Appendix 1: Materials used by Mr. Potter
Class II FOMC – Restricted (FR)

Material for Briefing on

Financial Developments and
Open Market Operations

Simon Potter
June 18, 2013
(1) Ten-Year Sovereign Yields

Source: Bloomberg

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

*Responses are expressed in terms of importance of each factor, where 1 is not important and 5 is very important.

Source: Federal Reserve Bank of New York Survey

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

Source: Federal Reserve Board of Governors

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

*Average probabilities from dealer responses.
**Flash survey conducted after December 2012 FOMC meeting.

Source: Federal Reserve Bank of New York Survey

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

*Barclays measure adjusted for the intermeeting roll to a newly issued 5-year TIPS. The unadjusted measure would currently be 8 bps lower.

Source: Barclays, Federal Reserve Board of Governors, Federal Reserve Bank of New York Survey

(6) Primary and Secondary Mortgage Rates

*FHLMC 30-year survey rate.
**FNMA 30-year current coupon yield.

Source: FHLMC, Bloomberg
### (7) Risk Asset Performance

<table>
<thead>
<tr>
<th>Credit Spreads to Treasury</th>
<th>Change on Period</th>
<th>Change YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-Year Swap</td>
<td>+0 bps</td>
<td>+12 bps</td>
</tr>
<tr>
<td>IG Debt</td>
<td>+8</td>
<td>+2</td>
</tr>
<tr>
<td>HY Debt</td>
<td>+52</td>
<td>-27</td>
</tr>
<tr>
<td>ABS</td>
<td>+4</td>
<td>+8</td>
</tr>
<tr>
<td>Leveraged Loans</td>
<td>-2</td>
<td>-68</td>
</tr>
<tr>
<td>CMBS</td>
<td>+5</td>
<td>+19</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity Indices</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 Index</td>
<td>+1.8%</td>
<td>+14.1%</td>
</tr>
<tr>
<td>FTSE All-World Ex-U.S. Index</td>
<td>-4.6%</td>
<td>+0.9%</td>
</tr>
</tbody>
</table>

Source: Bloomberg, Barclays, J.P. Morgan

### (8) Emerging Market Indices*

- EM Local Bonds
- EM Equity

Indexed to 05/01/12

Source: Bloomberg, Markit, MSCI

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

<table>
<thead>
<tr>
<th>Percent</th>
<th>Appreciation Against Dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>JPY</td>
<td>6</td>
</tr>
<tr>
<td>EUR</td>
<td>4</td>
</tr>
<tr>
<td>GBP</td>
<td>2</td>
</tr>
<tr>
<td>NOK</td>
<td>-2</td>
</tr>
<tr>
<td>CAD</td>
<td>-4</td>
</tr>
<tr>
<td>AUD</td>
<td>-6</td>
</tr>
<tr>
<td>JPY</td>
<td>8</td>
</tr>
<tr>
<td>EUR</td>
<td>6</td>
</tr>
<tr>
<td>GBP</td>
<td>4</td>
</tr>
<tr>
<td>NOK</td>
<td>-2</td>
</tr>
<tr>
<td>CAD</td>
<td>-4</td>
</tr>
<tr>
<td>AUD</td>
<td>-6</td>
</tr>
</tbody>
</table>

Source: Bloomberg

### (10) Japanese Asset Price Changes

<table>
<thead>
<tr>
<th></th>
<th>Change Since Recent Peak* (05/22/13)</th>
<th>Change Since Early Elections (11/13/12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nikkei Index</td>
<td>12,687</td>
<td>+46.5%</td>
</tr>
<tr>
<td>Implied Vol.</td>
<td>41.6%</td>
<td>+24 ppts</td>
</tr>
<tr>
<td>Dollar-Yen</td>
<td>94.31</td>
<td>+18.8%</td>
</tr>
<tr>
<td>Implied Vol.**</td>
<td>16.3%</td>
<td>+10 ppts</td>
</tr>
<tr>
<td>5-Year Real Yield***</td>
<td>-0.95%</td>
<td>+47 bps</td>
</tr>
<tr>
<td>10-Year BEI****</td>
<td>1.02%</td>
<td>+65 bps</td>
</tr>
</tbody>
</table>

