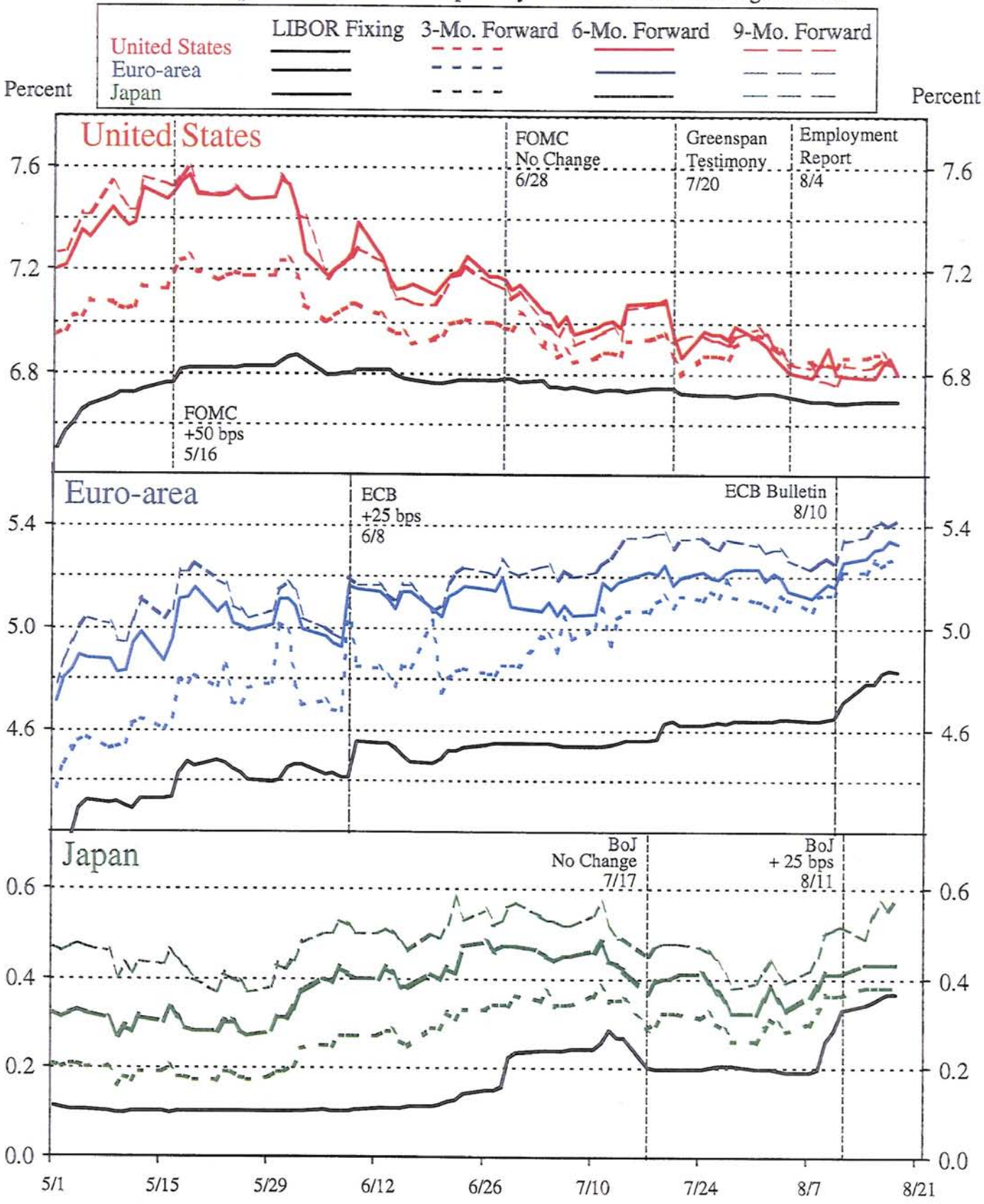
Appendix 1

Materials used by Mr. Fisher

3-Month Deposit Rates

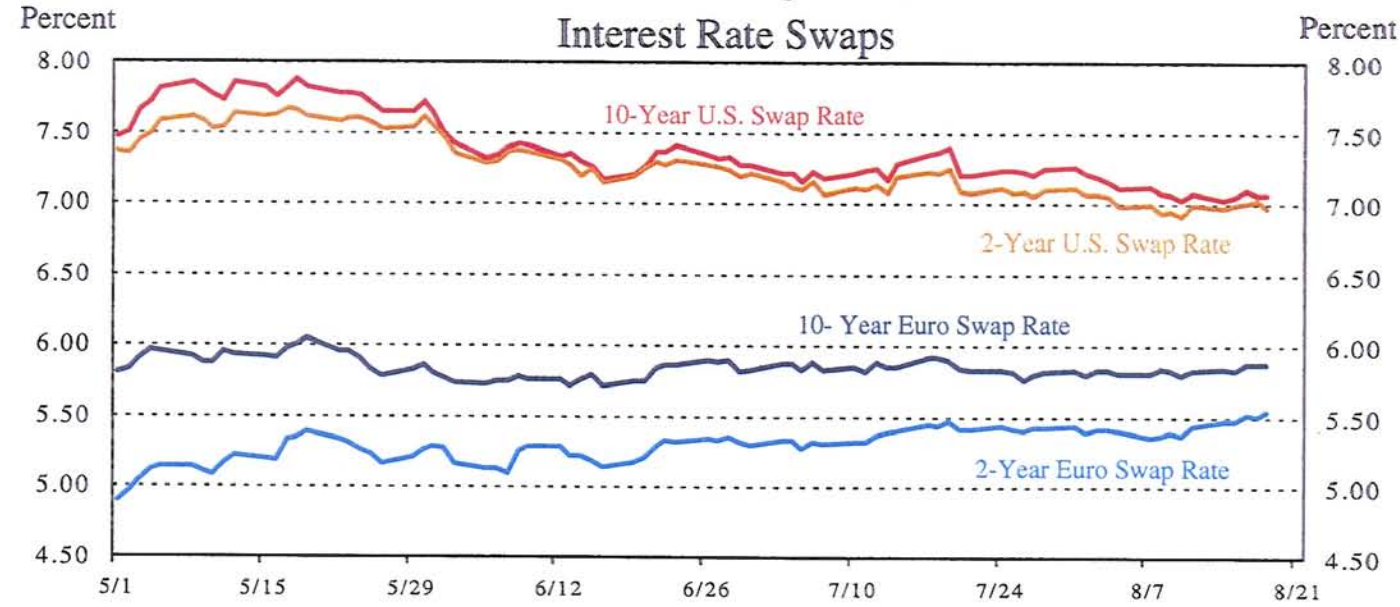
