

What Is Quantitative Easing?

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QUANTITATIVE EASING TIMELINE



Quantitative Easing 1 (QE1) – In November 2008, the Federal Reserve (“the Fed”) started buying \$600 billion in mortgage-backed securities (MBS) from commercial banks. This action flooded banks with excess liquidity (cash in their reserve accounts). The excess liquidity put downward influence on short-term interest rates, or the borrowing rates between banks, known as the federal funds rate.

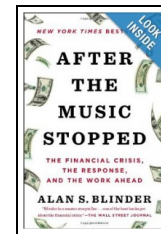
By March 2009, the Fed had \$1.75 trillion in bank debt, MBS, and Treasury notes on its balance sheet. In June 2010, the Fed had reached a peak of \$2.1 trillion in assets. As debt matured, the Fed bought more Treasuries at a \$30 billion monthly rate to keep its balance sheet inflated above the \$2.0 trillion level.

Quantitative Easing 2 (QE2) – In November 2010, the Fed announced a second round of QE. The Fed indicated it would buy an additional \$600 billion in Treasury securities by the second quarter of 2011.

Operation Twist – In September 2011, the Fed announced it would buy and sell short- and long-term bonds to influence policy objectives. Operation Twist was used to lower long-term interest rates. The Fed sold short-term Treasury bonds and bought long-term Treasury bonds.

Quantitative Easing 3 (QE3) – In September 2012, the Fed announced QE3 – an additional open-ended bond purchasing program of \$40 billion a month of agency MBS. The Fed also indicated it would keep short-term interest rates (the fed funds rate) near zero through at least 2015. QE3 is often referred to as “QE-Infinity”.

In December 2012, the FOMC announced it would increase open-ended purchases from \$40 billion to \$85 billion per month. The Fed would buy \$45 billion in Treasuries and \$40 in MBS.



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- The Wall Street Journal

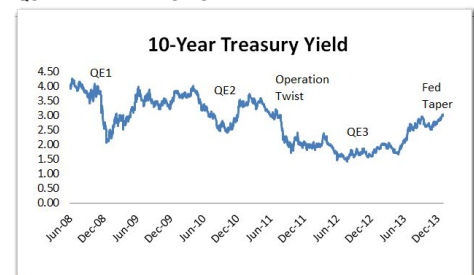
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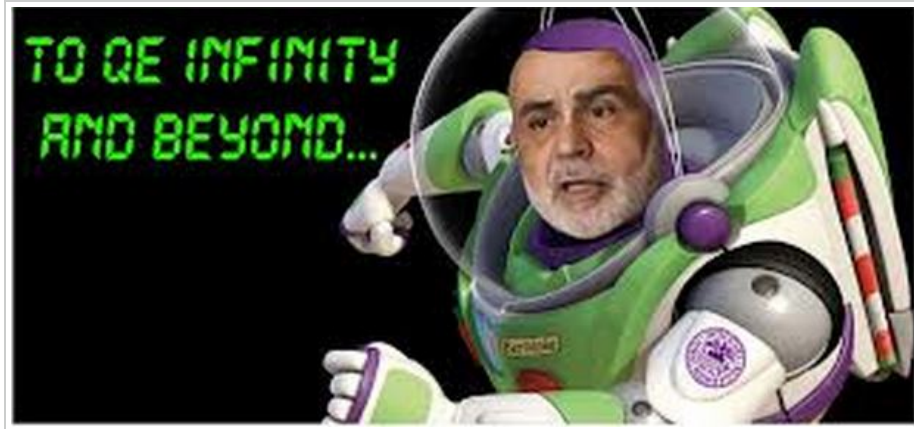


QUANTITATIVE EASING TIMELINE



Peter Schiff & Marc Faber

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Free Report



Federal Reserve Balance Sheet



WHO IS ON THE FOMC?



QUANTITATIVE EASING NEWS

For new Fed chair, headaches may be only starting - CNBC.com

Yellen Vote Set For Monday: Report - Fox Business (press release)

Health of US housing market hangs on Fed's Janet Yellen - The Real Deal Magazine (blog)

Quantification - Did Bernanke Get It Right? - The Market Oracle

Don't Fear 'Deflation,' Unless Caused by Government - Somewhat Reasonable - Heartland Institute (blog)

CFR Pushes, Praises Its Own Stanley Fischer for No. 2 Spot at Fed - The New American

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