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

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

Source: Bloomberg

### (12) ECB Policy Rates

*Risk-neutral projection based on forward EONIA swaps.
Source: ECB, Bloomberg, Barclays
Class II FOMC – Restricted (FR)

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

<table>
<thead>
<tr>
<th></th>
<th>Treasury</th>
<th>MBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Amount ($ Bil.)</td>
<td>244</td>
<td>373</td>
</tr>
<tr>
<td>Total Holdings ($ Bil.)</td>
<td>1,898</td>
<td>1,326</td>
</tr>
<tr>
<td>Ownership* (%)</td>
<td>34</td>
<td>35</td>
</tr>
<tr>
<td>Duration of Purchases**</td>
<td>9.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Number of Operations</td>
<td>99</td>
<td>3,582</td>
</tr>
</tbody>
</table>

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

(14) Intraday Trading Range*

Source: Federal Reserve Bank of New York

(15) Coverage Ratio for Treasury Purchase Operations*

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

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

Source: J.P. Morgan

(17) Dollar Roll Implied Financing Rates*

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

(18) Overnight Interest Rates

Source: Federal Reserve Bank of New York
(19) Median Total Monthly Purchase Pace
Announced at FOMC Meetings

$ Billions
0 20 40 60 80 100


April Median*
June Median
Interquartile Range

Source: Federal Reserve Bank of New York Survey

(20) SOMA Portfolio Holdings
(Median Forecasts)

$ Billions
2,400 2,800 3,200 3,600 4,000 4,400


MEP & Reinvestments Only
Growing Portfolio
Stable Portfolio
Shrinking Portfolio
April Survey


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

Percent
60 50 40 30 20 10 0

<7.3% End-2013 Unemployment (44%)
7.3-7.5% End-2013 Unemployment (38%)
>7.5% End-2013 Unemployment (18%)

< $758 Billion Purchases (1/2 Survey Median)
≥ $1,373 Billion Purchases (Survey Median)

*Average dealer probability assigned to unemployment outcomes in parentheses.
Source: Federal Reserve Bank of New York Survey
Appendix 2: Materials used by Messrs. Laubach, Gruber, and Campbell
Material for
Staff Presentation on the Economic and Financial Situation

Thomas Laubach, Joseph W. Gruber, Sean Campbell
June 18, 2013
Near-term Developments

Real PCE

Percent change, annual rate

PCE-Relevant Nominal Retail Sales

Mar. Apr. May

Current 0.2 0.2 0.3

(Jun. TB) (.2) (.1) (.3)

Real E&S Growth (Percent)

Q1 Q2 Q3

Current 4.6 2.0 5.8

(Apr. TB) (4.6) (1.6) (6.2)

Nondefense Capital Goods ex. Aircraft*

Billions of dollars

New orders (weighted)

Shipments (weighted)

Real GDP Forecasts from the Factor Models

Percent change, annual rate

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>1. Real GDP</td>
<td>2.1</td>
<td>2.4</td>
</tr>
<tr>
<td>2. (Jun. TB)</td>
<td>(2.2)</td>
<td>(1.8)</td>
</tr>
<tr>
<td>3. (Apr. TB)</td>
<td>(3.1)</td>
<td>(1.5)</td>
</tr>
</tbody>
</table>

Near-term Outlook for Real GDP

(Percent change, annual rate)

1. Real GDP 2.1 2.4 2.7
2. (Jun. TB) (2.2) (1.8) (2.9)
3. (Apr. TB) (3.1) (1.5) (2.8)

f. Staff forecasts.

