

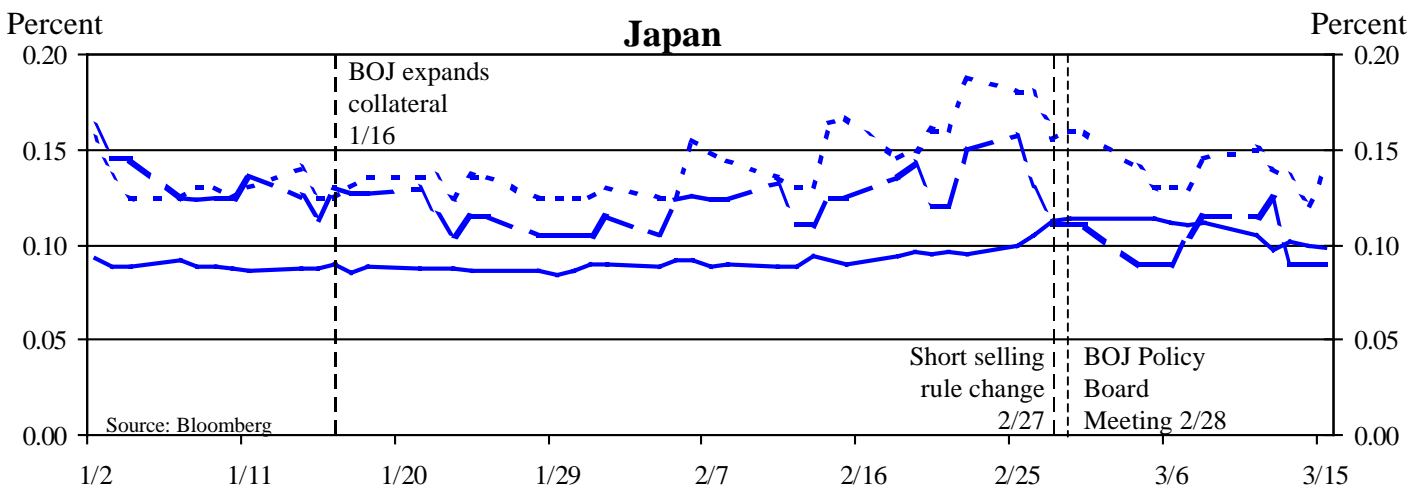
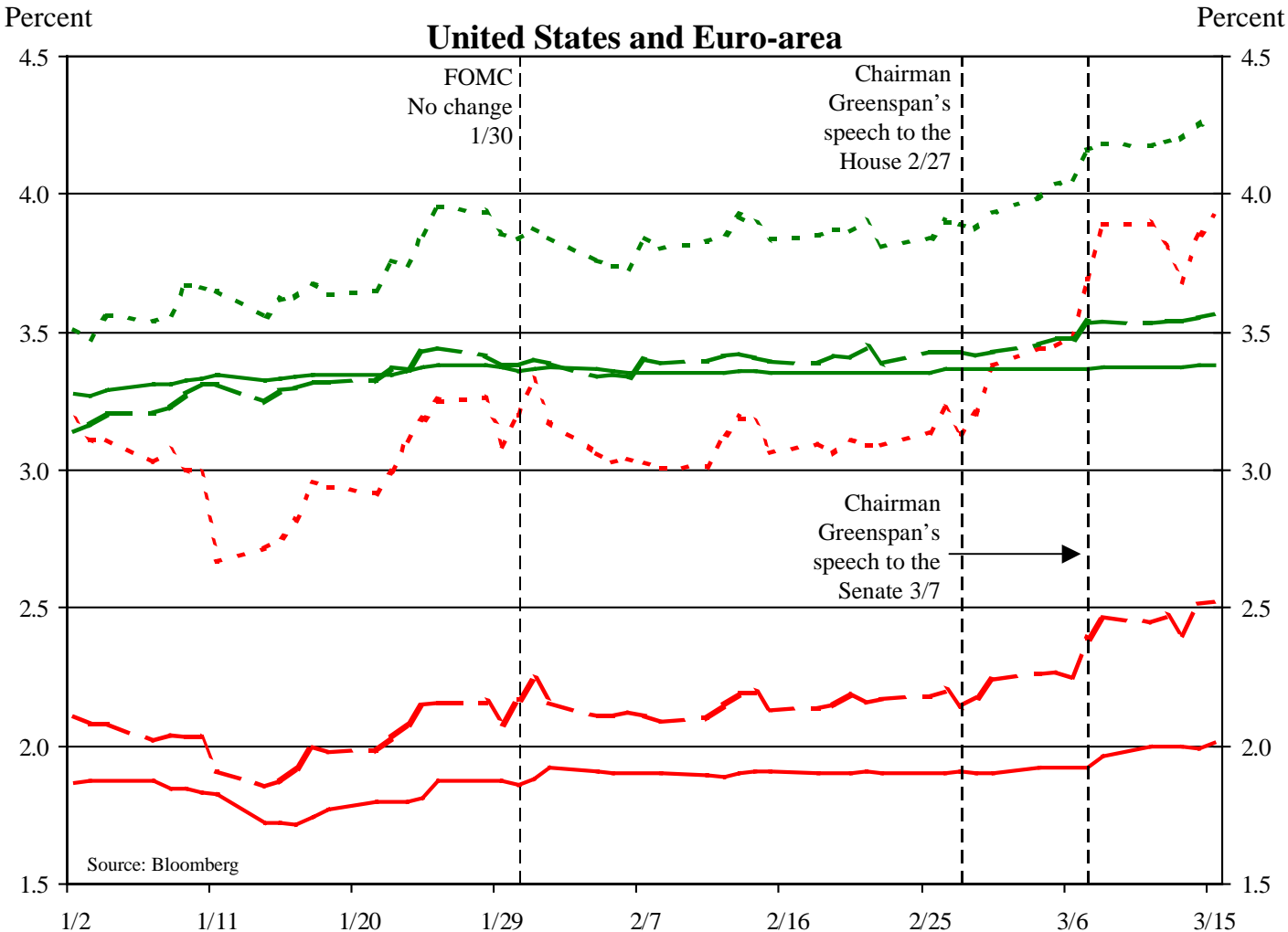
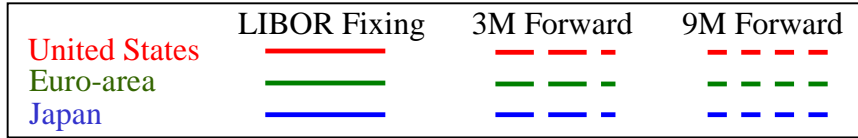
Appendix 1: Materials used by Mr. Kos

