

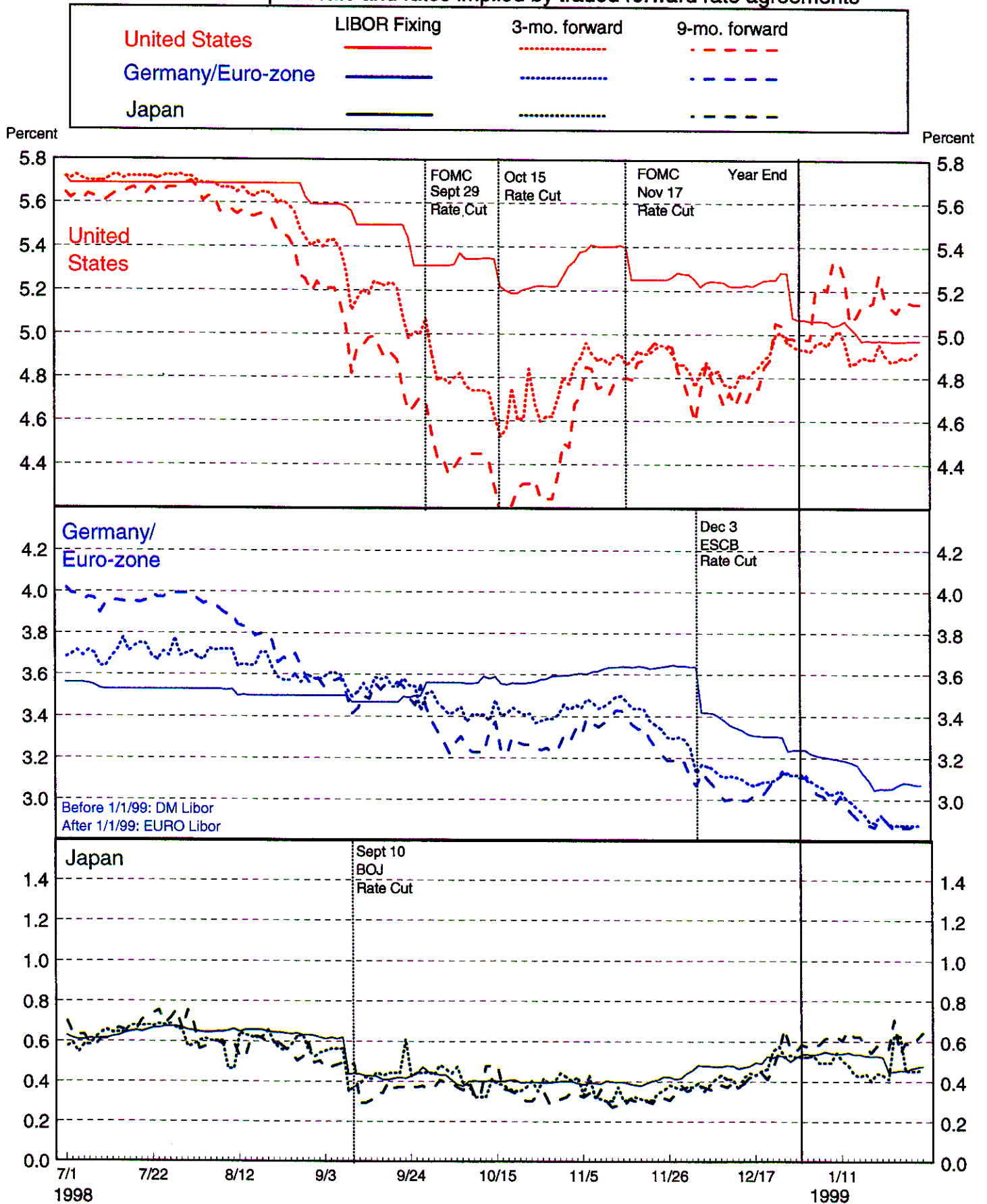
APPENDIX 1

Material used by Mr. Fisher

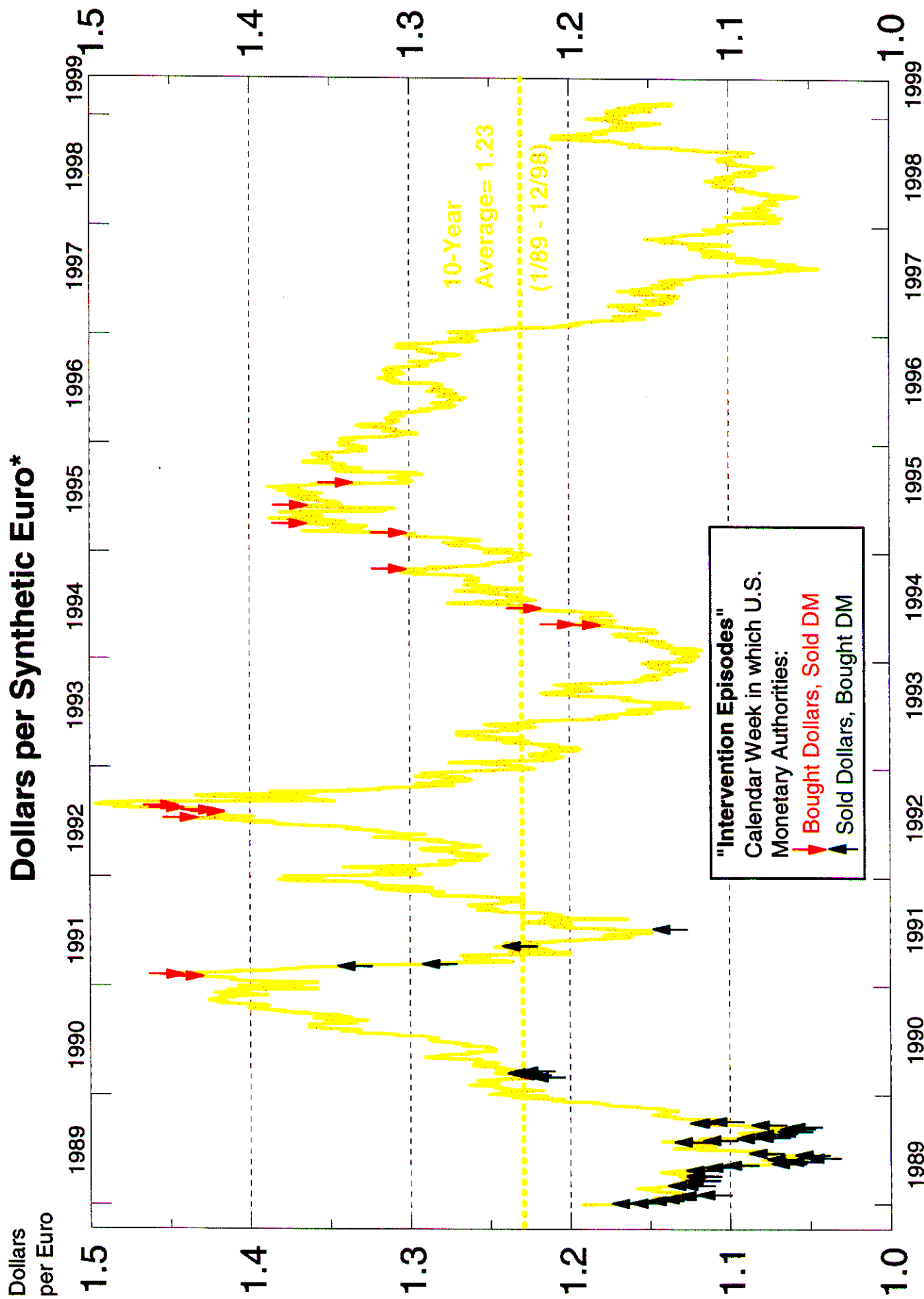
3-Month Deposit Rates

July 1, 1998 - January 29, 1999

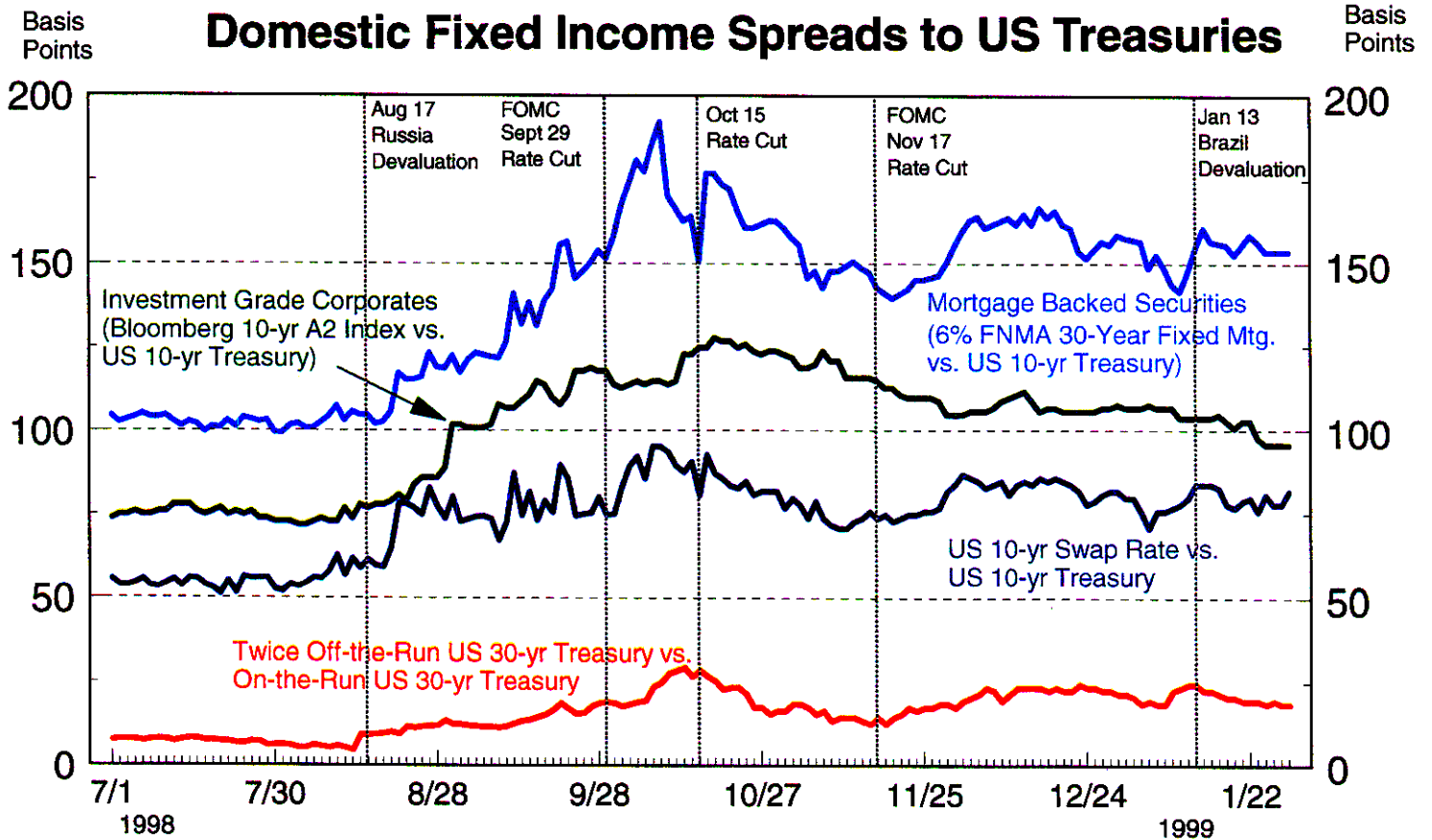
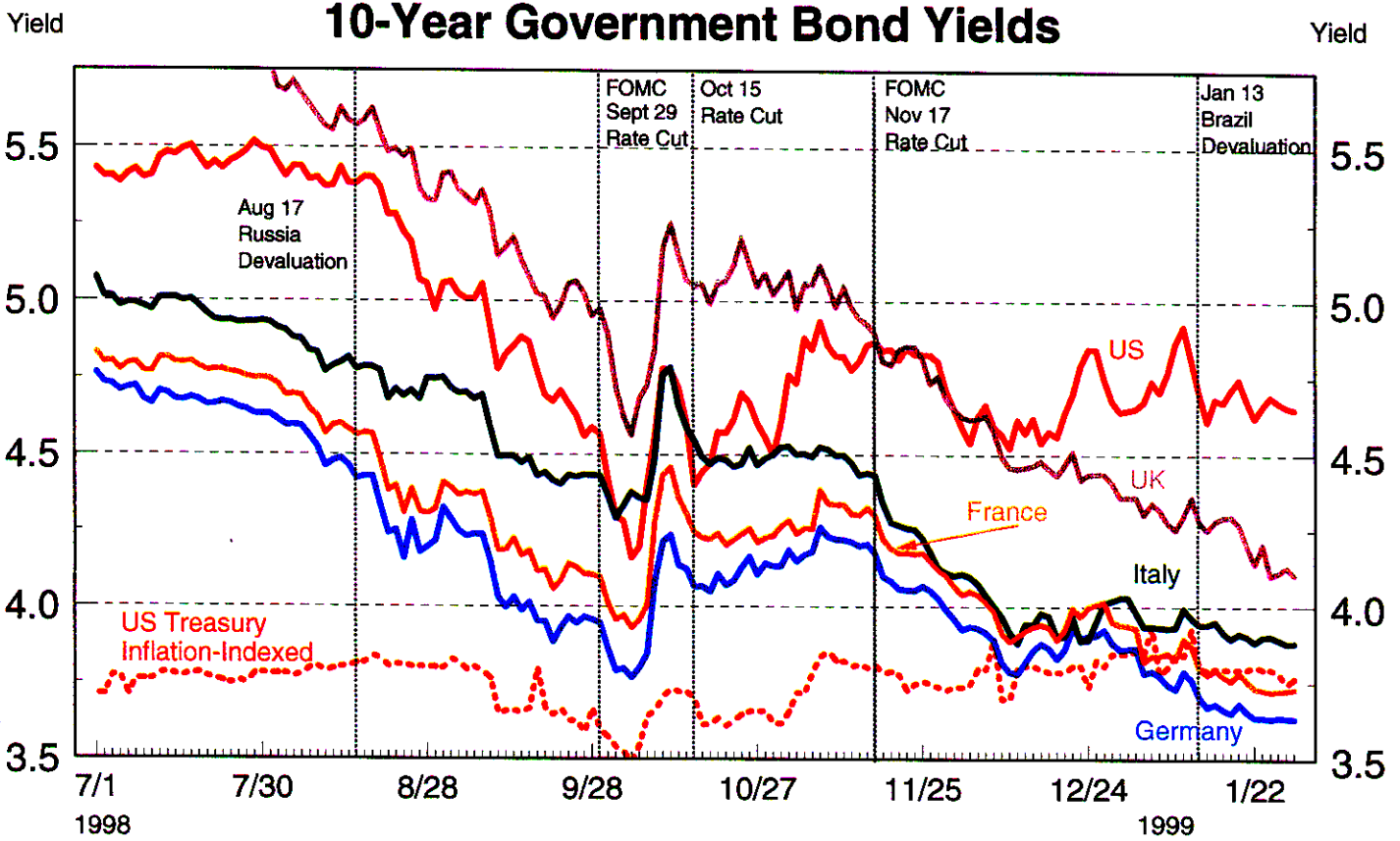
Current euro-deposit rate and rates implied by traded forward rate agreements