Consumer Sentiment: Michigan Survey

Index, 1966 = 100

Avg. value since 1978

Business Conditions Indexes

Diffusion index

Manufacturing* Non-manufacturing*

Note: The shaded area is the range of the available headline indexes from the regional manufacturing surveys.
### Latest Data
(Monthly change, thousands of employees)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Apr.</td>
<td>May</td>
</tr>
<tr>
<td>1. Total nonfarm payroll employment*</td>
<td>207</td>
<td>149</td>
</tr>
<tr>
<td>(Apr. TB)</td>
<td>(168)</td>
<td>(153)</td>
</tr>
<tr>
<td>2. Private*</td>
<td>212</td>
<td>157</td>
</tr>
<tr>
<td>(Apr. TB)</td>
<td>(171)</td>
<td>(160)</td>
</tr>
</tbody>
</table>

**Memo:**
5. Unemp. rate | 7.7 | 7.5 | 7.6 |
6. (Apr. TB) | (7.7) | (7.6) | (7.6) |

*Quarterly figures are average monthly changes.

### Labor Market Data and Projections

<table>
<thead>
<tr>
<th>Estimate/Projection for Aug. 2012</th>
<th>2013:Q4</th>
<th>Diff*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payroll employment (millions)</td>
<td>133.9</td>
<td>136.6</td>
</tr>
<tr>
<td>1. Jun. TB</td>
<td>133.3</td>
<td>135.5</td>
</tr>
<tr>
<td>2. Sept. TB**</td>
<td>8.1</td>
<td>7.3</td>
</tr>
<tr>
<td>3. Sept. TB**</td>
<td>8.1</td>
<td>8.0</td>
</tr>
<tr>
<td>Unemployment rate (pct.)</td>
<td>5.5</td>
<td>5.8</td>
</tr>
<tr>
<td>5. Jun. TB</td>
<td>58.4</td>
<td>58.7</td>
</tr>
<tr>
<td>6. Sept. TB**</td>
<td>58.3</td>
<td>58.6</td>
</tr>
</tbody>
</table>

*Value is calculated by subtracting Aug. 2012 value from 2013:Q4 value.

### Unemployment Rate Forecast

- **Unemployment rate**
- **Natural rate* with EEB**

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

### Labor Force Participation Rate*

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

### Unemployment and Employment-Population Gaps

*Net of EUC effect.
Medium-term Outlook

Monetary Policy Assumptions

- $750 billion of asset purchases in 2013
- Federal funds rate lifts off in 2015Q2
- Following liftoff, more gradual increase than in April TB.

Federal Funds Rate

Interest Rates

Note: Dashed lines are Apr. TB.

Asset Prices

Note: Dashed lines are Apr. TB.

Fiscal Impetus: Total Government


Note: Staff estimates.

Medium-term Outlook for Real GDP

Q4/Q4 percent change
### Consumer Price Index
(Percent change)

<table>
<thead>
<tr>
<th></th>
<th>Mar.</th>
<th>Apr.</th>
<th>May</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. All items</td>
<td>-0.2</td>
<td>-0.4</td>
<td>0.1</td>
</tr>
<tr>
<td>2. Energy</td>
<td>-2.6</td>
<td>-4.3</td>
<td>0.4</td>
</tr>
<tr>
<td>3. Food</td>
<td>0.0</td>
<td>0.2</td>
<td>-0.1</td>
</tr>
<tr>
<td>4. Less food and energy</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
</tr>
</tbody>
</table>

### PCE Prices
Twelve-month percent change

![Graph showing PCE Prices](image)

### Crude Oil and Gasoline Prices
Dollars per gallon

![Graph showing Crude Oil and Gasoline Prices](image)

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

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

**Inflation and Inflation Expectations in Japan**
![Graph showing Inflation and Inflation Expectations in Japan](image)

12-month CPI
- 5-year moving average CPI
- Consensus Forecasts, next 5 to 10 years
Exhibit 5

International Outlook: Emerging Market Economies

Real GDP*  

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4</td>
<td>2.3</td>
<td>2.3</td>
<td>3.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Q1</td>
<td>2.0</td>
<td>2.3</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Q2‡</td>
<td>2.7</td>
<td>3.3</td>
<td>4.3</td>
<td>4.7</td>
</tr>
<tr>
<td>H2‡</td>
<td>3.0</td>
<td>4.3</td>
<td>4.7</td>
<td>4.8</td>
</tr>
</tbody>
</table>

1. Total Foreign

   April Tealbook

   2. Emerging Market Economies

      April Tealbook

      Of which:

      3. China
      4. Emerging Asia ex. China
      5. Mexico
      6. Brazil

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

f. Staff forecasts.

