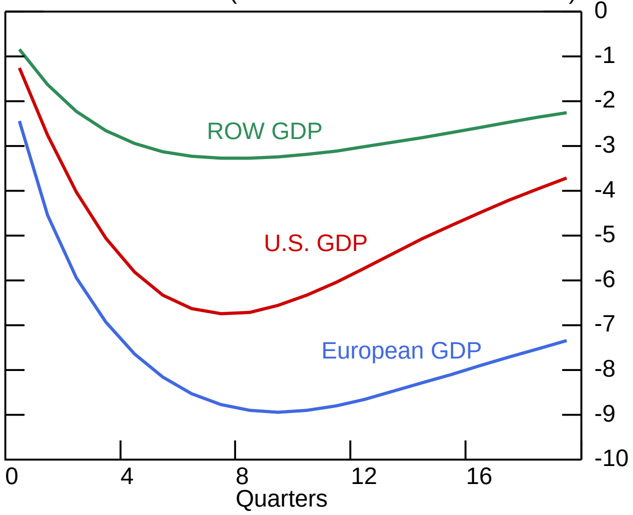
SIGMA Simulations

Use SIGMA to gauge impact of a European debt crisis scenario:

- Higher sovereign spreads in Europe boost corporate borrowing costs by 275 basis points.
- Euro falls 30 percent against the dollar.
- European fiscal consolidation equal to two percent of GDP.
- Financial and confidence shocks in the United States and the rest of world (ROW).

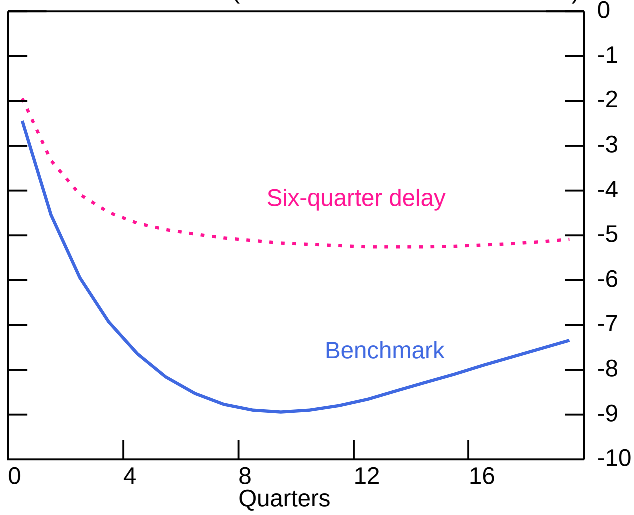
Benchmark Crisis Scenario

(Percent deviation from baseline)



European GDP: Delayed Crisis

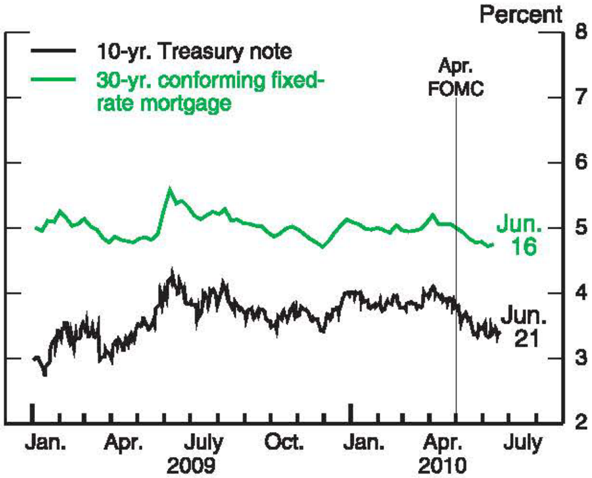
(Percent deviation from baseline)



- Possible that financial conditions in Europe normalize more quickly.
- Even so, it is desirable for Europe to take additional steps to avoid a crisis:
  - Should facilitate efforts of cash-strapped governments to clean up banks.
  - Improve transparency to help markets differentiate good from problem banks.
- High value of ‘‘buying time’’ to avert an immediate crisis.

Financial Market Developments

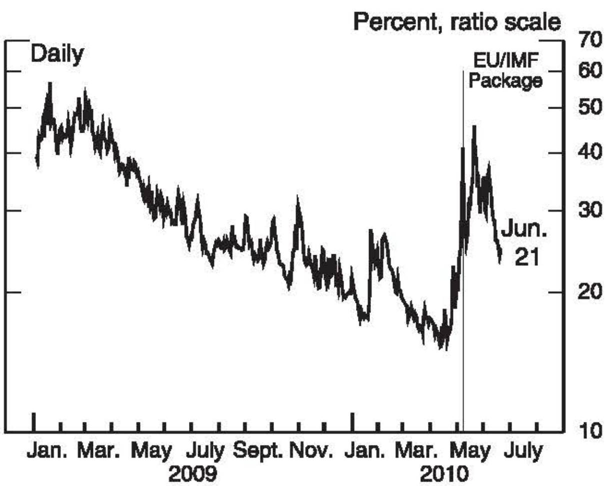
Treasury and Mortgage Rates



Source: Freddie Mac for mortgage rate.

Equity Market

S&P 500 Implied Volatility (VIX)



Source: Chicago Board Options Exchange.

