

FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

Minutes of the Investor Advisory Committee on Financial Markets

July 17, 2012

Federal Reserve Bank of New York

Committee attendees:

Nicole Arnaboldi, Credit Suisse Group
Louis Bacon, Moore Capital Management
James Chanos, Kynikos Associates
Garth Friesen, III Associates
Joshua Harris, Apollo Management LP
Alan Howard, Brevan Howard Asset Management
Scott Malpass, University of Notre Dame

Michael Novogratz, Fortress Investment Group
Rick Rieder, BlackRock, Inc
Lawrence Schloss, NYC Public Pension Funds
Morgan Stark, Ramius Capital Group
David Tepper, Appaloosa Management LP

FRBNY attendees:

William Dudley, Chair
James Bergin
Terrence Checki
Jennifer Fortner
Steven Friedman
Krishna Guha
Sandy Krieger

Joyce Hansen
Lorie Logan
Meg McConnell
Jamie McAndrews
Simon Potter
Kevin Stiroh
Janine Tramontana

Europe

The meeting commenced with a discussion of euro-area developments. Members characterized policy responses from the ECB and other European authorities as lessening near-term tail risks. However, ongoing concerns around the European economic growth outlook were expressed. Members also noted that investors remain attentive to domestic political developments across euro-zone countries.

The Low Interest Rate Environment

The Committee discussed the low level of interest rates currently in place across many major advanced economies. Ongoing uncertainty regarding the economic outlook and developments in the euro area were cited as inhibiting reallocations out of lower-yielding government securities. For pension funds, the need for underfunded plans to maintain liquidity in support of nearer-term payouts was also viewed as limiting reallocations. Pensions are also less focused on shorter-term returns given their long investment horizons. Members mentioned the potentially negative impact of low interest rates on household savings.

Corporate credit and emerging market fixed income assets were discussed as asset classes receiving inflows given low rates across many advanced market economies. Members noted premiums for illiquidity and complexity in the current environment, with alternative assets managers offering products to capture this return.

FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

Domestic Policy

Members discussed expectations for additional policy easing by the FOMC, expressing a wide range of views on the potential form such action might take, as well as on the need for additional easing. Members also expressed various views on the financial market and economic impact of additional monetary policy easing.