March 19, 2002

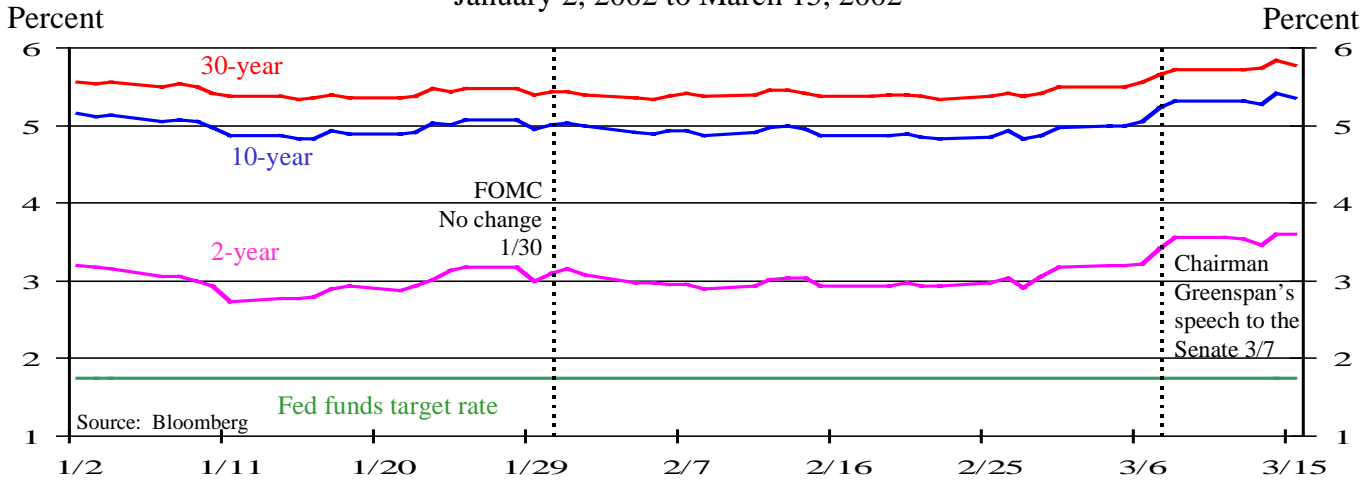
Current Deposit Rates and Rates Implied by Traded Forward Rate Agreements

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January 2, 2002 to March 15, 2002