Economic Surveys, June 2010

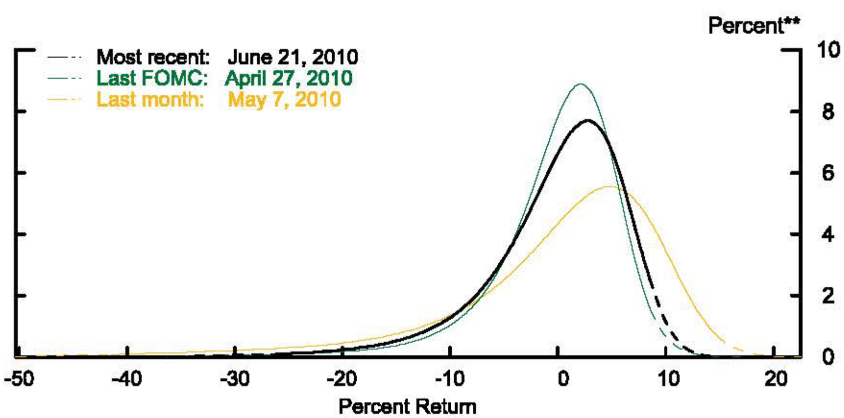
Blue Chip:

- Europe's debt crisis is the largest risk
- Primary channel through tighter financial conditions

Primary Dealers:

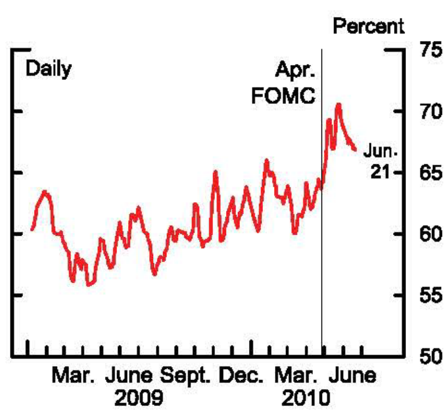
- Greater downside risk than in April

Risk Neutral Distribution for S&P 500 Returns*, Next 30 Days



* Probability distribution implied by options on the index.
** Percent probability per percent return.
Note: Dotted lines represent an extrapolation using exponentially decaying tails.

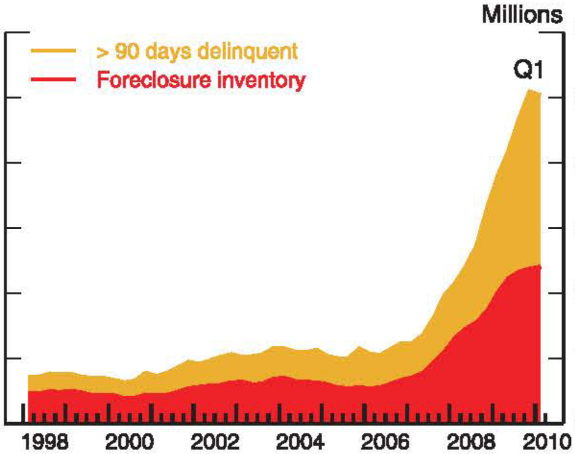
Downside Skewness of Volatility*, Next 30 Days



* Five-day moving average of the difference between the 5% and 50% quantiles, divided by the difference in the 5% and 95% quantiles.

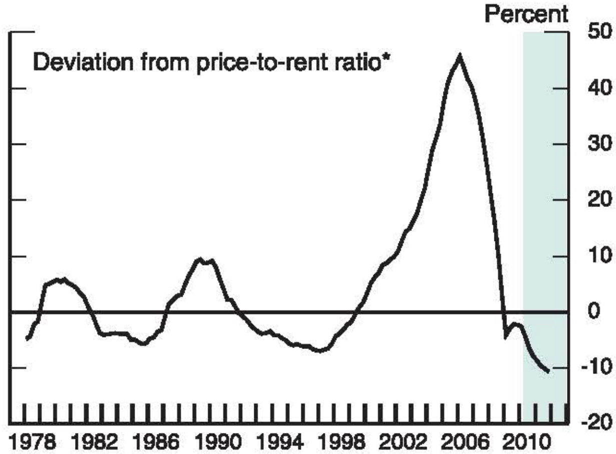
Sectors Vulnerable to a Slowdown in the U.S. Economy

Home Mortgages



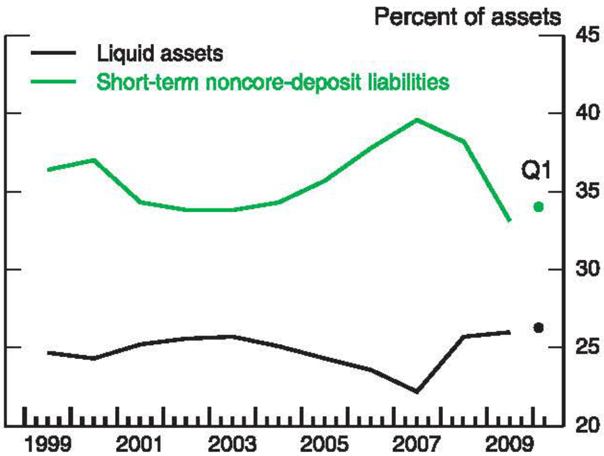
Source: Mortgage Bankers Association.

Valuation of Single-family Homes



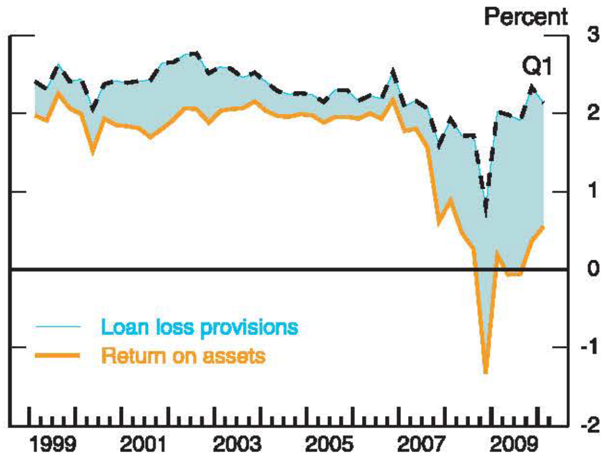
* Detrended price-to-rent ratio.
Source: Home price from First American LoanPerformance.

Liquidity at Commercial Banks



Source: Call Reports.

Profits at Commercial Banks



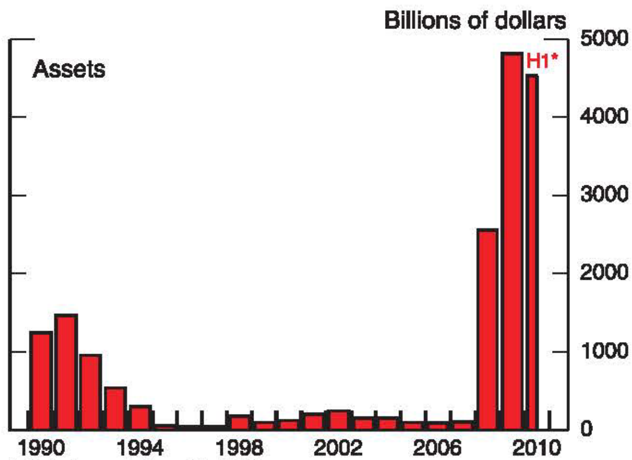
Source: Call Reports.

