

APPENDIX

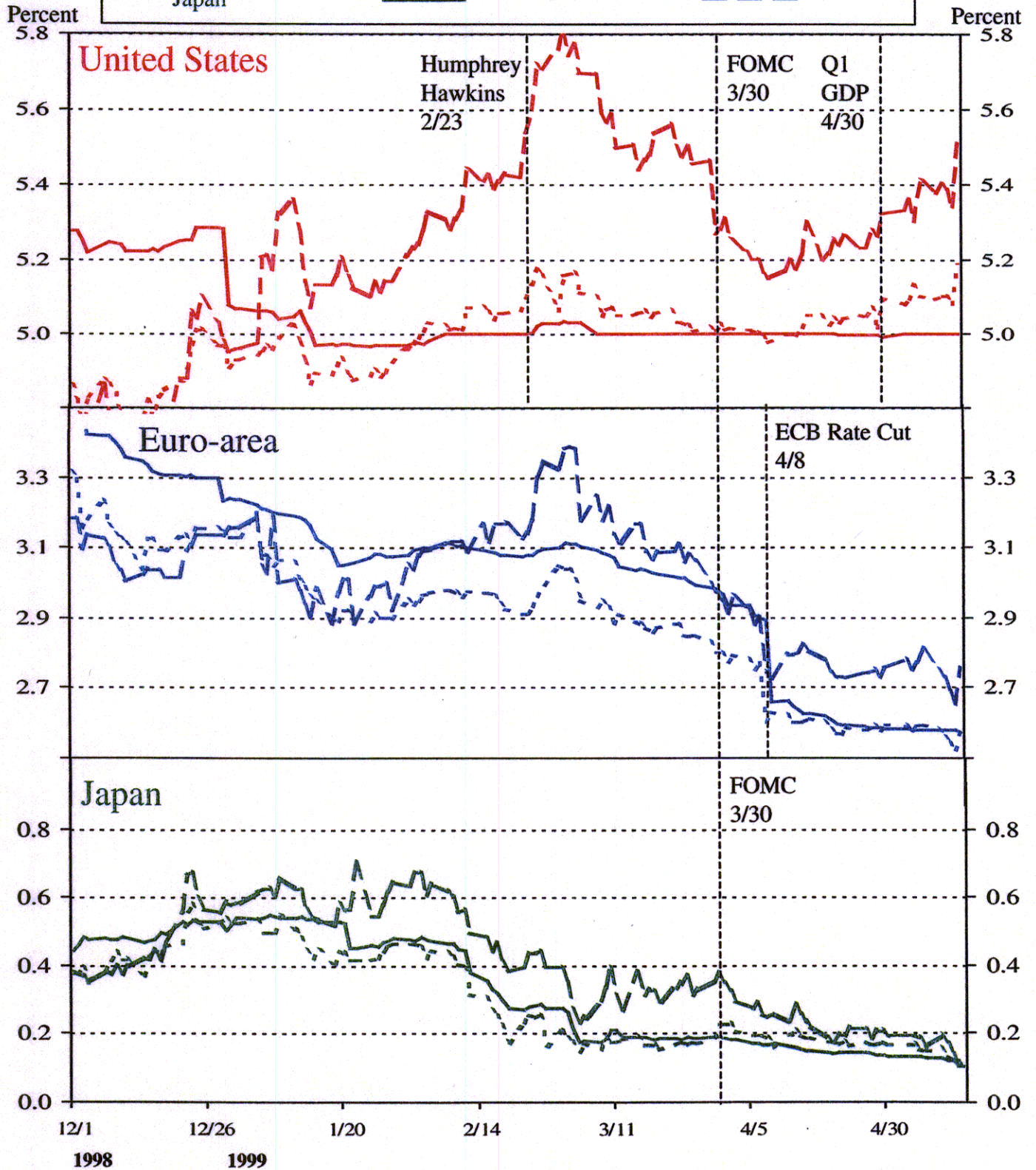
Material used by Mr. Fisher in his presentation

