



An SEC-registered Investment Advisor



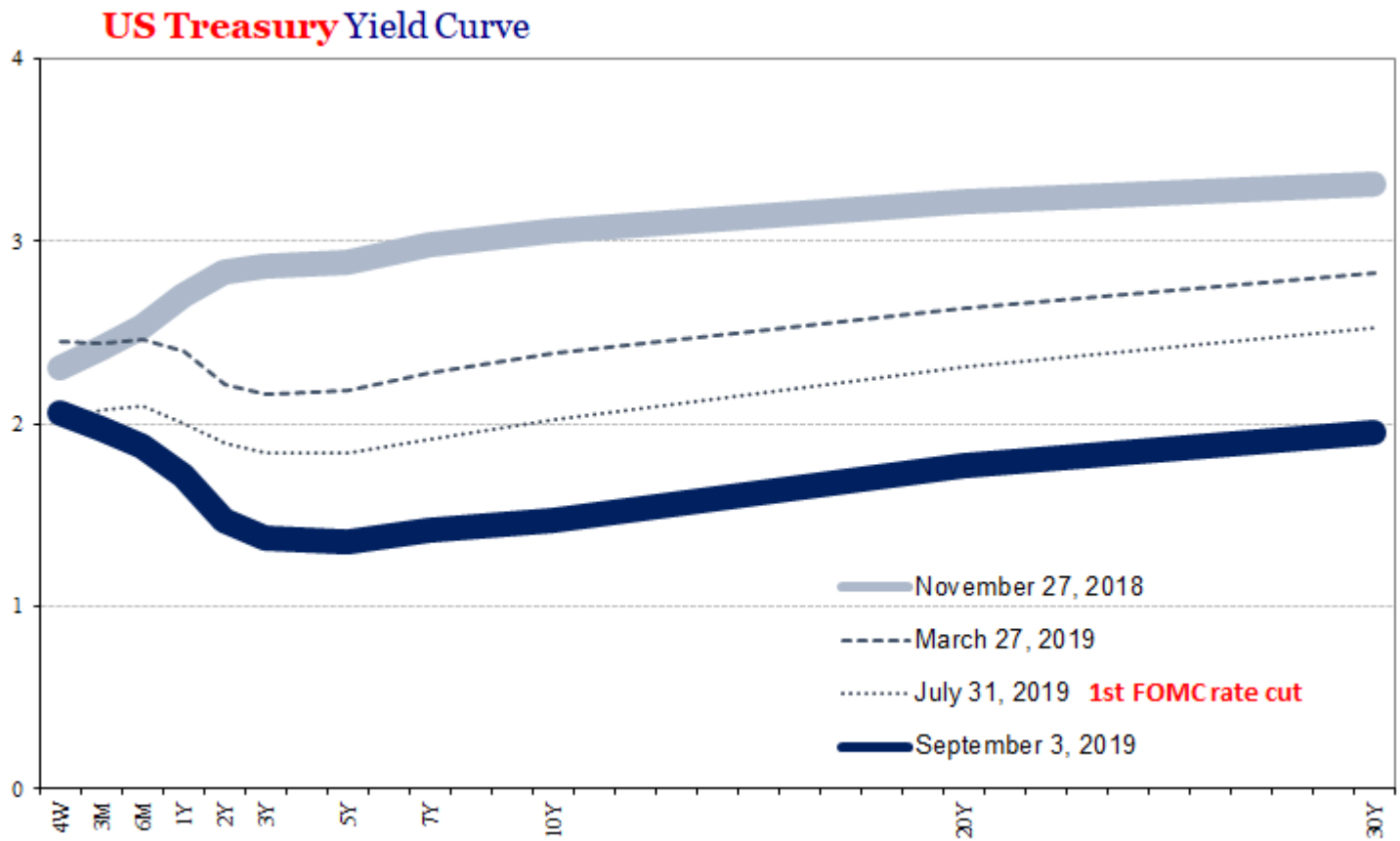
ALHAMBRA  
INVESTMENTS

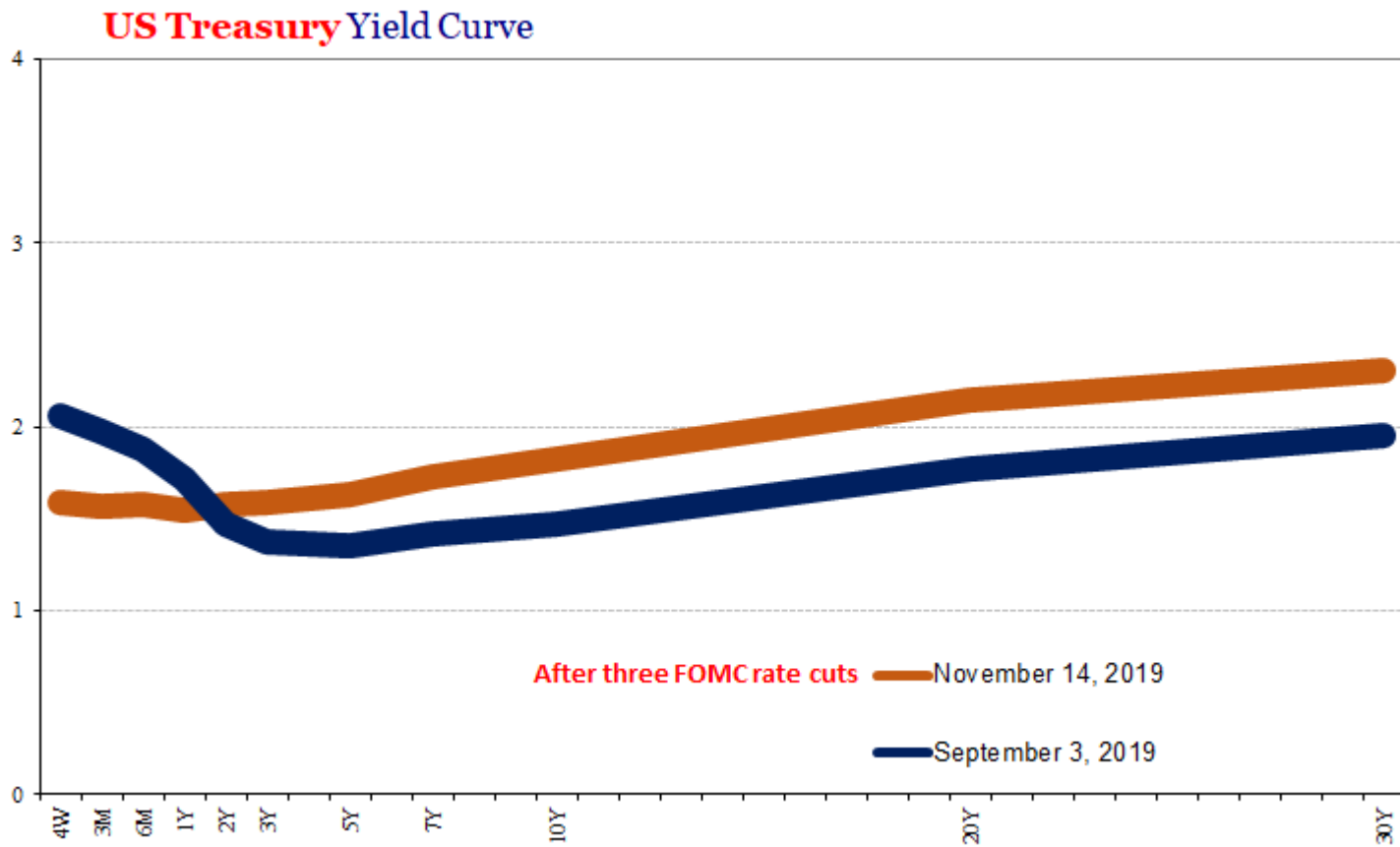
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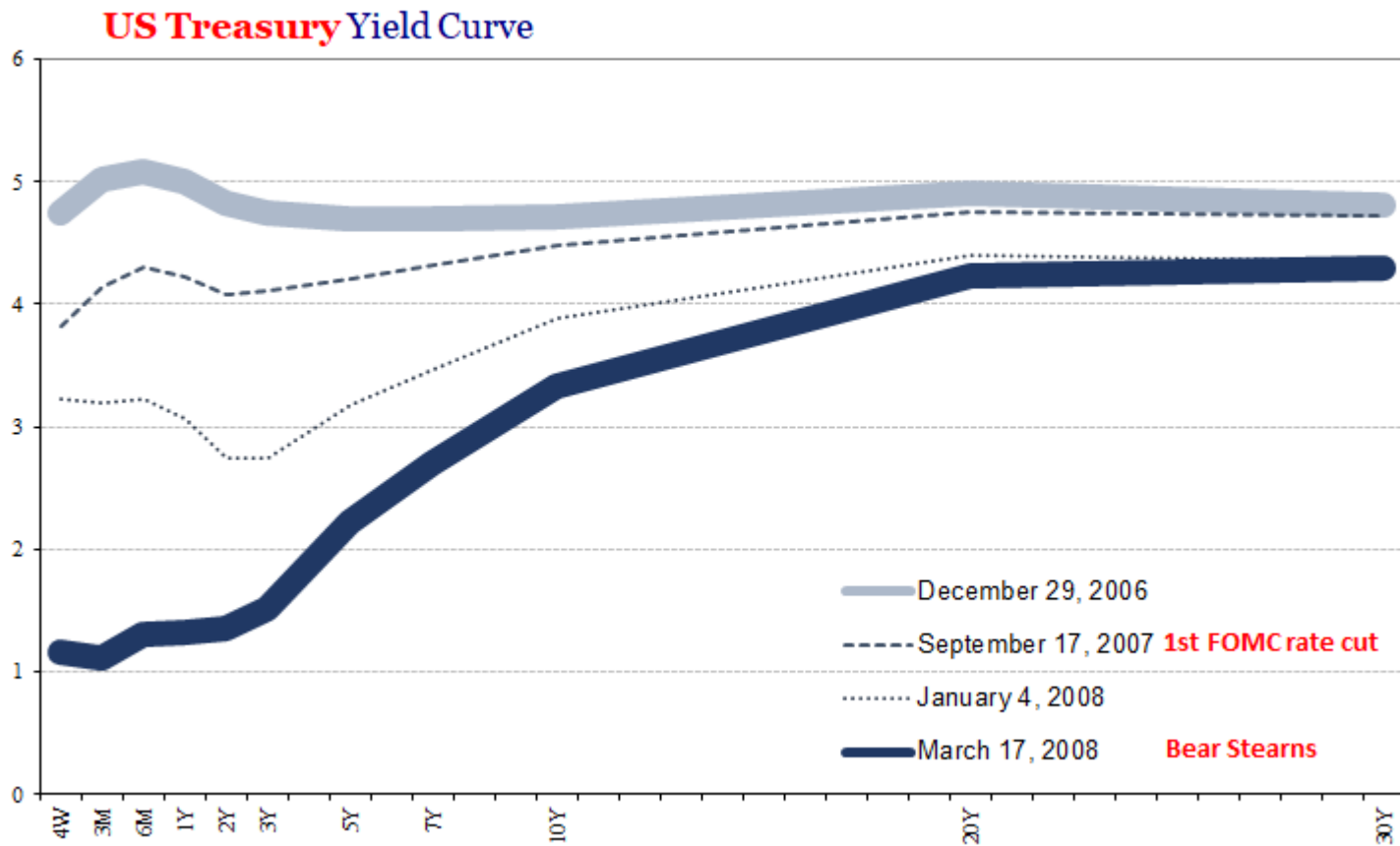
# Is It Over?