Loan Loss Rates at Commercial Banks
(Percent of loans)

	Total*	CRE	Other
2009	3.0	2.4	3.2
2010p	2.8	4.1	2.6
2011p	2.8	5.0	2.3

* Residential mortgage, consumer credit, CRE, and C&I loans.
p. Staff forecast.

CAMELS 3, 4 and 5 Rated Commercial Banks



* Data through June 10, 2010.

Financial Risks from European Debt Crisis

Banking System Credit Exposure to Peripheral Europe

Year-end 2009, billions of dollars

	Greece and Portugal	Spain, Ireland, and Italy	Total as Percent of Tier 1
United States	24	208	29
France	129	819	311
Germany	92	612	207

Note: Credit exposure is cross-border claims, foreign-office claims on local residents, and counterparty credit exposure from derivatives contracts, and excludes contingent credit exposures. Exposures are adjusted for third-party guarantees and liquid collateral. Derivatives exposures are not available for Germany.
Source: BIS consolidated banking statistics.

Supervisory Assessments

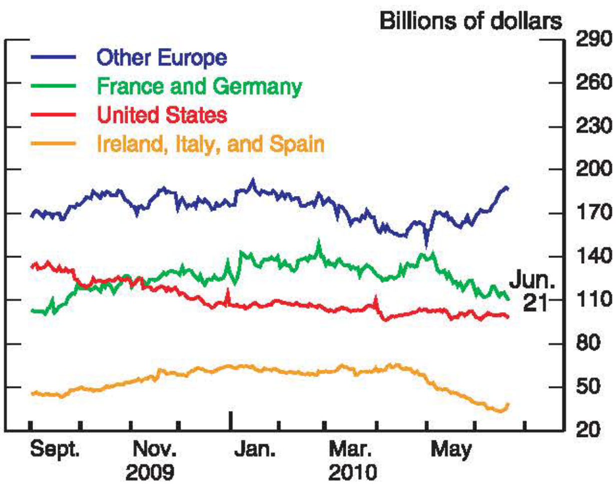
- Collected information on largest exposures and risk management
- Roughly estimated losses
- Preliminary assessment: Direct losses from Greece and Portugal with minimal spillovers are not substantial
- But concerned about data, spillovers, and indirect exposures

U.S. Prime Money Market Funds' Exposures to European Entities*

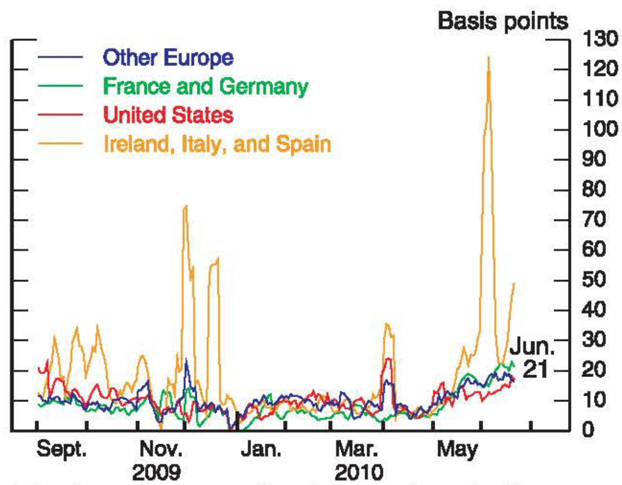
	Total Exposure as of June 2 (Percent of assets)	Percentage Point Change from May 19: Total Exposure	Percentage Point Change from May 19: Debt Maturing in Seven Days or More
1. Peripheral Europe	4.5	-1.0	-0.6
2. France and Germany	20.0	-1.1	-1.0
3. Other Europe	26.5	0.7	0.5
Memo: U.S. financial institutions**	18.8	1.0	0.7

* Banks, conduits, and sovereigns.
** Excludes government agencies and GSEs.
Note: Peripheral Europe is Ireland, Italy, and Spain. No assets in entities from Greece and Portugal.
Source: Investment Company Institute, confidential survey of money market fund families that manage 78 percent of total MMF assets.

Unsecured Financial Commercial Paper Outstanding in the U.S. Market



30-day Spreads on Unsecured Financial Commercial Paper Issued in the U.S. Market*



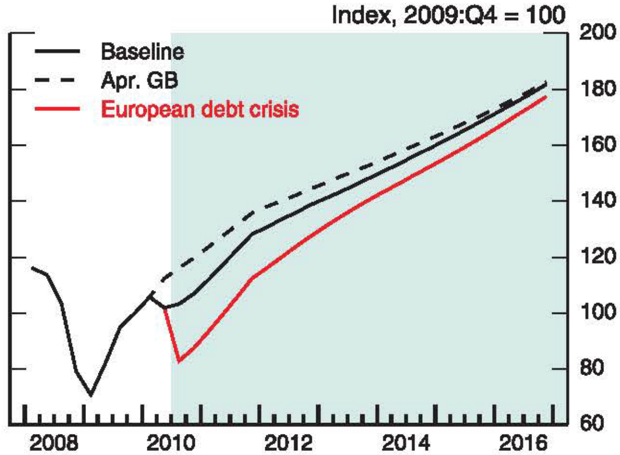
* Five-day moving average. Spreads computed over the AA nonfinancial unsecured rate.