3-Month Deposit Rates

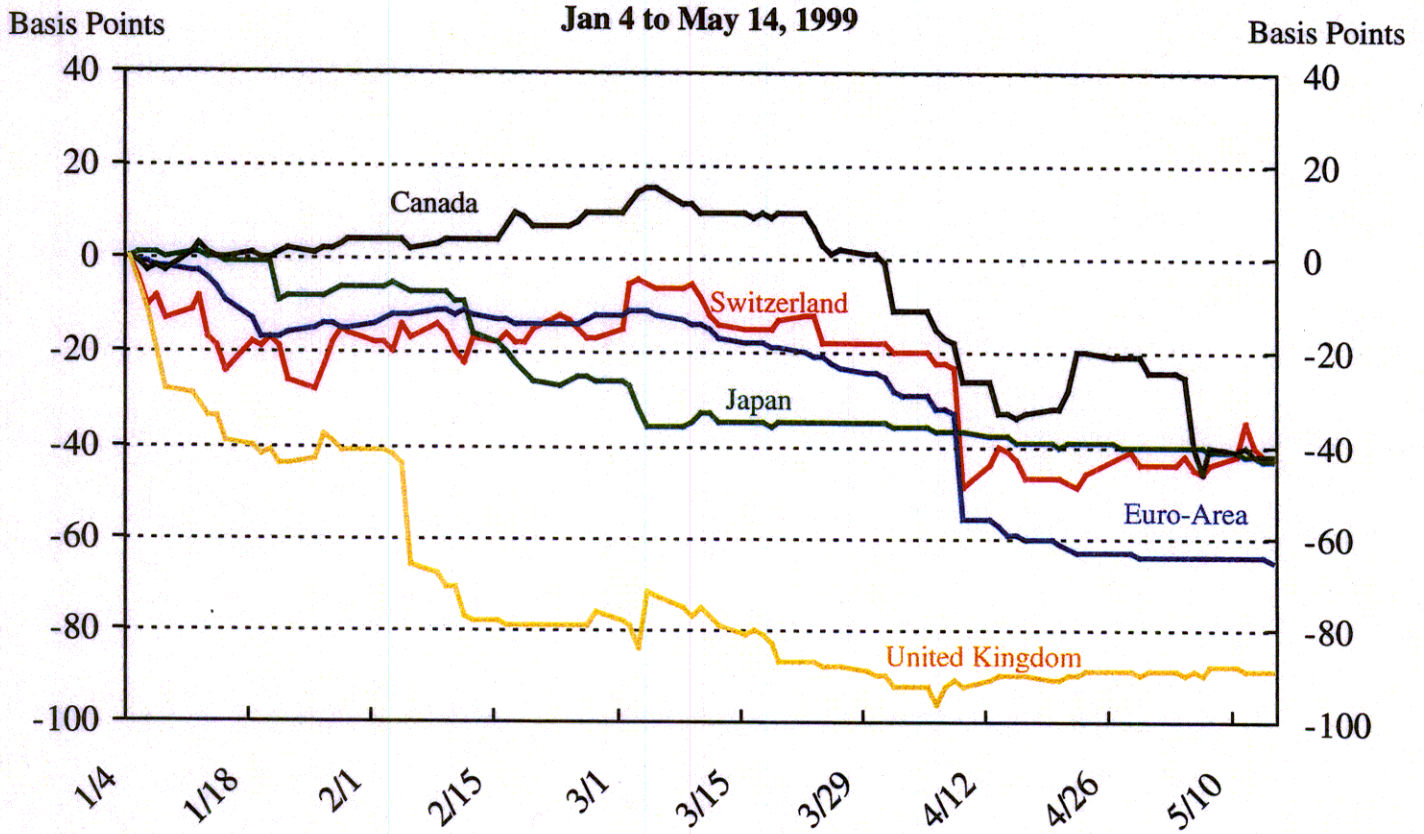
July 1, 1998 - May 13, 1999

Current Euro-Deposit Rate and Rates Implied by Traded