May 1, 2000 - August 18, 2000

Current Deposit Rate and Rates Implied by Traded Forward Rate Agreements

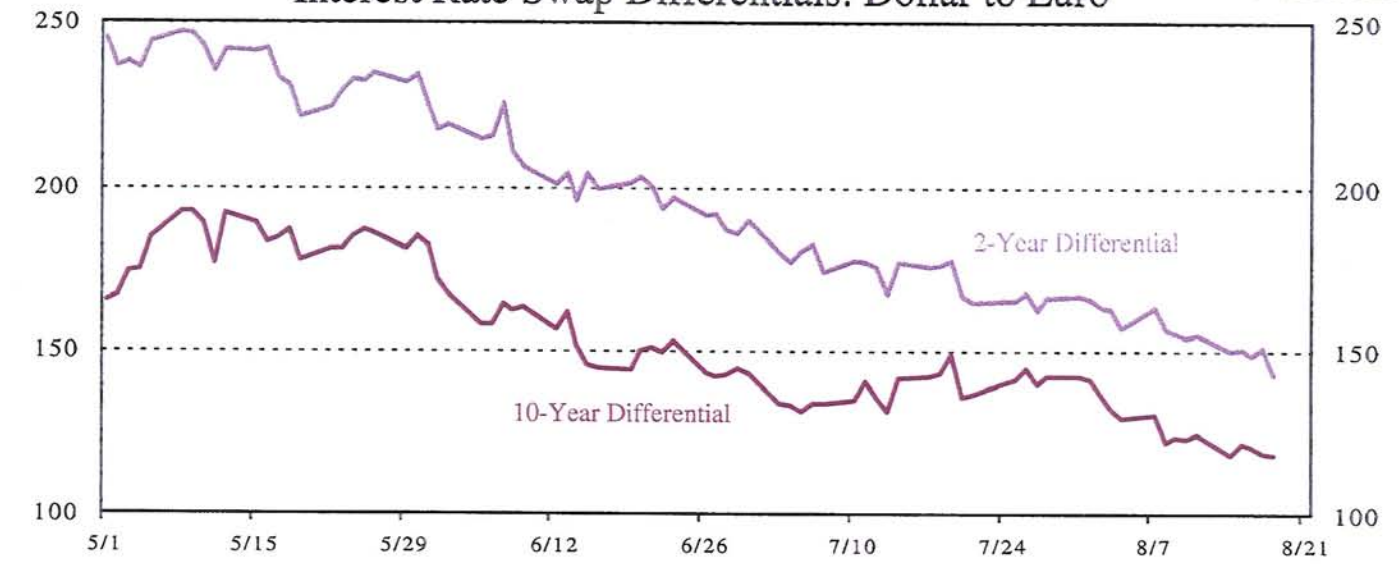


May 1, 2000 to August 18, 2000

