

Appendix 1: Materials used by Mr. Sack

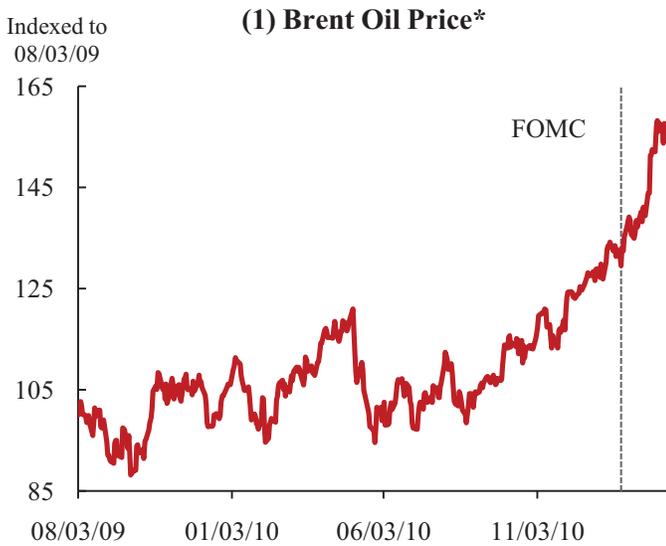
Material for

FOMC Presentation:

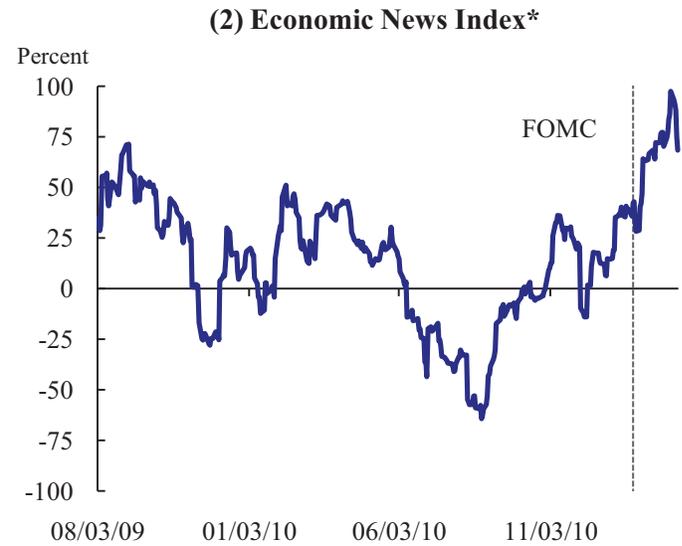
Financial Market Developments and Desk Operations