Forward Rate Agreements

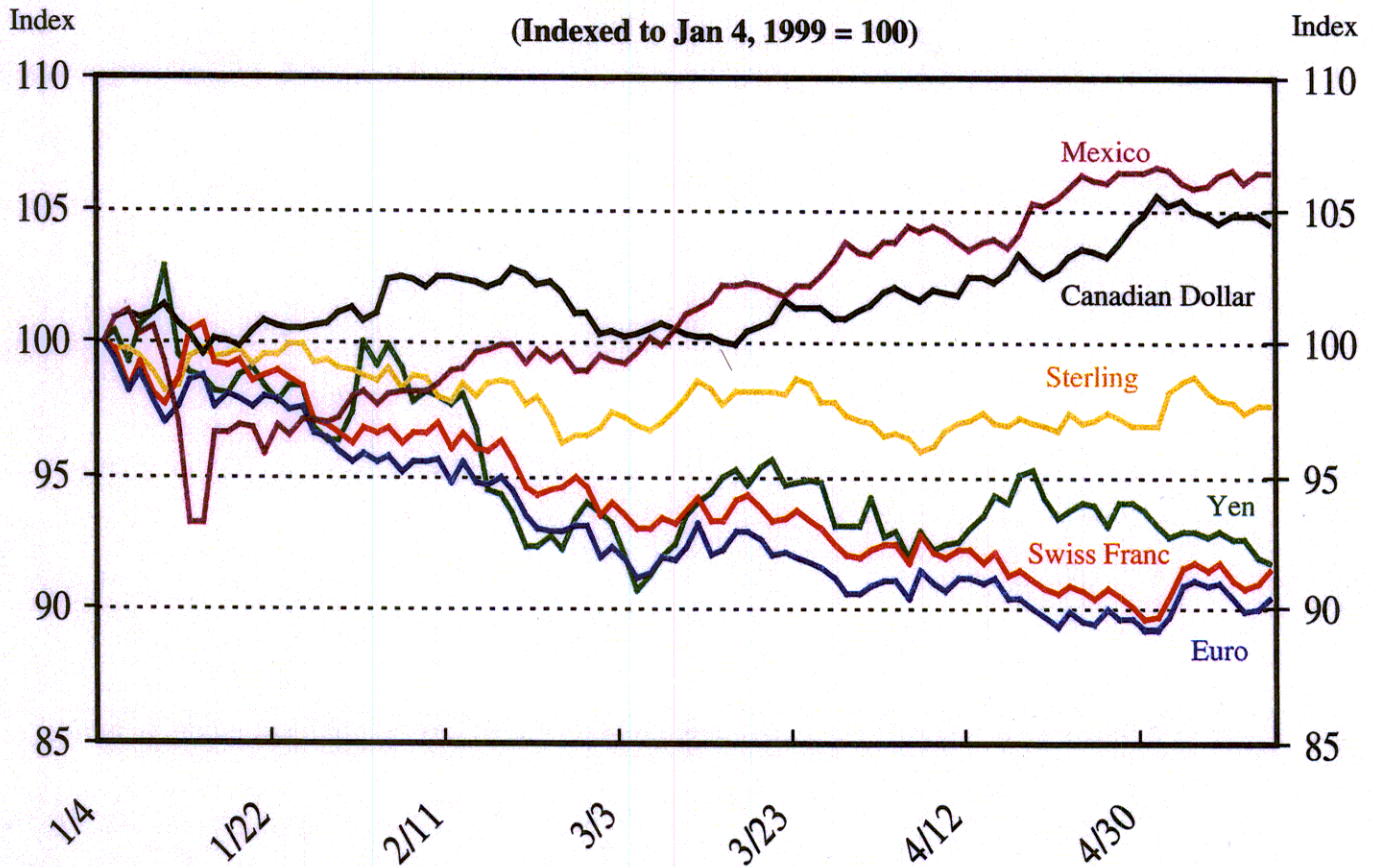
	LIBOR Fixing	3-Mo. Forward	9-Mo. Forward
United States			
Euro-area			
Japan			