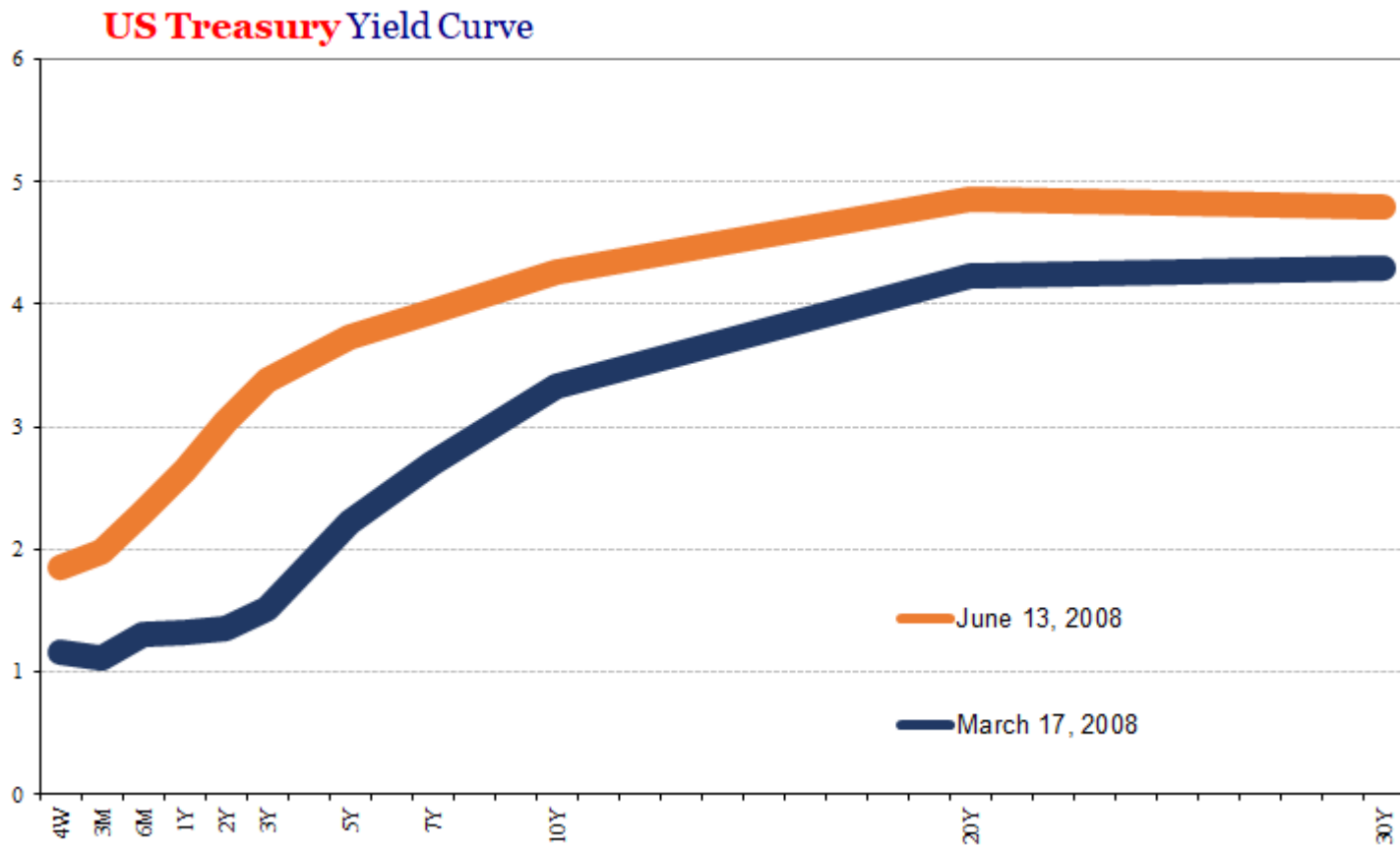
Or just **Intermission** of a Two Act 'Dollar' Play  
(Eurodollar University)













Meeting of the Federal Open Market Committee on  
June 24-25, 2008

A joint meeting of the Federal Open Market Committee and Board of Governors of the Federal Reserve System was held in the offices of the Board of Governors in Washington, D.C., on Tuesday, June 24, 2008, at 2:00 p.m., and continued on Wednesday, June 25, 2008, at 9:00 a.m. Those present were the following:

Mr. Bernanke, Chairman  
Mr. Geithner, Vice Chairman  
Mr. Fisher  
Mr. Kohn  
Mr. Kroszner  
Mr. Mishkin  
Ms. Piantalto  
Mr. Plosser  
Mr. Sims  
Mr. Warsh

Ms. Cunniff, Messrs. Evans, Lacker, and Lockhart, and Ms. Yellen, Alternate  
Members of the Federal Open Market Committee

Messes. Bullard, Hoenig, and Rosengren, Presidents of the Federal Reserve Banks of St. Louis, Kansas City, and Boston, respectively

Mr. Madigan, Secretary and Economist  
Ms. Daner, Deputy Secretary  
Mr. Skidmore, Assistant Secretary  
Ms. Smith, Assistant Secretary  
Mr. Alvarez, General Counsel  
Mr. Baxter, Deputy General Counsel  
Mr. Sheets, Economist  
Mr. Stockton, Economist

**MR. HOENIG.** More broadly, turning to the national economy, I have revised up my growth estimate for the first half of 2008, but it has made little change in my longer-run outlook. Compared with the Greenbook, **I see somewhat stronger growth in the second half of this year** and somewhat weaker growth next year and in 2010. I continue to judge that the **potential spillover effects from the financial distress have understandably been overestimated** in this Committee's recent decisions and in Greenbook forecasts in recent months.