Brian Sack

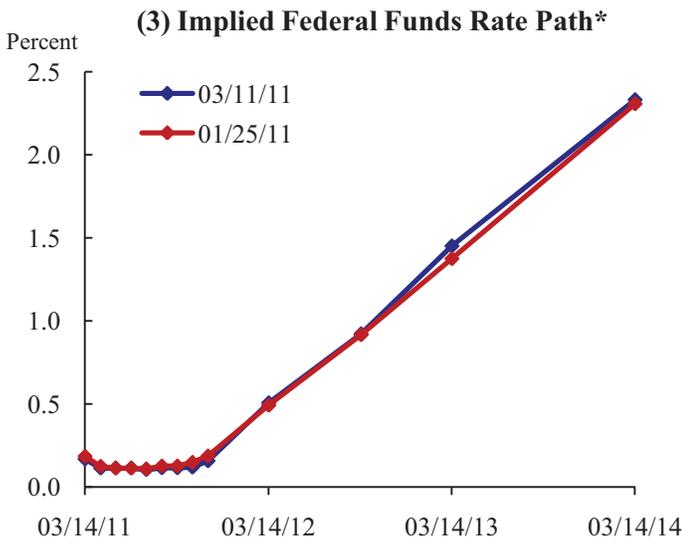
March 15, 2011



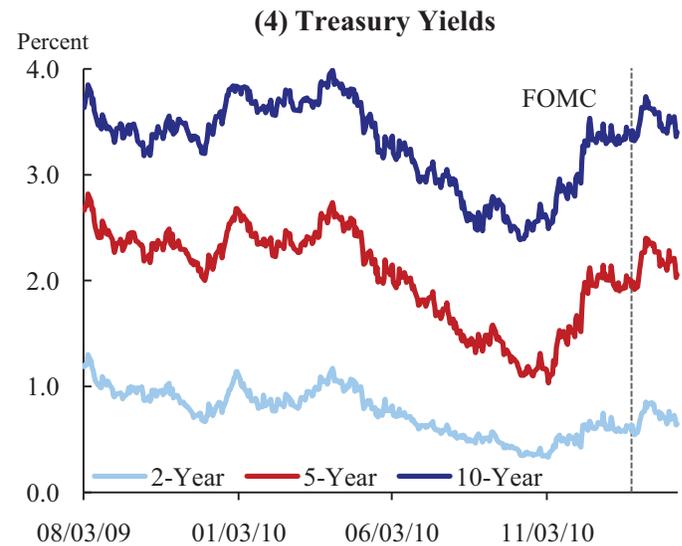
*Front-month futures contract.
Source: Bloomberg



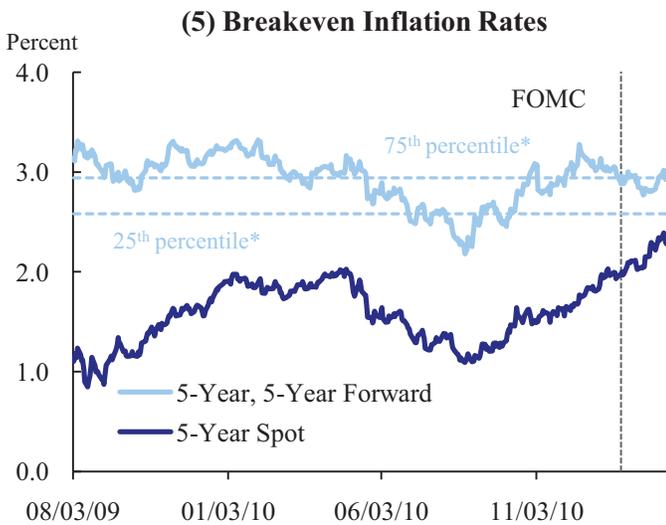
*Positive readings correspond to stronger-than-expected economic releases.
Source: Citigroup



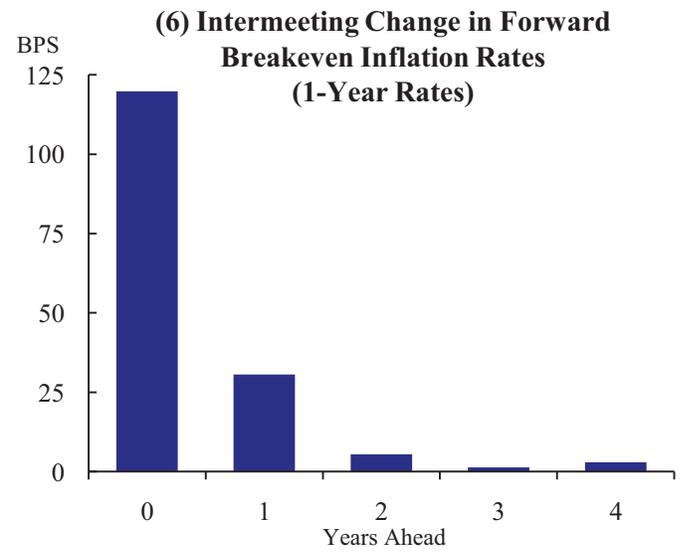
*Based on federal funds and eurodollar futures rates.
Source: Federal Reserve Bank of New York