Basis Point Change in Three Month Deposit Rates

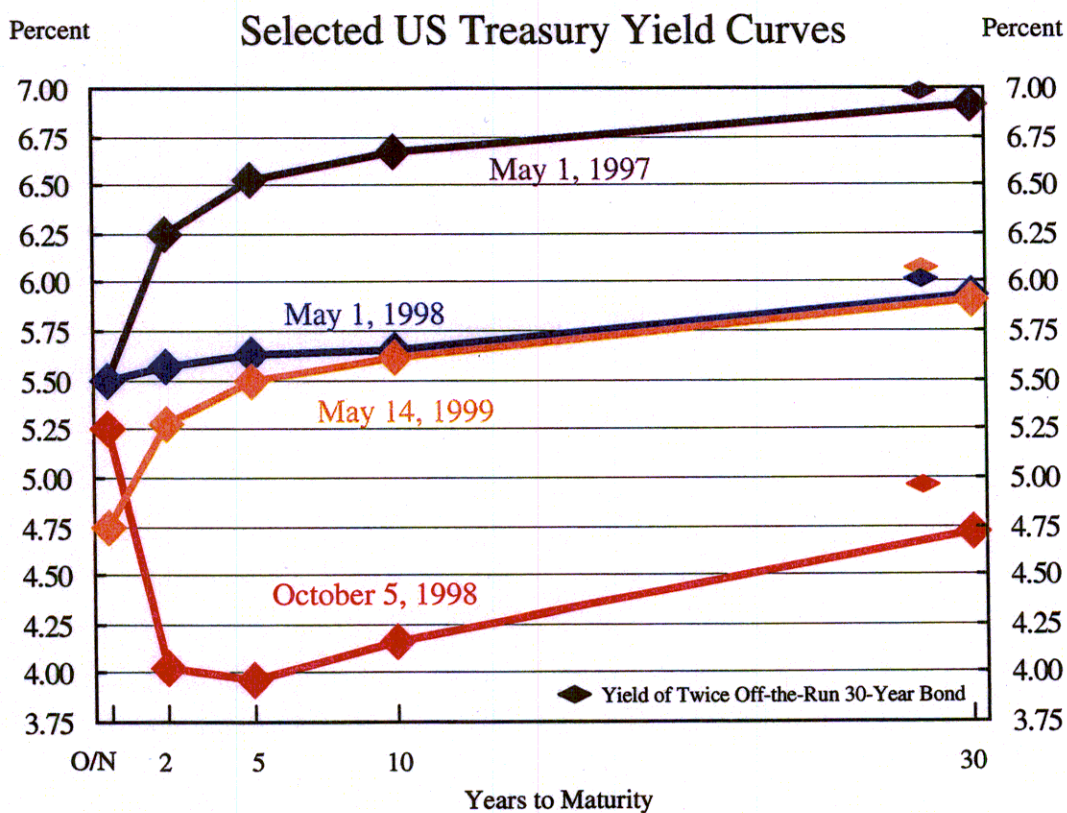
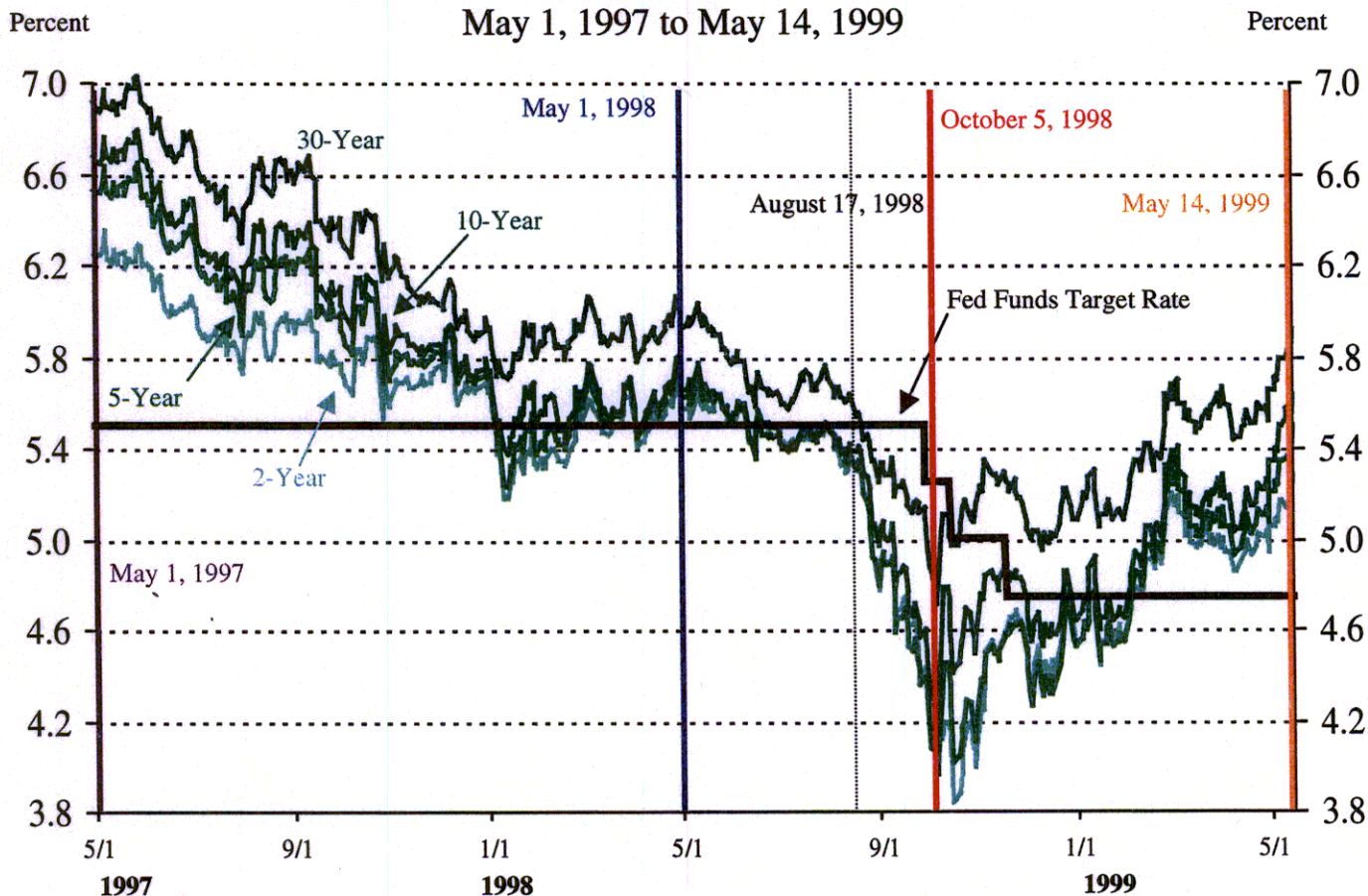