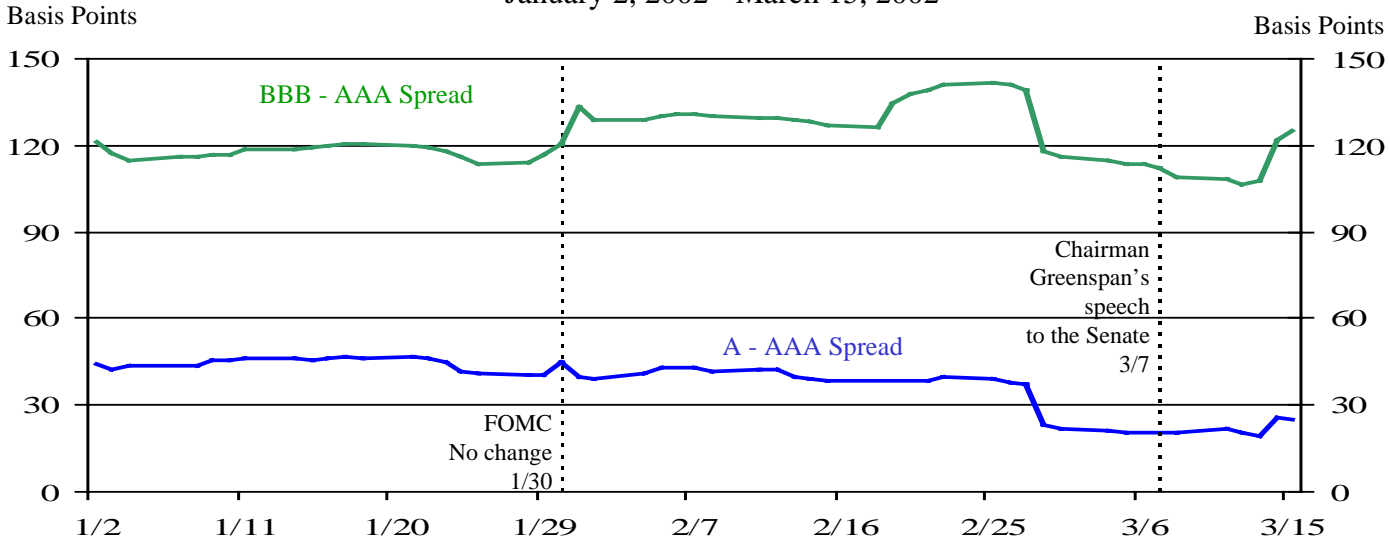


January 2, 2002 to March 15, 2002



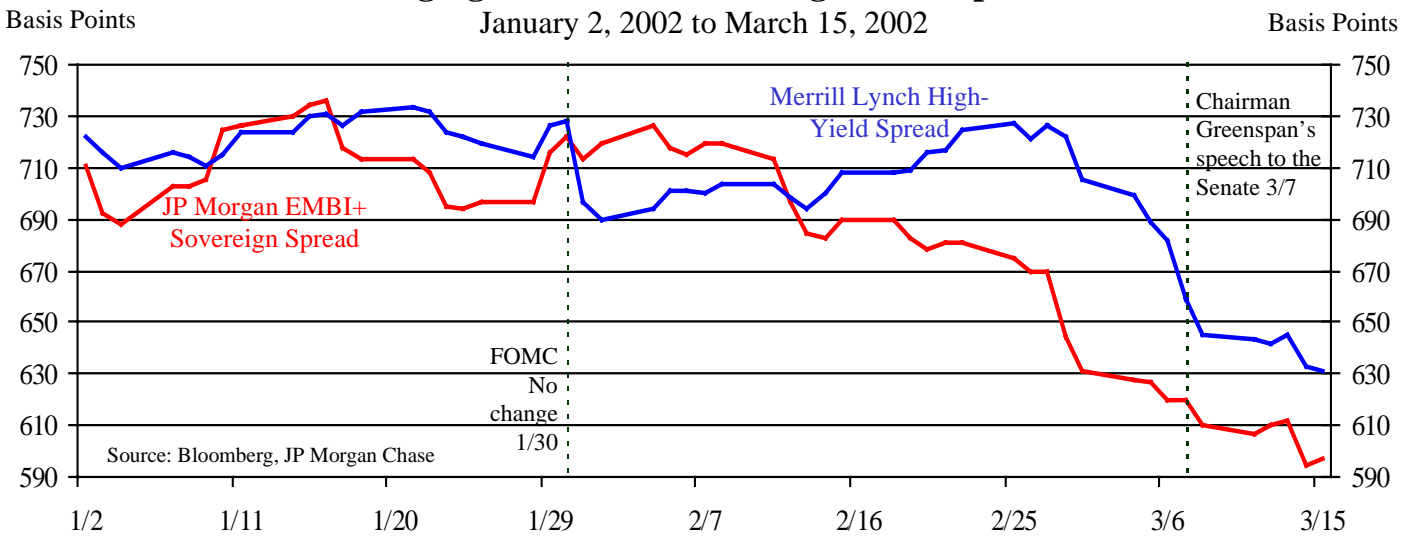
10-Year Industrial Corporate Debt Spreads to AAA

January 2, 2002 - March 15, 2002



Emerging Market and U.S. High Yield Spreads

January 2, 2002 to March 15, 2002

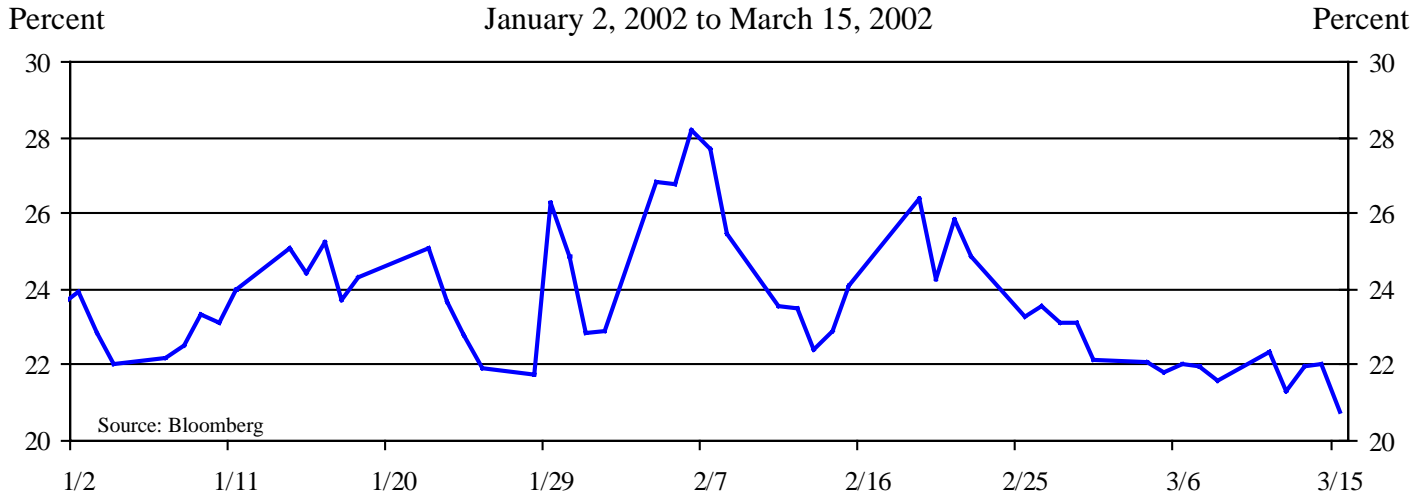


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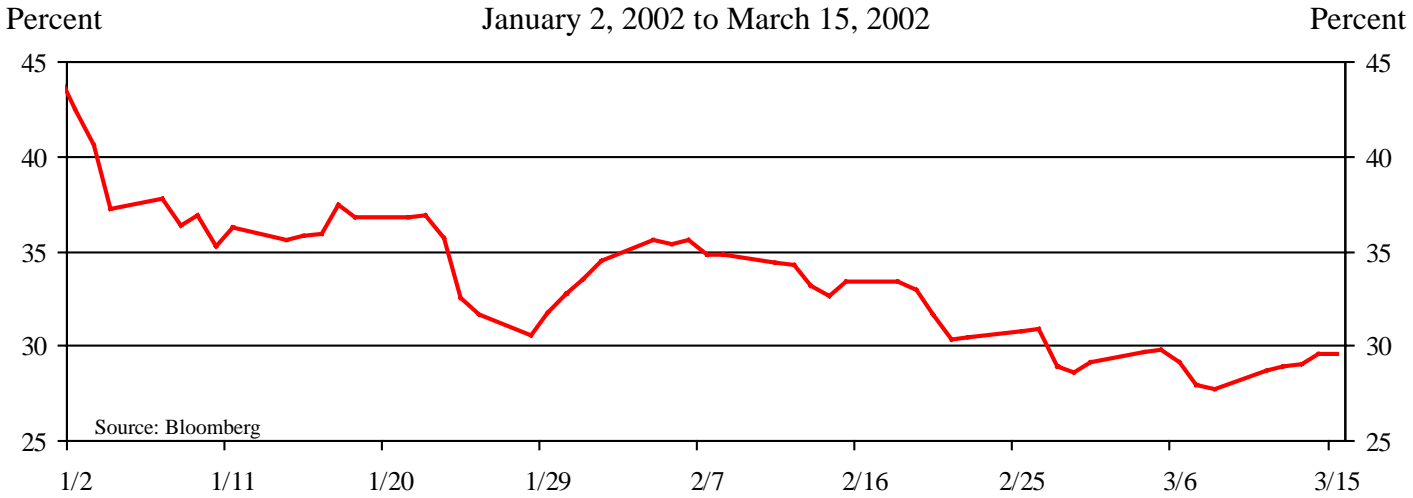
S&P 100 Volatility Index (VIX)