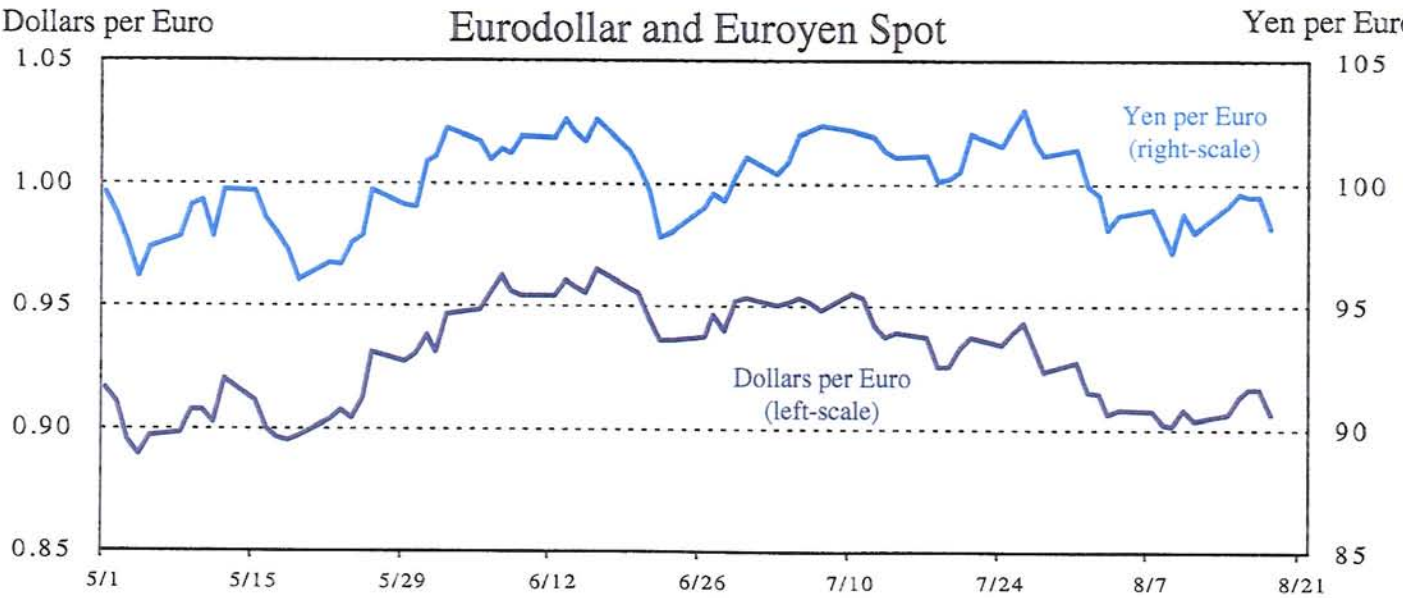
Interest Rate Swaps



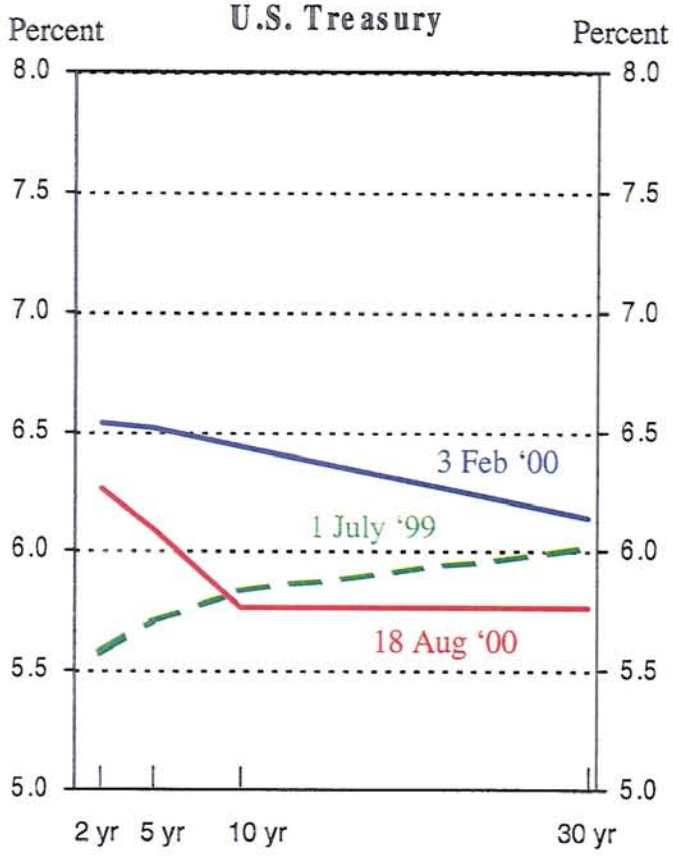
Interest Rate Swap Differentials: Dollar to Euro

