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Flash Note

Next Week's Fed Meeting May Include Dovish Jawboning During Press Conference

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Isaac Boltansky

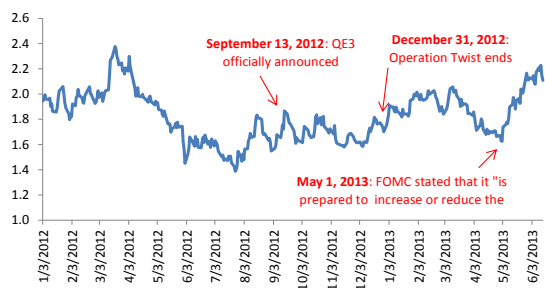
202.534.1396

iboltansky@compasspointllc.com

On June 14, noted Federal Reserve watcher Jon Hilsenrath released an [article](#) stating that Ben Bernanke may use next week's FOMC meeting to reinforce previous guidance that there will be a "considerable" amount of time between when the Fed begins tapering its QE3 bond purchases and the point at which it begins to raise short-term interest rates. As Hilsenrath explained: "The chatter about pulling back the bond program has pushed up a wide range of interest rates and appears to have investors second-guessing the Fed's broader commitment to keeping rates low... This is exactly what the Fed doesn't want." We do not expect a material change in the FOMC's statement language at the end of its June 18/19 meeting, but note that Bernanke is likely to avail himself of the corresponding press conference on Wednesday June 19 to reinforce the dovish timeline governing the Fed's eventual exit from extraordinary monetary policy.

The yield on 10-year Treasury note has increased ~48bps since the release of the FOMC's May 1, 2013 policy statement which stated that the committee could vary the amount of its bond purchases under QE3. Specifically, the FOMC [stated](#): "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." This statement, in conjunction with a number of positive economic data releases and hawkish commentary from certain FOMC members, has led some to believe that the Fed could be more aggressive than expected in its exit from QE3. We believe that Chair Bernanke will use Wednesday's press conference to reinforce [previously stated guidance](#) that "the [FOMC] 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."

10 Year U.S. Treasury Note Yield



Source: Bloomberg, Compass Point

In our view, the FOMC is unlikely to taper bond purchases under QE3 until the fall of 2013 at the earliest (September 17/18 meeting) but we view action in the winter (December 17/18 meeting) as more likely.

FOMC Meeting Calendar for 2013 and 2014

FOMC Meeting Dates	
June 18 - 19, 2013*	
July 30 - 31, 2013	
September 17 - 18, 2013*	→
October 29 - 30, 2013	
December 17 - 18, 2013*	→
January 28 - 29, 2014	
March 18 - 19, 2014*	
April 29 - 30, 2014	
June 17 - 18, 2014*	
July 29 - 30, 2014	
September 16 - 17, 2014*	
October 28 - 29, 2014	
December 16 - 17, 2014*	

*Denotes a press conference and the release of updated economic projections

Source: Federal Reserve, Compass Point

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Neutral	59		49 Neutral	1	2
Sell	6		5 Sell	0	0
Total	121	100%	Total	14	100%

*Percentage of Investment Banking Clients in Coverage Universe by Rating

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