**MR. LACKER.** On the whole, I think the **risk of the national economy sinking into a serious recession has receded**, and the growth outlook has edged up a bit. I was relieved by the strength in retail sales in May as well as the upward revisions for April and March. The ISM indexes have steadied at right around 50 over the past four months; and although the labor market has been weak, it has not yet shown the accelerating declines that I feared.

**Transcript, FOMC Policy Meeting**  
*June 24-25, 2008*



**MS. YELLEN.** The strong incoming data on spending **eased my fears that we are in or are approaching a recession** regime of the sort embedded in the last two Greenbooks.

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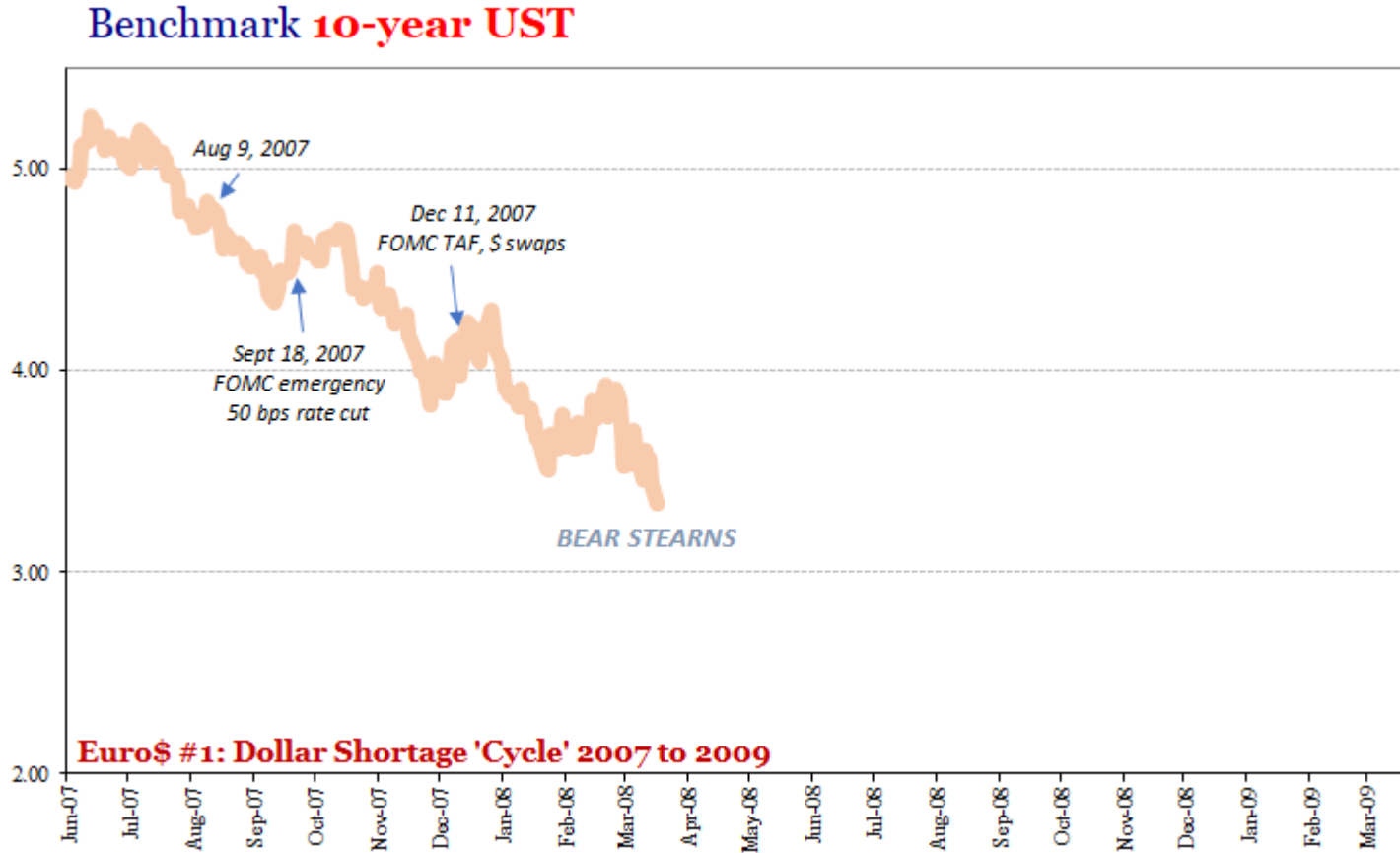
**MR. PLOSSER.** From the financial side, credit spreads have fallen, bond issuance has risen, and it appears that financial market functioning has at least improved. In my view, although downside risks to growth remain, **the tail risk of a very bad outcome has clearly been diminished**...Given recent economic developments and the improvement in financial market functioning, coupled with our accommodative stance of policy, it seems pretty clear to me that, if the economy continues to evolve as it has over the past couple of months, **we should move to raise the funds rate**. This is also the view of market participants, whose expectations for policy have steepened considerably over the intermeeting period.

**Transcript, FOMC Policy Meeting**  
*June 24-25, 2008*

## ACT 1

### Something's wrong

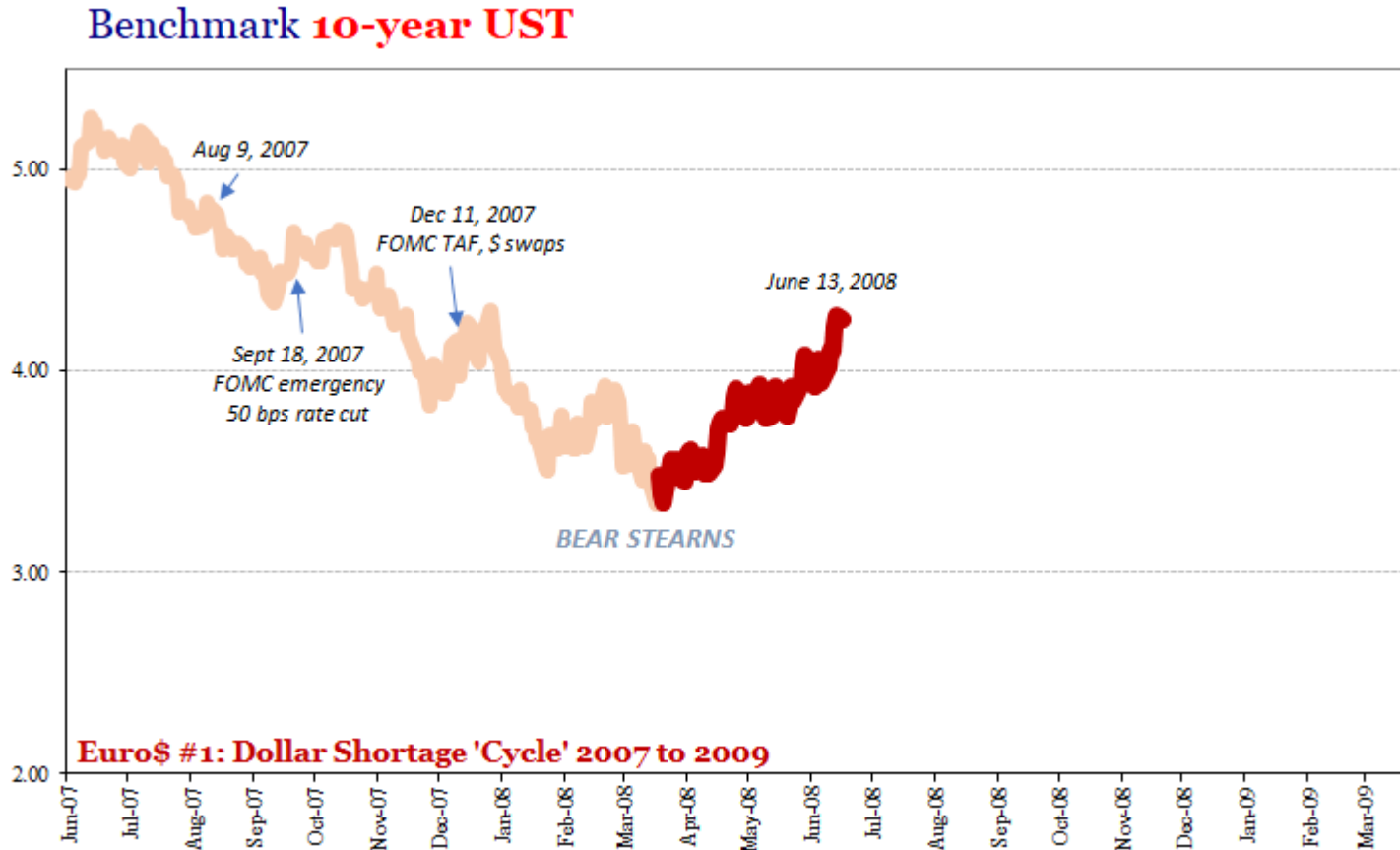
Cast of  
central  
bankers play  
act denials  
and  
dismissals