Chinese Industrial Production*  

Percent change, a.r.

EME ex China Exports*  

Billions of USD

Chinese GDP  

Percent change, a.r.

Net Flows to EME Dedicated Funds

Exchange Rates

- Brazilian real
- Korean won
- Mexican peso

Note: Dollar/foreign currency.

Source: Emerging Portfolio Fund Research.
International Outlook: Advanced Foreign Economies

Real GDP* Percent change, a.r.

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

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

Japan

Japanese Indicators
Jan. 2011 = 100 Diffusion Index

Japanese GDP
Q4/Q4 percent change

Japanese Inflation*
Q4/Q4 percent change

Japanese Equities and Yen

Japanese Yield Decomposition

* Excluding VAT increase.

*Excludes VAT increase.

f. Staff forecasts.
**Euro Area**

**Euro-Area GDP**
- Q4/Q4 percent change
- Sept. 2012 TB
- June 2013 TB

**Euro-Area Indicators**
- Composite PMI
  - 50+ = expansion
- Consumer confidence

**Euro-Area Five-Year Bond Spreads**
- Percentage points
- A-rated banks
- BBB industrial

**Euro-Area Fiscal Impulse**
- Percent of GDP
- * Calculated as change in structural deficit.

* Over five-year German sovereign.
**Prices and Commodities**

### Foreign CPI

- **4-quarter percent change**
- **EME**
- **AFE**
- **2009 - 2015**

### Oil Prices

- **USD per barrel**
- **WTI**
- **Brent**
- **April FOMC**
- **2009 - 2013**

### Commodity Price Outlook

- **USD per barrel**
- **2008:Q1 = 100**
- **Nonfuel**
- **Imported oil**
- **2009 - 2015**

### U.S. Oil Production

- **Millions of barrels per day**
- **DOE forecasts**
- **2006 - 2014**

### U.S. Energy Boom

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

### Industrial Natural Gas Prices

- **USD per unit ton of oil equivalent**
- **Germany**
- **United States**
- **2004 - 2012**

### Industrial Electricity Prices

- **USD per unit ton of oil equivalent**
- **Germany**
- **United States**
- **2004 - 2012**
**U.S. External Sector**

**Trade Balance**
- Bills of USD
- Fertilizer
- Basic chemicals

**Real Oil Imports**
- Bills chained 2005 USD

**Trade in Real Goods and Services**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td>-2.4</td>
<td>0.1</td>
<td>3.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Exports</td>
<td>-0.5</td>
<td>-1.2</td>
<td>5.7</td>
<td>4.0</td>
</tr>
</tbody>
</table>

- **Annualized Percent Change**
  - Imports: -2.4, 0.1, 3.0, 3.9, 4.7, 5.3
  - Exports: -0.5, -1.2, 5.7, 4.0, 5.1, 6.5

- **Contribution to Real GDP Growth (percentage points, a.r.)**
  - Imports: 0.4, -0.2, 0.3, -0.1, -0.1, -0.0
  - Exports: 0.4, -0.1, 0.3, -0.2, -0.1, 0.1

- Staff forecasts.

**U.S. Real Exports**
- Bills chained 2009 USD

**Broad Real Dollar**
- 2008:Q1 = 100

- Staff forecasts.

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June 18-19, 2013

Authorized for Public Release
Stock Prices for LISCC Firms

Capital Ratios of SCAP 19 BHCs

U.S. LISSC Firms: Securities and Cash Holdings

Profitability of the Top 25 BHCs

Interest Rate Risk at Banks and Insurance Firms

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

Repo Activity by Dealers

- Quarterly Repo (borrow cash)
- Quarterly Reverse repo (lend cash)
- Quarterly Net borrowing

Source: SEC FOCUS reports.