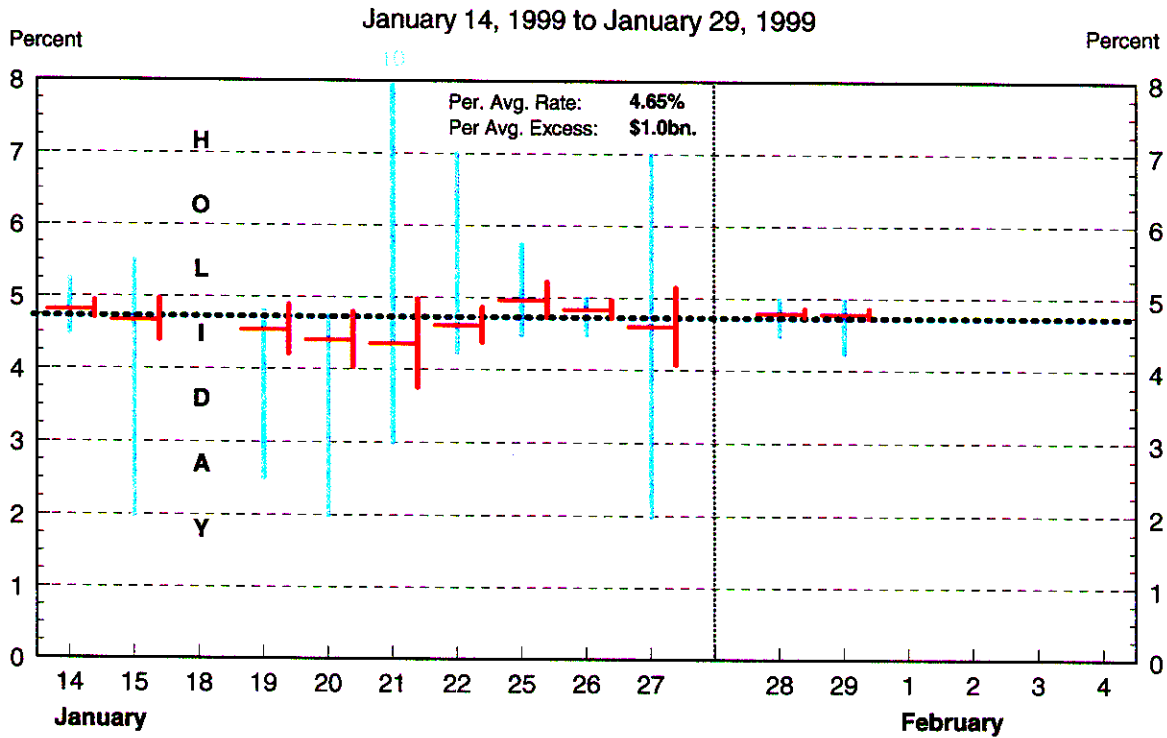
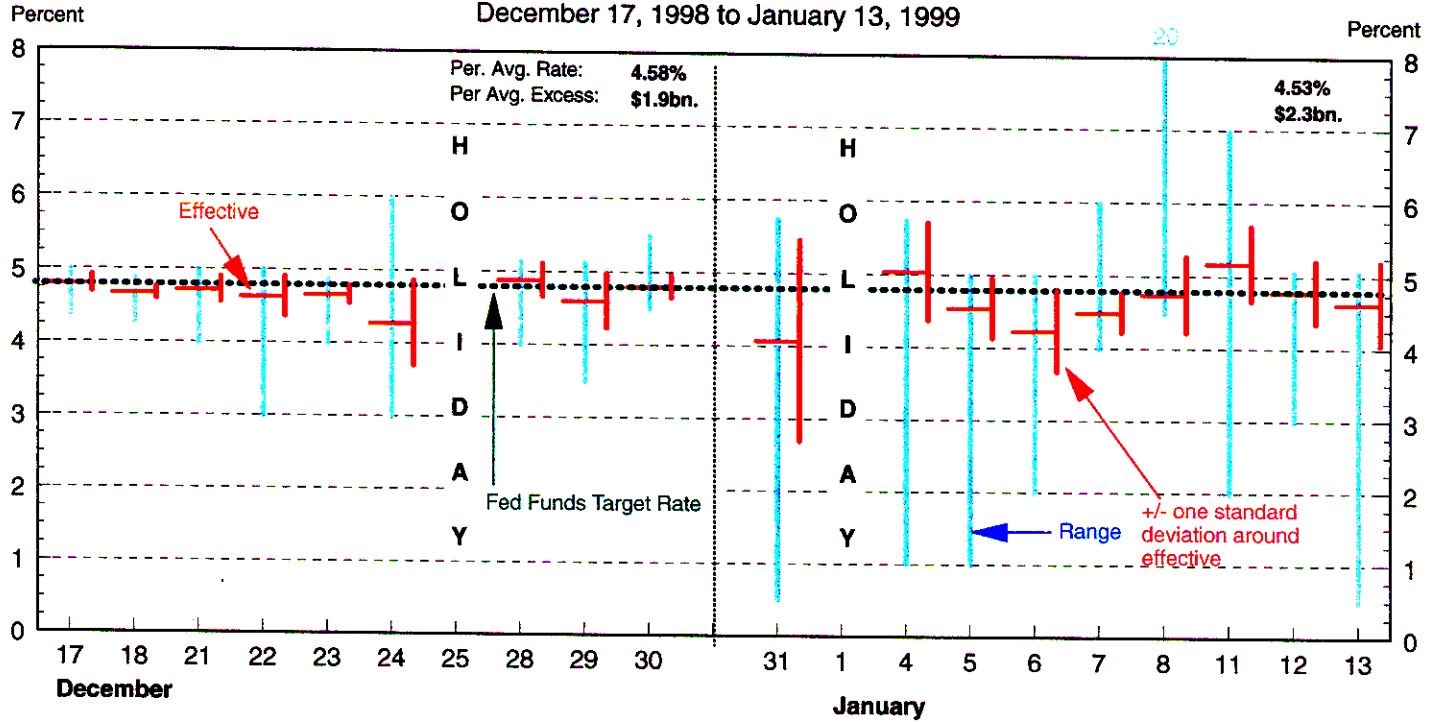
Dollars per Synthetic Euro*



*Note: The euro's synthetic history is derived from the weighted-average performance of the euro's component currencies and is based on a methodology developed by HSBC Markets. The weights of the component currencies reflect the share of a country's exports and imports as a percentage of total intra-Eurozone exports and imports from 1994 to 1996.



DAILY FEDERAL FUNDS TRADING RANGE, EFFECTIVE RATE & +/-ONE STANDARD DEVIATION December 17, 1998 to January 13, 1999



APPENDIX 2

Material used by Messrs. Prell, Alexander, and Stockton

Material for

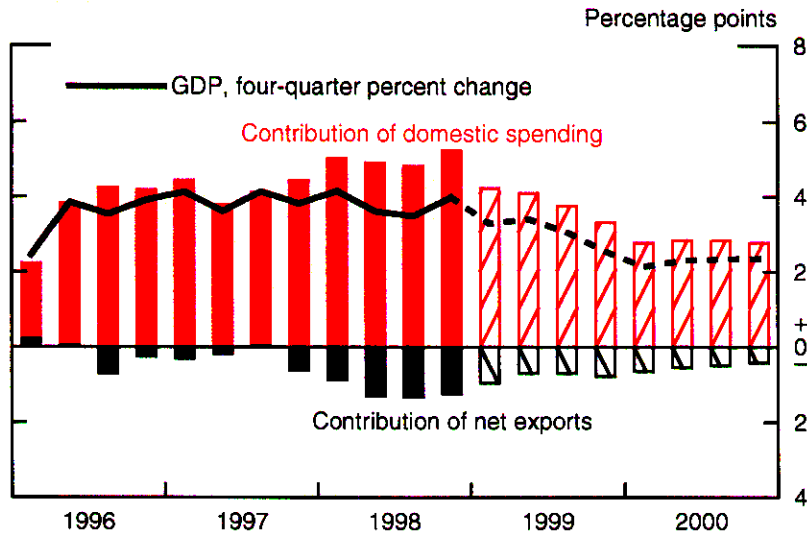
*Staff Presentation on the
Economic Outlook*

February 2, 1999

Chart 1

Forecast Summary

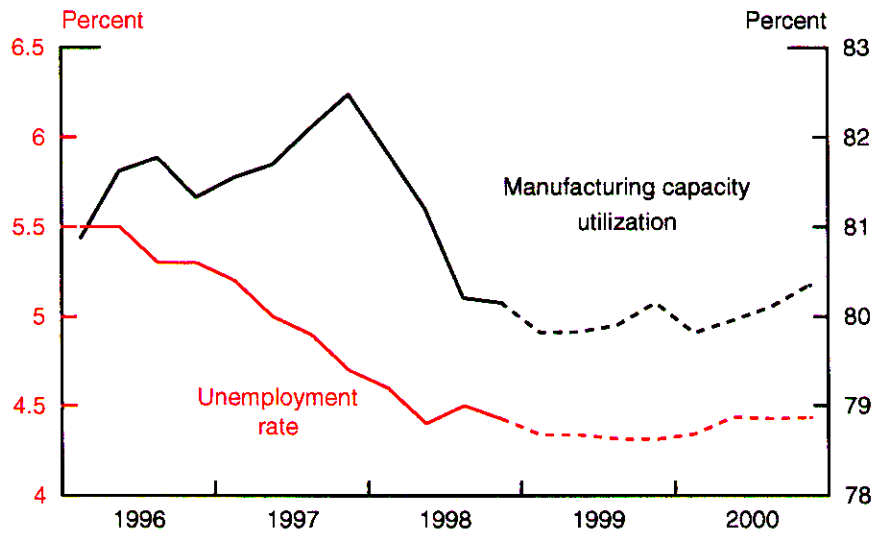
Real GDP Growth



GDP Growth Q4/Q4 percent change

1996	3.9
1997	3.8
1998	4.0
1999	2.6
2000	2.4

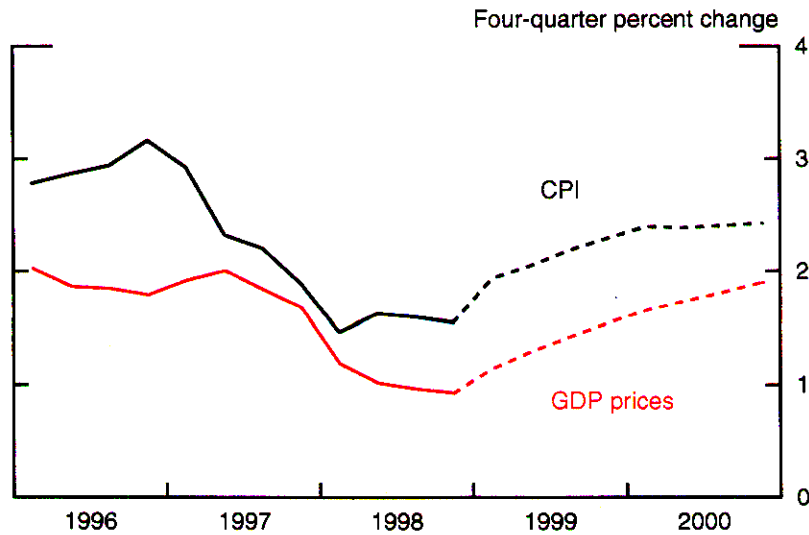
Resource Utilization



Q4 average

	U	CU
1996	5.3	81.3
1997	4.7	82.5
1998	4.4	80.2
1999	4.3	80.2
2000	4.4	80.3

Inflation



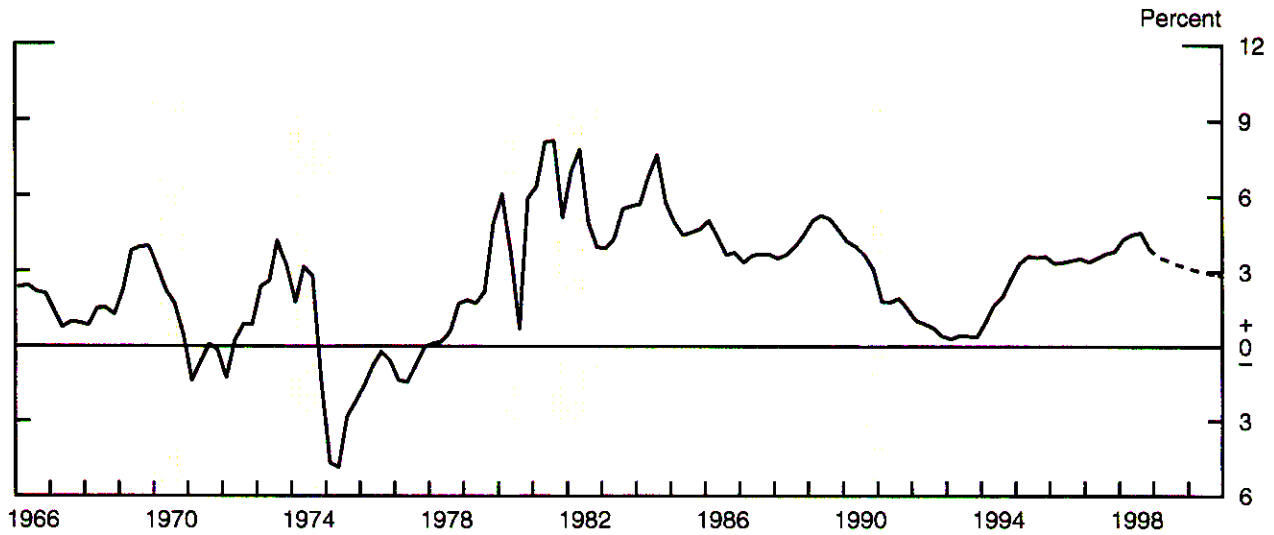
Q4/Q4 percent change

	CPI	GDP Prices
1996	3.2	1.8
1997	1.9	1.7
1998	1.5	.9
1999	2.3	1.5
2000	2.4	1.9

Chart 2

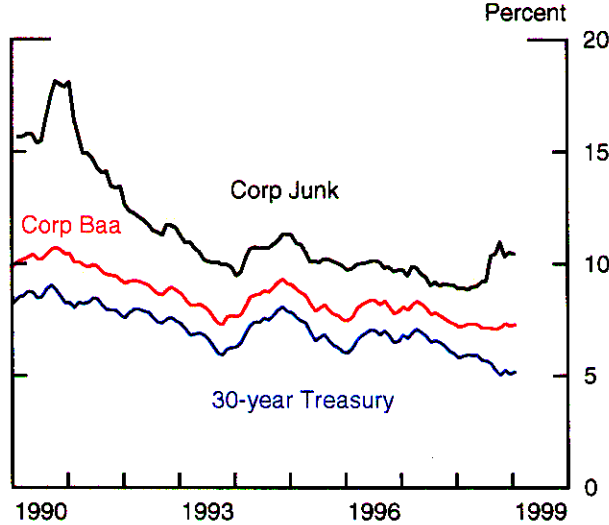
Credit Market Conditions

Real Federal Funds Rate*

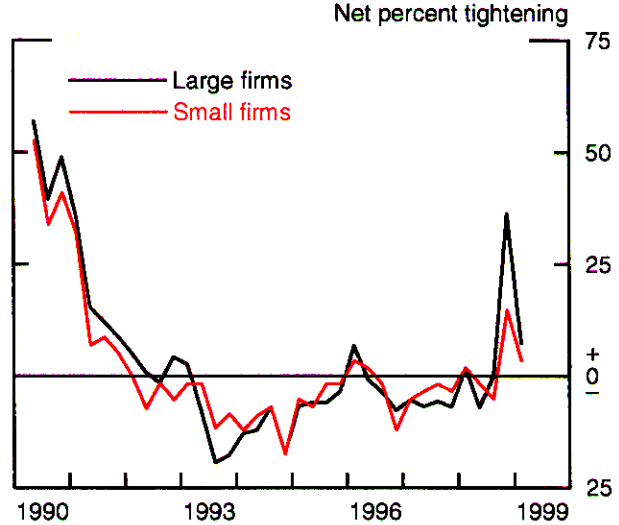


*Nominal rate minus most recent four-quarter change in GDP prices.