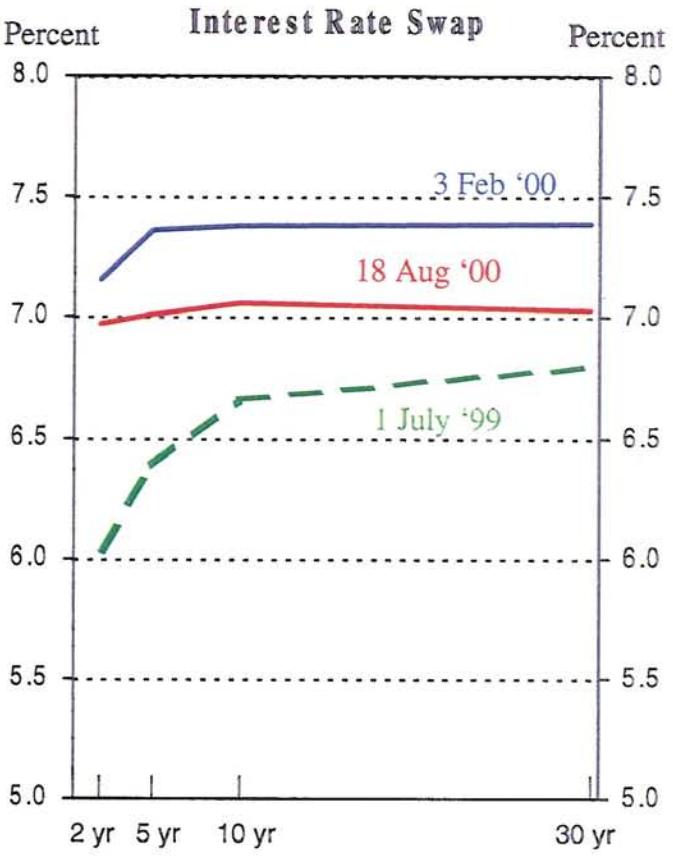


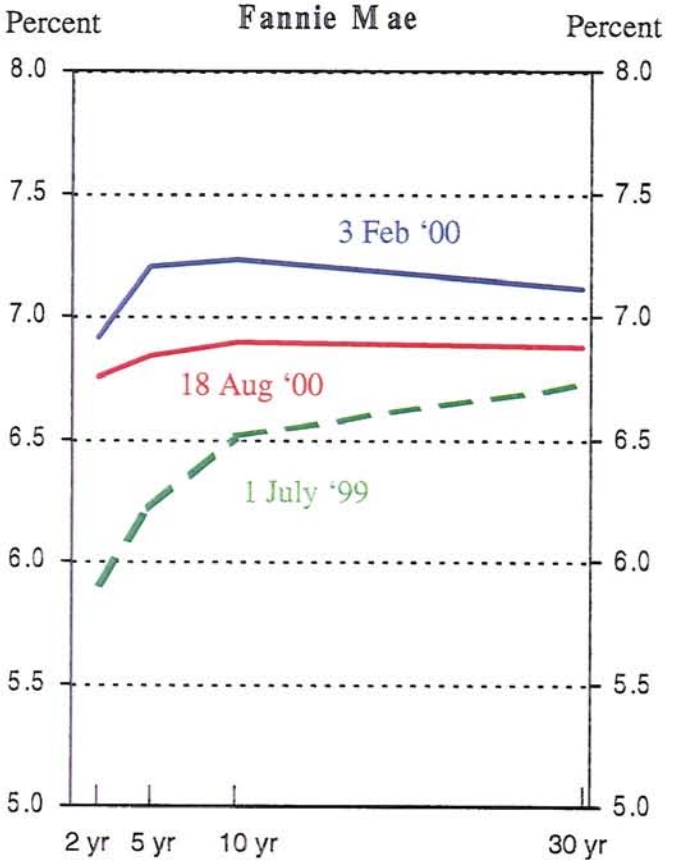
Eurodollar and Euroyen Spot



Domestic Yield Curves

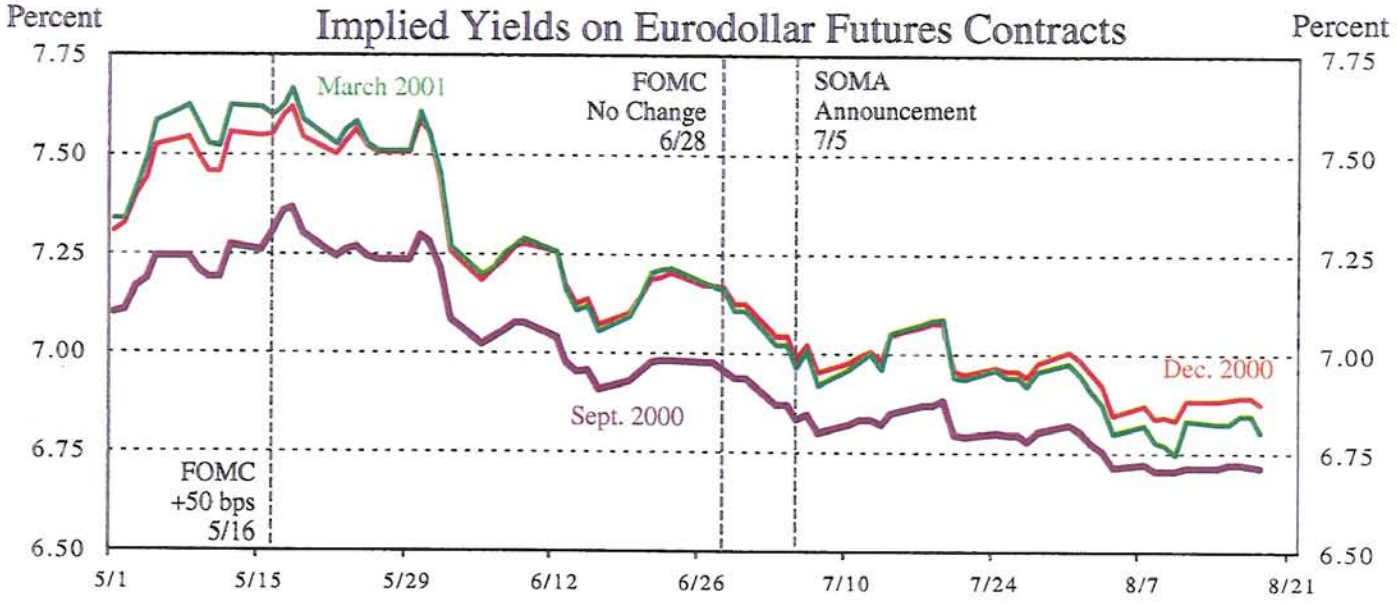




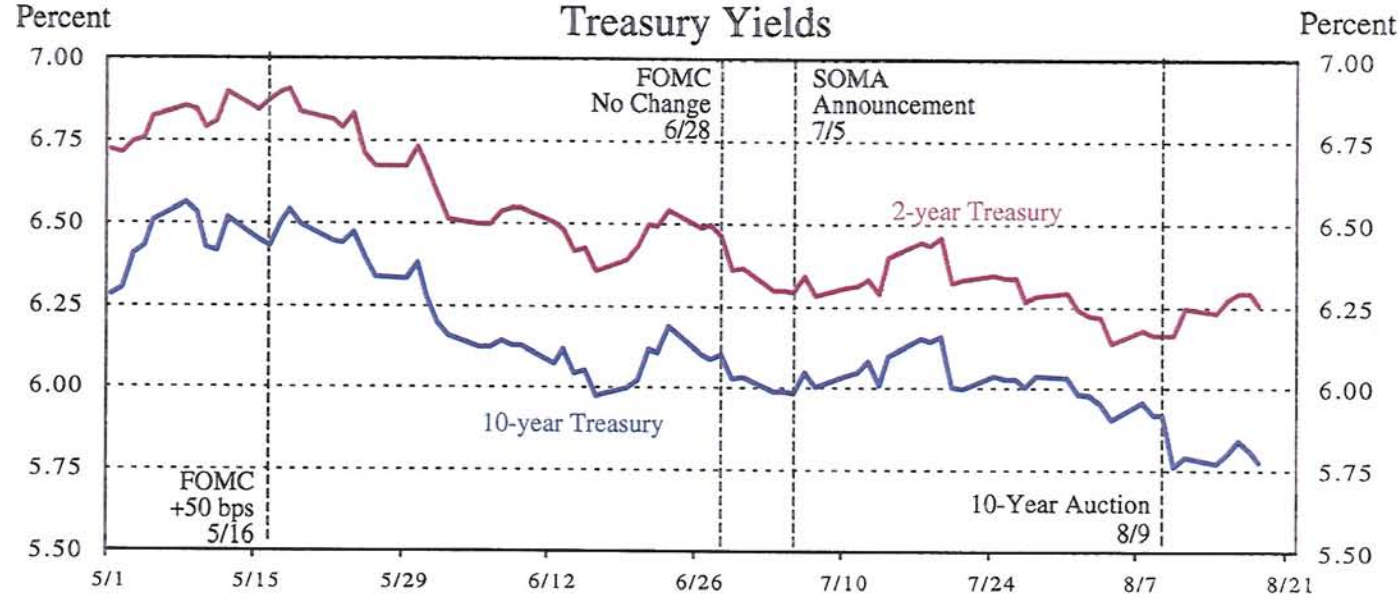


May 1, 2000 to August 18, 2000

Implied Yields on Eurodollar Futures Contracts

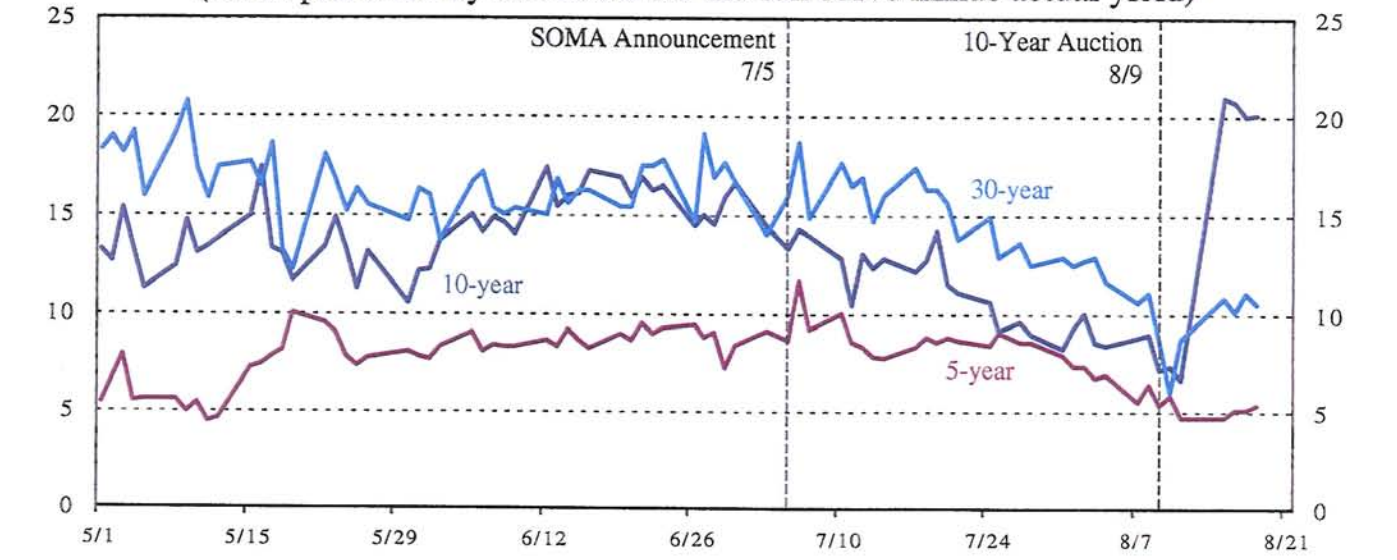


Treasury Yields



On-the-run vs. Off-the-run Treasury Yield Spreads

(Yield predicted by smoothed off-the-run curve minus actual yield)



Sources of Change in Federal Reserve Balances

Maintenance period average impact, billions of dollars

	From June 28 period to Sep. 6 period:		*Current Projections from Sep. 6 period to Oct. 18 period*