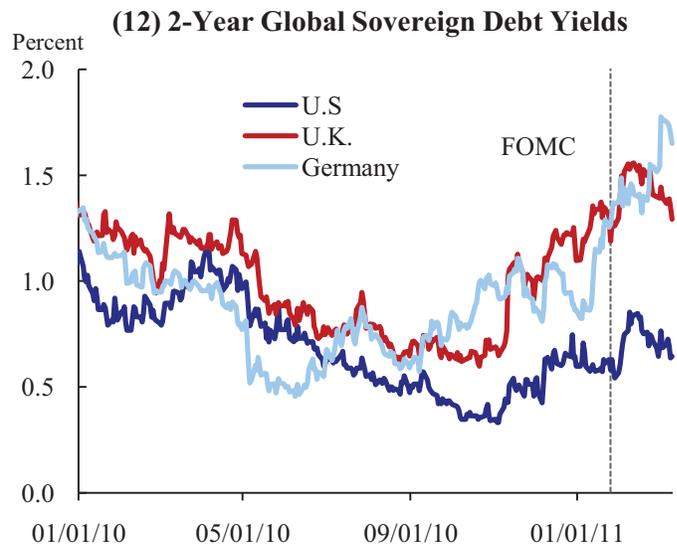
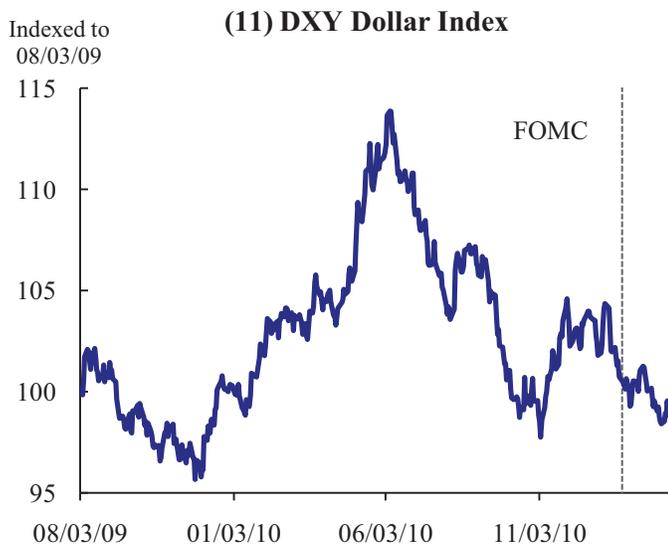
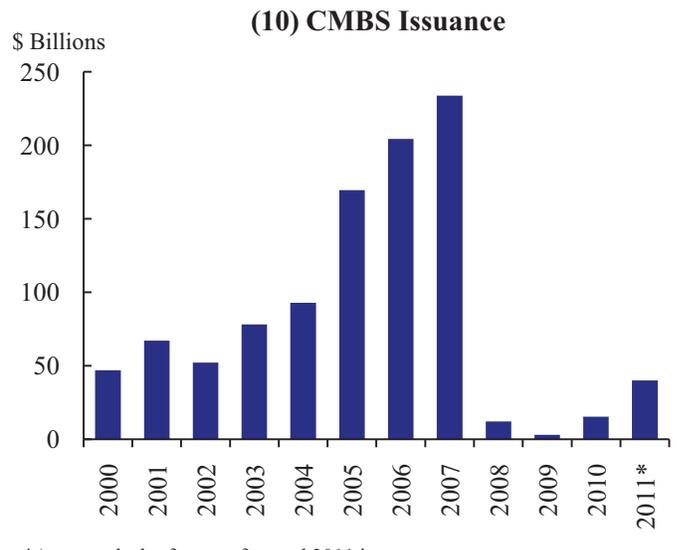
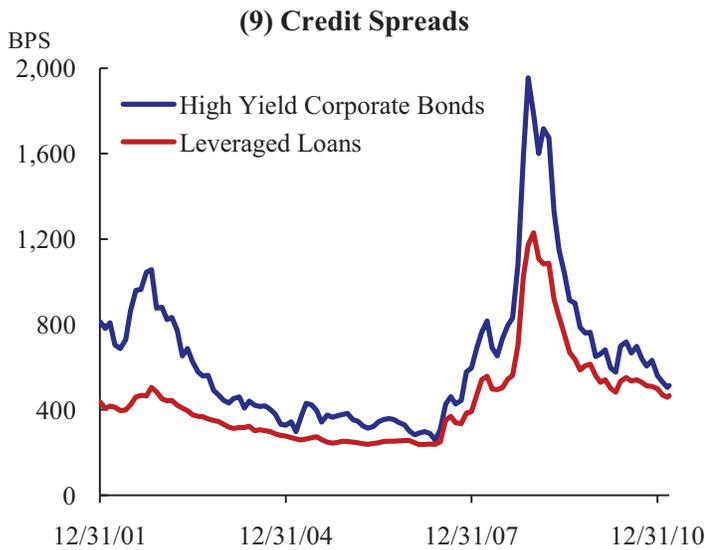
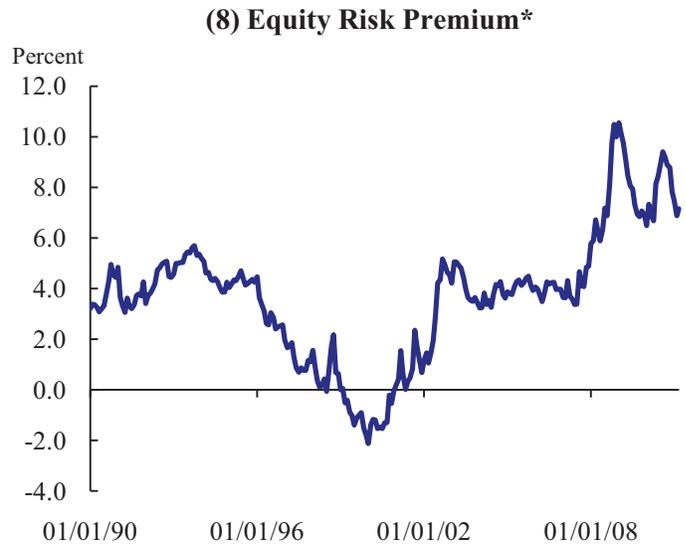
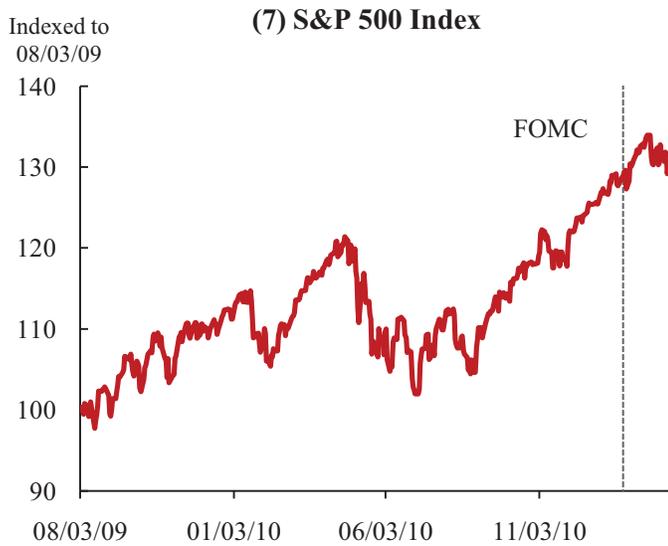
Source: Bloomberg