Bond Yields



Bank Standards for C&I Loans



Private Debt Growth - Inflation Adjusted

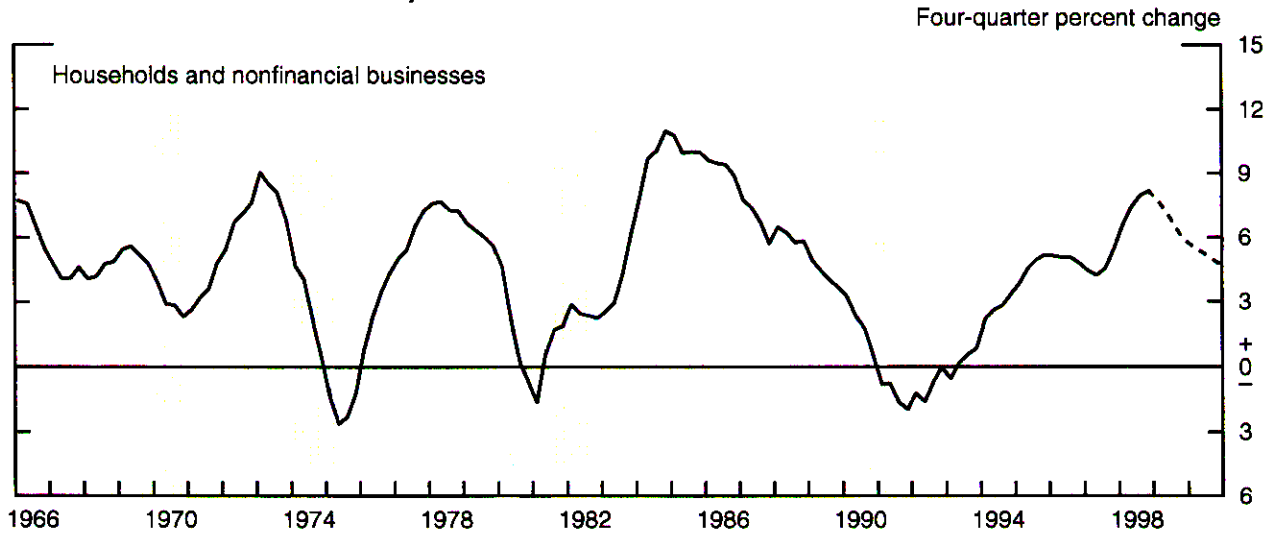
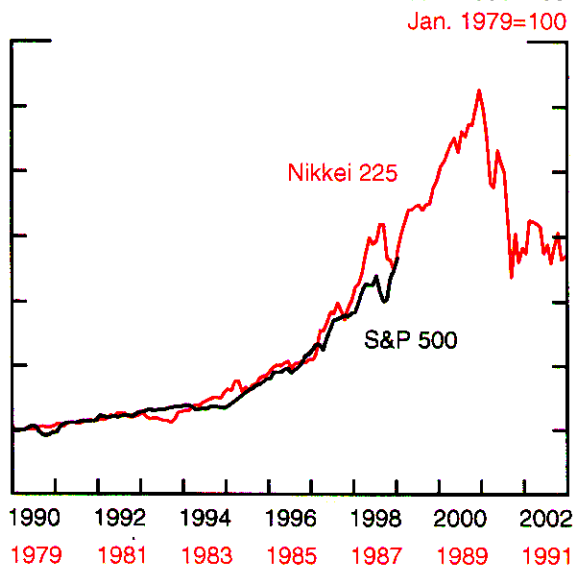


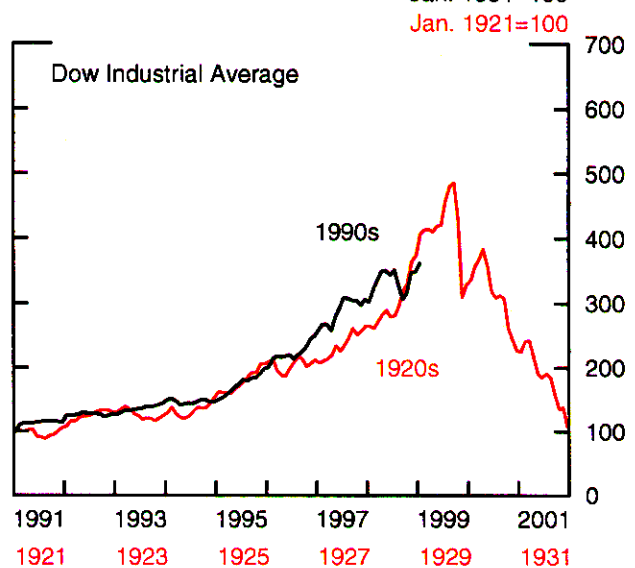
Chart 3

Stock Market

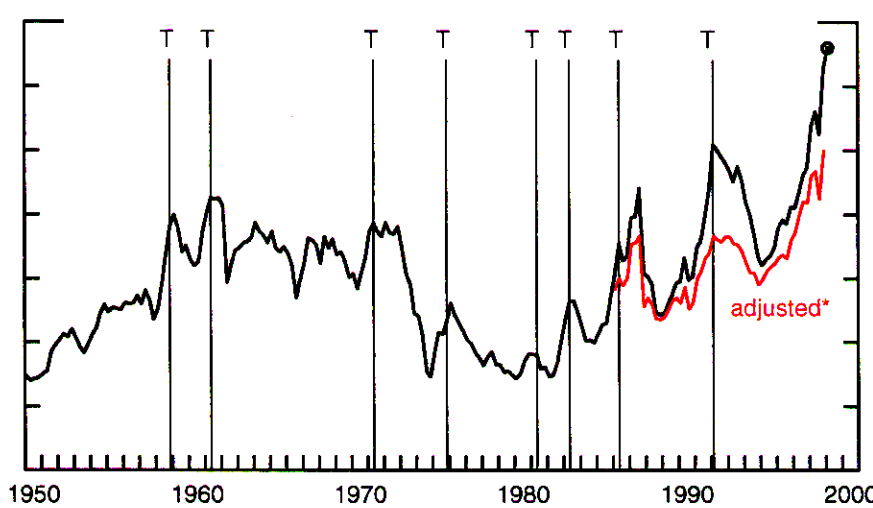
Japan, 1980s vs. US, 1990s



US: 1920s vs. 1990s

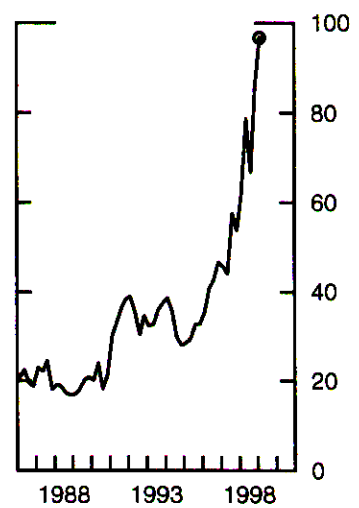


Price-Earnings Ratio - S&P 500

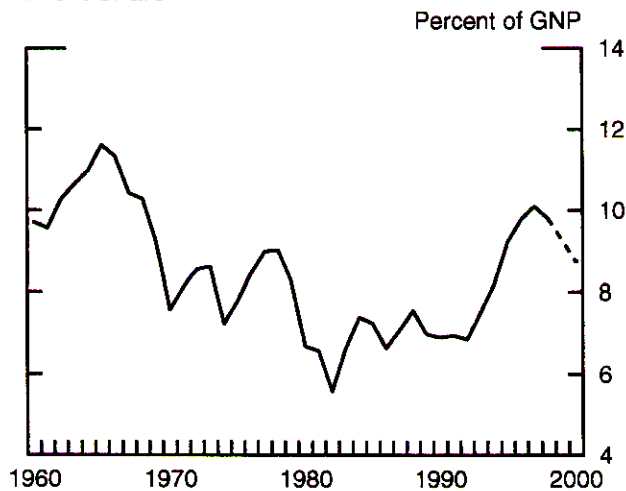


*Adjusted for special charges by Goldman Sachs. T=Trough in earnings.

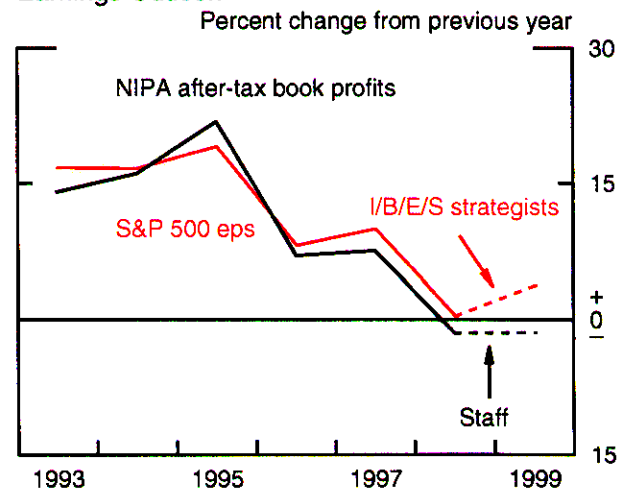
P-E Ratio - NASDAQ



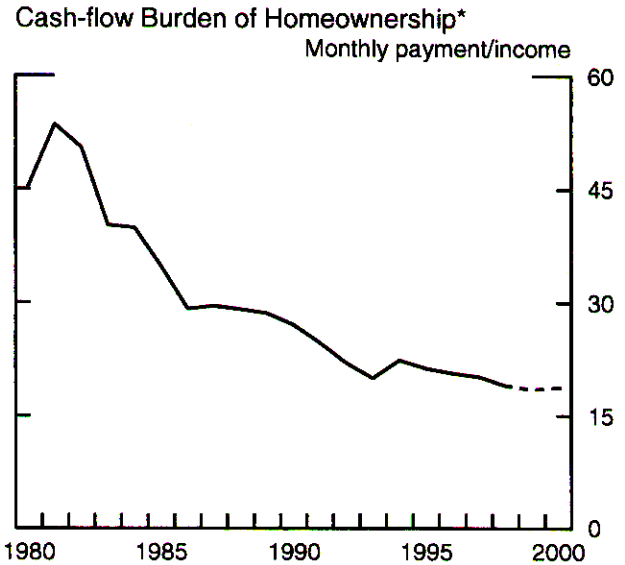
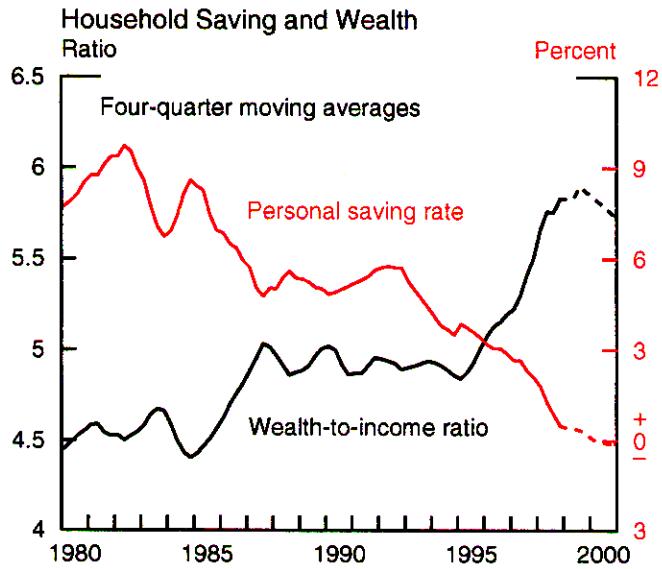
Profit Share



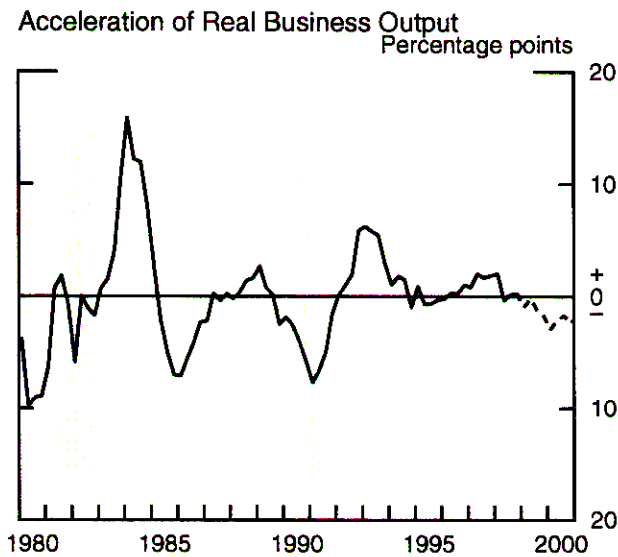
Earnings Outlook



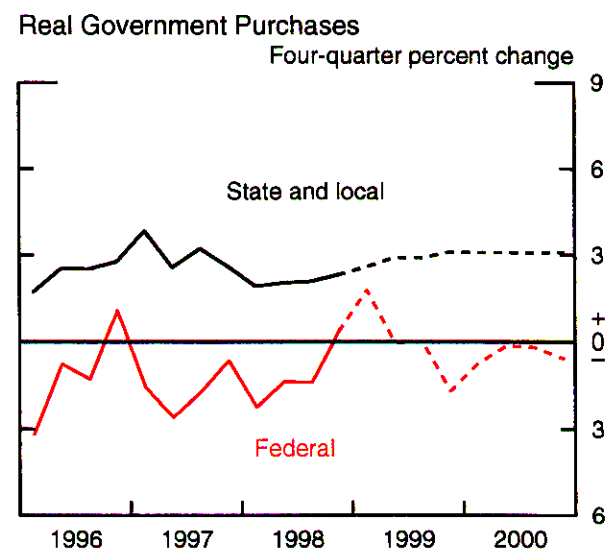
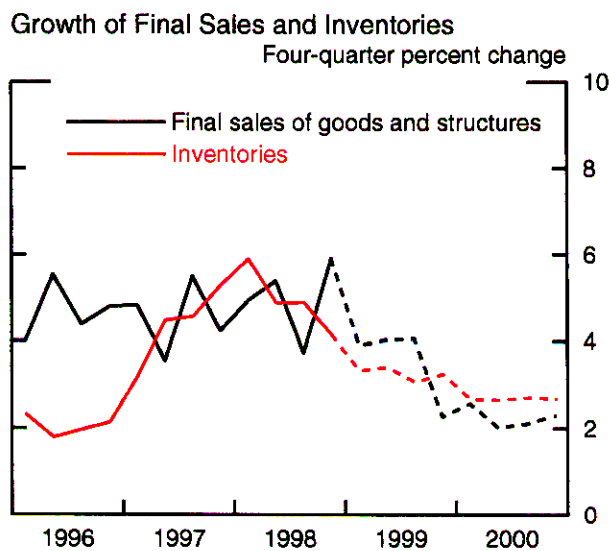
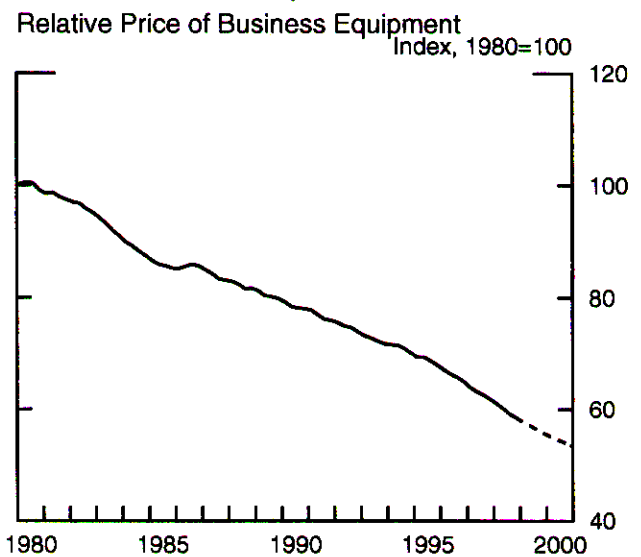
Outlook for Domestic Demand—Some Key Considerations



* Based on new home, 30 year FRM.

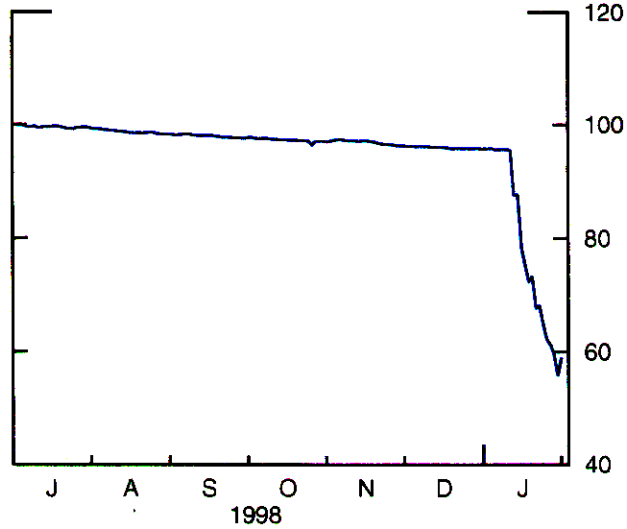


Note. Change from year earlier in 8-quarter average growth.