## Intermission

### Strike Back

Central  
bankers  
change their  
costumes  
from ignorant  
optimists to  
motivated  
policymakers

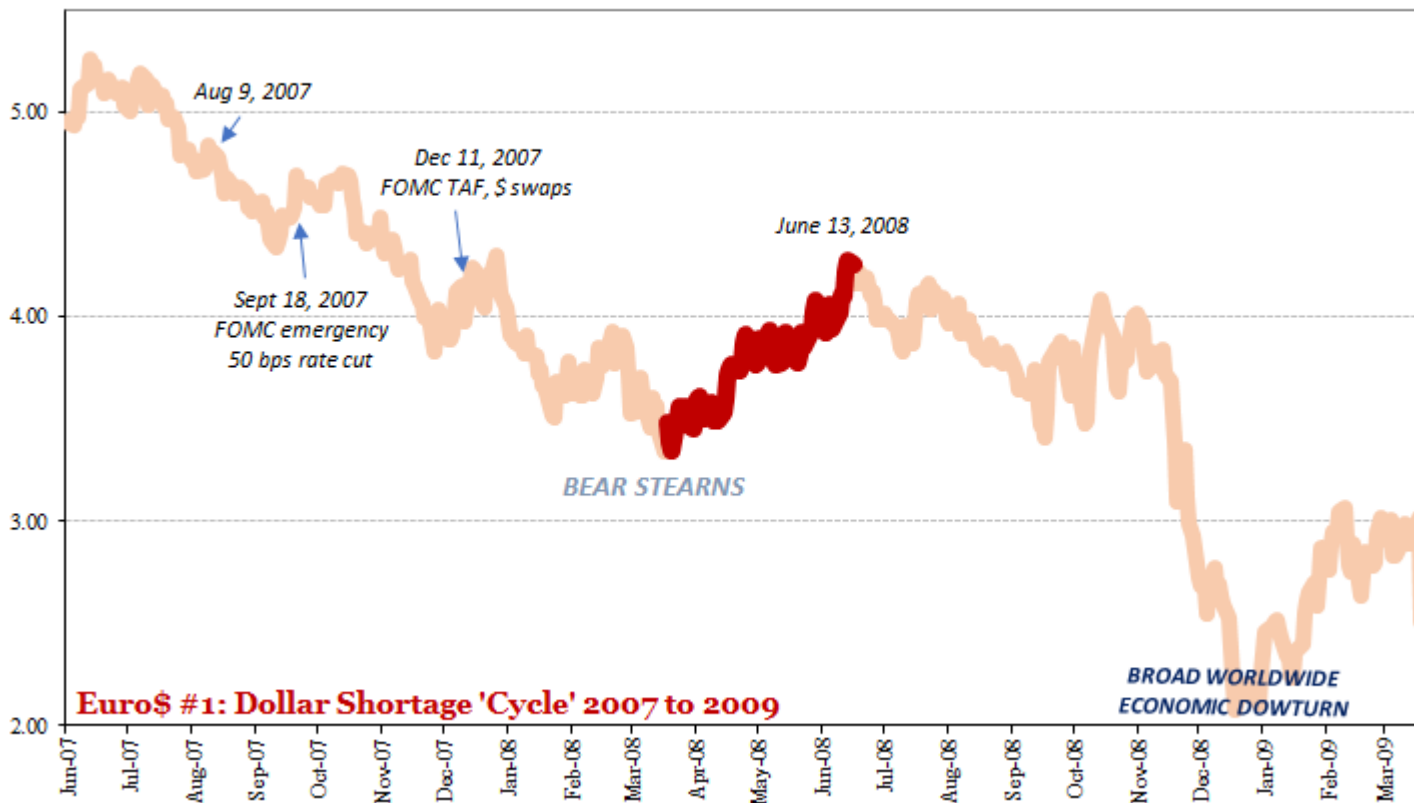


## ACT 2

### **Shocking Conclusion**

Central bankers show how they don't know what they are doing, leaving the dollar shortage to **exact its full damages on the global economy**