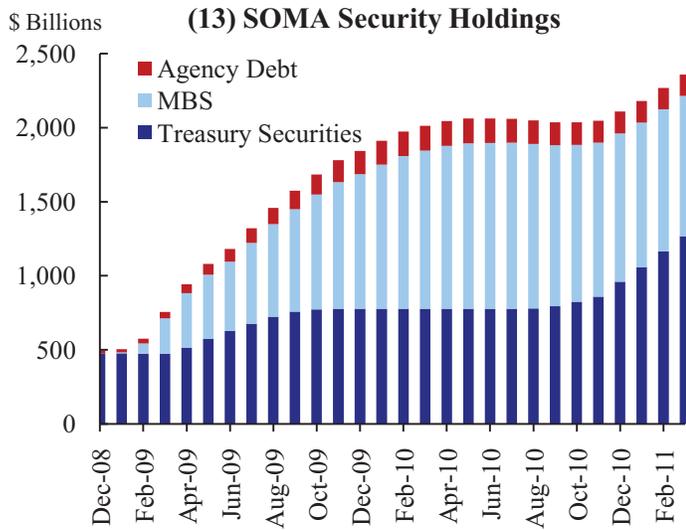


*Interquartile range computed using data since 2003.
Source: Federal Reserve Board of Governors