	Projections as of June 26	*Actuals & Estimates as of August 21*	
Sources of Changes in Supply of Balances:			
Autonomous factors	-8.2	**-2.0**	**-4.4**
SOMA redemptions	-15.3	**-12.3**	**-5.5**
SOMA purchases plus changes in temporary operations (RPs-MSPs)	+22.8	**+14.2**	**+8.8**
Total Change in Nonborrowed Fed Balances (balances used to meet reserve requirements and clearing balance requirements plus excess holdings)	-0.7	**-0.1**	**-1.1**

Notes: Projections are as of August 21. Autonomous factors includes currency, Treasury balance and other operating factors that affect the supply of Fed balances. Projected excess demands for all future maintenance periods are $1 billion. Changes in SOMA are reported on a delivery basis.

Outright Activity and Temporary OMOs

Outright Purchases

Par values, billions of dollars

	Purchases settling between	
	Jan. 27 and June 28	*June 29 and Aug. 22*
Bills	2.294	**1.918**
Coupons 0-2 years	3.742	**4.516**
2-5 years	2.350	**2.933**
5-10 years	1.419	**2.003**
10-30 years	3.048	**1.138**
Total	12.853	**12.508**

RPs Outstanding

Maintenance period averages, billions of dollars

	Feb. 9 period average level	*June 28 period average level*	*August 23 period average level*
RPs under 15 days (less MSPs)	11.224	2.588	**1.595**
RPs 15 days or longer	8.558	13.971	**9.974**
Total	19.781	16.559	**11.569**
Distribution of Collateral for longer term RPs:			
Treasury debt	63%	42%	**50%**
Agency debt	17%	16%	**20%**
MBS	20%	42%	**30%**

Notes: Projections are as of August 21. Outright transactions are reported on a delivery basis.

Appendix 2

Materials used by Mr. Gramlich

Then (1966) and Now (2000)

	Changes (%)	
	Early 65 to Late 66	99:Q2 to 00:Q2
Core PCE	+1.0	+0.3
ULC	+2.5	-0.3
Inf. Exp. (1 year)	+2.0	+0.4
Inf. Exp. (10 year)	NA	--
Nominal 10 year Treas.	+0.8	+0.2
Nominal-real, 10 yr. Treas.	NA	+0.1

Appendix 3

Materials used by Mr. Meyer

Inflation and the Acceleration in Productivity

Effect on Inflation = - [q – q*]