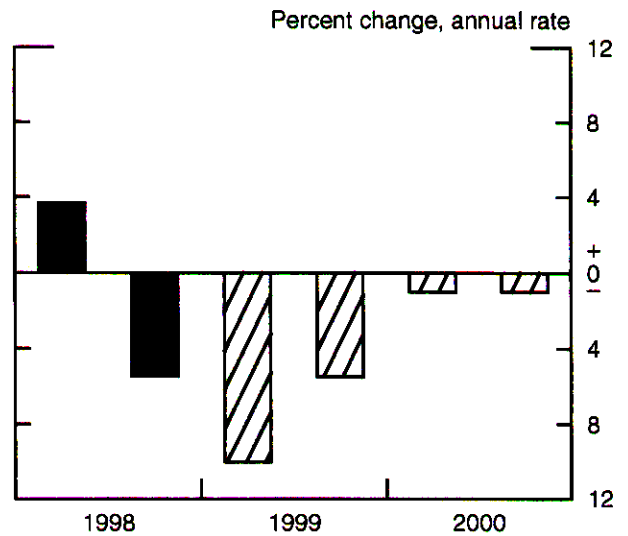


Brazil, Mexico and Korea

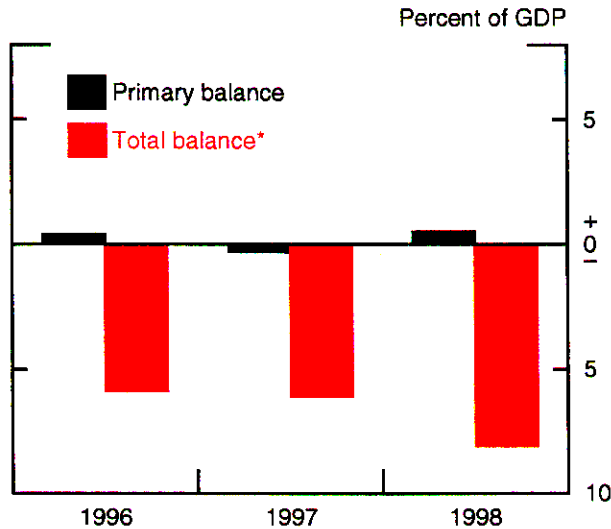
Brazil: Exchange Rate
(\$/real)



Brazil: Real GDP

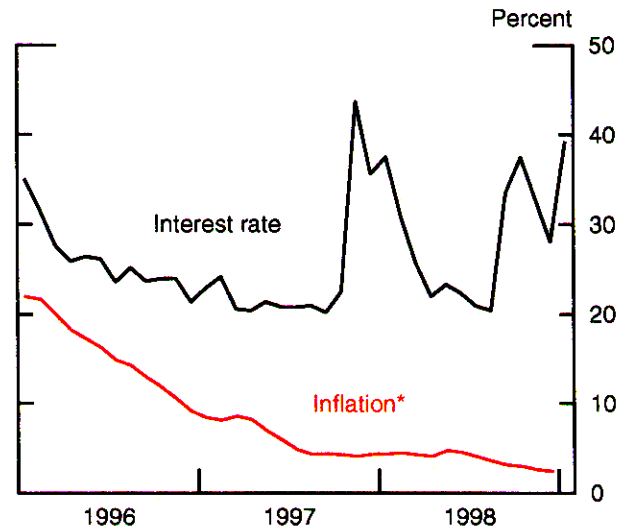


Brazil: Fiscal Accounts



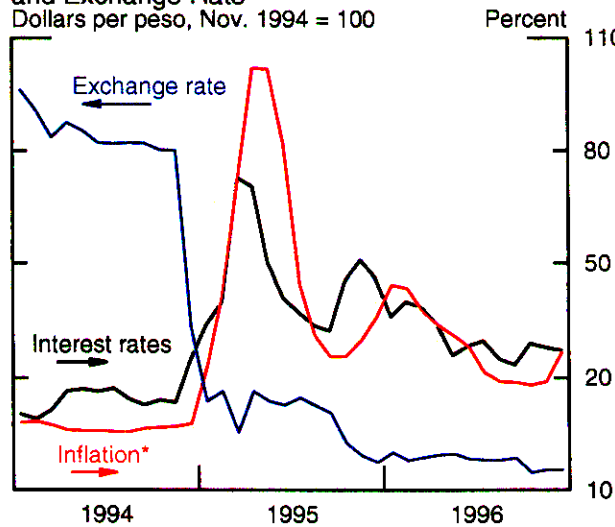
* Public sector borrowing requirement

Brazil: 1-Month Interest Rate and Inflation



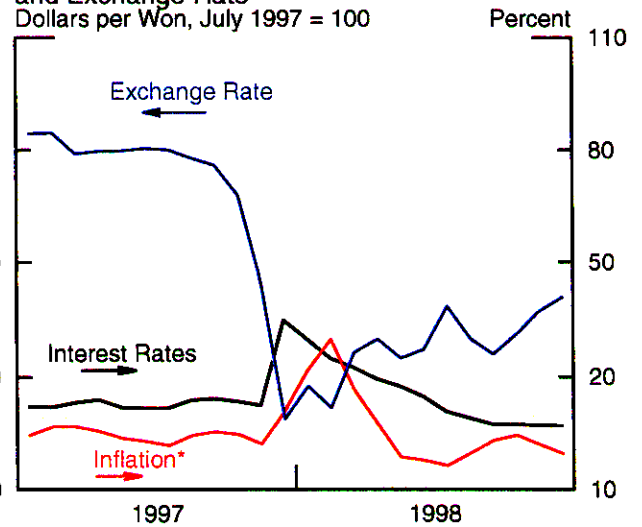
* Y/Y change in CPI

Mexico: Domestic Interest Rates, Inflation,
and Exchange Rate



* 3-month change in CPI, annual rate

Korea: Domestic Interest Rates, Inflation,
and Exchange Rate

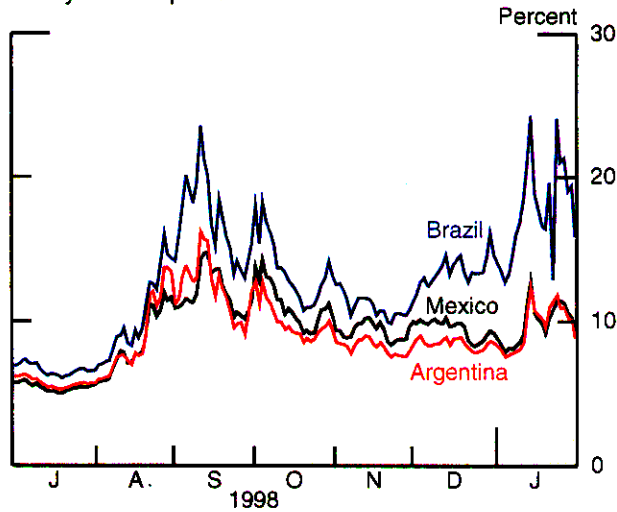


* 3-month change in CPI, annual rate

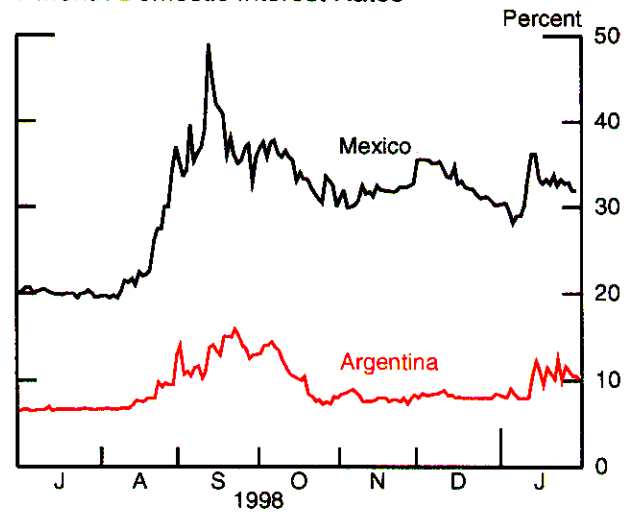
Chart 6

Asia and Latin America

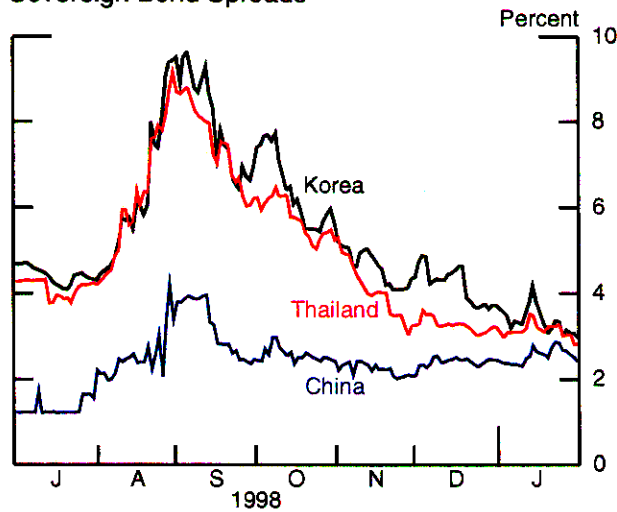
Brady Yield Spreads



1-Month Domestic Interest Rates

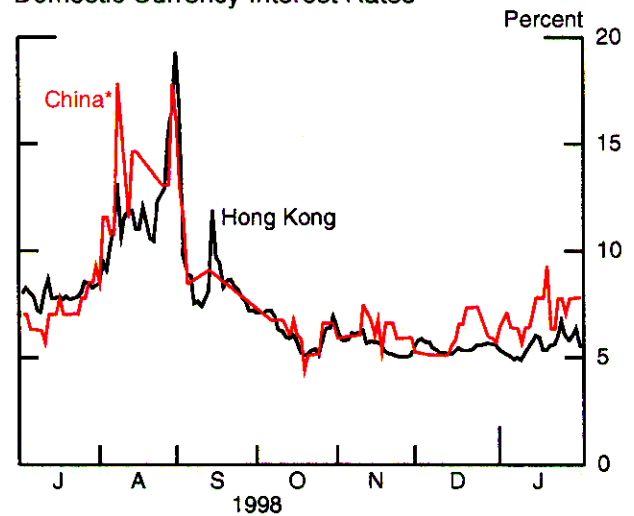


Sovereign Bond Spreads*



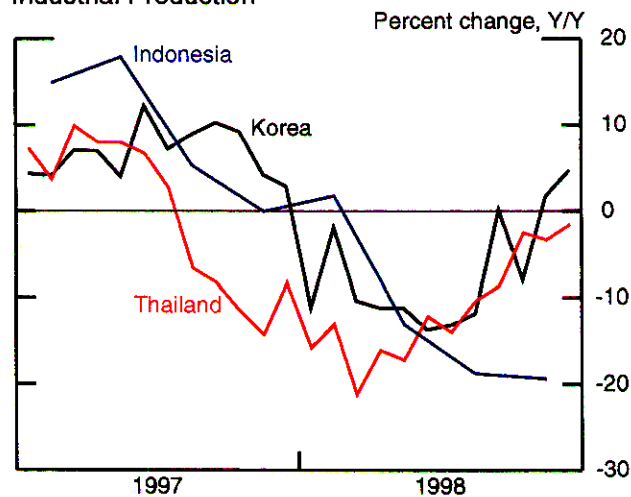
* Relative to U.S. Treasuries

Domestic Currency Interest Rates



* Offshore market

Industrial Production



Real GDP

	Percent change, Q4/Q4		
	1998e	1999p	2000p
Latin America* (excluding Brazil)	1.9	-1.4	2.8
Crisis Asia**	-7.8	0.5	2.5
Greater China*** and Singapore	0.7	1.4	3.6

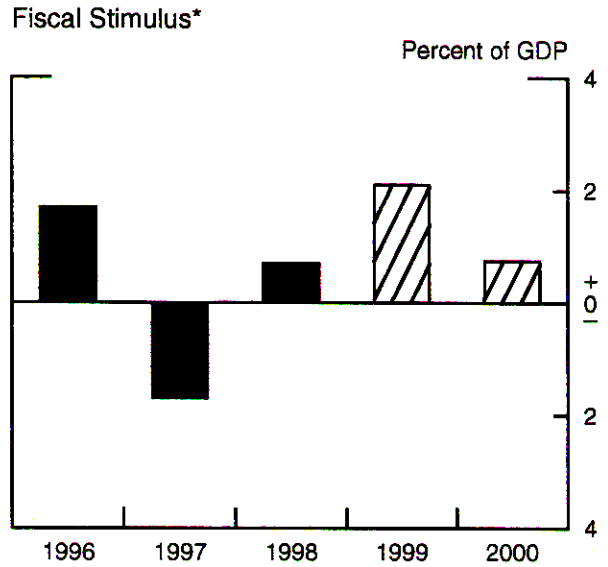
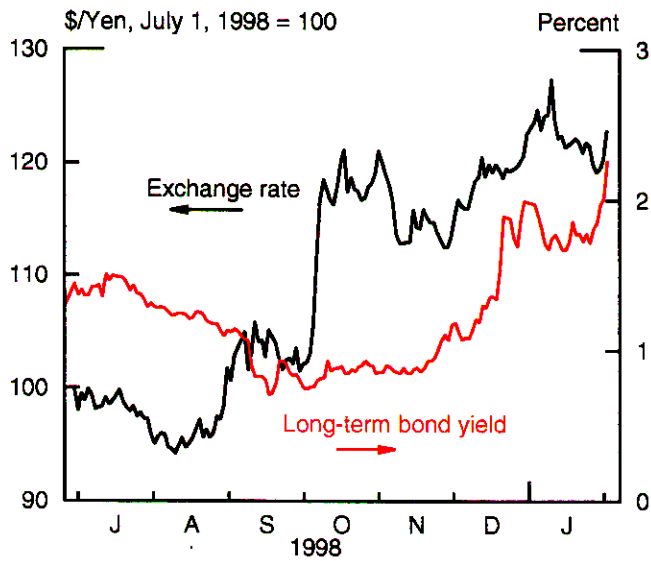
* Argentina, Chile, Colombia, Mexico and Venezuela

** Indonesia, Korea, Malaysia, Philippines and Thailand

*** China, Hong Kong and Taiwan

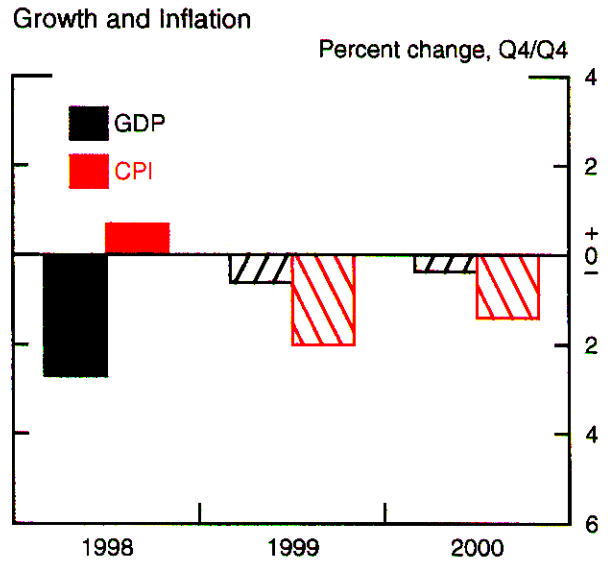
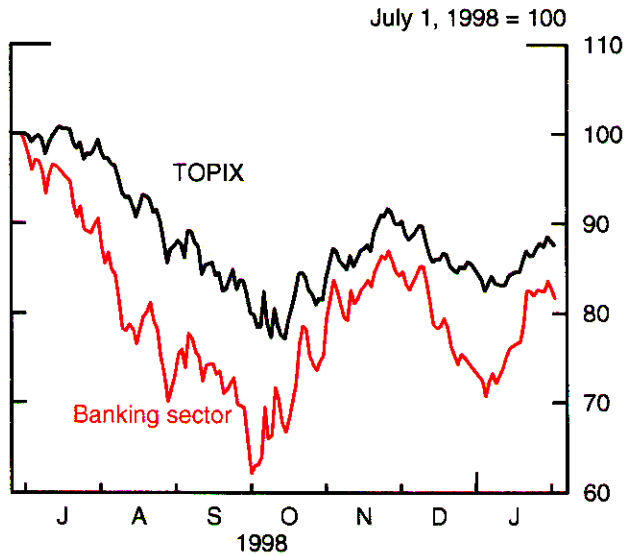
Chart 7

Japan



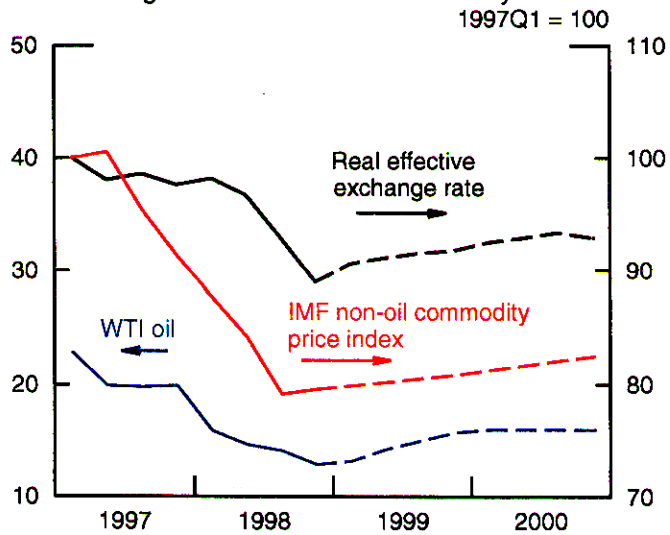
* Change in cyclically adjusted fiscal deficit