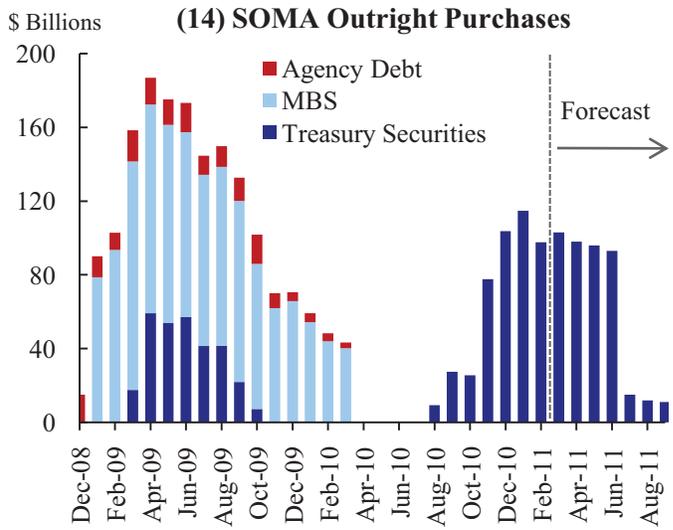


Source: Federal Reserve Board of Governors

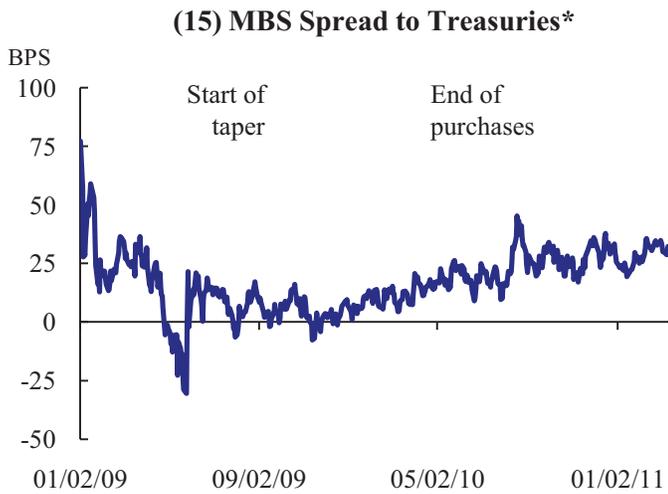




Source: Federal Reserve Board of Governors

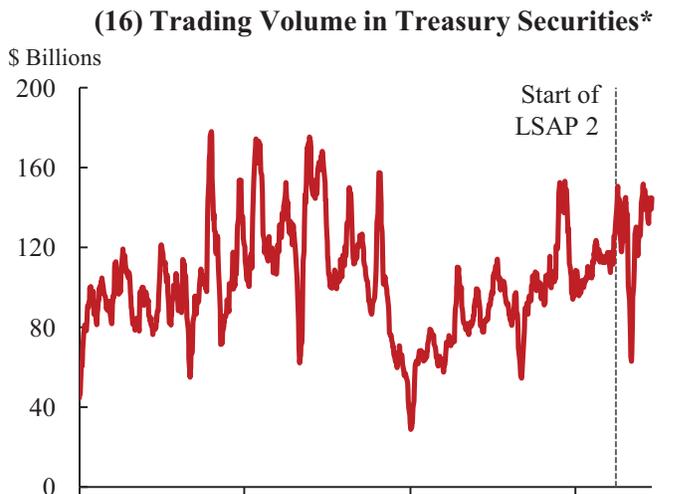


Source: Federal Reserve Bank of New York



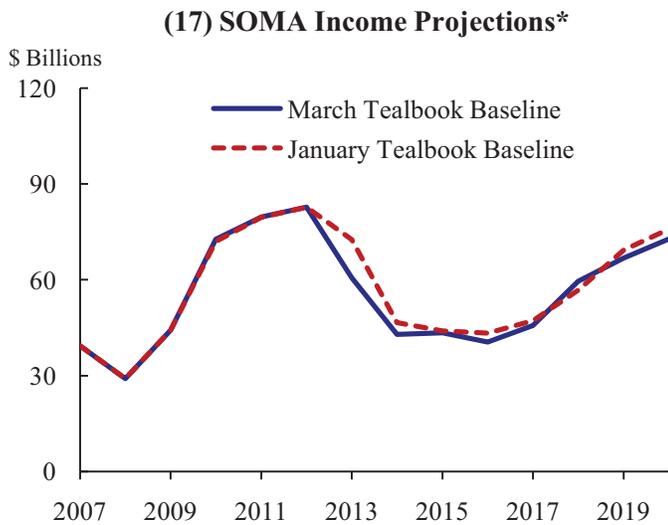
*Option-adjusted spread series for current coupon security, only using the 4.0 coupon between 06/01/10 and 11/08/10.

Source: Barclays Capital



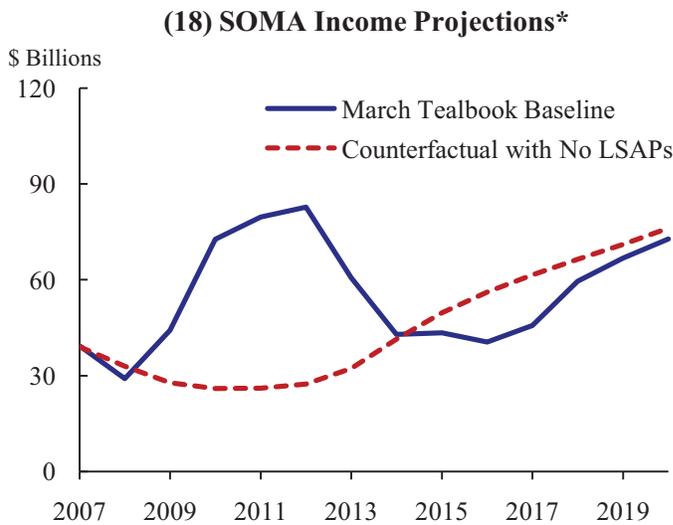
*10-day moving average of daily volume of all benchmark coupon securities.

Source: BrokerTec



*Actual values through 2010 and FRBNY projections thereafter.

Source: Federal Reserve Bank of New York



*Actual values through 2010 and FRBNY projections thereafter.

Source: Federal Reserve Bank of New York

Appendix 2: Materials used by Mr. English

Material for

FOMC Briefing on Monetary Policy Alternatives

Bill English
March 15, 2011

JANUARY FOMC STATEMENT

1. Information received since the Federal Open Market Committee met in December confirms that the economic recovery is continuing, though at a rate that has been insufficient to bring about a significant improvement in labor market conditions. Growth in household spending picked up late last year, but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit. Business spending on equipment and software is rising, while investment in nonresidential structures is still weak. Employers remain reluctant to add to payrolls. The housing sector continues to be depressed. Although commodity prices have risen, longer-term inflation expectations have remained stable, and measures of underlying inflation have been trending downward.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. Currently, the unemployment rate is elevated, and measures of underlying inflation are somewhat low, relative to levels that the Committee judges to be consistent, over the longer run, with its dual mandate. Although the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability, progress toward its objectives has been disappointingly slow.
3. To promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee decided today to continue expanding its holdings of securities as announced in November. In particular, the Committee is maintaining its existing policy of reinvesting principal payments from its securities holdings and intends to purchase \$600 billion of longer-term Treasury securities by the end of the second quarter of 2011. The Committee will regularly review the pace of its securities purchases and the overall size of the asset-purchase program in light of incoming information and will adjust the program as needed to best foster maximum employment and price stability.
4. The Committee will maintain the target range for the federal funds rate at 0 to $\frac{1}{4}$ 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 for the federal funds rate for an extended period.
5. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to support the economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate.