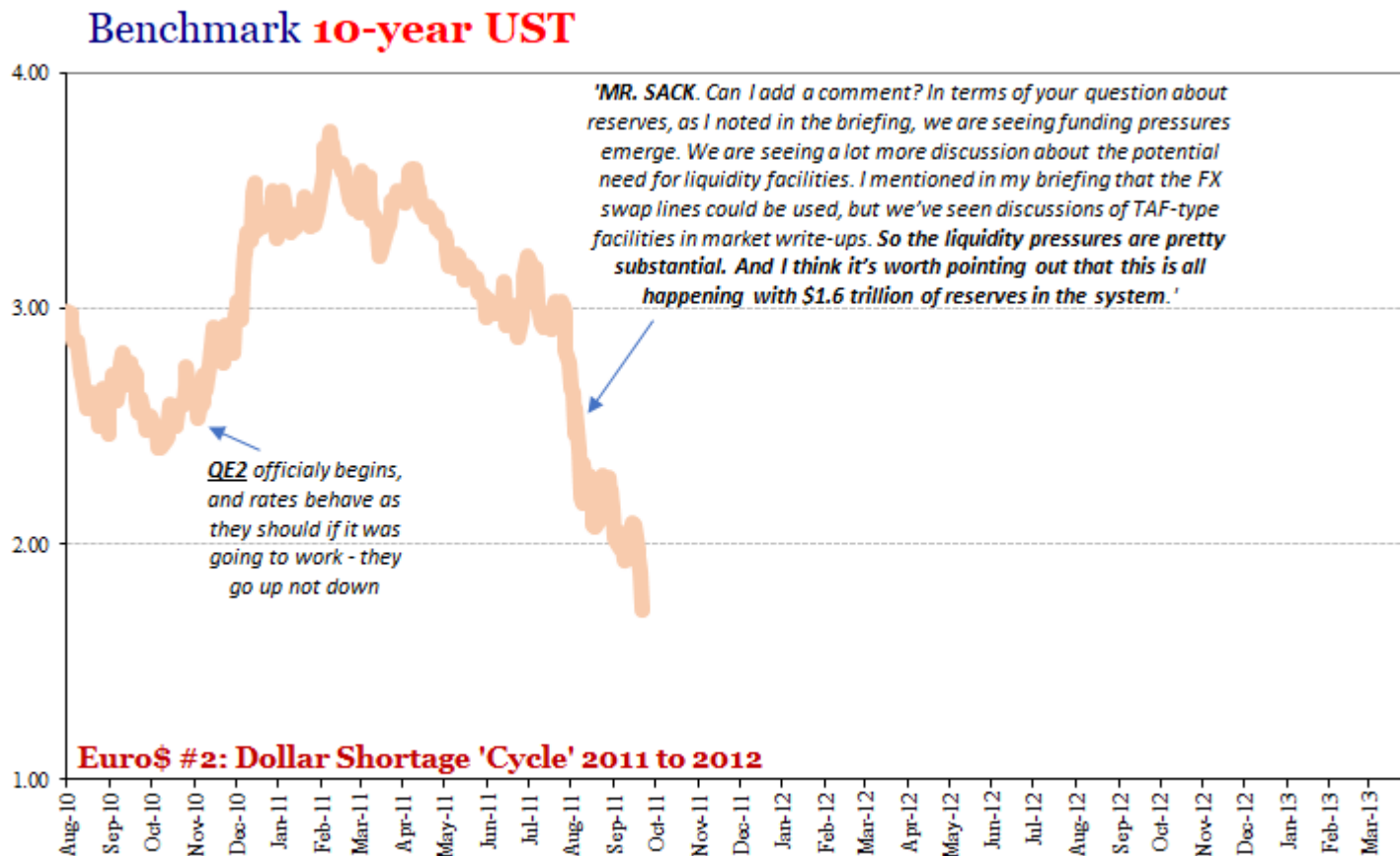
### **Benchmark 10-year UST**



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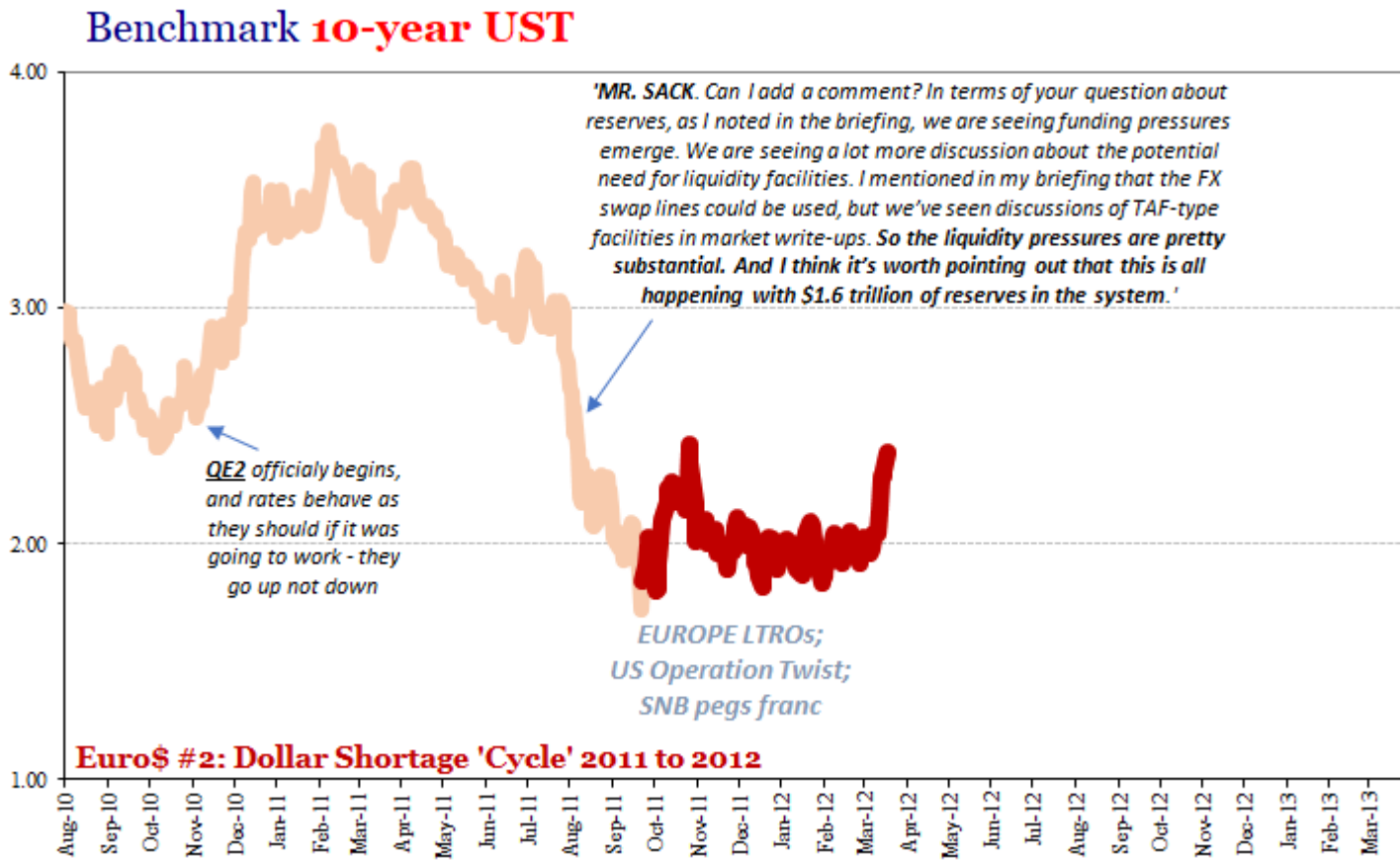




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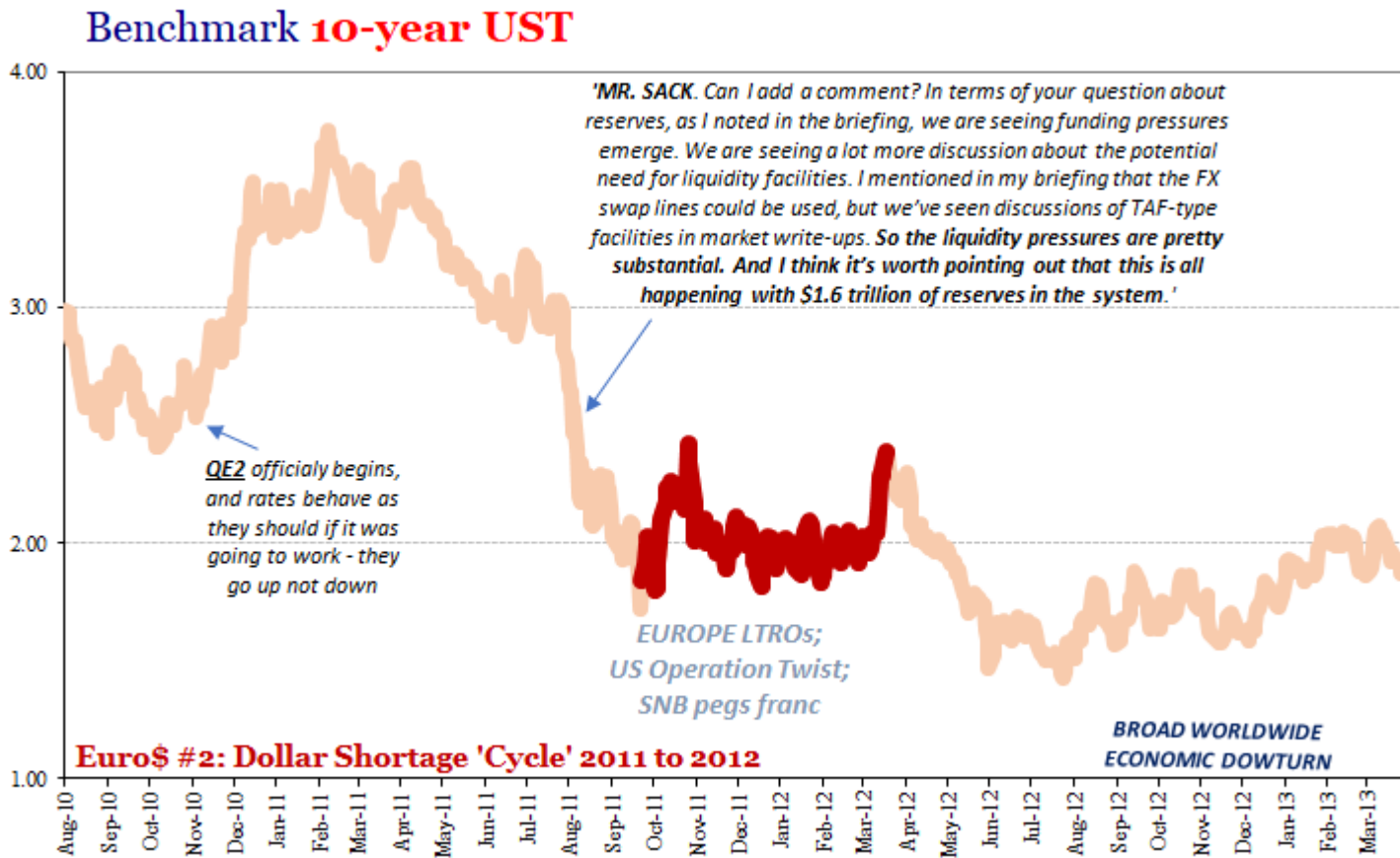