Stock Prices



Canada

Exchange Rate and Global Commodity Prices



Growth and Inflation

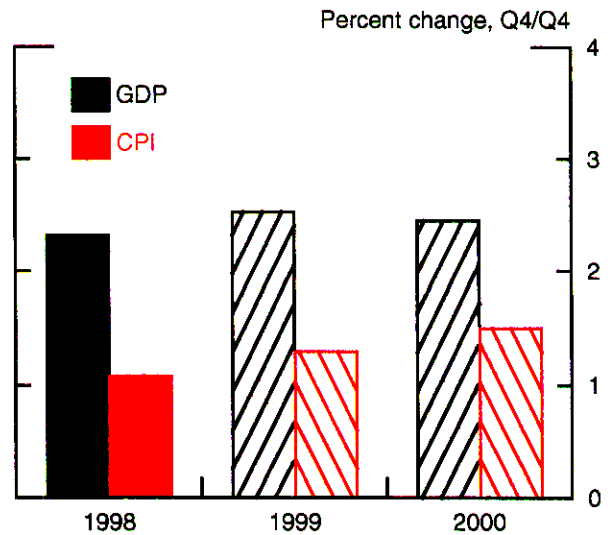
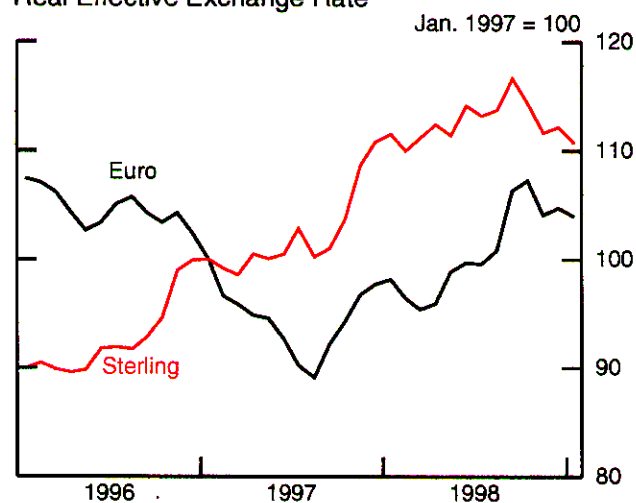


Chart 8

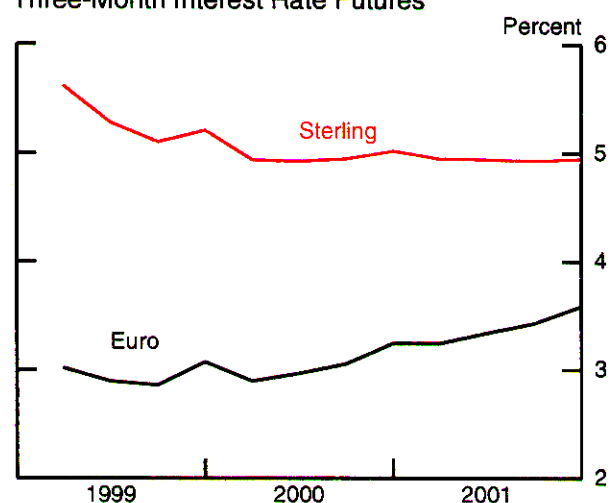
Europe

Real Effective Exchange Rate*



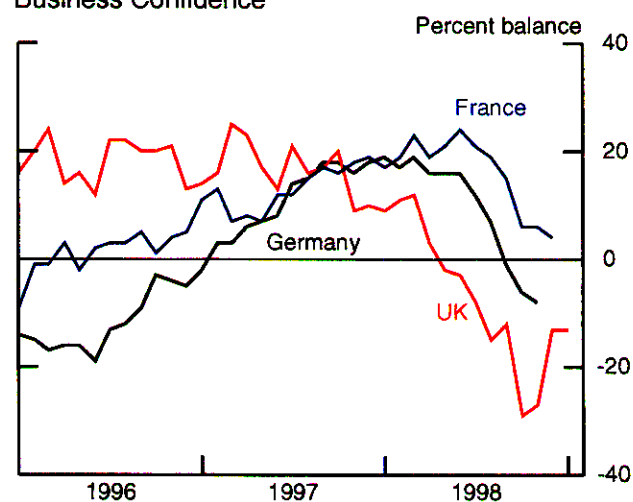
*Prior to Jan. 1, 1999, historical euro calculated using restated mark and euro area CPI.

Three-Month Interest Rate Futures

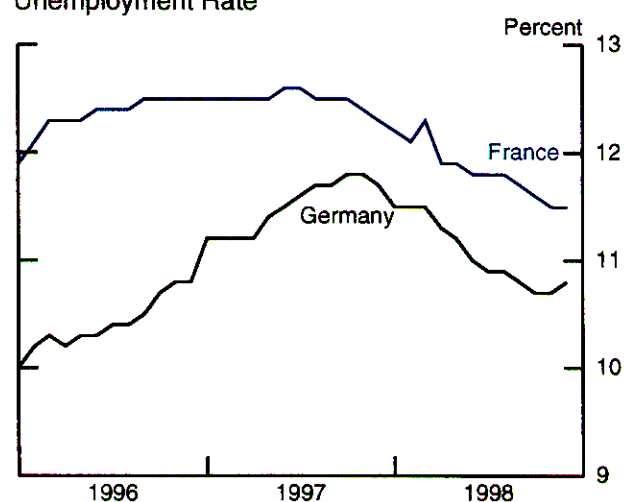


*February 1, 1999

Business Confidence



Unemployment Rate



GDP

	Percent change, Q4/Q4		
	1998e	1999p	2000p
United Kingdom	1.6	1.0	2.0
EU-11	2.5	2.1	2.2
Germany	2.4	1.9	2.3
France	2.4	1.6	1.7

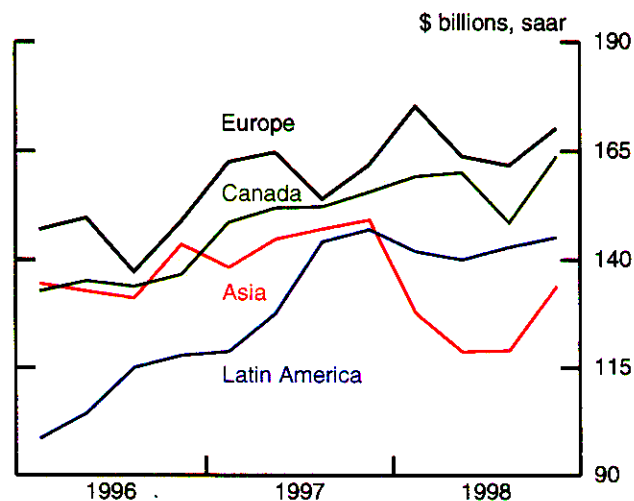
Consumer Prices

	Percent change, Q4/Q4		
	1998e	1999p	2000p
United Kingdom	2.6	2.4	2.5
EU-11	0.9	1.4	1.4
Germany	0.6	1.1	1.2
France	0.3	1.0	1.0

Chart 9

Foreign Outlook and U.S. External Accounts

U.S. Exports by Region



Foreign Real GDP

Percent change, Q4/Q4

1998e 1999p 2000p

Total Foreign

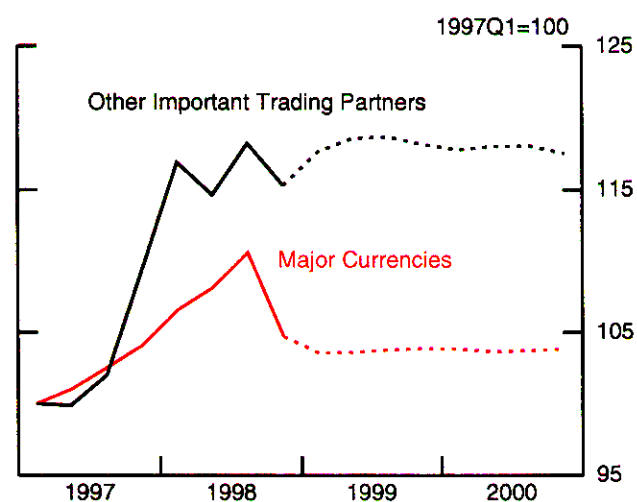
Industrial Countries 1.6 1.8 1.9

Developing Countries -1.0 -0.3 2.7

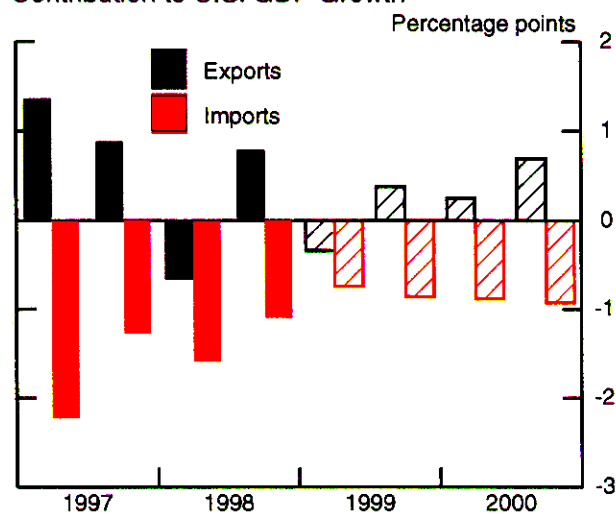
Asia -3.2 1.0 3.1

Latin America 1.5 -2.4 2.2

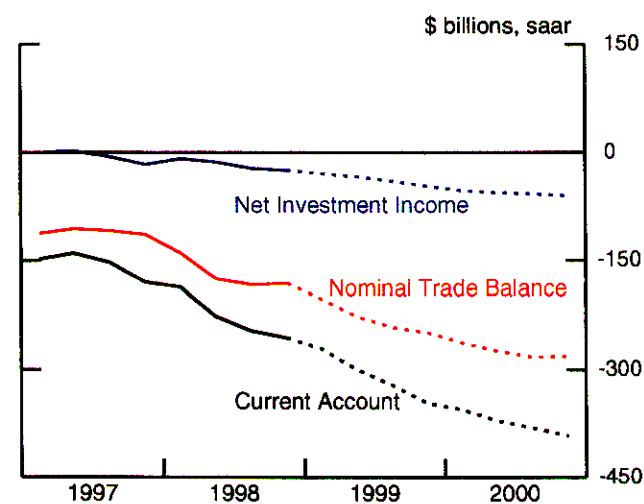
Real Effective Exchange Rates



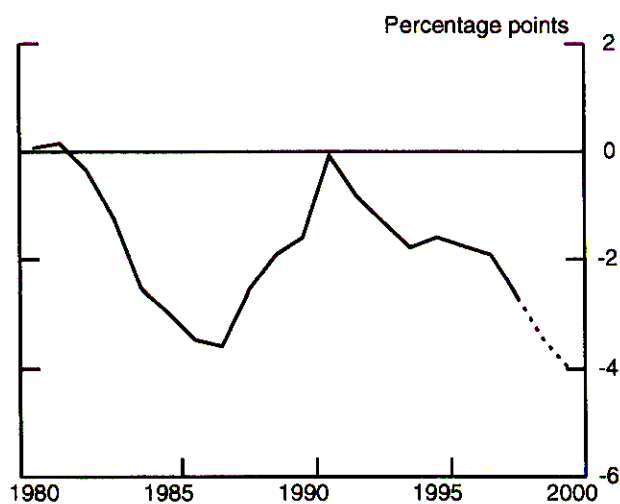
Contribution to U.S. GDP Growth



U.S. External Accounts

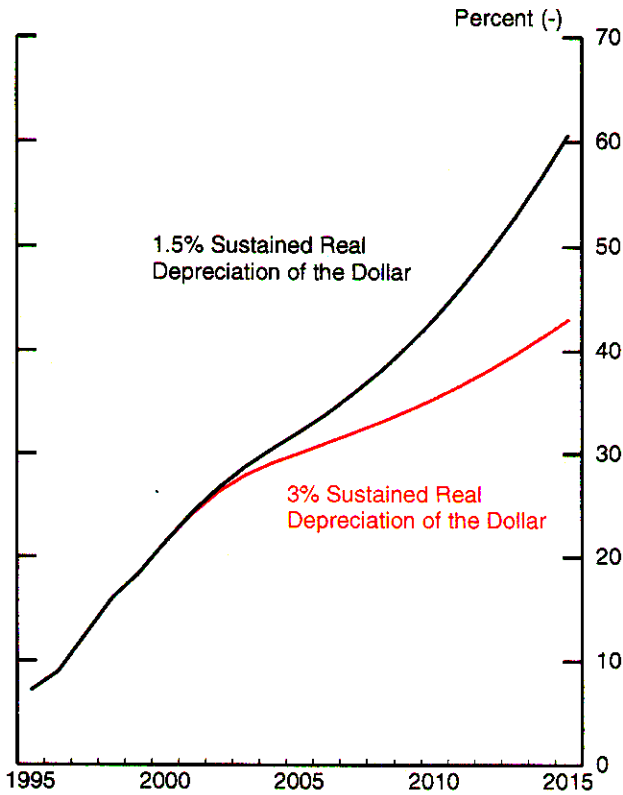


Current Account as Percent of GDP



U.S. Current Account Sustainability

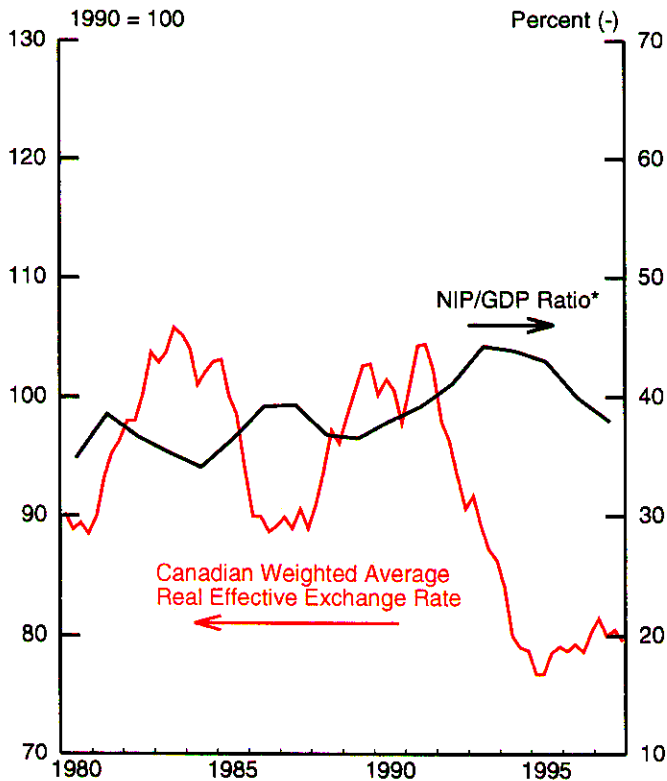
U.S. Net Investment Position to GDP Ratio



Factors Affecting U.S. Current Account Sustainability Since 1997

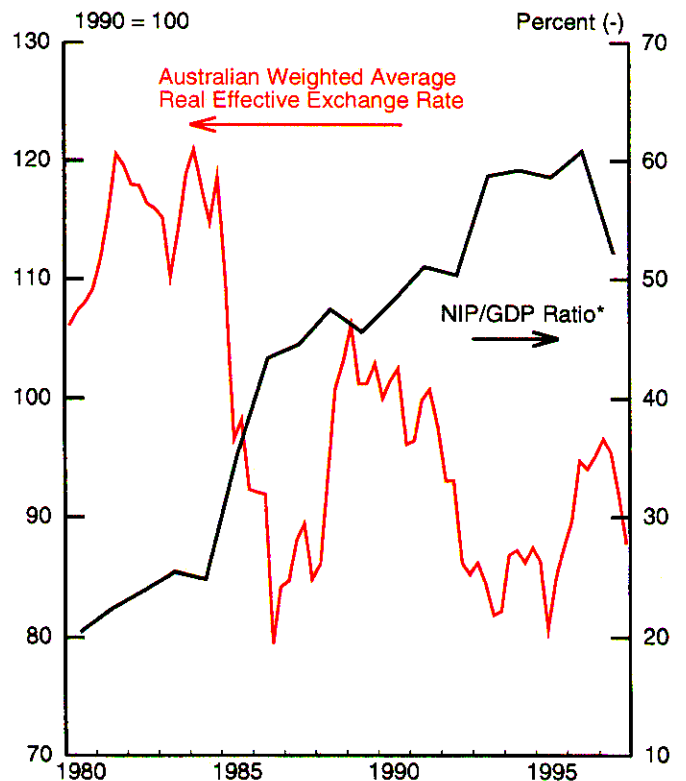
- Further appreciation of the dollar
- Further deterioration of external accounts
- Higher trend rate of growth of U.S. GDP

Canada



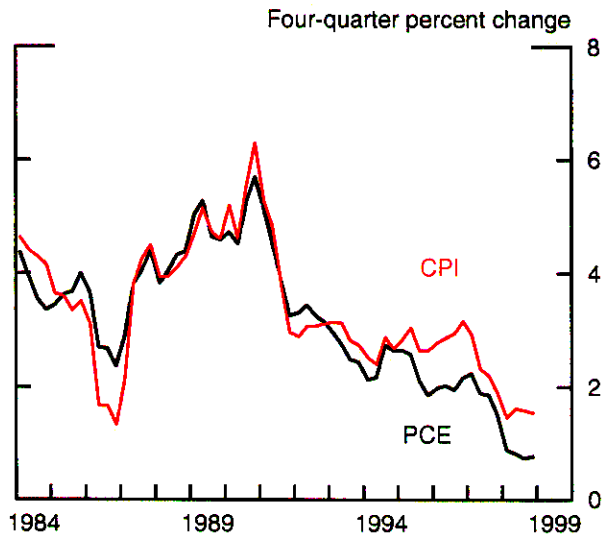
* Net investment position to GDP ratio.