Margin Credit in Equities

- Monthly Share of Nominal GDP

Source: Federal Reserve Board.

U.S. CLO Issuance

- Billions of dollars

Source: Thomson Reuters LPC LoanConnector.

Average Debt Multiples of Highly Leveraged Loans

- Note: Highly leveraged loans are those rated BB+ or lower or those with spreads to LIBOR of more than 225 basis points.

Source: S&P Capital IQ LCD.

Total Agency REIT Assets

- Billions of dollars

Source: Bloomberg.

Swap Futurization

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

Corporate Bond Yields

- **Ten-year High Yield**
- **Ten-year BBB**

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</thead>
<tbody>
<tr>
<td>June</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
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</table>

Source: Staff estimates of smoothed yield curves based on Merrill Lynch bond data.

BB Rated Near and Far-Term Corporate Bond Spreads

- **Near-term**
- **Far-term**

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</thead>
<tbody>
<tr>
<td>June</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

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

Alternative PE Ratios

- **Cyclically adjusted earnings**
- **12-month backward earnings**
- **12-month forward earnings**

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<tbody>
<tr>
<td>Q1</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
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<td>+</td>
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*10-year moving average of GAAP earnings
Source: Standard & Poors, Thomson Financial

House Price-Rent Ratio

- **Phoenix**
- **USA**
- **Miami**

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<tbody>
<tr>
<td>Apr.</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
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</table>

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

House Price Developments

- Prices rising fastest in areas with largest price declines
- Investors are a source of stable housing demand
- Underwriting standards remain firm
Appendix 3: Materials used by Ms. Ihrig
Material for
Summary of Economic Projections

Jane Ihrig
June 18, 2013
Exhibit 1. Central tendencies and ranges of economic projections, 2013–15 and over the longer run

Change in real GDP

- Central tendency of projections
- Range of projections

Unemployment rate

PCE inflation

Core PCE inflation

NOTE: The data for the actual values of the variables are annual.
### Exhibit 2. Economic projections for 2013-2015 and over the longer run (percent)

<table>
<thead>
<tr>
<th>Change in real GDP</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Longer run</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central Tendency</strong></td>
<td>2.3 to 2.6</td>
<td>3.0 to 3.5</td>
<td>2.9 to 3.6</td>
<td>2.3 to 2.5</td>
</tr>
<tr>
<td><strong>March projections</strong></td>
<td>2.3 to 2.8</td>
<td>2.9 to 3.4</td>
<td>2.9 to 3.7</td>
<td>2.3 to 2.5</td>
</tr>
<tr>
<td><strong>Range</strong></td>
<td>2.0 to 2.6</td>
<td>2.2 to 3.6</td>
<td>2.3 to 3.8</td>
<td>2.0 to 3.0</td>
</tr>
<tr>
<td><strong>March projections</strong></td>
<td>2.0 to 3.0</td>
<td>2.6 to 3.8</td>
<td>2.5 to 3.8</td>
<td>2.0 to 3.0</td>
</tr>
<tr>
<td><strong>Memo: Tealbook</strong></td>
<td>2.5</td>
<td>3.4</td>
<td>3.6</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>March Tealbook</strong></td>
<td>2.5</td>
<td>3.2</td>
<td>3.6</td>
<td>2.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unemployment rate</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Longer run</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central Tendency</strong></td>
<td>7.2 to 7.3</td>
<td>6.5 to 6.8</td>
<td>5.8 to 6.2</td>
<td>5.2 to 6.0</td>
</tr>
<tr>
<td><strong>March projections</strong></td>
<td>7.3 to 7.5</td>
<td>6.7 to 7.0</td>
<td>6.0 to 6.5</td>
<td>5.2 to 6.0</td>
</tr>
<tr>
<td><strong>Range</strong></td>
<td>6.9 to 7.5</td>
<td>6.2 to 6.9</td>
<td>5.7 to 6.4</td>
<td>5.0 to 6.0</td>
</tr>
<tr>
<td><strong>March projections</strong></td>
<td>6.9 to 7.6</td>
<td>6.1 to 7.1</td>
<td>5.7 to 6.5</td>
<td>5.0 to 6.0</td>
</tr>
<tr>
<td><strong>Memo: Tealbook</strong></td>
<td>7.3</td>
<td>6.6</td>
<td>5.8</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>March Tealbook</strong></td>
<td>7.5</td>
<td>7.1</td>
<td>6.3</td>
<td>5.2</td>
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<table>
<thead>
<tr>
<th>PCE inflation</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td><strong>Central Tendency</strong></td>
<td>0.8 to 1.2</td>
<td>1.4 to 2.0</td>
<td>1.6 to 2.0</td>
</tr>
<tr>
<td><strong>March projections</strong></td>
<td>1.3 to 1.7</td>
<td>1.5 to 2.0</td>
<td>1.7 to 2.0</td>
</tr>
<tr>
<td><strong>Range</strong></td>
<td>0.8 to 1.5</td>
<td>1.4 to 2.0</td>
<td>1.6 to 2.3</td>
</tr>
<tr>
<td><strong>March projections</strong></td>
<td>1.3 to 2.0</td>
<td>1.4 to 2.1</td>
<td>1.6 to 2.6</td>
</tr>
<tr>
<td><strong>Memo: Tealbook</strong></td>
<td>0.9</td>
<td>1.4</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>March Tealbook</strong></td>
<td>1.3</td>
<td>1.5</td>
<td>1.6</td>
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</table>