January 2, 2002 to March 15, 2002



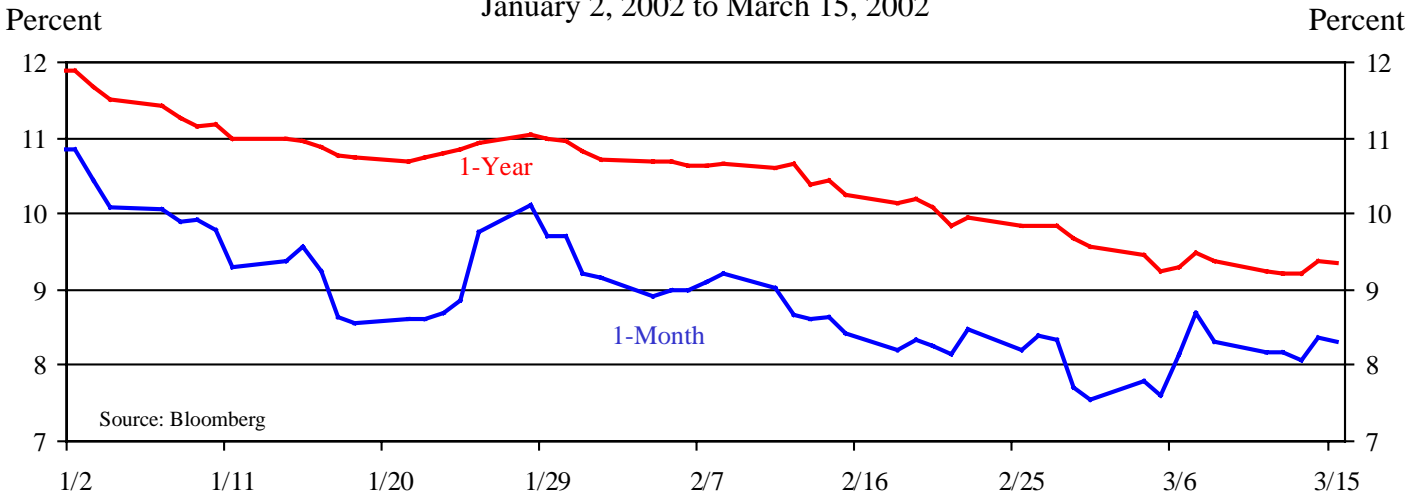
Eurodollar Deposit Futures Implied Volatility (rolling 2nd contract)