Australia

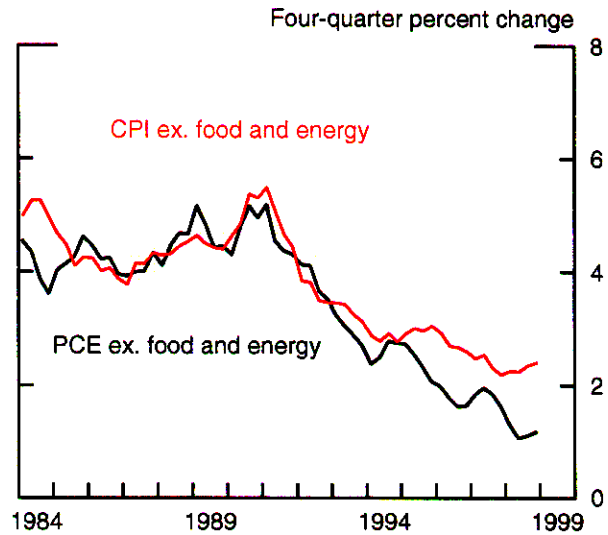


How Low is Inflation?

PCE Price Index and CPI



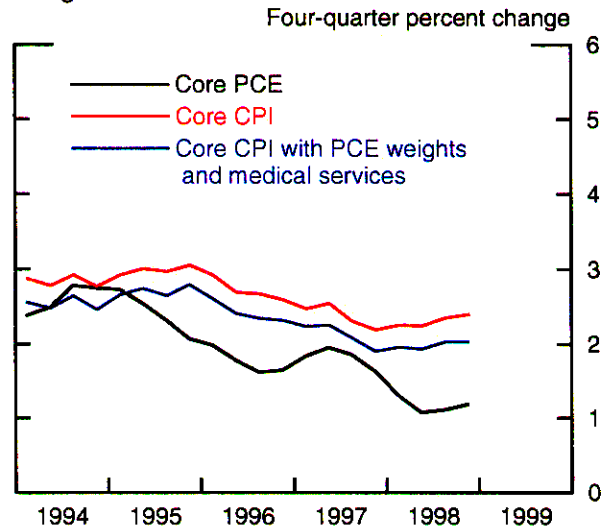
Core PCE and Core CPI



Sources of Difference

- Aggregation formulas
- Scope
- Prices
- Weights

Weight and Price Effects



Pros and Cons of PCE Price Index

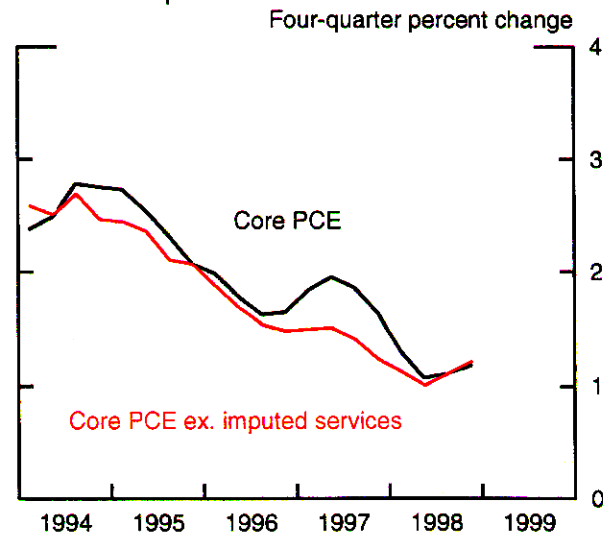
Pros:

- Chain formula
- Flexibility
- Revisability

Con:

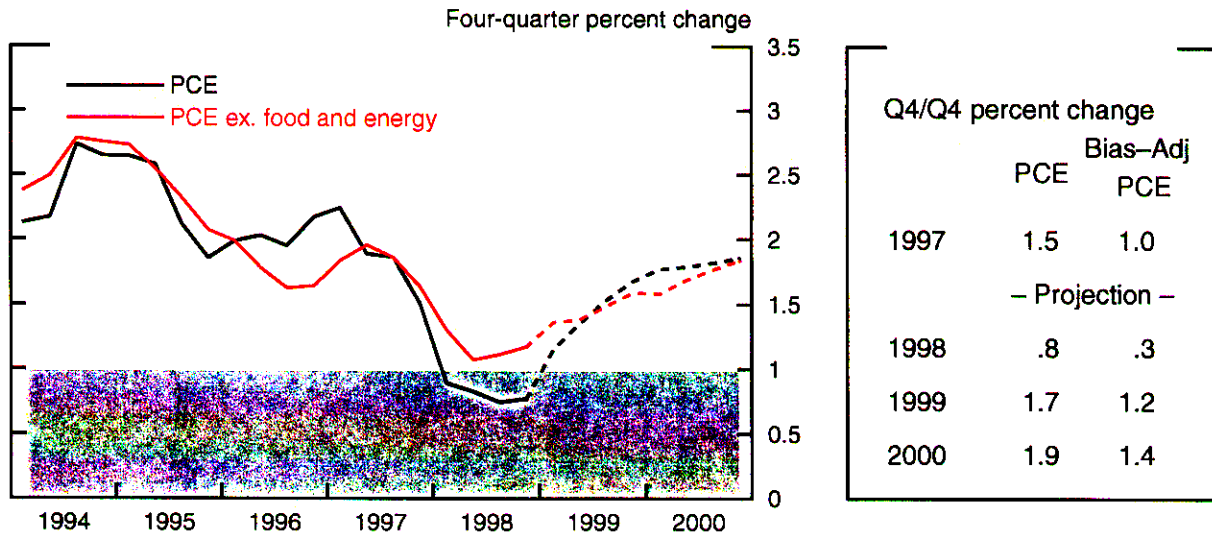
- Use of imputed prices

Effects of Imputed Services

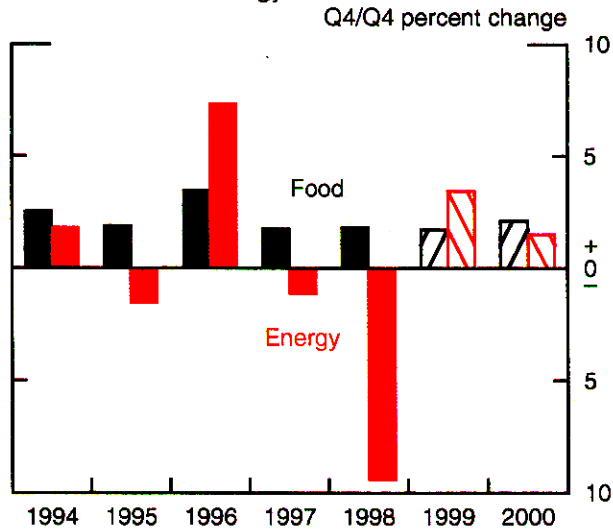


Inflation Projection

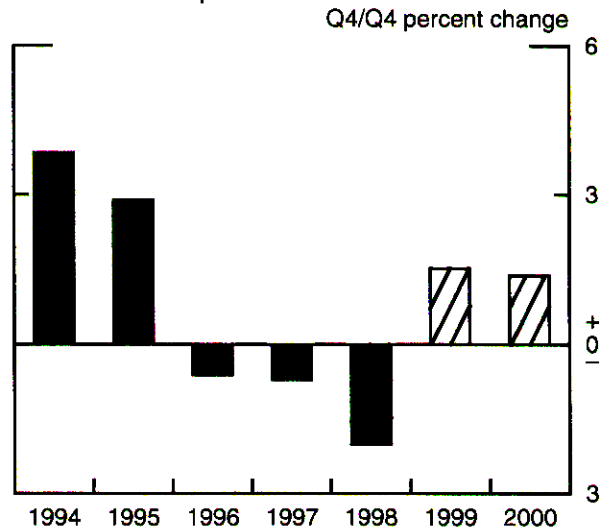
PCE Prices



PCE—Food and Energy

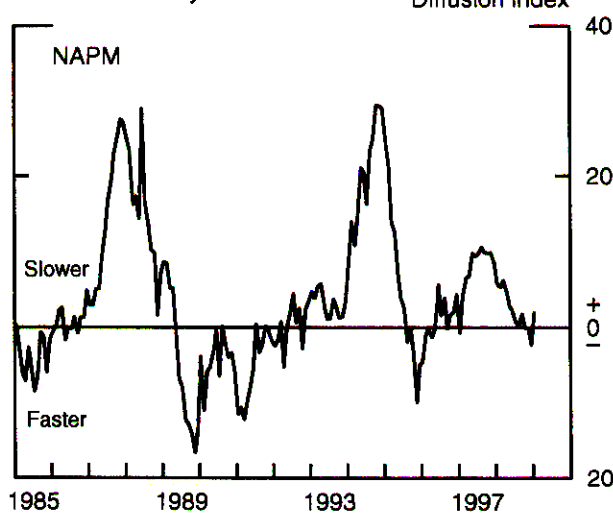


Core Non-oil Import Prices*



* Excludes computers and semiconductors.

Vendor Delivery Performance



Current Job Availability

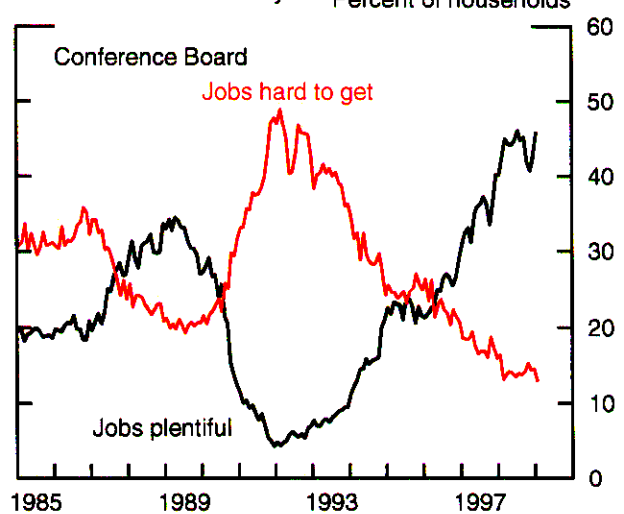
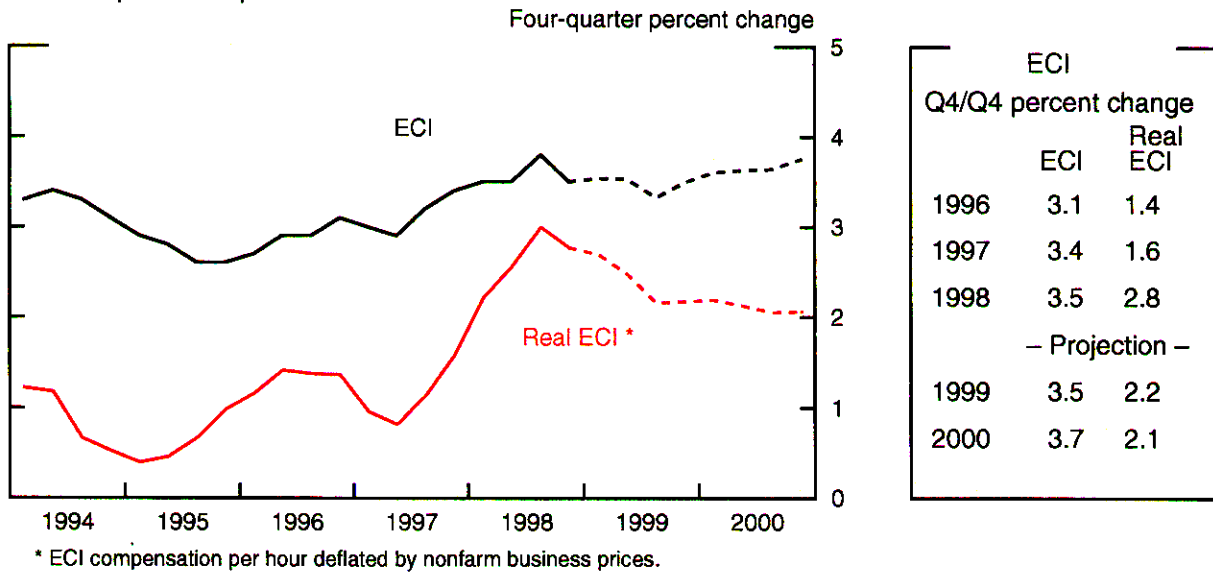