Possible Implications of European Debt Crisis for the U.S. Economy

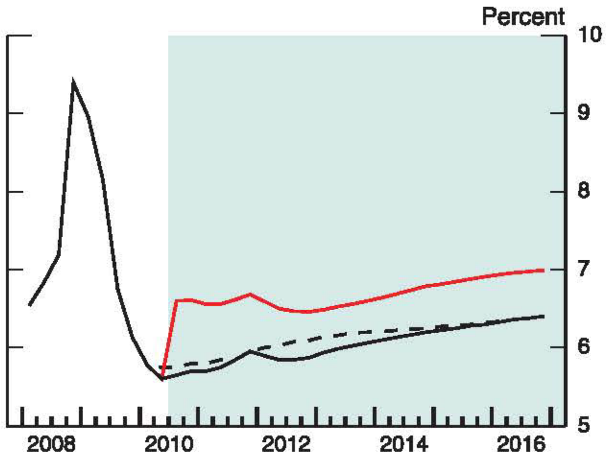
Tail-risk Scenario

- Re-emergence of recession in Europe would slow pace of recovery in the U.S.
- Bigger threat to the U.S. economy would be the global financial spillovers.

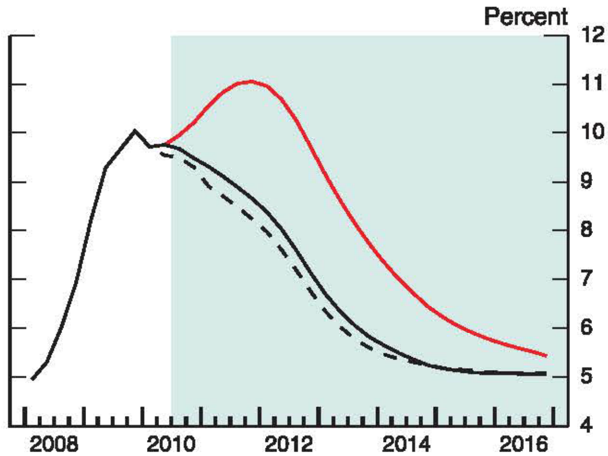
U.S. Stock Market Index



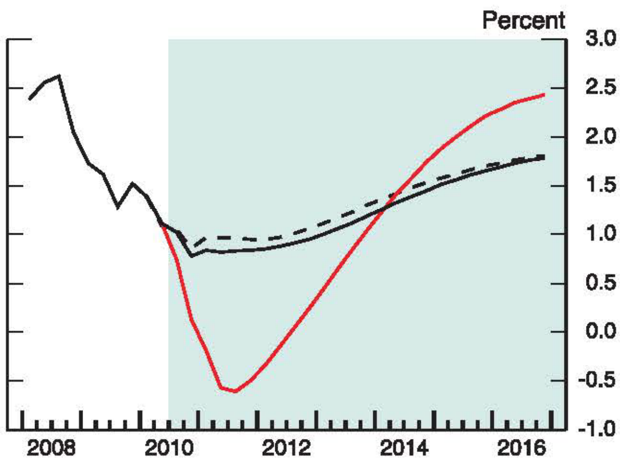
BBB-rated Corporate Bond Rate



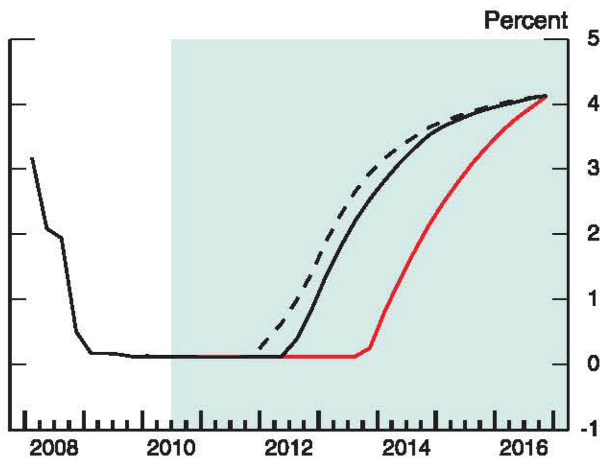
Unemployment Rate



Core PCE Inflation (Four-quarter)

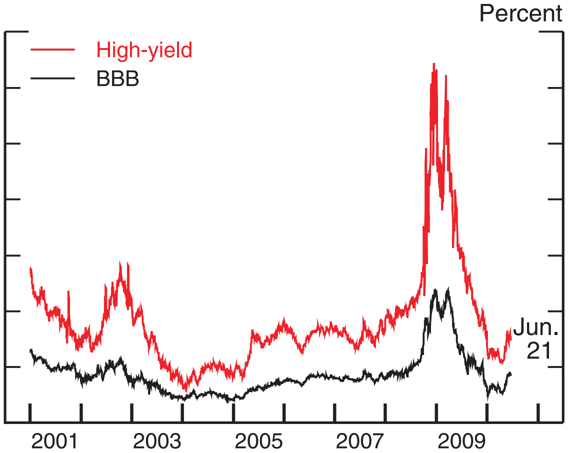


Federal Funds Rate



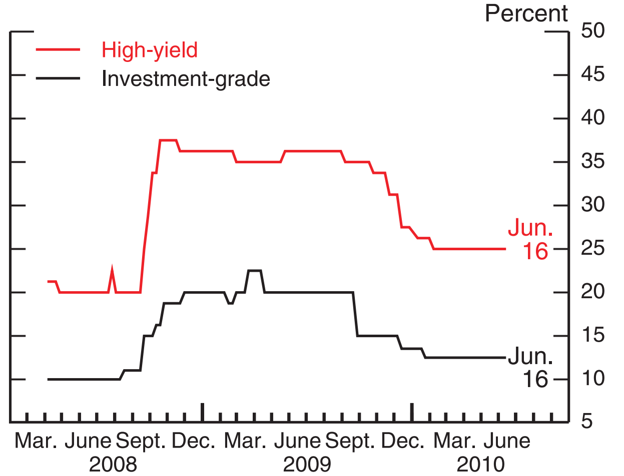
Valuations and Leverage

Far-term Forward Spreads*



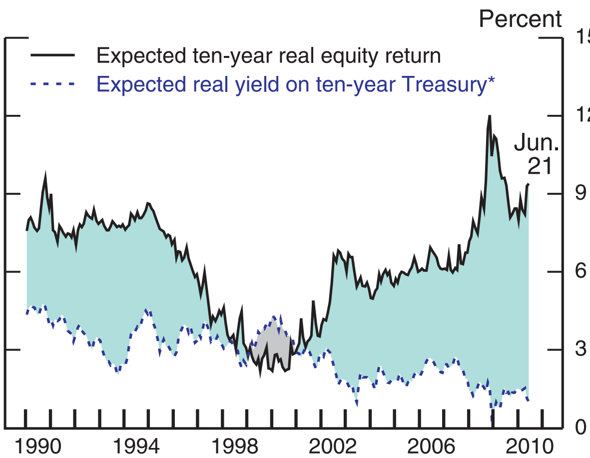
* Forward spreads between years nine and ten.