January 2, 2002 to March 15, 2002

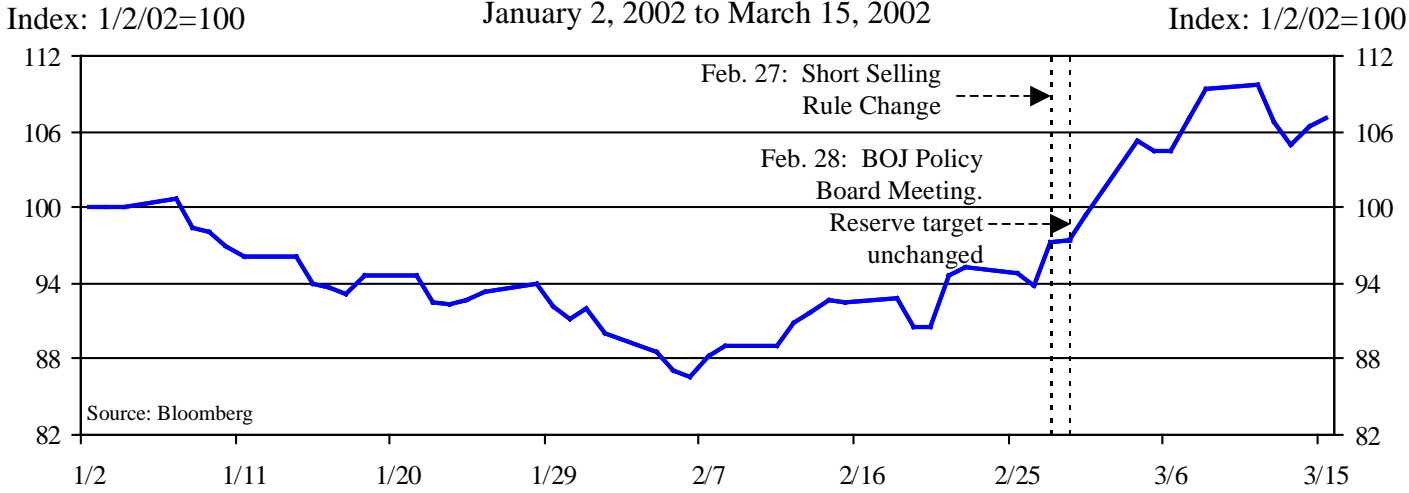


1-Month and 1-Year Euro-Dollar Exchange Rate Option Implied Volatility

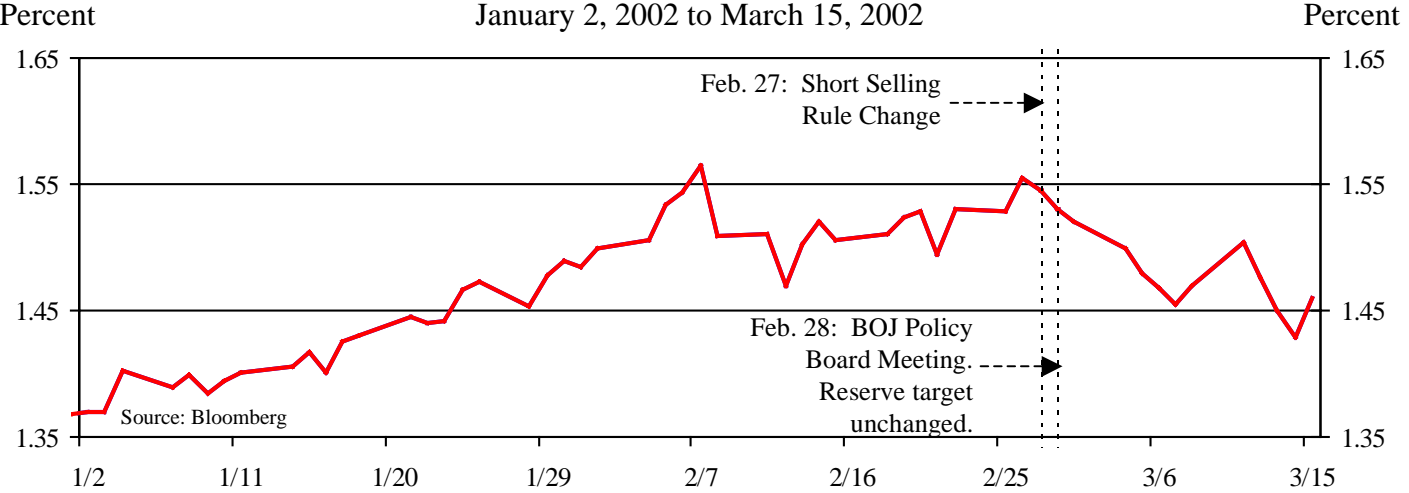
January 2, 2002 to March 15, 2002



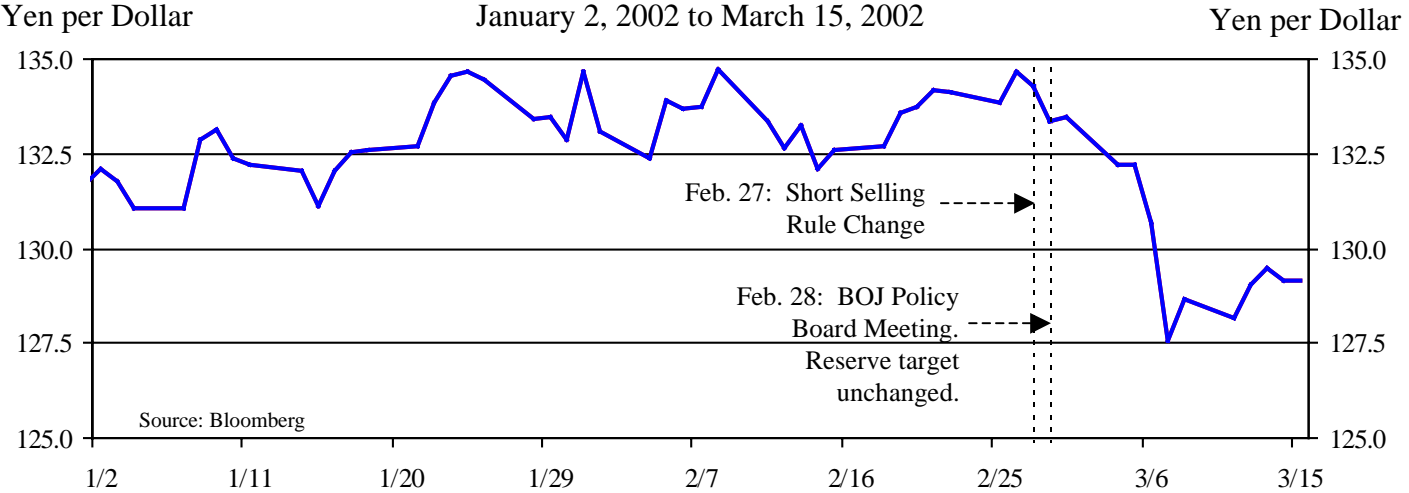
Nikkei Stock Index



10-Year JGB Yields



Dollar Yen Exchange Rate



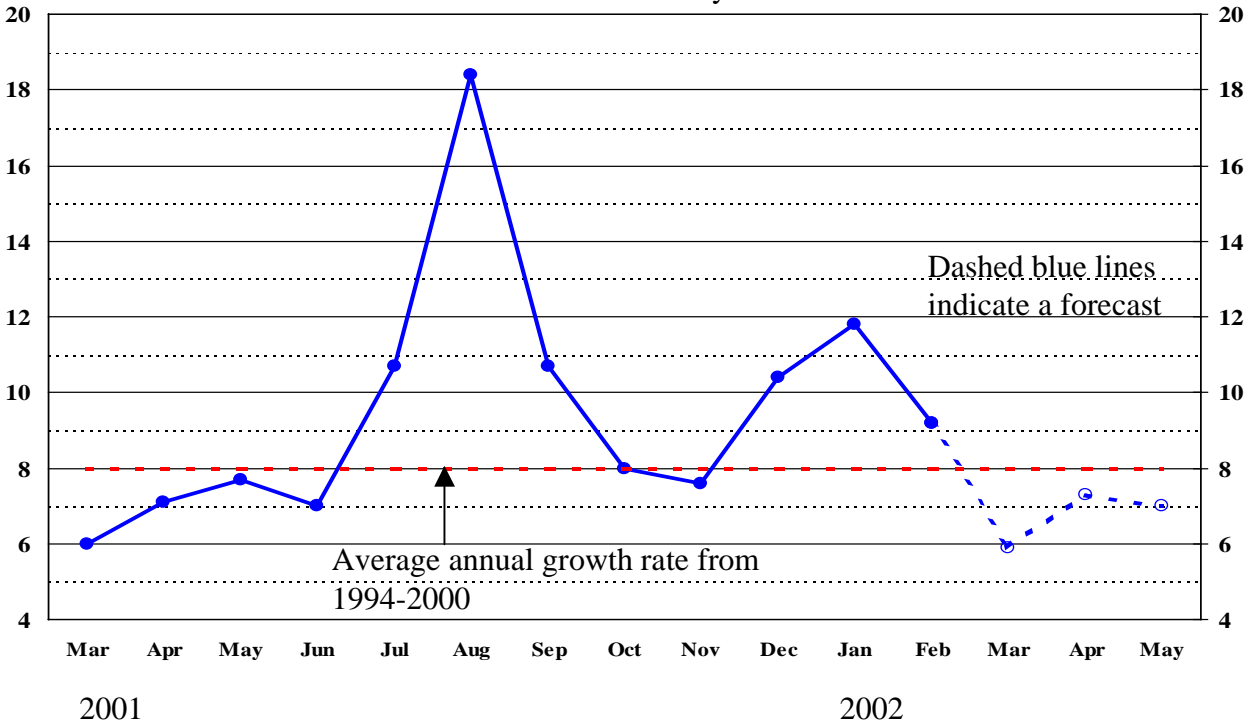
Currency (M1 component) Monthly Growth Rates, saar