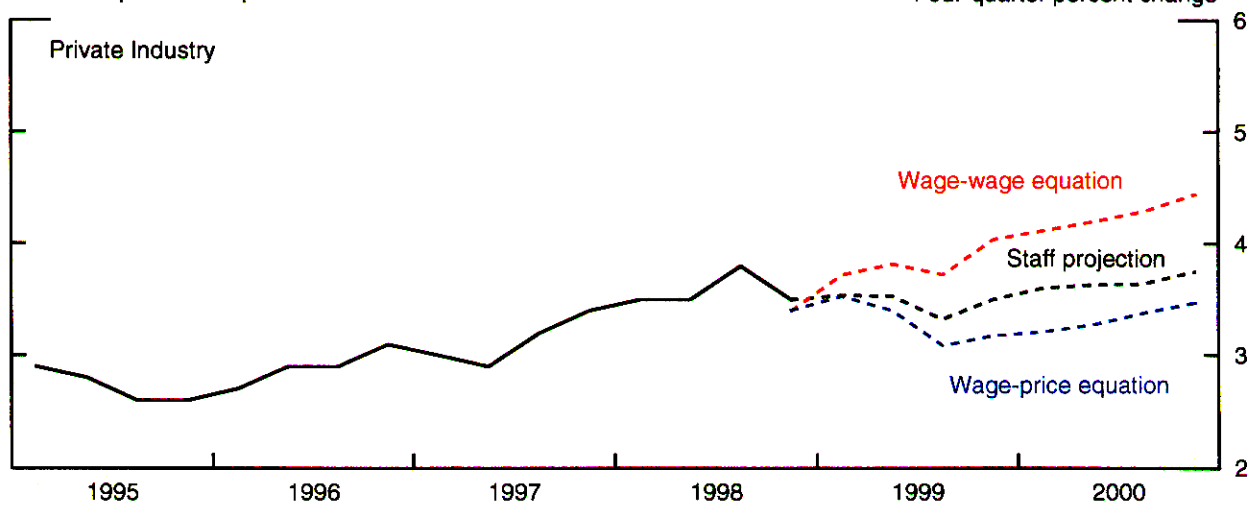
Chart 13

Risks to the Inflation Outlook

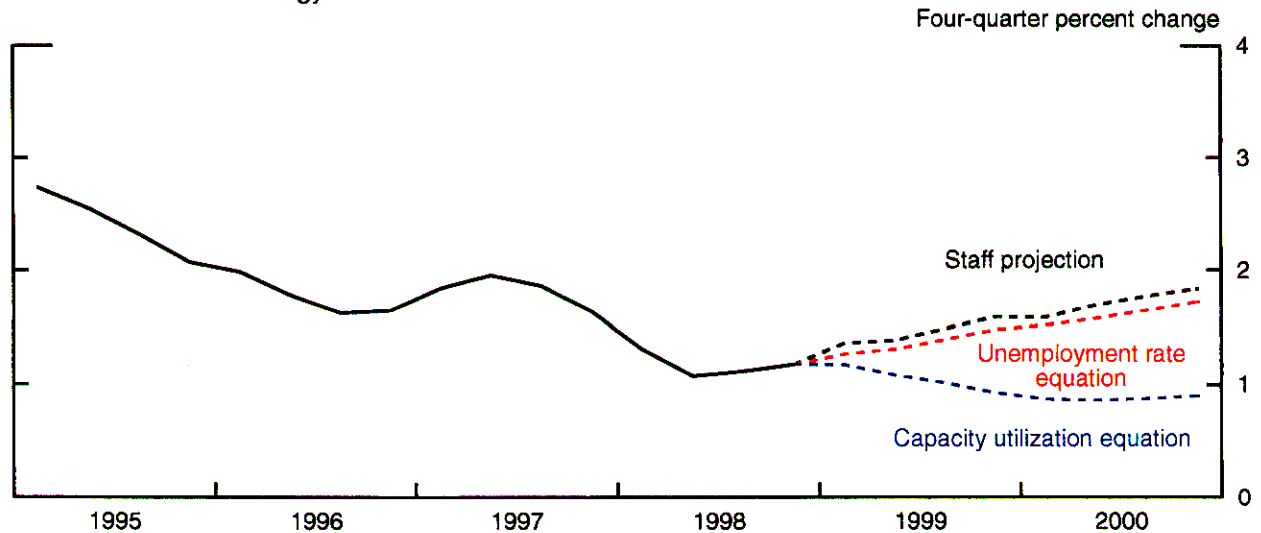
ECI Compensation per Hour



ECI Compensation per Hour



PCE Ex. Food and Energy

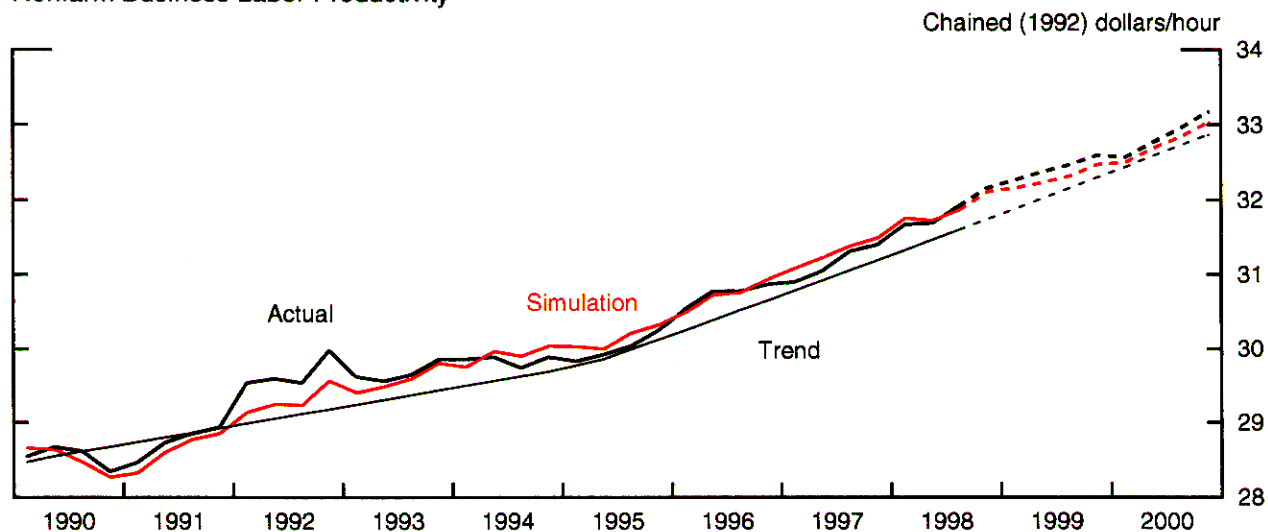


Supply-Side Components of Potential GDP

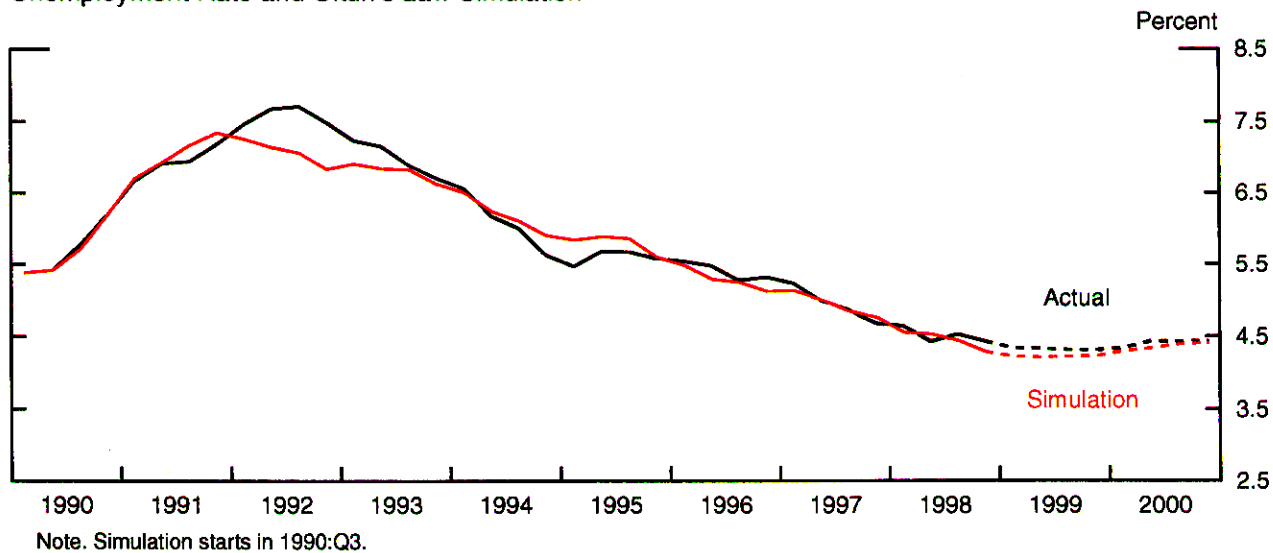
	Long-term trends			Projection
	1973-79	1979-90	1990-95	1995-2000
1. Potential GDP	3.5	2.9	2.1	2.8
2. Labor input	2.0	1.6	1.0	1.0
3. Labor productivity	1.3	1.3	1.1	1.8
4. Capital deepening	.6	.6	.4	.9
5. Labor quality	.0	.3	.4	.3
6. Multifactor productivity	.7	.4	.3	.6
7. Technical factors	.2	.0	.0	.0

Note: Adjusted to place on a technically consistent basis.

Nonfarm Business Labor Productivity



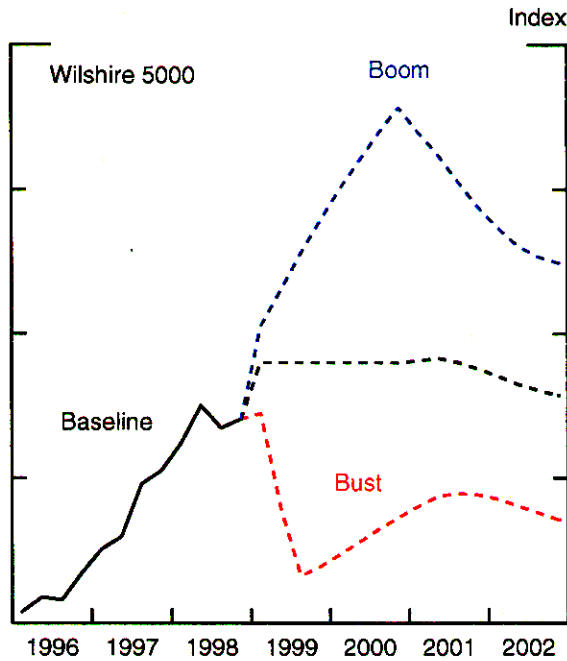
Unemployment Rate and Okun's Law Simulation



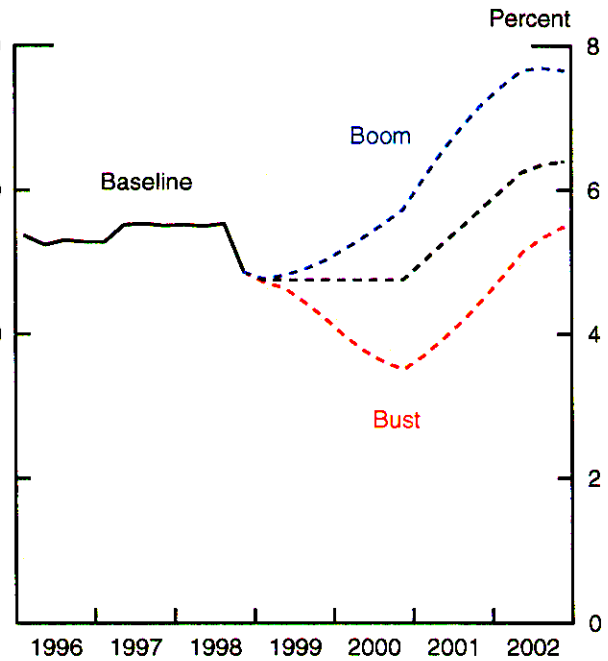
Effects of Changes in the Stock Market

- Boom: Stock market rises about 20 percent in both 1999 and 2000.
- Bust: Stock market falls about 40 percent by 1999:Q3.
- In both alternatives, monetary policy responds according to Taylor rule.

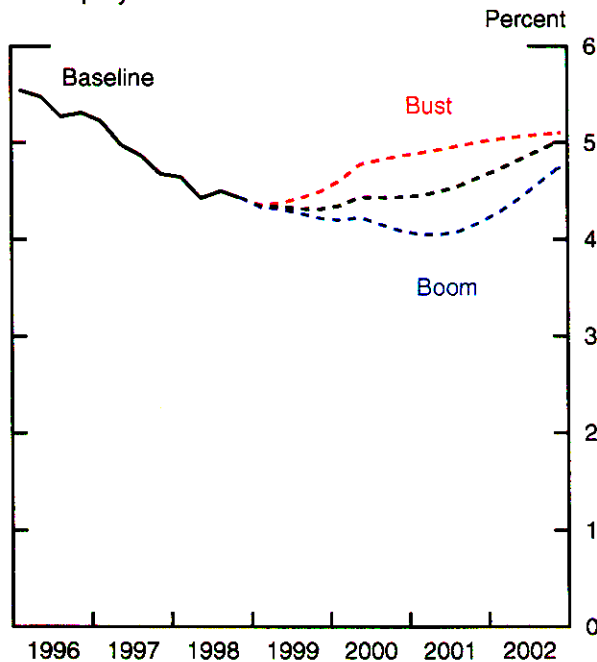
Stock Market



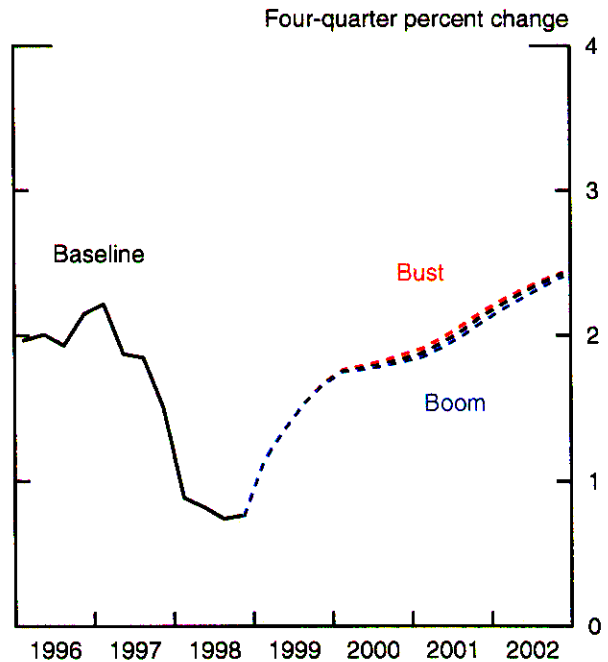
Nominal Federal Funds Rate



Unemployment Rate



PCE Inflation



ECONOMIC PROJECTIONS FOR 1999

	FOMC			
	Range	Central Tendency	Administration	Staff
	Percent change, Q4 to Q4			
Nominal GDP July 1998 H-H	$3\frac{3}{4}$ to 5 (4 to $5\frac{1}{2}$)	4 to $4\frac{1}{2}$ ($4\frac{1}{4}$ to 5)	4.0	4.1
Real GDP July 1998 H-H	2 to $3\frac{1}{2}$ (2 to 3)	$2\frac{1}{2}$ to 3 (2 to $2\frac{1}{2}$)	2.0	2.6
CPI July 1998 H-H	$1\frac{1}{2}$ to $2\frac{1}{2}$ ($1\frac{1}{2}$ to 3)	2 to $2\frac{1}{2}$ (2 to $2\frac{1}{2}$)	2.3	2.3
	Average level, Q4, percent			
Unemployment rate July 1998 H-H	$4\frac{1}{4}$ to $4\frac{3}{4}$ ($4\frac{1}{4}$ to $4\frac{3}{4}$)	$4\frac{1}{4}$ to $4\frac{1}{2}$ ($4\frac{1}{2}$ to $4\frac{3}{4}$)	4.9	4.3

APPENDIX 3

Material used by Mr. Simpson

Material for

***Staff Presentation on
Money and Debt Ranges***

February 2-3, 1999

Exhibit 1

Money and Debt Growth (In percent)

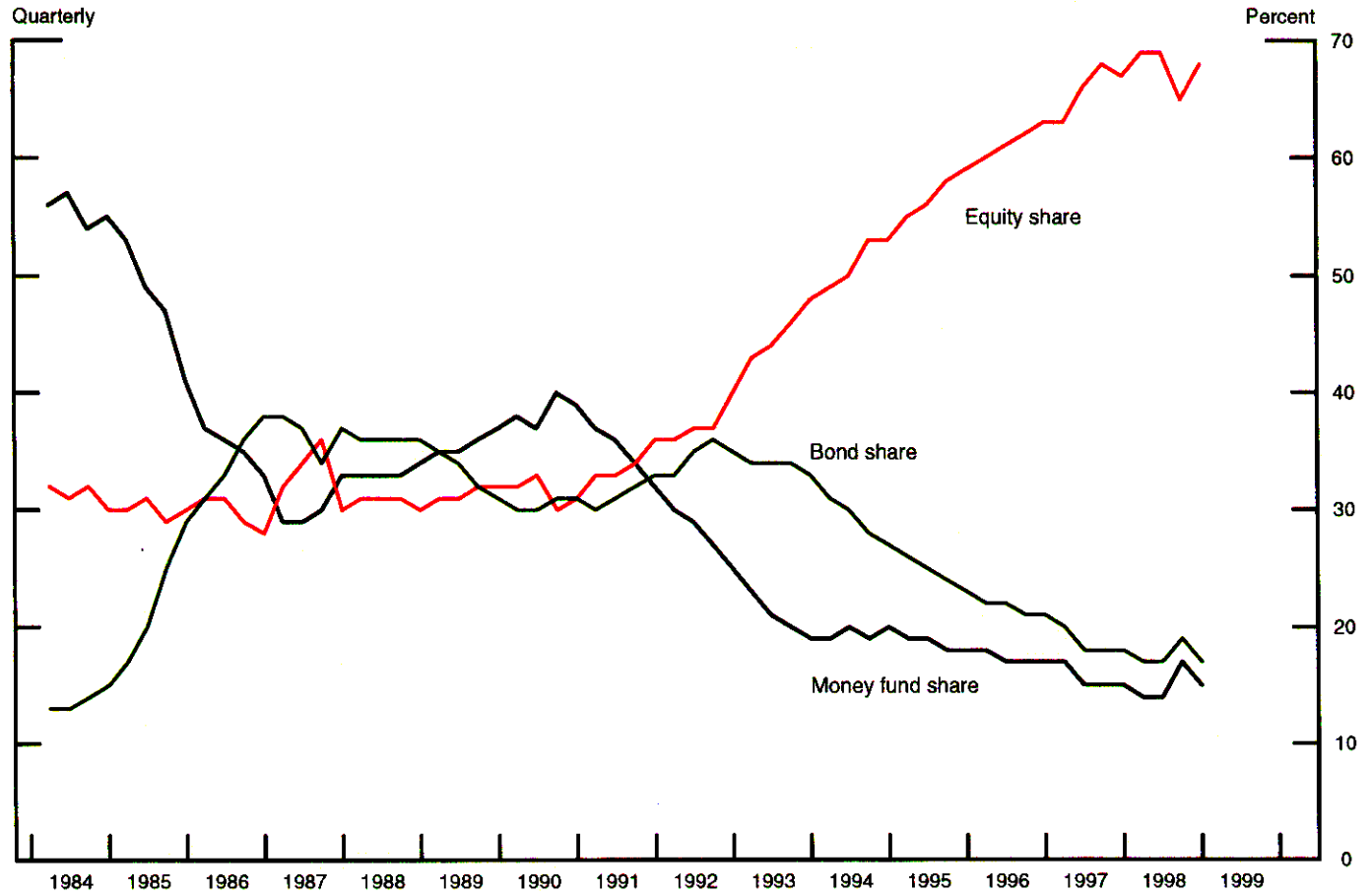
	Provisional 1999 Ranges	1999 (Staff projections)	1998 (actual)
M2	1 to 5	6	8.7
M3	2 to 6	8	11.1
Debt	3 to 7	5¼	6.3
Memo: Nominal GDP			
Staff		4	5.1
FOMC, central tendency		4 to 4½	