<table>
<thead>
<tr>
<th>Core PCE inflation</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central Tendency</strong></td>
<td>1.2 to 1.3</td>
<td>1.5 to 1.8</td>
<td>1.7 to 2.0</td>
</tr>
<tr>
<td><strong>March projections</strong></td>
<td>1.5 to 1.6</td>
<td>1.7 to 2.0</td>
<td>1.8 to 2.1</td>
</tr>
<tr>
<td><strong>Range</strong></td>
<td>1.1 to 1.5</td>
<td>1.5 to 2.0</td>
<td>1.7 to 2.3</td>
</tr>
<tr>
<td><strong>March projections</strong></td>
<td>1.5 to 2.0</td>
<td>1.5 to 2.1</td>
<td>1.7 to 2.6</td>
</tr>
<tr>
<td><strong>Memo: Tealbook</strong></td>
<td>1.2</td>
<td>1.6</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>March Tealbook</strong></td>
<td>1.6</td>
<td>1.7</td>
<td>1.7</td>
</tr>
</tbody>
</table>

**NOTE:** The changes in real GDP and inflation are measured Q4/Q4.
Exhibit 3. Overview of FOMC participants’ assessments of appropriate monetary policy

Appropriate timing of policy firming
- June projections
- March projections

Number of participants
14
13
12
11
10
9
8
7
6
5
4
3
2
1

2013 2014 2015 2016

Appropriate pace of policy firming
- Target federal funds rate at year-end
- June projections

Percent
6
5
4
3
2
1
0

2013 2014 2015 Longer run

Appropriate pace of policy firming
- Target federal funds rate at year-end
- March projections

Percent
6
5
4
3
2
1
0

2013 2014 2015 Longer run

Note: In the upper panel, the height of each bar denotes the number of FOMC participants who judge that, under appropriate monetary policy, the first increase in the target federal funds rate from its current range of 0 to 1/4 percent will occur in the specified calendar year. In the middle and lower panels, each circle indicates the value (rounded to the nearest 1/4 percentage point) of an individual participant’s judgment of the appropriate level of the target federal funds rate at the end of the specified calendar year or over the longer run.
Exhibit 4. Scatterplot of unemployment and PCE inflation rates in the initial year of policy firming (in percent)

Note: When the projections of two or more participants are identical, larger markers, which represent one participant each, are used so that each projection can be seen.
Exhibit 5. Uncertainty and risks in economic projections