March 19, 2002

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Percent

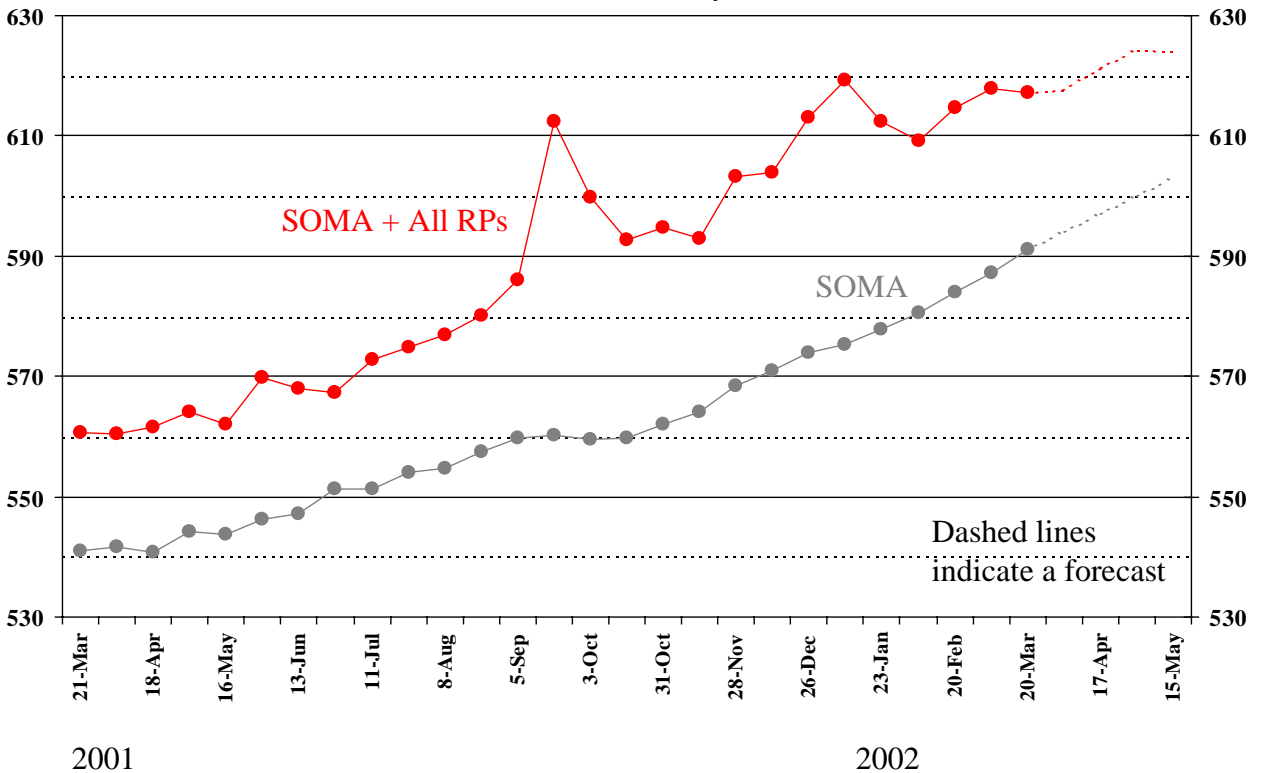
March 2001 to May 2002



Domestic Financial Assets Held by the Federal Reserve

Billions of dollars, maintenance period averages

March 2001 to May 2002



Appendix 2: Materials used by Mr. Reinhart

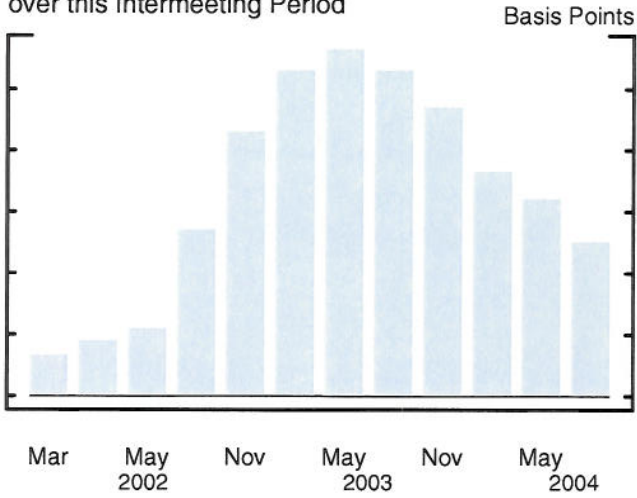
Monetary Policy Alternatives

***Material for
FOMC Briefing***

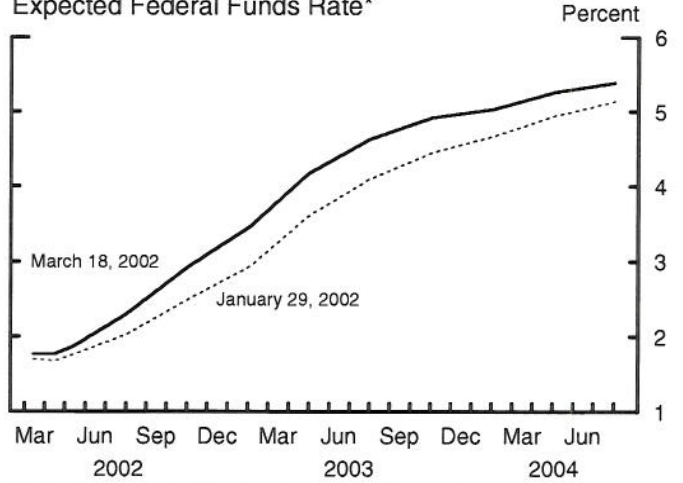
March 19, 2002

Exhibit 1
Policy Expectations

Changes in Expected Federal Funds Rate*
over this Intermeeting Period



Expected Federal Funds Rate*



*Estimates from federal funds and eurodollar futures rates with an allowance for term premia and other adjustments.