Currency Movements Against US Dollar



US Treasury Yields

May 1, 1997 to May 14, 1999



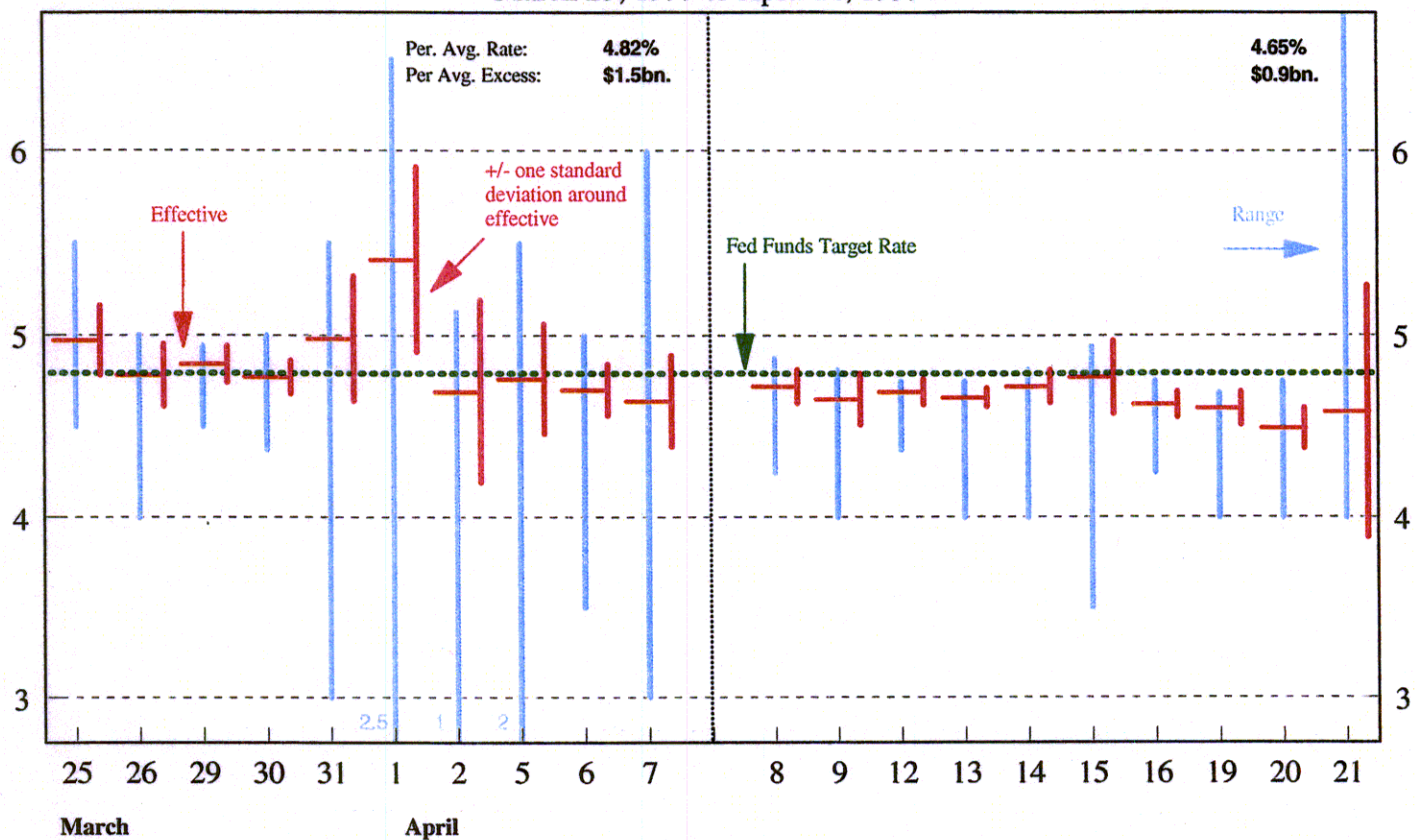
DAILY FEDERAL FUNDS

TRADING RANGE, EFFECTIVE RATE & +/- ONE STANDARD DEVIATION DEVIATION

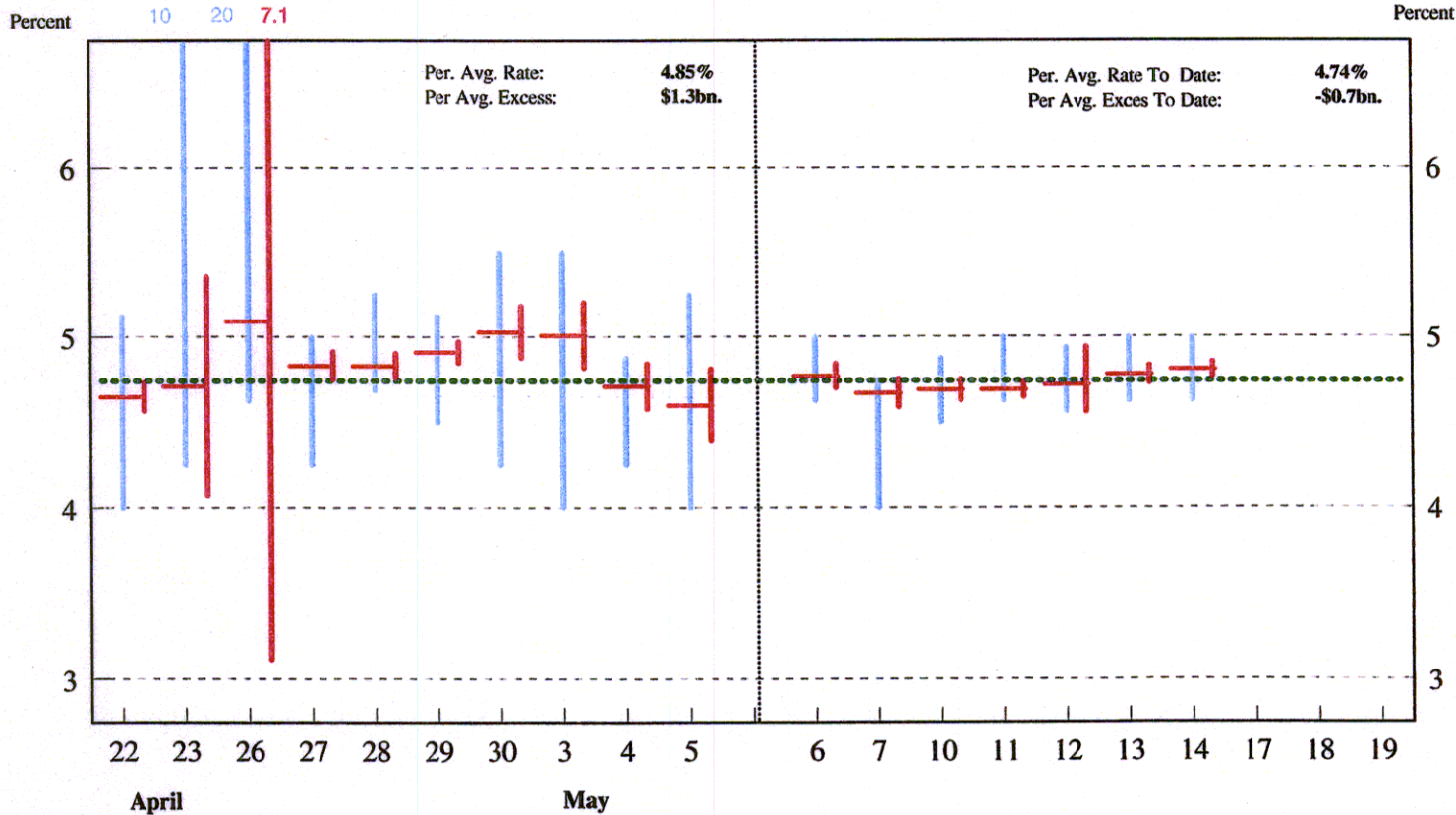
Percent

Percent

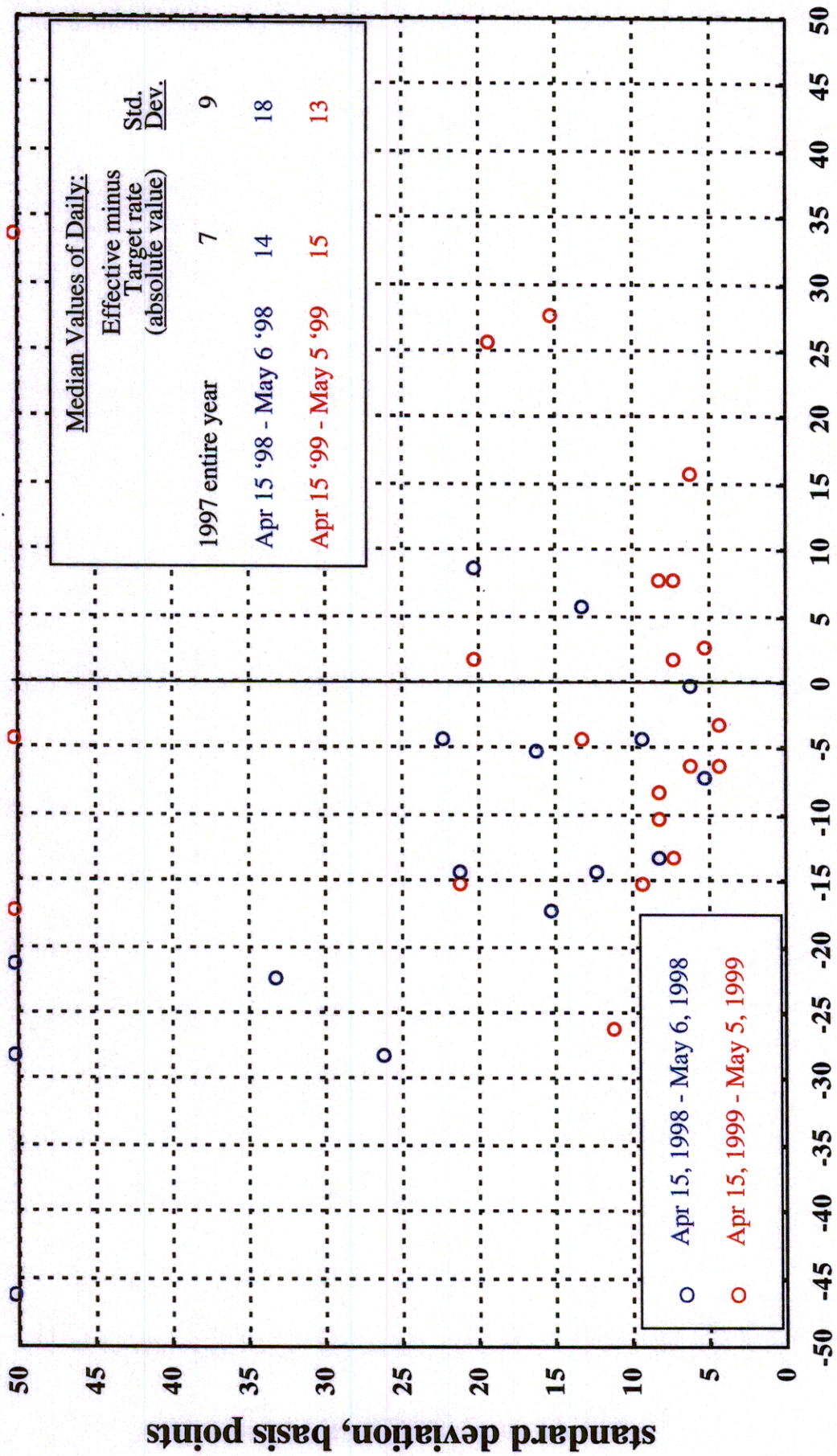
March 25, 1999 to April 21, 1999



April 22, 1999 to May 19, 1999



Daily Federal Funds Effective minus Target Rates (horz. axis) and Daily Standard Deviations (vert. axis)



effective minus target rate, basis points

Preliminary Thoughts on Y2K Issues for Open Market Operations

There is an increased likelihood, later in the year, of the Desk being on both sides of the market, alternately adding and draining reserves.

- The Special Lending Facility, if used as intended, will provide a means for the System's balance sheet to expand as we lend to "small" banks—perceived to be less