Corporate Bonds Median One-month Haircuts



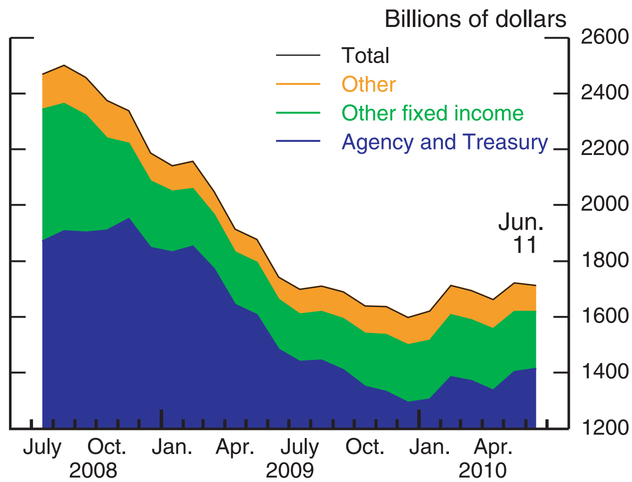
Source: FRBNY weekly survey of primary dealers.

Equity Premium



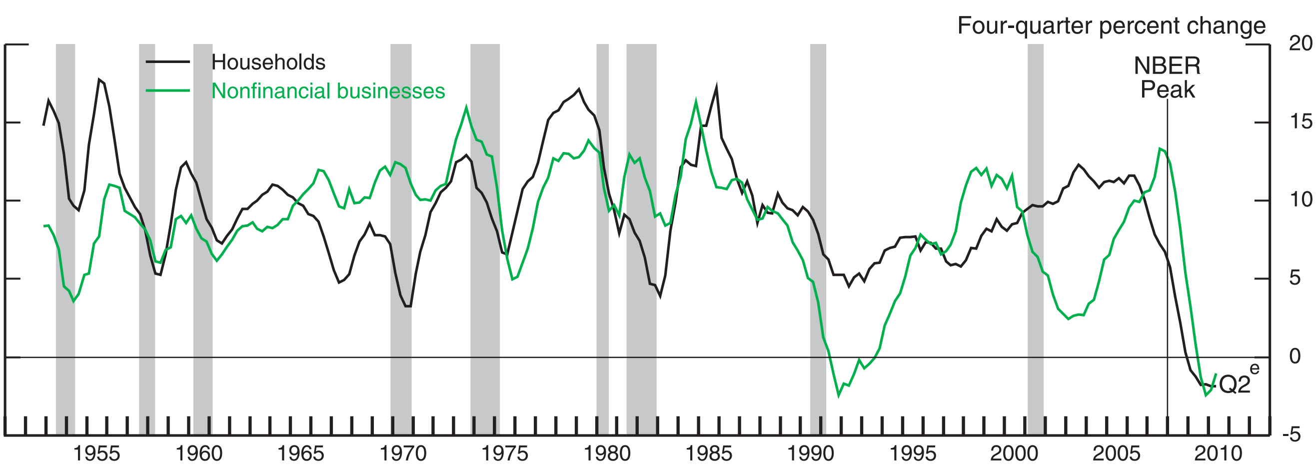
* Off-the-run Treasury yield less Philadelphia Fed ten-year expected inflation.
Source: Thomson Financial.

Tri-party Repo Market Activity



Source: FRBNY

Total Debt Growth for Households and Nonfinancial Businesses



e. Staff estimate.

Appendix 4: Materials used by Mr. English

Class I FOMC – Restricted-Controlled (FR)

Material for Briefing on FOMC Participants' Economic Projections

Bill English
June 22-23, 2010

Exhibit 1. Central tendencies and ranges of economic projections, 2010–12 and over the longer run

Exhibit 2. Economic projections for 2010-2012 and over the longer run

Change in real GDP

	2010	**2011**	**2012**	**Longer run**
Central Tendency	3.0 to 3.5	3.5 to 4.2	3.5 to 4.5	2.5 to 2.8
April projections	*3.2 to 3.7*	*3.4 to 4.5*	*3.5 to 4.5*	*2.5 to 2.8*
Range	2.9 to 3.8	2.9 to 4.5	2.8 to 5.0	2.4 to 3.0
April projections	*2.7 to 4.0*	*3.0 to 4.6*	*2.8 to 5.0*	*2.4 to 3.0*
Memo: Tealbook	3.2	3.7	4.8	2.5
April Greenbook	*3.5*	*4.4*	*4.7*	*2.5*

Unemployment rate

	2010	**2011**	**2012**	**Longer run**
Central Tendency	9.2 to 9.5	8.3 to 8.7	7.1 to 7.5	5.0 to 5.3
April projections	*9.1 to 9.5*	*8.1 to 8.5*	*6.6 to 7.5*	*5.0 to 5.3*
Range	9.0 to 9.9	7.6 to 8.9	6.8 to 7.9	5.0 to 6.3
April projections	*8.6 to 9.7*	*7.2 to 8.7*	*6.4 to 7.7*	*5.0 to 6.3*
Memo: Tealbook	9.5	8.6	7.1	5.2
April Greenbook	*9.3*	*8.2*	*6.7*	*5.2*