Features of Market Expectations

- Policy tightens soon after easing.
- Tightening is extended.
- Hard to square with economists' forecasts.

Policy Episodes, 1989 - 2001

	Average Duration (Months)
Easings	15
Pauses after easings	13
Tightenings	11
Pauses after tightenings	10

Easing and Tightening Episodes

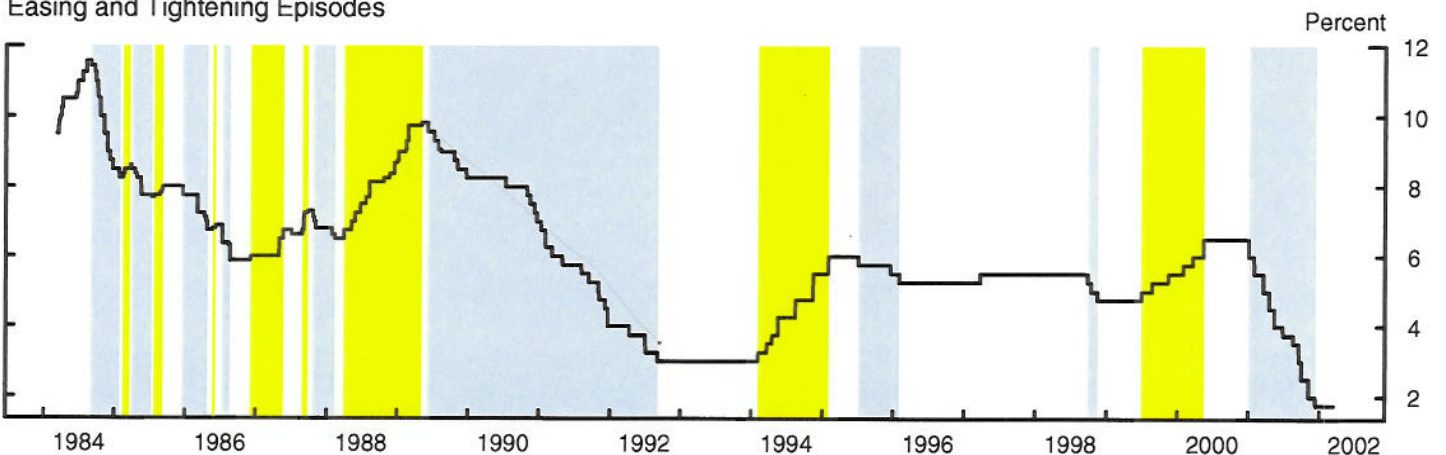
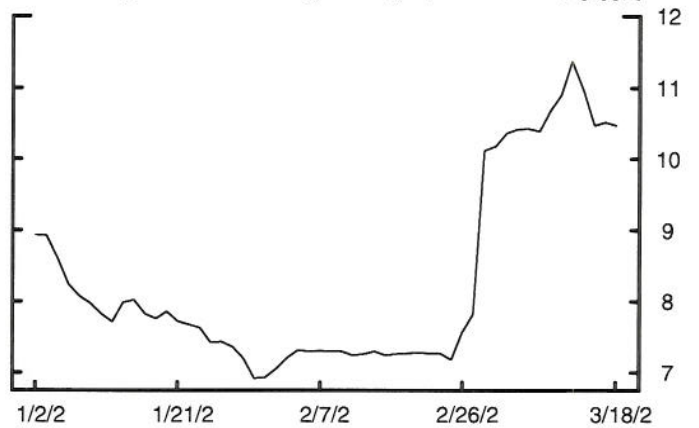


Exhibit 2

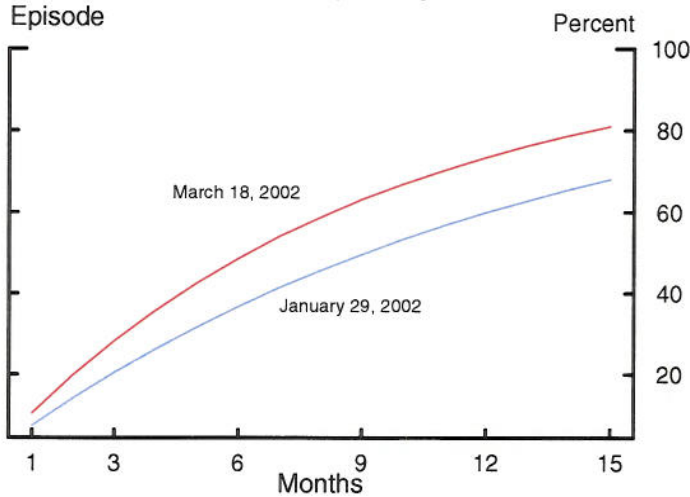
Regime-Switching Model

- The Committee either
 - holds the funds rate at 1-3/4 percent.
 - tightens policy.
- Once tightening begins, the funds rate moves steadily, but fairly rapidly, up to a sustainable level.
- Probability of beginning to tighten is constant.