## ACT 2

### Shocking Conclusion

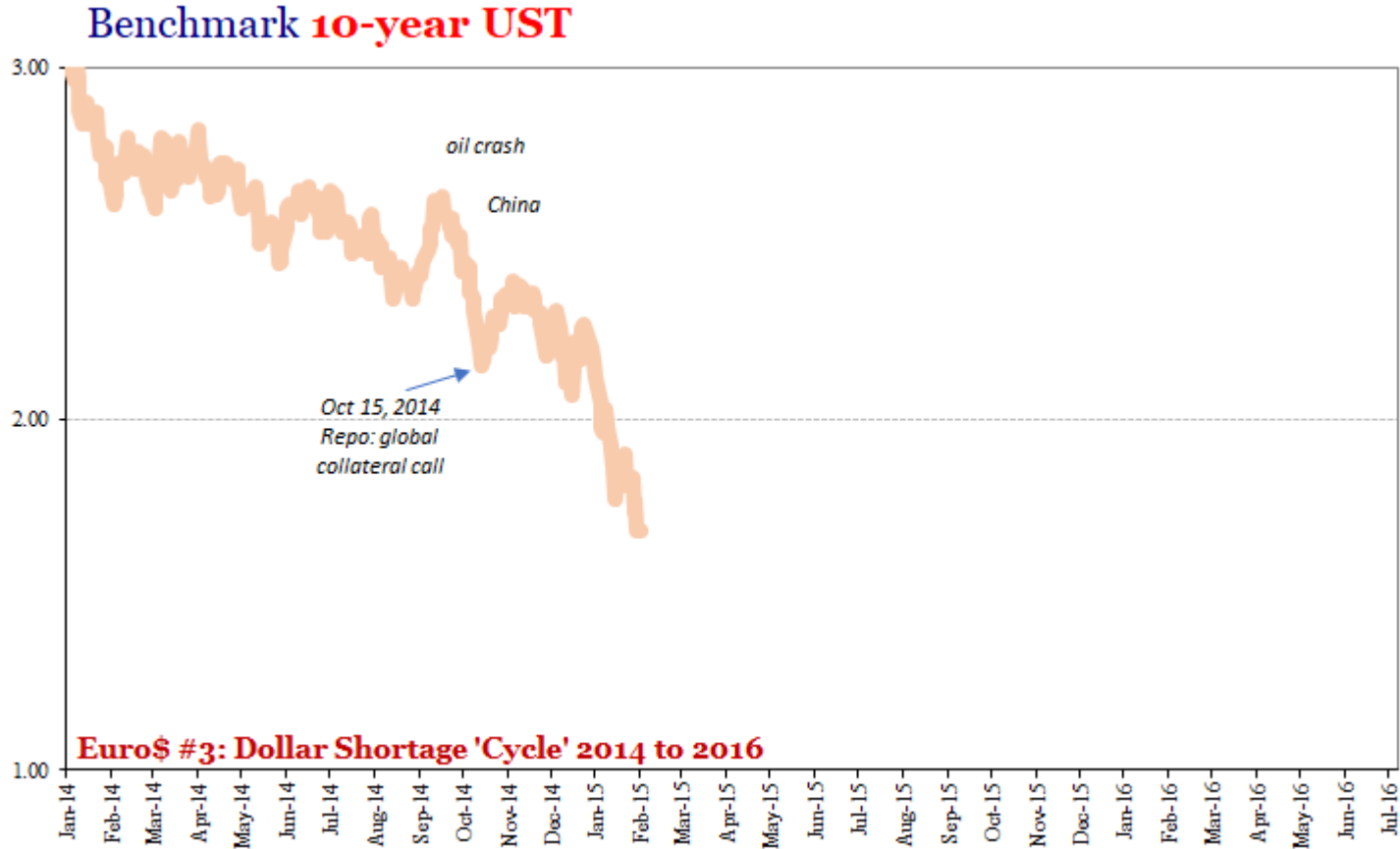
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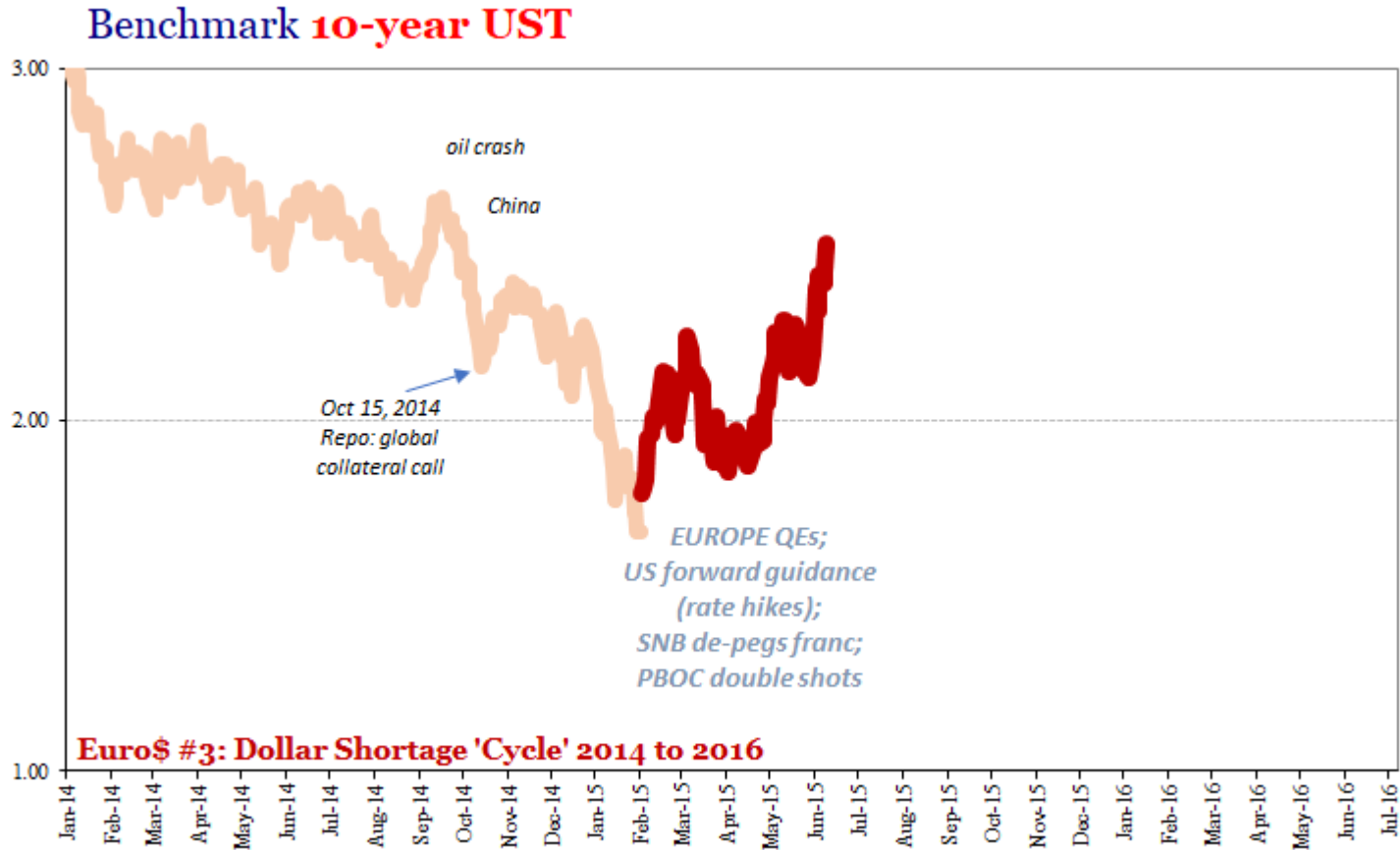
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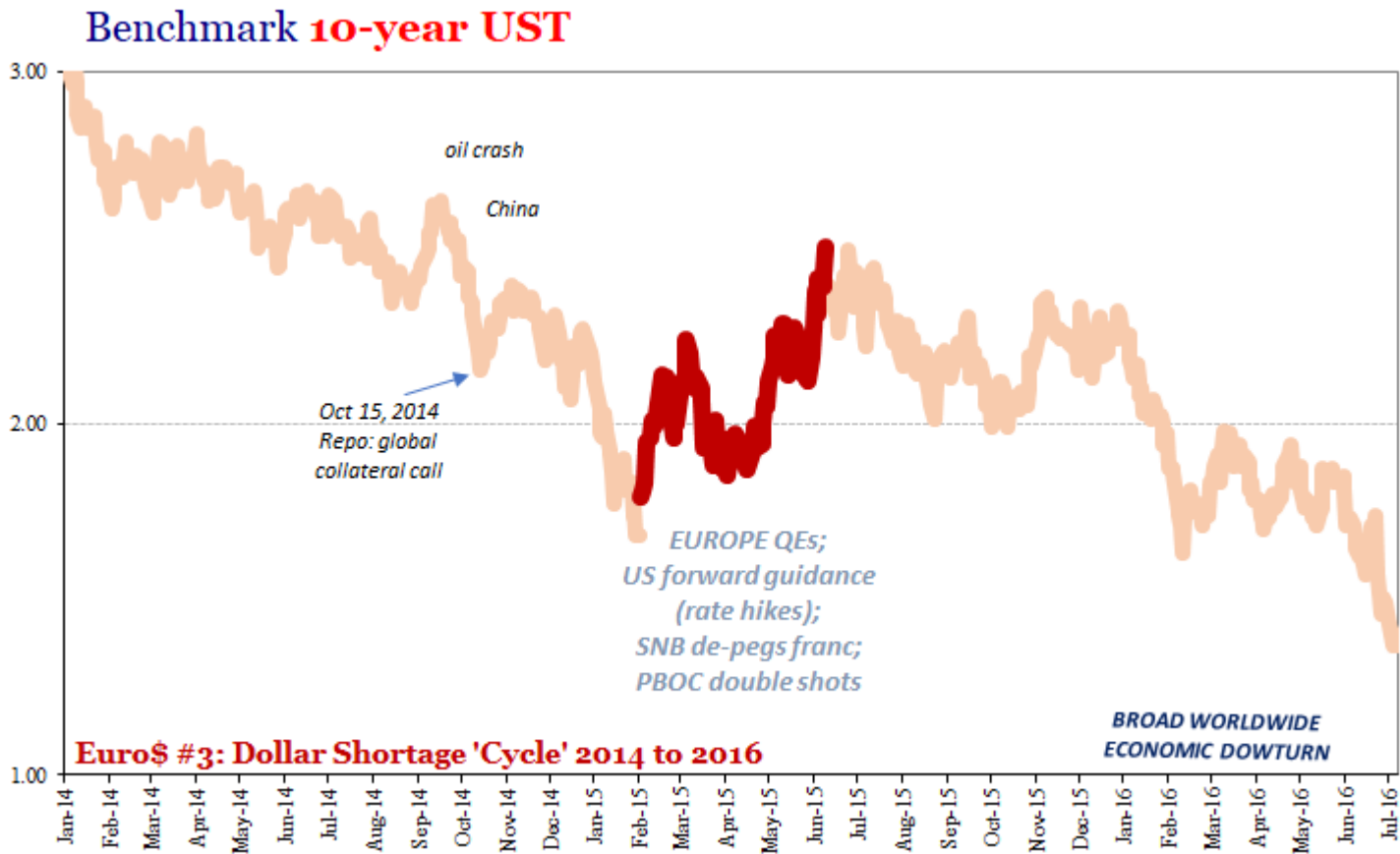
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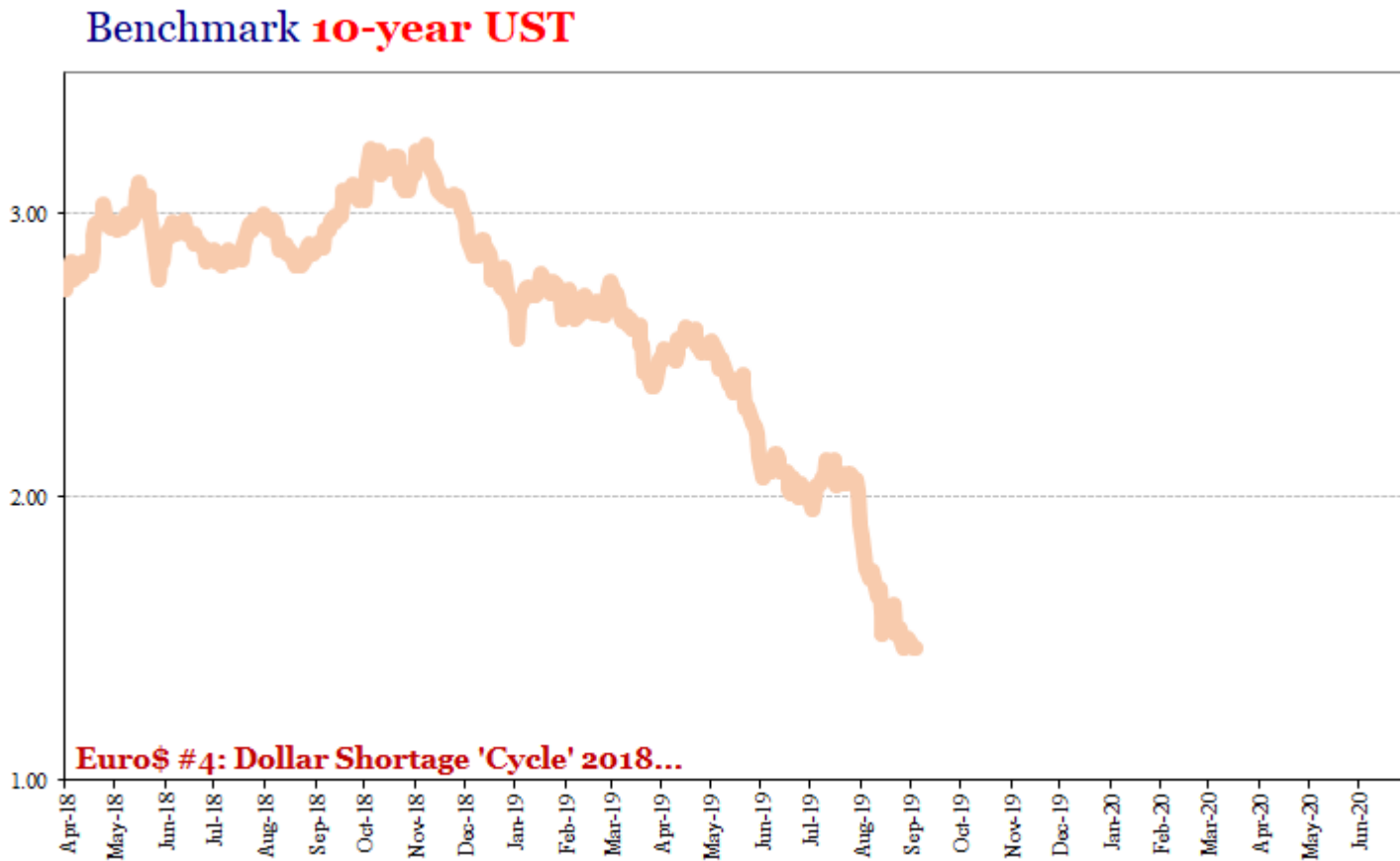
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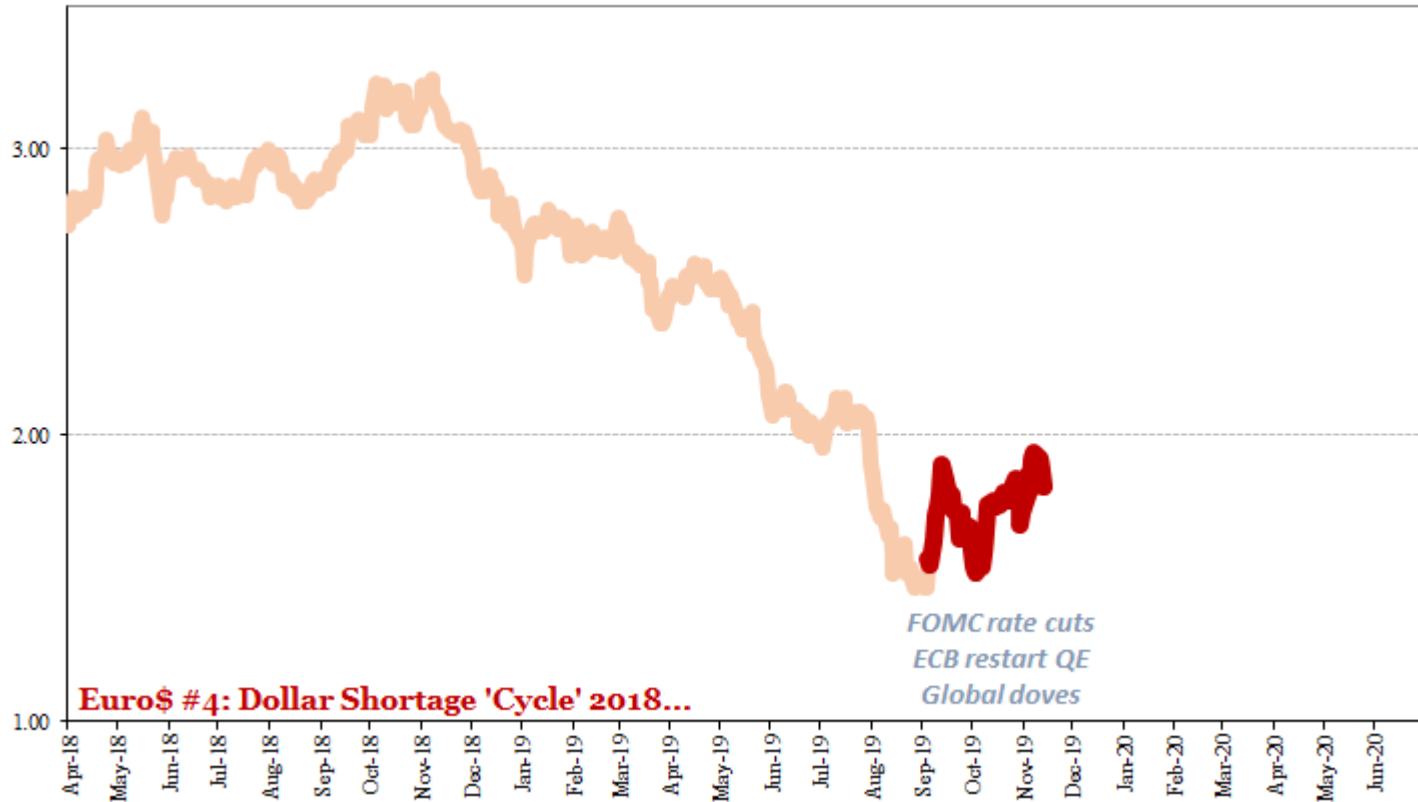