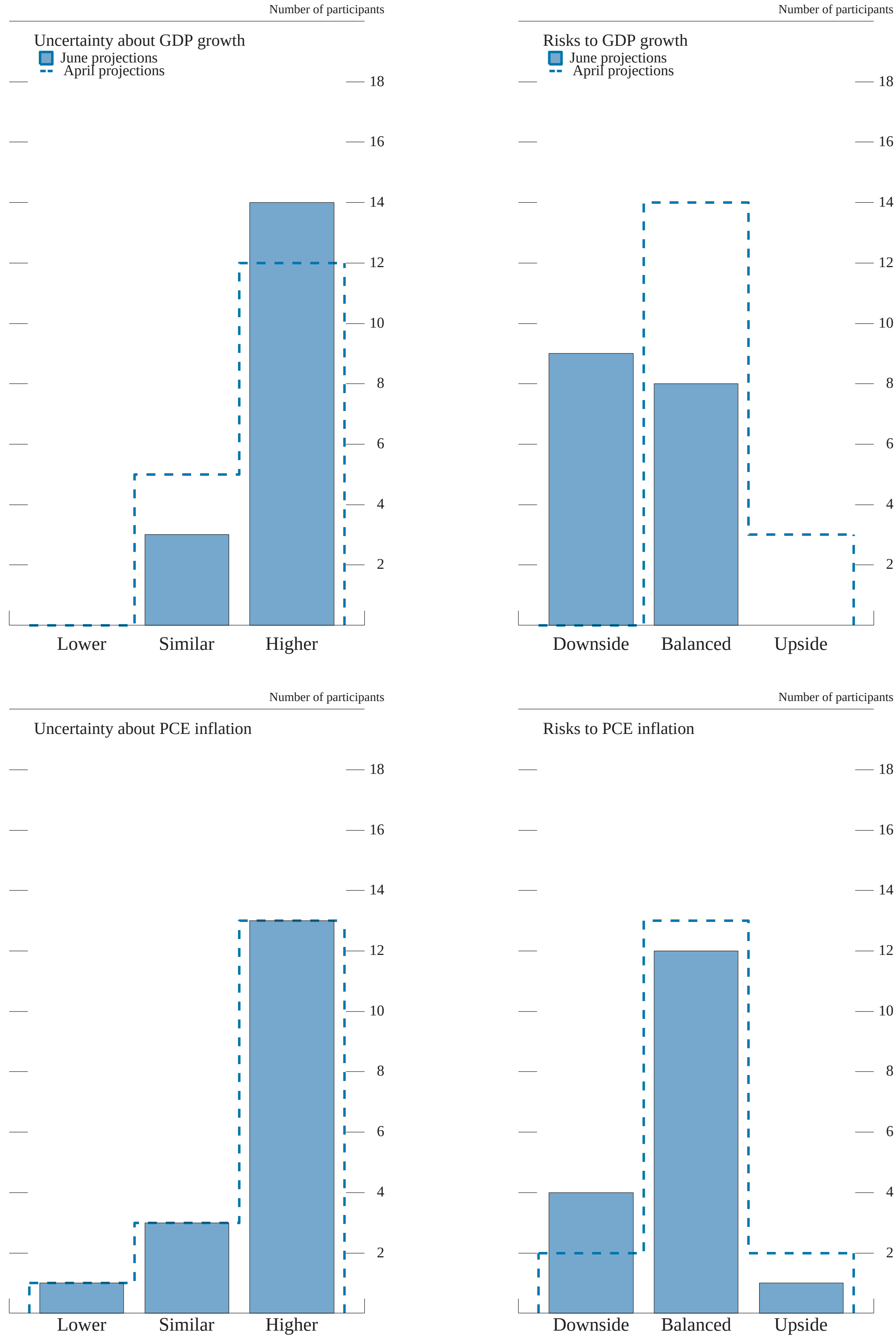
PCE inflation

	2010	**2011**	**2012**	**Longer run**
Central Tendency	1.0 to 1.1	1.1 to 1.6	1.0 to 1.7	1.7 to 2.0
April projections	*1.2 to 1.5*	*1.1 to 1.9*	*1.2 to 2.0*	*1.7 to 2.0*
Range	0.9 to 1.8	0.8 to 2.4	0.5 to 2.2	1.5 to 2.0
April projections	*1.1 to 2.0*	*0.9 to 2.4*	*0.7 to 2.2*	*1.5 to 2.0*
Memo: Tealbook	0.9	1.0	1.0	2.0
April Greenbook	*1.3*	*1.0*	*1.1*	*2.0*

Core PCE inflation

	2010	**2011**	**2012**
Central Tendency	0.8 to 1.0	0.9 to 1.3	1.0 to 1.5
April projections	*0.9 to 1.2*	*1.0 to 1.5*	*1.2 to 1.6*
Range	0.7 to 1.5	0.6 to 2.4	0.4 to 2.2
April projections	*0.7 to 1.6*	*0.6 to 2.4*	*0.6 to 2.2*
Memo: Tealbook	0.8	0.8	1.0
April Greenbook	*0.9*	*0.9*	*1.1*

Exhibit 3. Risks and uncertainty in economic projections



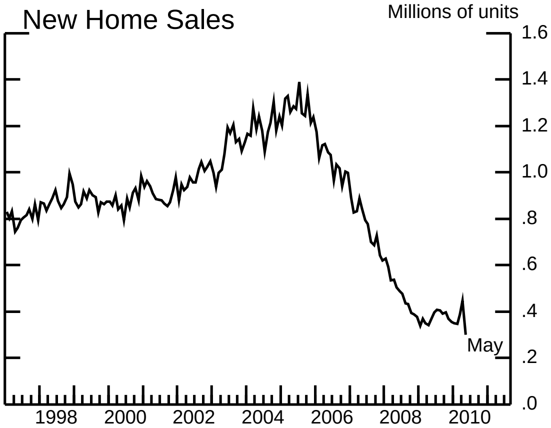
Appendix 5: Materials used by Mr. Stockton

