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FOMC

Direct policy-action text in the new FOMC statement, as widely expected, treats QE2 as fait accomplish--a change from the March statement--and retains the "extended period" language.

With respect to balance-sheet policy, the "size and composition of (the) securities holdings," as opposed to the details of QE2 implementation, are the levers subject to adjustment on the basis of "incoming information"

The economic assessment text, meanwhile, is changed in many wording details to take account of developments since the last meeting, but, makes very clear that the baseline scenario is still seen as being only temporarily perturbed.

Hawks might regard this as a step on the road to recognizing a more serious deviation from plan, and ultimately changing policy to contain inflation risks. Doves, meanwhile, might being seeing greater, but balanced, risks on both sides of the baseline--or even greater downside risks. The compromise, if it was one, satisfied all voters.

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