q = productivity trend

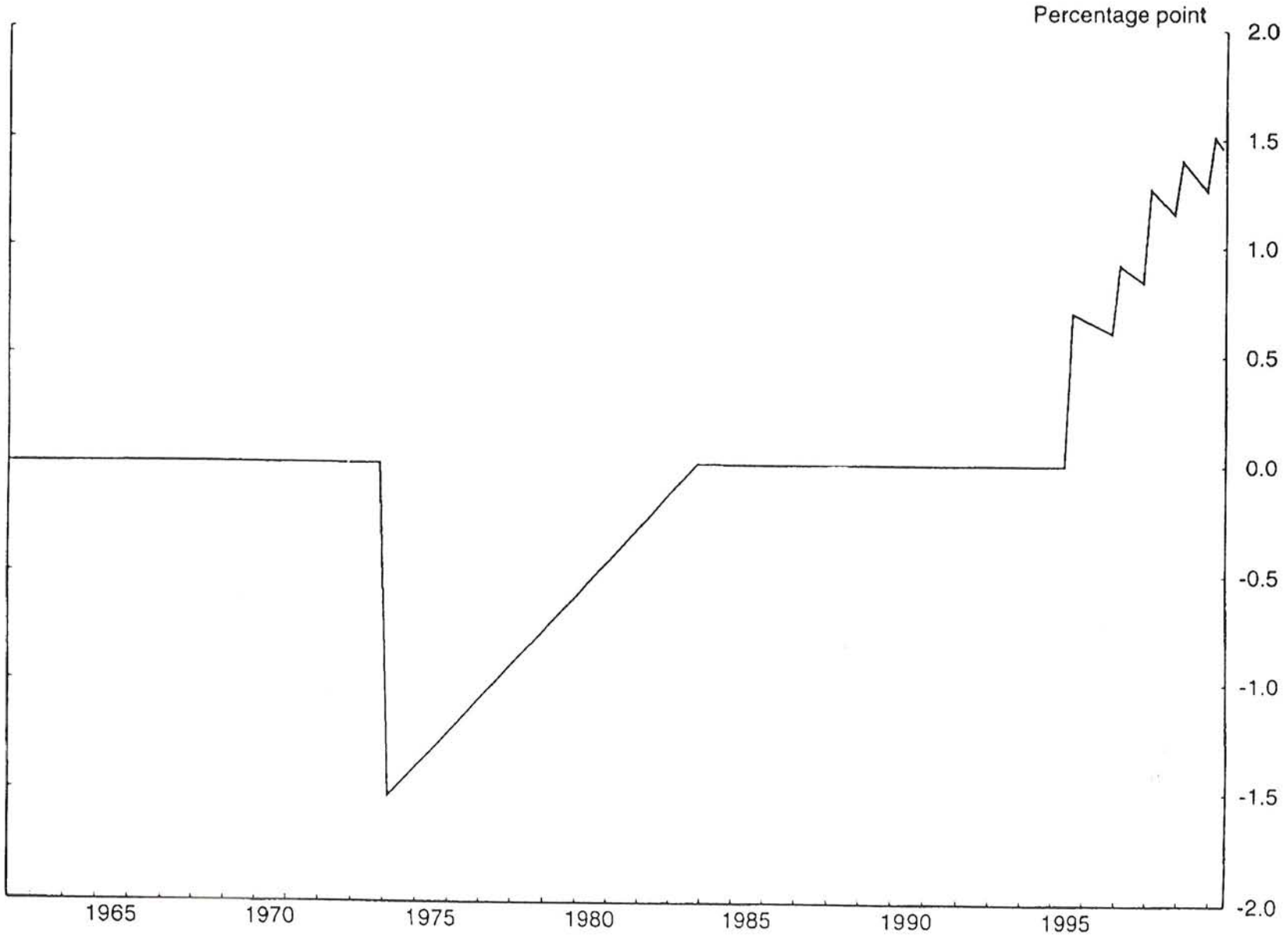
q* = moving average of the productivity trend

When q is rising, q > q* and there will be downward pressure on inflation.

In terms of the Phillips Curve, this means inflation will be lower at any given unemployment rate that would have been the case with a constant rate of trend productivity growth.

This can be interpreted as implying a decline in the SR or effective NAIRU.

Trend Productivity Growth Minus 40-Quarter Moving Average of Trend Productivity Growth (q - q*)



Productivity and the NAIRU

Simple model with symmetric response

(1) $w = a + q - b\,U + p^e$

(2) $p = w - q$

(3) $p = a - b\,U + p^e$

(4) $U^* = a/b$

Model with asymmetric response

(1') $w = a + q^* - b\,U + p^e$

(3') $p = a - \mathbf{[q - q^*]} - b\,U + p^e$

(4') $U^{**} = U^* - (1/b)\,[q - q^*]$

w = rate of increase in nominal labor compensation
p = inflation
p^e = expected inflation
q = trend productivity growth
q^* = moving average of trend productivity growth
U = unemployment rate
U^* = long-run NAIRU
U^{**} = short-run or effective NAIRU