The Market for New Single-Family Homes

	2009	2009 Q3	2009 Q4	2010 Q1	2010 Mar.	2010 Apr.	2010 May
***Sales*[1]**							
Total	375	401	373	362	389	446	300
Previous				*375*	*439*	*504*	
Percent Change	-22.7	9.0	-7.0	-2.9	12.1	14.7	-32.7
By region							
Northeast	31	38	34	35	33	42	28
Midwest	54	59	59	53	54	67	51
South	202	204	195	188	209	228	170
West	87	100	85	86	93	109	51
Inventories							
New homes for sale[2]	231	252	231	228	228	214	213
Months' supply[3]	9.0	7.8	7.6	7.7	7.0	5.8	8.5
Prices							
Mean (thousands of dollars)[4]	270.9	273.9	271.3	283.4	267.9	260.0	258.8
Year-to-year percent change[5]	-7.4	-3.8	-1.5	8.1	1.6	-1.8	-4.5
One-period percent change (annual rate for quarters, monthly rate for months)	-7.4	6.9	-3.7	19.1	-5.0	-3.0	-.4
Constant-quality price index[6]							
Year-to-year percent change[5]	-4.4	-5.9	.6	2.6	n.a.	n.a.	n.a.
One-period percent change (annual rate for quarters)	-4.4	-2.5	9.3	2.8	n.a.	n.a.	n.a.

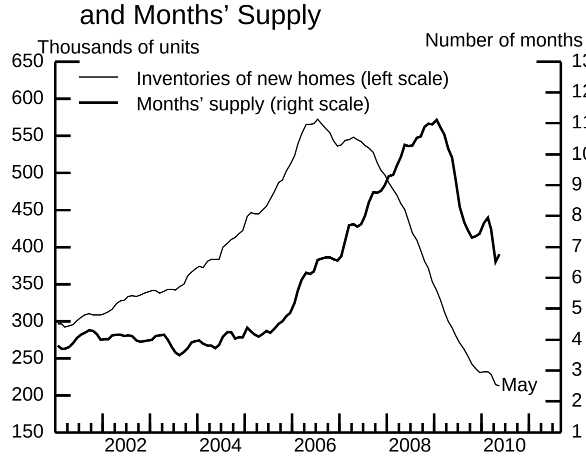
1. Thousands of units, s.a.a.r., except where noted. Percent change is from previous comparable period, not at an annual rate.
2. Thousands of units, seasonally adjusted, end of period stock.
3. At current sales rate; expressed as the ratio of s.a. inventories to s.a. sales. Quarterly and annual values are averages of monthly values.
4. Quarterly and annual values of mean prices are equal to a weighted average of monthly data; the weights are based on the response rate to the survey in each month. Seasonally adjusted by FRB staff.
5. Year-to-year percent changes are from the year-earlier comparable period.
6. Based on characteristics of new homes sold in 2005. Seasonally adjusted by FRB staff.

s.a.a.r. Seasonally adjusted annual rate. s.a. Seasonally adjusted. n.a. Not available.
Source: Census Bureau.



Source: Census Bureau.

Inventories of New Homes and Months' Supply



Note: Months' supply is calculated using the 3-month moving average of sales.
Source: Census Bureau.

Appendix 6: Materials used by Mr. Madigan

Class I FOMC – Restricted Controlled (FR)

Material for Briefing on Monetary Policy Alternatives

Brian Madigan
June 23, 2010

Table 1: Overview of Alternatives for the June 23 FOMC Statement

<table>
<tr><th rowspan="2"></th><th rowspan="2">April Statement</th><th colspan="3">June Alternatives</th></tr>
<tr><th>A</th><th>B</th><th>C</th></tr>
<tr><td colspan="5">Economic Activity</td></tr>
<tr><td>Recent Developments</td><td>has continued to strengthen</td><td>has continued to strengthen gradually</td><td colspan="2">has continued to strengthen</td></tr>
<tr><td>Labor Market</td><td>is beginning to improve;
high unemployment; employers remain reluctant to add to payrolls</td><td>is improving slowly; high unemployment; employers remain reluctant to add to payrolls</td><td>is improving gradually; high unemployment; employers remain reluctant to add to payrolls</td><td>has continued to improve</td></tr>
<tr><td>Outlook</td><td>gradual return to higher levels of resource utilization; recovery likely to be moderate for a time</td><td>gradual return to higher levels of resource utilization; near-term outlook has weakened somewhat</td><td>gradual return to higher levels of resource utilization; recovery likely to be moderate for a time</td><td>sustainable recovery under way; gradual return to higher levels of resource utilization</td></tr>
<tr><td colspan="5">Financial Conditions</td></tr>
<tr><td>Recent Developments</td><td>bank lending continues to contract, financial market conditions remain supportive of economic growth</td><td>financial conditions have become less supportive of economic growth on balance; bank lending continues to contract</td><td>financial conditions have become less supportive of economic growth on balance; bank lending has continued to contract in recent months</td><td>financial market conditions have become somewhat less supportive of growth on balance</td></tr>
<tr><td colspan="5">Inflation</td></tr>
<tr><td>Recent Developments</td><td>substantial slack is restraining cost pressures;
stable inflation expectations</td><td colspan="2">Prices of energy and other commodities have declined somewhat in recent months; underlying inflation has trended lower; substantial slack is restraining cost pressures; stable inflation expectations</td><td>underlying inflation has trended lower; stable inflation expectations</td></tr>
<tr><td>Outlook</td><td>likely to be subdued for some time</td><td>likely to be quite subdued for some time, remaining below rates consistent with dual mandate</td><td>likely to be subdued for some time</td><td>subdued rates of inflation anticipated</td></tr>
<tr><td colspan="5">Federal Funds Rate Target</td></tr>
<tr><td>Intermeeting Period</td><td>0 to ¼ percent</td><td colspan="3">0 to ¼ percent</td></tr>
<tr><td>Forward Guidance</td><td>economic conditions are likely to warrant exceptionally low levels for an extended period</td><td>economic conditions will warrant exceptionally low levels
for an extended period, until resource utilization and inflation clearly moving toward mandate-consistent levels</td><td>economic conditions are likely to warrant exceptionally low levels for an extended period</td><td>economic conditions are likely to warrant low levels for some time</td></tr>
<tr><td colspan="5">Reinvestment of SOMA Assets</td></tr>
<tr><td>Approach</td><td>allow agency debt and MBS to roll off but roll over maturing Treasuries (nothing in statement)</td><td>roll over agency MBS as well as Treasuries;

allow agency debt to roll off (not in statement)</td><td>allow agency debt and MBS to roll off but roll over maturing Treasuries (nothing in statement)</td><td>allow Treasuries as well as agency debt and MBS to roll off</td></tr>
</table>