well prepared—that are losing deposits to either the withdrawal of notes or through transfers of deposits to larger, "better prepared" banks.
 - The "large banks" may not be comfortable either holding high levels of excess reserves or recycling deposits back to "lesser" credits.
 - This could lead to tiering in the funds markets, with the System acting as intermediary: adding reserves to "small" banks, draining from "large" banks.
- Thus, the System's balance sheet may be expanding through use of the Special Lending Facility, as well as through the Desk's outright operations and longer-term repo operations (in response to an overall increase of notes in circulation).
 - The Desk is likely to fine tune reserves with more frequently alternating use of short-term repos and matched-sales, adding or draining as appropriate.
- As year-end approaches, if there appears to be a developing "scarcity of collateral" as some fear, the Desk may intentionally oversupply reserves, early on with term repos, so that we can then fine tune total reserves through matched-sale draining operations, where we provide the collateral.

Some consideration is being given to the need for "late day" operations, after the regular 3 p.m. close of the securities wire:

- To drain reserves, through "on-us" matched sales, where we would find a means of crediting the collateral to the dealers after the normal 3 p.m. close.
- To add reserves, through use of tripartite custodians, who would hold the collateral for us.
 - Use of a tripartite custodian might also facilitate our acceptance of other forms of collateral (that the Desk's systems cannot now handle).

Year-End Butterfly Trade 1996 to 1999

Difference between the yield on the 3-Month December Eurodollar contract and the average of the 2 surrounding contracts (September and March)