Uncertainty about GDP growth

- Number of participants

- June projections
- March projections

- Lower
- Broadly similar
- Higher

- Weighted to downside
- Broadly balanced
- Weighted to upside

Uncertainty about the unemployment rate

- Number of participants

- June projections
- March projections

- Lower
- Broadly similar
- Higher

- Weighted to downside
- Broadly balanced
- Weighted to upside

Uncertainty about PCE inflation

- Number of participants

- June projections
- March projections

- Lower
- Broadly similar
- Higher

- Weighted to downside
- Broadly balanced
- Weighted to upside

Uncertainty about core PCE inflation

- Number of participants

- June projections
- March projections

- Lower
- Broadly similar
- Higher

- Weighted to downside
- Broadly balanced
- Weighted to upside
Appendix 4: Materials used by Chairman Bernanke
FOMC STATEMENT—JUNE 2013 ALTERNATIVE B  PARAGRAPH 4

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

OR

4′. The Committee will closely monitor incoming information on economic and financial developments in coming months. The Committee will continue its purchases of Treasury and agency mortgage-backed securities, and employ other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability. The stance of policy will depend on the incoming data and their implications for the outlook as well as the cumulative progress toward the Committee’s objectives since the program began in September. The paths for the economy that the Committee sees as relatively more likely involve inflation moving back toward its 2 percent objective over time and further improvement in labor market conditions supported by moderate growth that picks up over the next several quarters as the near-term restraint from fiscal policy and other headwinds diminishes. If the economy develops broadly along these lines, the Committee currently anticipates that it would be appropriate to reduce the monthly pace of its asset purchases later this year and, so long as conditions continue to improve about as expected, reduce the pace of purchases in measured steps through the first half of next year, ending purchases about mid-year. If conditions improve faster than expected, the pace of asset purchases could be reduced somewhat more quickly. If the outlook becomes less favorable, on the other hand, or if financial conditions are judged not to be consistent with further progress in labor markets, reductions in the pace of purchases could be delayed. Indeed, if necessary, the Committee would be prepared to employ all of its tools, including an increase in the pace of purchases for a time, to promote a return to maximum employment in a context of price stability. The Committee is prepared to increase or reduce the pace of its purchases to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes. In determining the size, pace, and composition of its asset purchases, the Committee will continue to take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives.
Appendix 5: Materials used by Mr. English
Material for
FOMC Briefing on Monetary Policy Alternatives

Bill English
June 18-19, 2013
Dealer Survey and Summary of Economic Projections

Total Projected SOMA Security Holdings

$ Billion

Expected Timing of First Pace Reduction: June Dealer Survey

Note. Dealer projections are median of responses.

Summary of Economic Projections: Central Tendencies (Percent)

<table>
<thead>
<tr>
<th>SEP Date</th>
<th>Unemployment Rate</th>
<th>Real GDP Growth</th>
<th>PCE Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept. 2012</td>
<td>7.6 to 7.9</td>
<td>6.7 to 7.3</td>
<td>2.5 to 3.0</td>
</tr>
<tr>
<td>June 2013</td>
<td>7.2 to 7.3</td>
<td>6.5 to 6.8</td>
<td>2.3 to 2.6</td>
</tr>
</tbody>
</table>

Risks to the Unemployment Rate: SEP

Number of Participants

Weighted to downside

Weighted to upside

Number of Participants

Weighted to downside

Weighted to upside

Number of Participants

Weighted to downside

Weighted to upside

Risks to GDP Growth: SEP

Risks to PCE Inflation: SEP
MAY FOMC STATEMENT

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

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

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

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

5. To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. In particular, the Committee decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6½ percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the...
Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent.
FOMC STATEMENT—JUNE 2013 ALTERNATIVE A

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

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

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

4. The Committee will closely monitor incoming information on economic and financial developments in coming months. The Committee will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability. The Committee is prepared to increase or reduce the pace of its purchases to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes. In determining the size, pace, and composition of its asset purchases, the Committee will continue to take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives.
5. To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. In particular, the Committee decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6½ | 6 | 5½ | percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee’s 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. When the Committee decides to eventually begin to remove reduce policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and price stability. In particular, the Committee expects that when the time comes to reduce policy accommodation, it will be appropriate to do so gradually in order to foster strong growth in employment and inflation of at 2 percent, or [ even ] modestly higher for a time.
FOMC STATEMENT—JUNE 2013 ALTERNATIVE B