APRIL FOMC STATEMENT

1. Information received since the Federal Open Market Committee met in March suggests that economic activity has continued to strengthen and that the labor market is beginning to improve. Growth in household spending has picked up recently but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software has risen significantly; however, investment in nonresidential structures is declining and employers remain reluctant to add to payrolls. Housing starts have edged up but remain at a depressed level. While bank lending continues to contract, financial market conditions remain supportive of economic growth. Although the pace of economic recovery is likely to be moderate for a time, the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability.
2. With substantial resource slack continuing to restrain cost pressures and longer-term inflation expectations stable, inflation is likely to be subdued for some time.
3. The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.
4. In light of improved functioning of financial markets, the Federal Reserve has closed all but one of the special liquidity facilities that it created to support markets during the crisis. The only remaining such program, the Term Asset-Backed Securities Loan Facility, is scheduled to close on June 30 for loans backed by new-issue commercial mortgage-backed securities; it closed on March 31 for loans backed by all other types of collateral.

JUNE FOMC STATEMENT—ALTERNATIVE A

1. Information received since the Federal Open Market Committee met in **April** suggests that economic activity has continued to strengthen **gradually** and that the labor market is **improving slowly**. Household spending **is increasing** but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software **appears to be rising at a robust pace**; however, investment in nonresidential structures **continues to be weak** and employers remain reluctant to add to payrolls. Housing starts remain at a depressed level. Financial conditions **have become less** supportive of economic growth **on balance, largely reflecting developments abroad, and** bank lending continues to contract. **Although** the Committee **still** anticipates a gradual return to higher levels of resource utilization in a context of price stability, **the near-term outlook for economic activity has weakened somewhat**.
2. **Prices of energy and other commodities have declined somewhat in recent months, and underlying inflation has trended lower.** With substantial resource slack continuing to restrain cost pressures and longer-term inflation expectations stable, inflation is likely to be **quite** subdued for some time, **remaining below rates that would be consistent over the longer run with the Federal Reserve's dual mandate to promote maximum employment and stable prices**.
3. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, **will** warrant exceptionally low levels of the federal funds rate for an extended period. **The Committee expects to maintain the current range for the federal funds rate until resource utilization and underlying inflation are clearly moving toward rates consistent with the dual mandate. In addition, to provide continued support to mortgage lending and housing markets and to aid overall conditions in private credit markets, the Committee will maintain holdings of agency mortgage-backed securities in the System Open Market Account at approximately their current level rather than allowing them to run off. The Committee will also continue to roll over maturing Treasury securities.**
4. The Committee will continue to **evaluate its holdings of securities in light of the evolving** economic outlook and **conditions in** financial **markets** and will employ its policy tools as necessary to promote economic recovery and price stability.

June FOMC Statement—Alternative B

1. Information received since the Federal Open Market Committee met in **April** suggests that economic activity has continued to strengthen and that the labor market is **improving gradually**. Household spending **is increasing** but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software **appears to be rising at a robust pace**; however, investment in nonresidential structures **continues to be weak** and employers remain reluctant to add to payrolls. Housing starts remain at a depressed level. Financial conditions **have become less** supportive of economic growth **on balance, largely reflecting developments abroad**. Bank lending has continued to contract **in recent months**. **Nonetheless**, the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability, although the pace of economic recovery is likely to be moderate for a time.
2. **Prices of energy and other commodities have declined somewhat in recent months, and underlying inflation has trended lower.** With substantial resource slack continuing to restrain cost pressures and longer-term inflation expectations stable, inflation is likely to be subdued for some time.
3. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period.
4. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.

JUNE FOMC STATEMENT—ALTERNATIVE C

1. Information received since the Federal Open Market Committee met in **April** suggests that economic activity has continued to strengthen and that the labor market **has continued** to improve. Household spending is **increasing, and** business spending on equipment and software **is rising at a robust pace**. **Underlying inflation has trended lower, but longer-term inflation expectations have remained stable. Although financial market conditions have become somewhat less supportive of growth on balance in recent weeks, the Committee believes that a sustainable economic recovery is under way and anticipates a gradual return to higher levels of resource utilization with subdued rates of inflation.**
2. The Committee **decided to** maintain the target range for the federal funds rate at 0 to ¼ percent and anticipate**s** that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant low levels of the federal funds rate for **some time**. **As a step toward normalizing the size of the Federal Reserve's balance sheet and the level of reserves in the banking system, on August 3 the Committee will stop reinvesting the proceeds of maturing Treasury securities; the Committee will maintain its approach of not reinvesting the proceeds of maturing agency debt and payments on mortgage-backed securities held by the System Open Market Account.** The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to promote economic recovery and price stability.

April 2010 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 ¼ percent. 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.

June 2010 FOMC Directive — Alternative A

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. **The Committee directs the Desk to purchase agency mortgage-backed securities during the intermeeting period to maintain the total face value of the System Open Market Account's holdings of such securities at approximately its current level, with the aim of providing support to private credit markets and economic activity.** The Committee directs the Desk to engage in dollar roll **and coupon swap** transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. **The Committee directs the Desk to maintain its practice of allowing all maturing agency debt to be redeemed without replacement.** 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.

June 2010 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 ¼ percent. The Committee directs the Desk to engage in dollar roll **and coupon swap** 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.

June 2010 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 ¼ percent. The Committee directs the Desk to engage in dollar roll **and coupon swap** transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions. **To gradually reduce the size of the Federal Reserve's balance sheet over time, the Committee directs the Desk to not reinvest the proceeds of maturing Treasury securities held by the System Open Market Account, effective August 3, 2010, and to maintain its practice of not reinvesting the proceeds of maturing agency debt and payments on agency mortgage-backed securities held by the System Open Market Account.** 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.