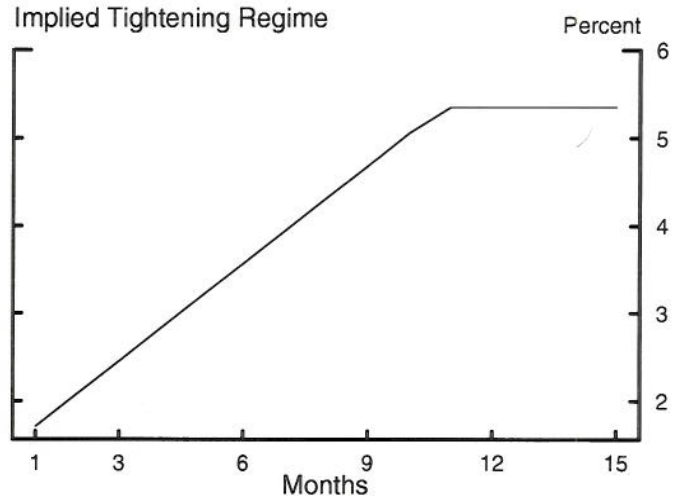
Probability of Onset of Tightening Episode



Cumulative Probability of Tightening Episode



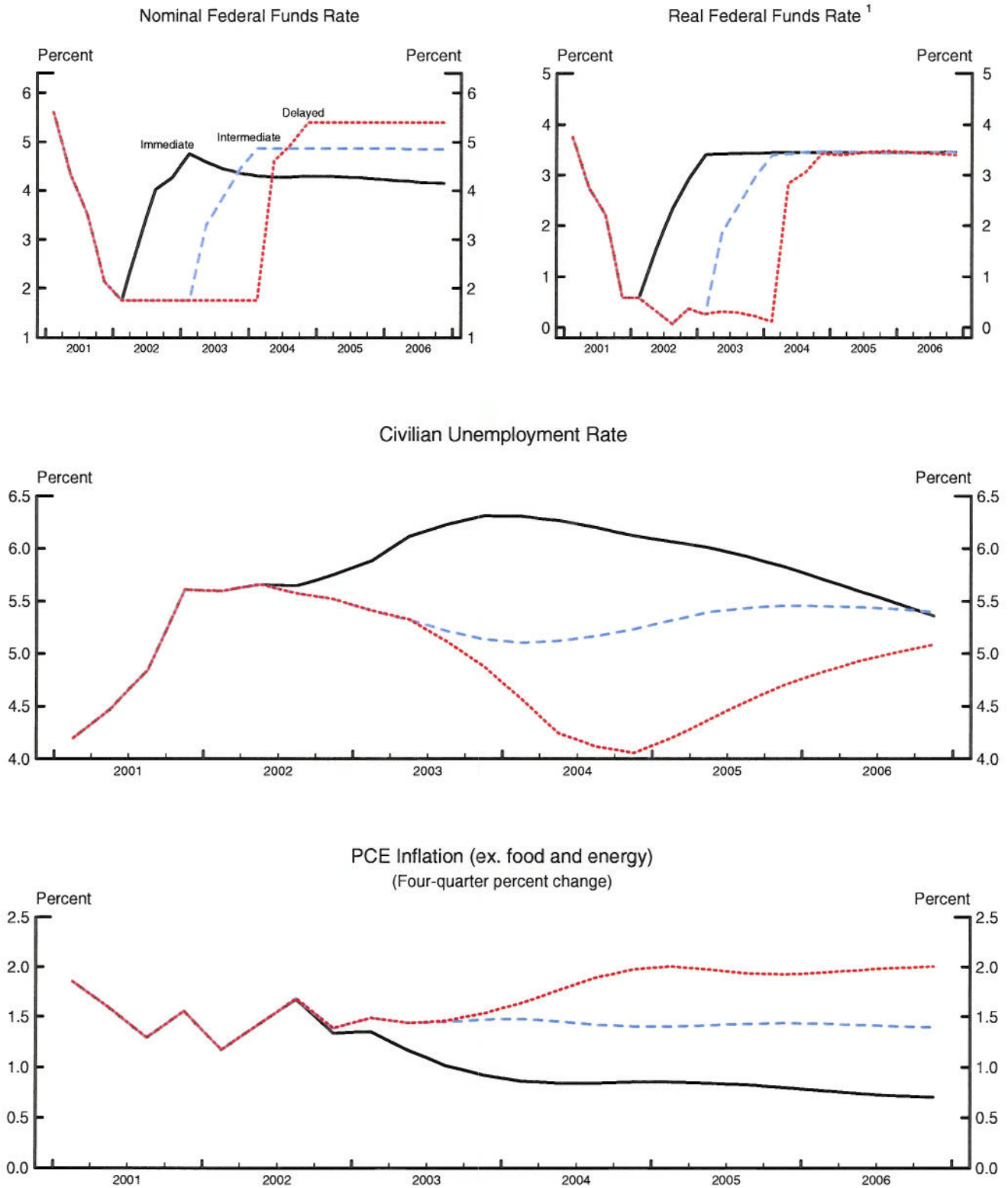
Implied Tightening Regime



Simulation Using FRB/US Model

- Judgmental extension of the Greenbook to 2007.
- Expectations are formed based on past observations.
- Policy moves the real funds rate to its equilibrium in four quarters starting
 - next quarter (immediate scenario).
 - one-year later (intermediate scenario).
 - two-years later (delayed scenario).

Exhibit 3
Alternative Strategies



1. The real federal funds rate is calculated as the quarterly nominal funds rate minus the four-quarter percent change in the PCE chain-weight price index excluding food and energy.