Growth of Money Market Mutual Funds (In percent)

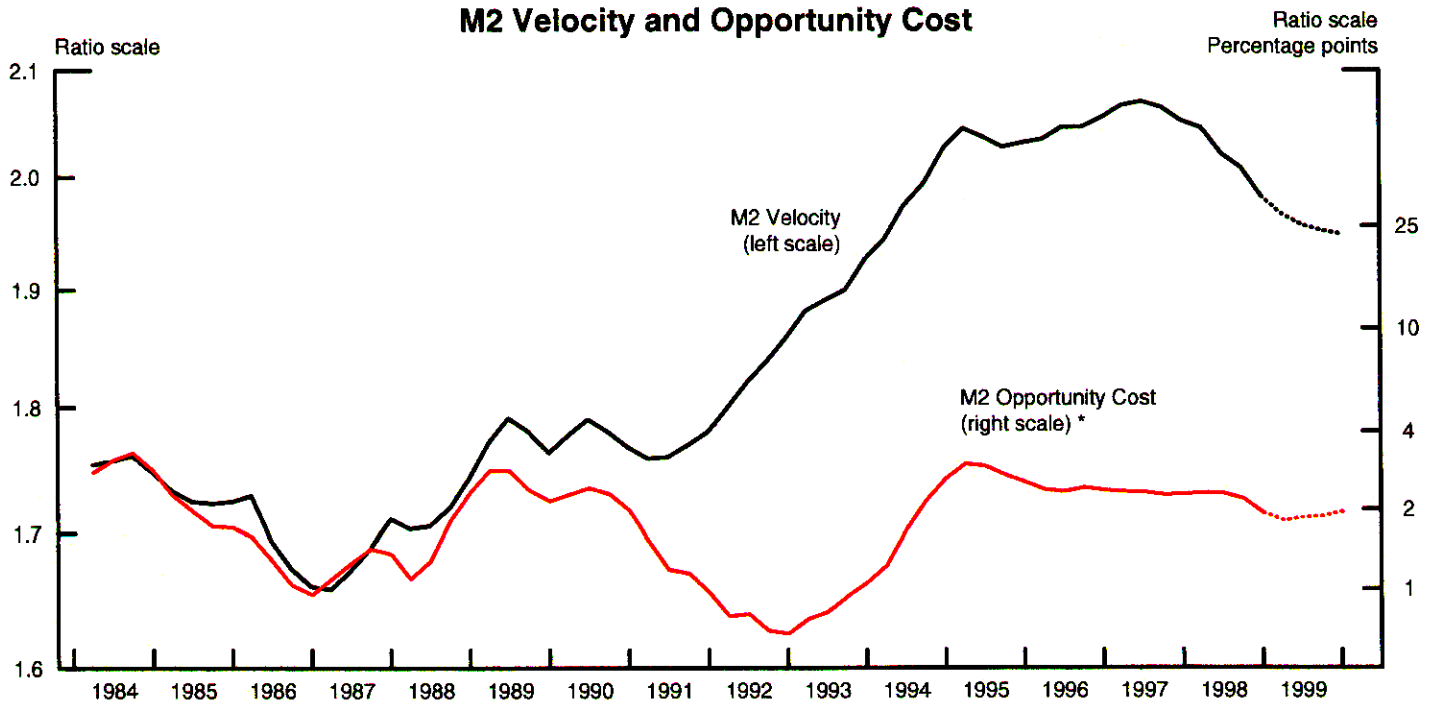
	1995	1996	1997	1998
M2 money funds	18¼	14¼	16	25
Other money funds in M3	24¾	21	21½	34¾
Memo:				
M2	3.9	4.6	5.8	8.7
M3	6.1	6.8	8.8	11.1

Exhibit 2 Mutual Funds and M2 Velocity

Mutual Fund Shares



M2 Velocity and Opportunity Cost



* Two quarter moving average

Exhibit 3

Factors Affecting M3

- M3 money funds have been substituting for market instruments as cash management vehicles
- In a stable interest rate environment, growth in M3 money funds should slow
- Growth in bank credit and associated funding needs are projected to moderate

Flow of Bank Credit and M3 and Non-M3 Sources of Funding
(Billions of Dollars)

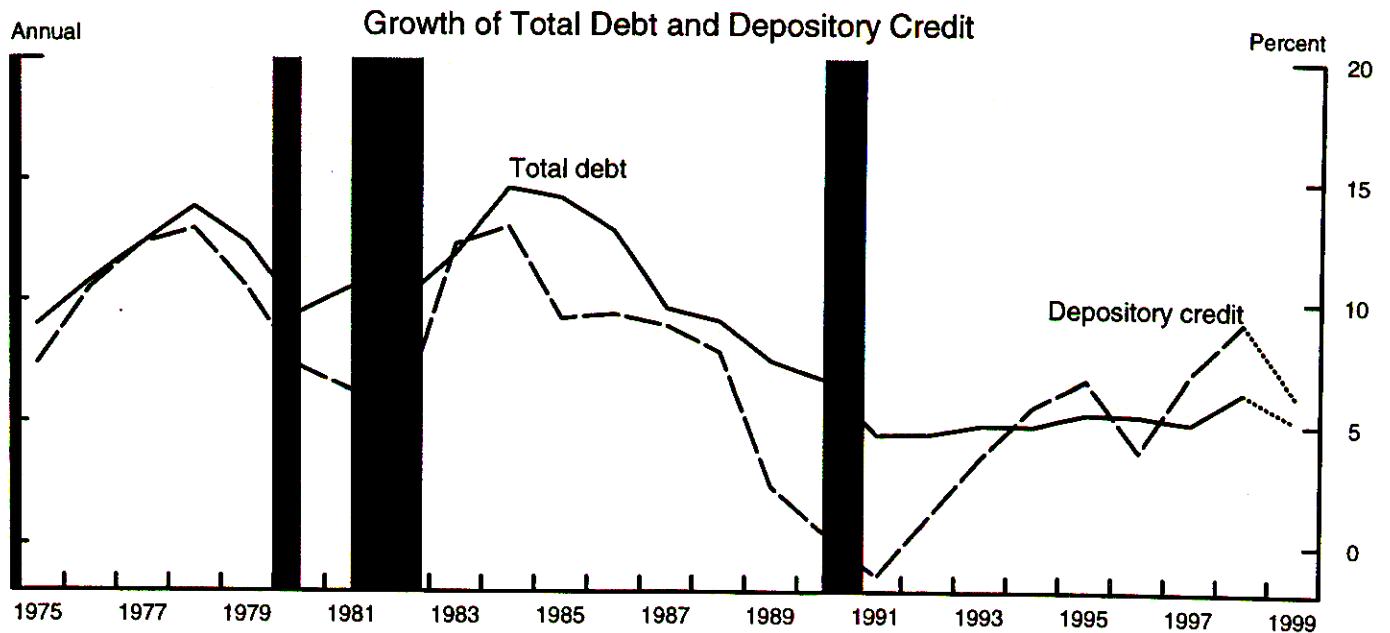
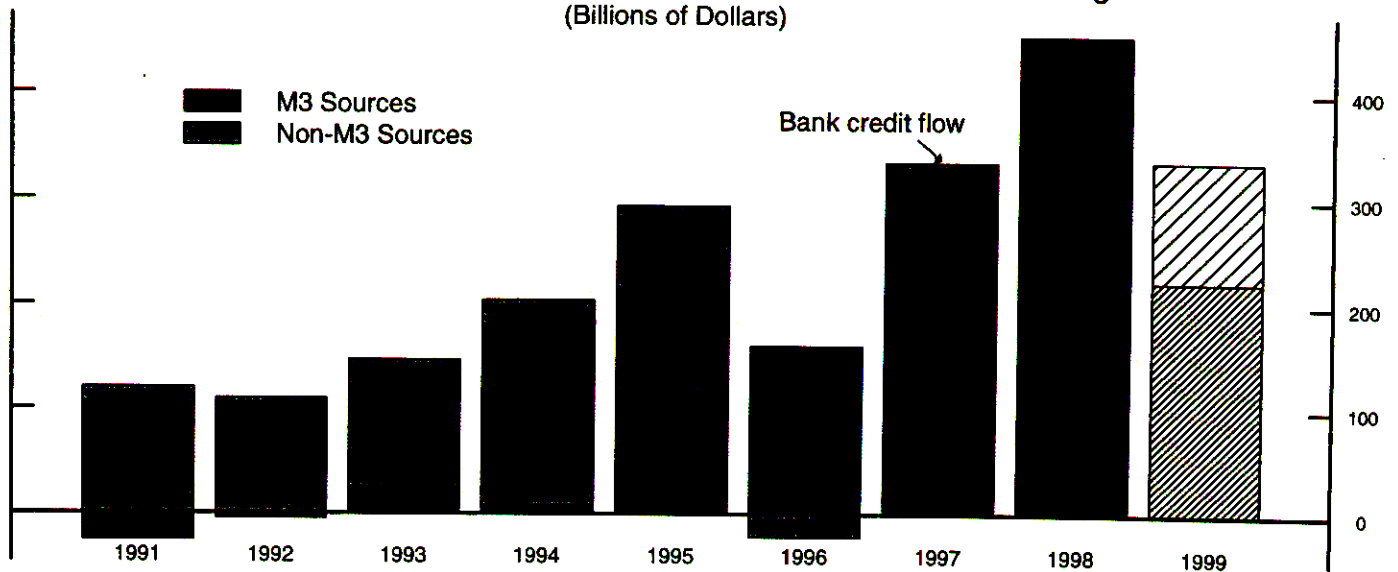
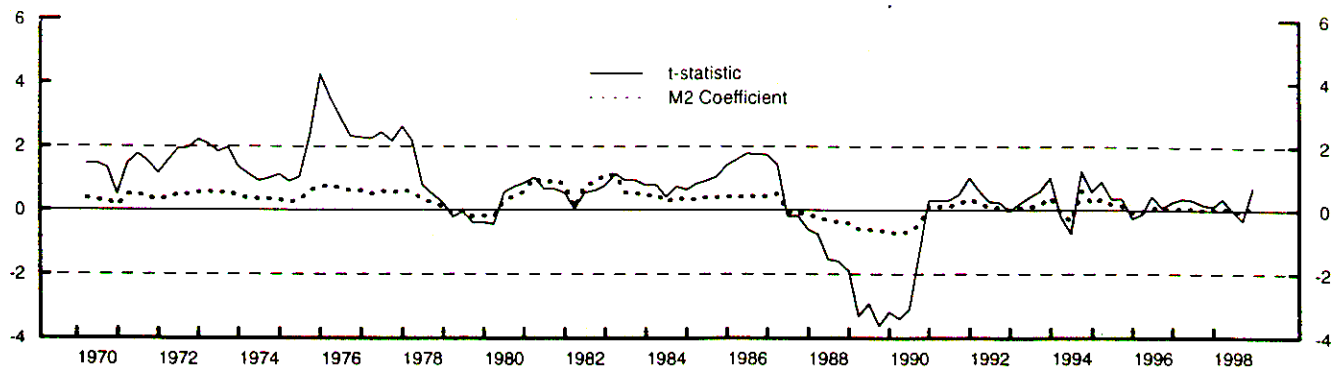


Exhibit 4

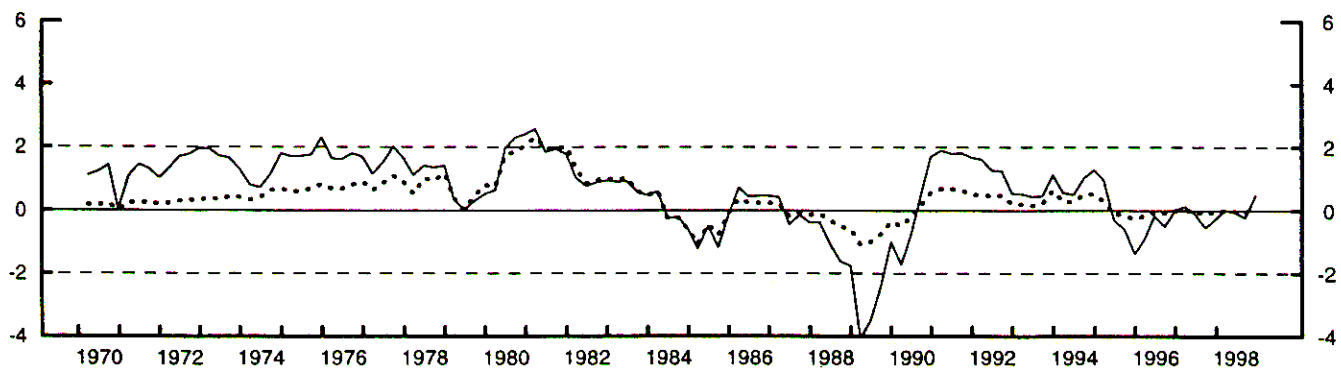
Money and Debt as Indicators of Nominal GDP

(Derived from Rolling Regressions of Nominal GDP Growth on Current and Lagged One Quarter Money or Debt Growth)

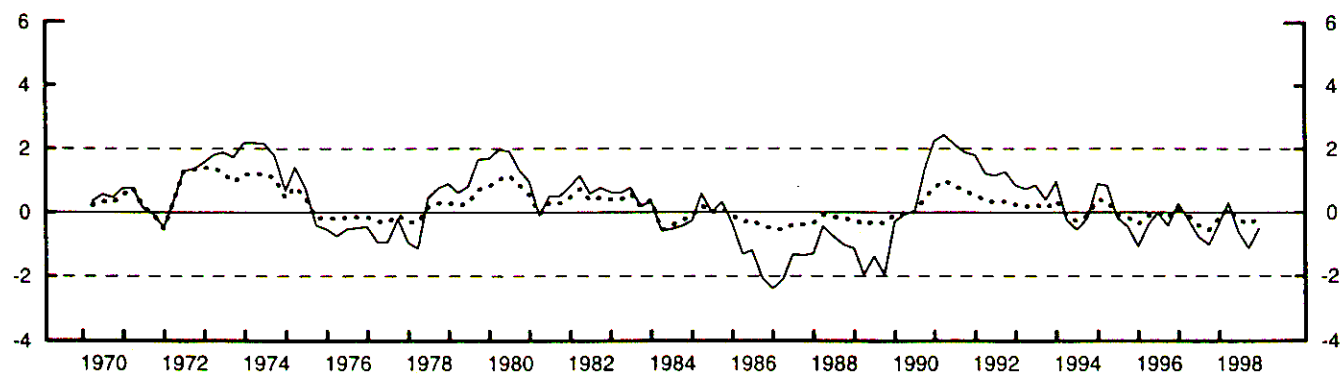
M2



M3



Total Debt



1. Based on regressions of $y_t = A + B_1 y_{t-1} + B_2 m_t + B_3 m_{t-1} + e_t$, where y is growth in nominal GDP, and m is growth in money or debt. Statistics presented are for rolling 16 quarter regressions.