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

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

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

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

5. To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. In particular, the Committee decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6½ percent, inflation between one and
two years ahead is projected to be no more than a half percentage point above the Committee’s 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent.
FOMC STATEMENT—JUNE 2013 ALTERNATIVE C

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

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

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

4. The Committee will closely monitor incoming information on economic and financial developments in coming months. The Committee will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate, until the outlook for the labor market has improved substantially in a context of price stability. The Committee is prepared to increase or reduce the pace of its purchases to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes. In determining the size, pace, and composition of its asset purchases, the Committee will continue to take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives.
5. To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. In particular, the Committee decided to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates reaffirms that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6½ percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee’s 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored. In determining how long to maintain a highly accommodative stance of monetary policy, the Committee will also consider other information, including additional measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments. When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent.
April-May Directive

Consistent with its statutory mandate, the Federal Open Market Committee seeks monetary and financial conditions that will foster maximum employment and price stability. In particular, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to undertake open market operations as necessary to maintain such conditions. The Desk is directed to continue purchasing longer-term Treasury securities at a pace of about $45 billion per month and to continue purchasing agency mortgage-backed securities at a pace of about $40 billion per month. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve’s agency mortgage-backed securities transactions. The Committee directs the Desk to maintain its policy of rolling over maturing Treasury securities into new issues and its policy of reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System’s balance sheet that could affect the attainment over time of the Committee’s objectives of maximum employment and price stability.
Directive for June 2013 Alternative A

Consistent with its statutory mandate, the Federal Open Market Committee seeks monetary and financial conditions that will foster maximum employment and price stability. In particular, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to undertake open market operations as necessary to maintain such conditions. The Desk is directed to continue purchasing longer-term Treasury securities at a pace of about $45 billion per month and to continue purchasing agency mortgage-backed securities at a pace of about $40 billion per month. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve’s agency mortgage-backed securities transactions. The Committee directs the Desk to maintain its policy of rolling over maturing Treasury securities into new issues and its policy of reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System’s balance sheet that could affect the attainment over time of the Committee’s objectives of maximum employment and price stability.
**Directive for June 2013 Alternative B**

Consistent with its statutory mandate, the Federal Open Market Committee seeks monetary and financial conditions that will foster maximum employment and price stability. In particular, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to undertake open market operations as necessary to maintain such conditions. The Desk is directed to continue purchasing longer-term Treasury securities at a pace of about $45 billion per month and to continue purchasing agency mortgage-backed securities at a pace of about $40 billion per month. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve’s agency mortgage-backed securities transactions. The Committee directs the Desk to maintain its policy of rolling over maturing Treasury securities into new issues and its policy of reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System’s balance sheet that could affect the attainment over time of the Committee’s objectives of maximum employment and price stability.
Directive for June 2013 Alternative C

Consistent with its statutory mandate, the Federal Open Market Committee seeks monetary and financial conditions that will foster maximum employment and price stability. In particular, the Committee seeks conditions in reserve markets consistent with federal funds trading in a range from 0 to ¼ percent. The Committee directs the Desk to undertake open market operations as necessary to maintain such conditions. **Beginning with the month of July,** the Desk is directed to **continue purchasing** purchase longer-term Treasury securities at a pace of about $45 **$35** billion per month and to **continue purchasing** purchase agency mortgage-backed securities at a pace of about $40 **$35** billion per month. The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve’s agency mortgage-backed securities transactions. The Committee directs the Desk to maintain its policy of rolling over maturing Treasury securities into new issues and its policy of reinvesting principal payments on all agency debt and agency mortgage-backed securities in agency mortgage-backed securities. The System Open Market Account Manager and the Secretary will keep the Committee informed of ongoing developments regarding the System’s balance sheet that could affect the attainment over time of the Committee’s objectives of maximum employment and price stability.