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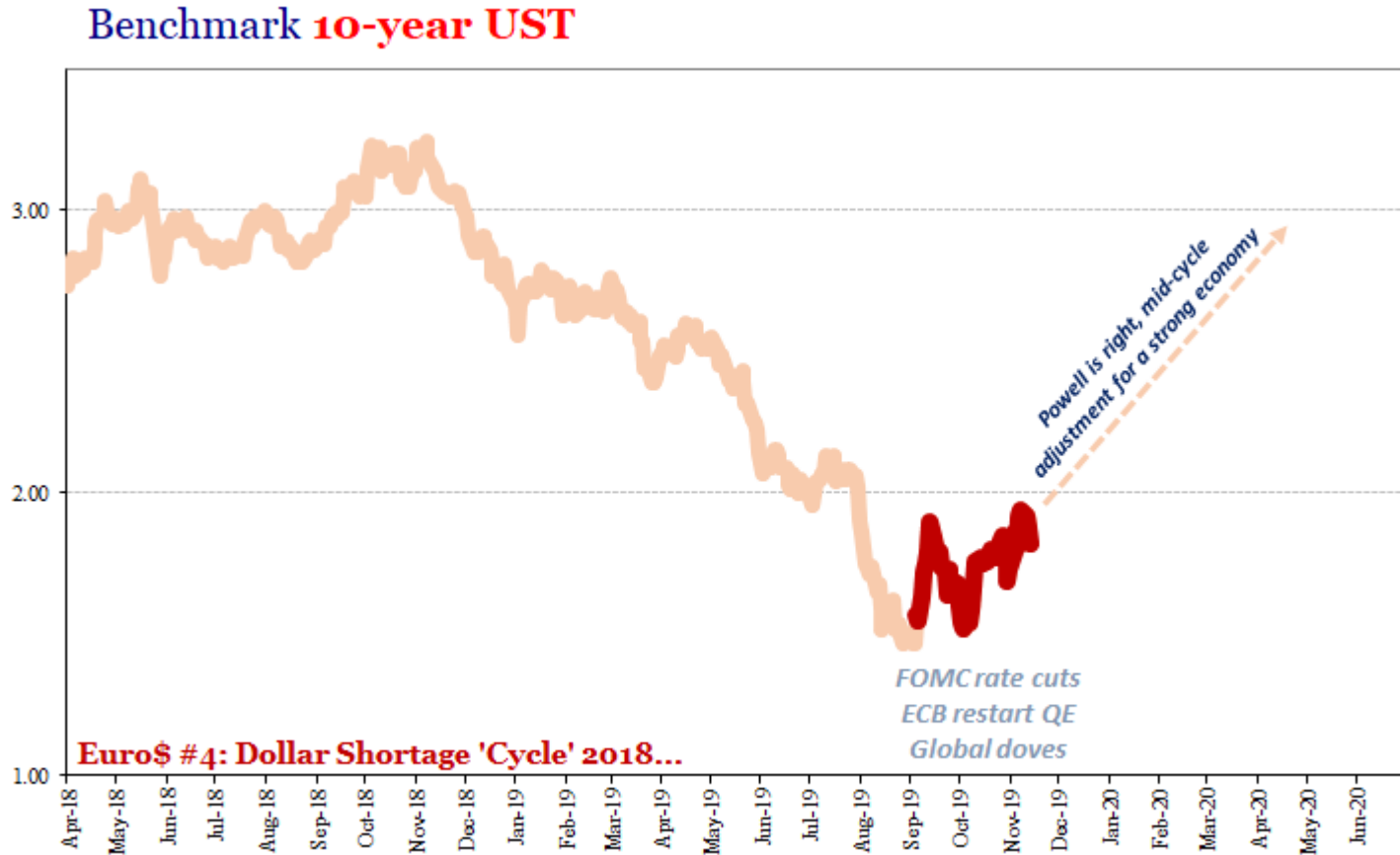
## Benchmark 10-year UST