MARCH FOMC STATEMENT—ALTERNATIVE A

1. Information received since the Federal Open Market Committee met in December ~~January~~ confirms that the economic recovery is continuing. ~~though at a rate that has been insufficient to bring about a significant improvement in~~ **Although overall conditions in the** labor market conditions **appear to be improving gradually, employment remains at low levels.** Growth in Household spending **has been increasing in recent months** ~~picked up late last year, but~~ remains constrained by high unemployment, ~~modest income growth,~~ lower housing wealth, and tight credit. **Recent increases in energy costs may be weighing on household spending on non-energy goods and services.** Business spending on equipment and software is rising, while **but** investment in nonresidential structures is still weak. ~~Employers remain reluctant to add to payrolls.~~ The housing sector continues to be depressed. Although **energy and other** commodity prices have risen **significantly since the summer, boosting headline inflation,** longer-term inflation expectations have remained stable, and measures of underlying inflation have ~~been trended~~ **ing** downward.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. Currently, the unemployment rate is elevated, and measures of underlying inflation are somewhat low, relative to levels that the Committee judges to be consistent, over the longer run, with its dual mandate. Although the Committee anticipates a gradual return to higher levels of resource utilization in a context of price stability, ~~progress toward its objectives has been disappointingly slow~~ **downside risks to the economic outlook remain significant.**
3. To promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee decided today to continue expanding its holdings of securities as announced in November. In particular, the Committee is maintaining its existing policy of reinvesting principal payments from its securities holdings and **will** ~~intends to~~ purchase \$600 billion of longer-term Treasury securities by the end of the second quarter of 2011. The Committee ~~will regularly review the pace of its securities purchases and the overall size of the asset purchase program in light of incoming information and will adjust~~ **is prepared to expand and extend the purchase program** ~~the program as~~ **if** needed to best foster maximum employment and price stability.
4. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and ~~continues to~~ **currently** anticipate **s** that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate **at least through mid-2012** ~~for an extended period.~~
5. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to support the economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate.

MARCH FOMC STATEMENT—ALTERNATIVE B

1. Information received since the Federal Open Market Committee met in ~~December~~ **January** **suggests** ~~confirms~~ that the economic recovery is **on a somewhat firmer footing, and** continuing, though at a rate that has been insufficient to bring about a significant improvement in **overall conditions in the** labor market conditions **appear to be improving gradually.** Growth in Household spending ~~picked up late last year, but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit~~ **and** business **investment in** equipment and software is rising **continue to expand.** **However,** while investment in nonresidential structures is still weak, **and** ~~Employers remain reluctant to add to payrolls.~~ the housing sector continues to be depressed. ~~Although~~ **Commodity prices have risen significantly since the summer, and concerns about global supplies of crude oil have contributed to a sharp run-up in oil prices in recent weeks.** **Nonetheless,** longer-term inflation expectations have remained stable, and measures of underlying inflation have been trending downward **subdued.**
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. Currently, the unemployment rate **remains** is elevated, and measures of underlying inflation ~~are~~ **continue to be** somewhat low, relative to levels that the Committee judges to be consistent, over the longer run, with its dual mandate. **The recent increases in the prices of energy and other commodities are temporarily putting upward pressure on headline inflation. The Committee expects limited pass-through to underlying inflation, but it will pay close attention to the evolution of overall inflation and inflation expectations.** ~~Although~~ The Committee **continues to** anticipate a gradual return to higher levels of resource utilization in a context of price stability, ~~progress toward its objectives has been disappointingly slow.~~
3. To promote a stronger pace of economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee decided today to continue expanding its holdings of securities as announced in November. In particular, the Committee is maintaining its existing policy of reinvesting principal payments from its securities holdings and intends to purchase \$600 billion of longer-term Treasury securities by the end of the second quarter of 2011 **[, a pace of about \$80 billion a month].** The Committee will regularly review the pace of its securities purchases and the overall size of the asset-purchase program in light of incoming information and will adjust the program as needed to best foster maximum employment and price stability.
4. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate for an extended period.
5. The Committee will continue to monitor the economic outlook and financial developments and will employ its policy tools as necessary to support the economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate.

