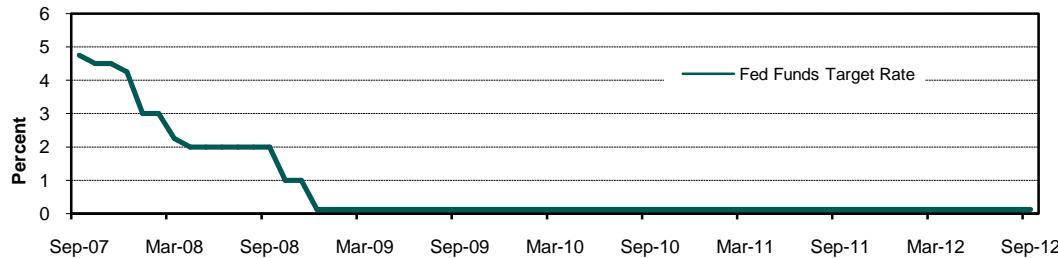




PULLING OUT ALL THE STOPS

FOMC Policy Statement – Thursday, September 13, 2012



Fed Funds Target	
Forecast:	0% to 0.25%
Consensus:	0% to 0.25%
Actual:	0% to 0.25%

The FOMC acted in a big way today to supplement existing accommodative policy with an opened ended QE3 asset purchase program and extension of the timeframe that they will hold rates down to zero. In several of his most recent speeches, Fed Chair Ben Bernanke called upon the current administration and Congress to determine and execute fundamental economic policy. With no sound fiscal policy in place from the federal government, the FOMC agreed today to purchase \$40 billion per month in MBS in additional to their longer-term Treasury purchases for a total of \$85 billion a month at least through the end of the year. The FOMC warned that if they do not see substantial labor market improvement they will continue and even expand their asset purchase programs. The Committee also extended the timeframe they will likely hold key rates near zero from late 2014 to mid-2015.

Federal Open Market Committee Policy Statement

(*Italics/highlight* indicate material changes in wording from last statement)

Release Date: **September 13, 2012**

For immediate release

Information received since the Federal Open Market Committee met in **August** suggests that economic activity **has continued to expand at a moderate pace in recent months**. Growth in employment has been slow in recent months, and the unemployment rate remains elevated. Household spending has **continued to advance, but growth in business fixed investment appears to have slowed. The housing sector has shown** some further signs of improvement, **albeit from a depressed level**. Inflation has **been subdued, although the prices of some key commodities have increased recently**. Longer-term inflation expectations have remained stable.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee **is concerned that, without further policy accommodation, economic growth might not be strong enough to generate sustained improvement in labor market conditions**. Furthermore, strains in global financial markets continue to pose significant downside risks to the economic outlook. The Committee **also** anticipates that inflation over the medium term **likely would** run at or **below its 2 percent objective**.

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 **agreed today to increase policy accommodation by purchasing additional agency mortgage-backed securities at a pace of \$40 billion per month**. The Committee also **will** continue through the end of the year its program to extend the average maturity of its holdings of securities as announced in June, and it 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. **These actions, which together will increase the Committee's holdings of longer-term securities by about \$85 billion each month through the end of the year, should put downward pressure on longer-term interest rates, support mortgage markets and help make broader financial conditions more accommodative.**

The Committee will closely monitor incoming information on economic and financial developments **in coming months. If the outlook for the labor market does not improve substantially, the Committee will continue its purchases of agency mortgage-backed securities, undertake additional asset purchases, and employ its other policy tools as appropriate until such improvement is achieved** in a context of price stability. **In determining the size, pace and composition of its asset purchases, the Committee will, as always, take appropriate account of the likely efficacy and costs of such purchases.**

To support continued progress toward maximum employment and price stability, the Committee expects **that** a highly accommodative stance for monetary policy **will remain appropriate for a considerable time after the economic recovery strengthens**. In particular, the Committee **also** decided today to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that exceptionally low levels for the federal funds rate **are likely to be warranted** at least through **mid-2015**.

Voting for the FOMC monetary policy action were: Ben S. Bernanke, Chairman; William C. Dudley, Vice Chairman; Elizabeth A. Duke; Dennis P. Lockhart; Sandra Pianalto; Jerome H. Powell; Sarah Bloom Raskin; Jeremy C. Stein; Daniel K. Tarullo; John C. Williams; and Janet L. Yellen. Voting against the action was Jeffery M. Lacker, who **opposed additional asset purchases and** preferred to omit the description of the time period over which exceptionally low levels of the federal funds rate **are likely to be warranted**.