## ACT 2

### Shocking Conclusion

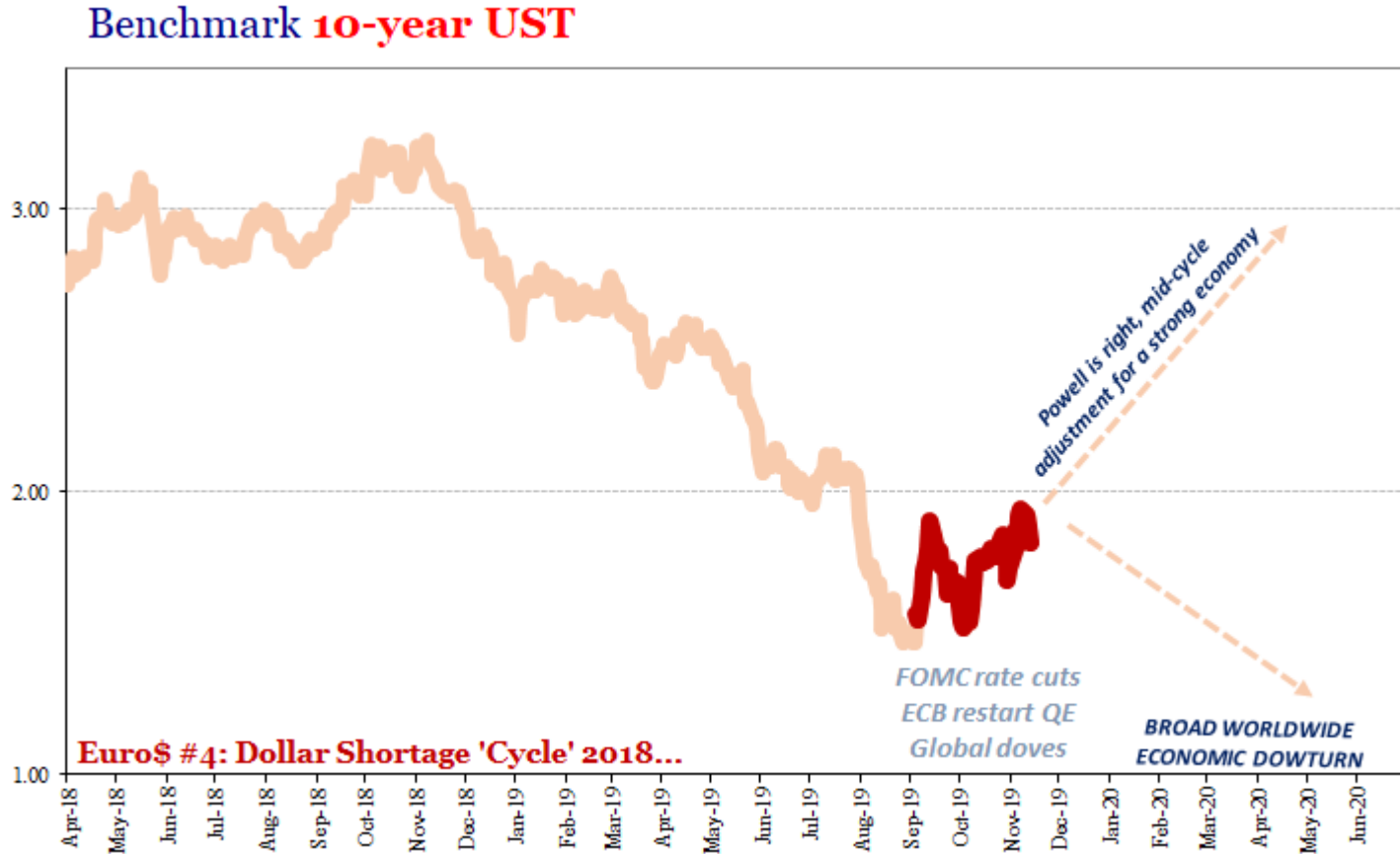
Shocking  
because it's  
different this  
time?



## ACT 2

### **Shocking Conclusion**

Or shocking  
because this  
is the fourth  
time and no  
one ever  
does  
anything  
differently?





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**CONCLUDED**