MARCH FOMC STATEMENT—ALTERNATIVE C

1. Information received since the Federal Open Market Committee met in December ~~January~~ confirms that the economic recovery is **strengthening and conditions in the labor market are improving**, continuing, though at a rate that has been insufficient to bring about a significant improvement in labor market conditions. Growth in Household spending picked up late last year, but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit **and business investment in equipment and software continue to expand**. Spending on equipment and software is rising, while investment in nonresidential structures is still weak. Employers remain reluctant to add to payrolls. **However**, the housing sector continues to be depressed. Although Commodity prices have risen **significantly since the summer, and concerns about global supplies of crude oil have contributed to a sharp run-up in oil prices in recent weeks**. **Nonetheless**, longer-term inflation expectations have remained stable, and measures of underlying inflation have been ~~trending downward~~ **subdued**.
2. Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. Currently, the unemployment rate is **remains** elevated, and measures of underlying inflation are **continue to be** somewhat low, relative to levels that the Committee judges to be consistent, over the longer run, with its dual mandate. **The recent increases in the prices of energy and other commodities are temporarily putting upward pressure on headline inflation. The Committee expects limited pass-through to underlying inflation, but it will pay close attention to the evolution of overall inflation and inflation expectations**. Although The Committee **continues to** anticipate a gradual return to higher levels of resource utilization in a context of price stability, ~~progress toward its objectives has been disappointingly slow~~.
3. To **support the** ~~promote a stronger pace of~~ economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee decided today to continue expanding its holdings of securities as announced in November. **However, in light of incoming economic information, the Committee will gradually reduce the pace of its purchases of longer-term Treasury securities with the intention of limiting the increase in its holdings to a total of \$450 billion by the end of the second quarter of 2011—\$150 billion less than announced in November**. In particular **For the time being**, the Committee is maintaining its existing policy of reinvesting principal payments from its securities holdings and intends to purchase \$600 billion of longer-term Treasury securities by the end of the second quarter of 2011. The Committee will **continue to** regularly review the pace of its securities purchases and the overall size of the asset-purchase program in light of incoming information and will adjust the program as needed to best foster maximum employment and price stability.
4. The Committee will maintain the target range for the federal funds rate at 0 to ¼ percent and continues to anticipate that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant ~~exceptionally~~ low levels for the federal funds rate for **some time** ~~an extended period~~.
5. The Committee will continue to monitor the economic outlook and financial developments, and will employ its policy tools as necessary to support the economic recovery and to ~~help~~ ensure that inflation, over time, is at levels consistent with its mandate.

January 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 ¼ percent. The Committee directs the Desk to execute purchases of longer-term Treasury securities in order to increase the total face value of domestic securities held in the System Open Market Account to approximately \$2.6 trillion by the end of June 2011. The Committee also directs the Desk to reinvest principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury securities. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

March 2011 FOMC Directive — Alternative A

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to execute purchases of longer-term Treasury securities in order to increase the total face value of domestic securities held in the System Open Market Account to approximately \$2.6 trillion by the end of June 2011. The Committee also directs the Desk to reinvest principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury securities. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

March 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 ¼ percent. The Committee directs the Desk to execute purchases of longer-term Treasury securities in order to increase the total face value of domestic securities held in the System Open Market Account to approximately \$2.6 trillion by the end of June 2011. The Committee also directs the Desk to reinvest principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury securities. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.

March 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 ¼ percent. The Committee directs the Desk to execute purchases of longer-term Treasury securities in order to increase the total face value of domestic securities held in the System Open Market Account to approximately \$2.6 ~~\$2.6~~ **\$2.5** trillion by the end of June 2011. The Committee also directs the Desk to reinvest principal payments from agency debt and agency mortgage-backed securities in longer-term Treasury securities. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System's balance sheet that could affect the attainment over time of the Committee's objectives of maximum employment and price stability.