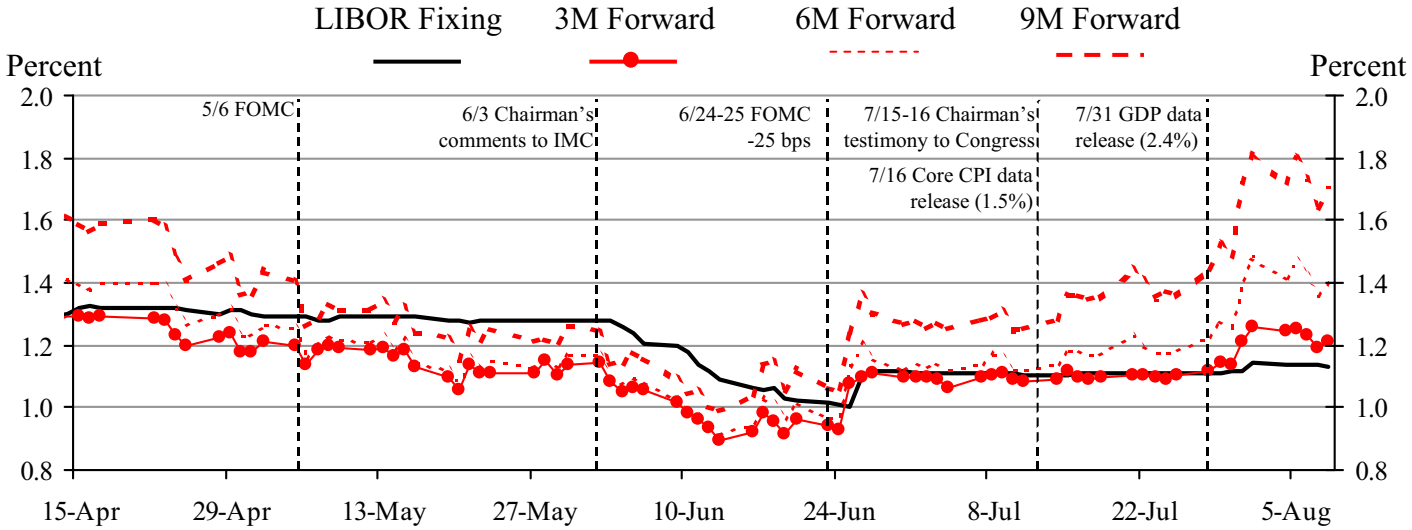
Appendix 1: Materials used by Mr. Kos

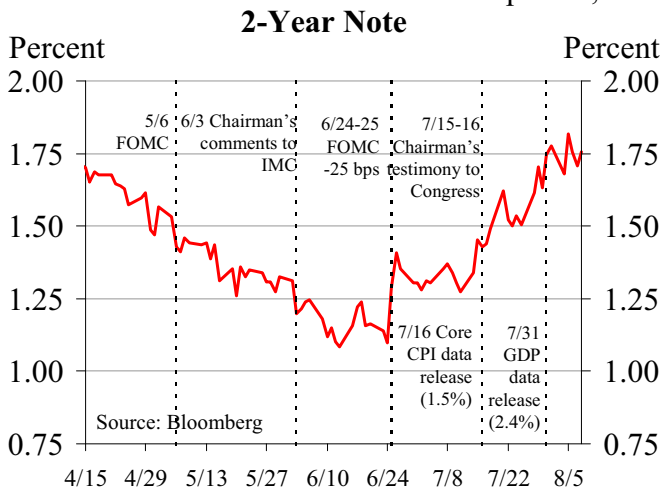
Current U.S. 3-Month Deposit Rate and Rates Implied by Traded Forward Rate Agreements

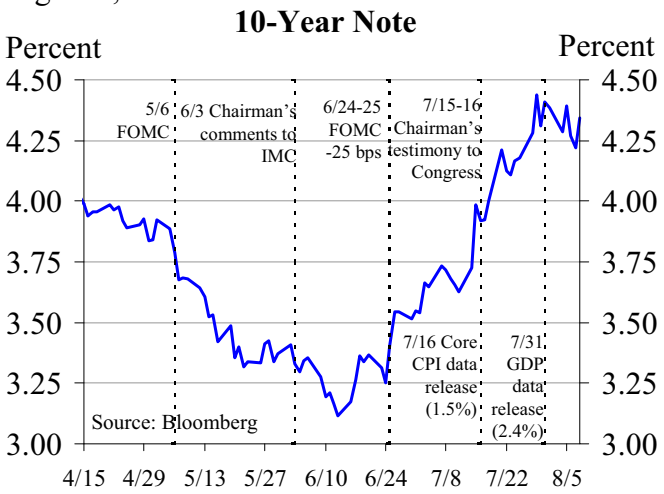
April 15, 2003 - August 8, 2003



U.S. Treasury Yields

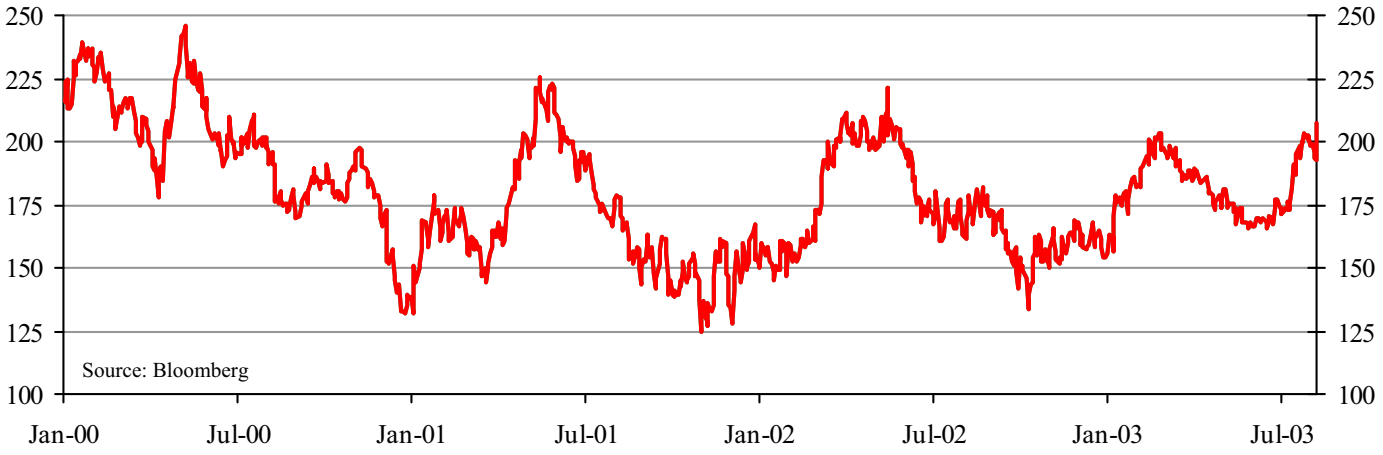
April 15, 2003 - August 8, 2003





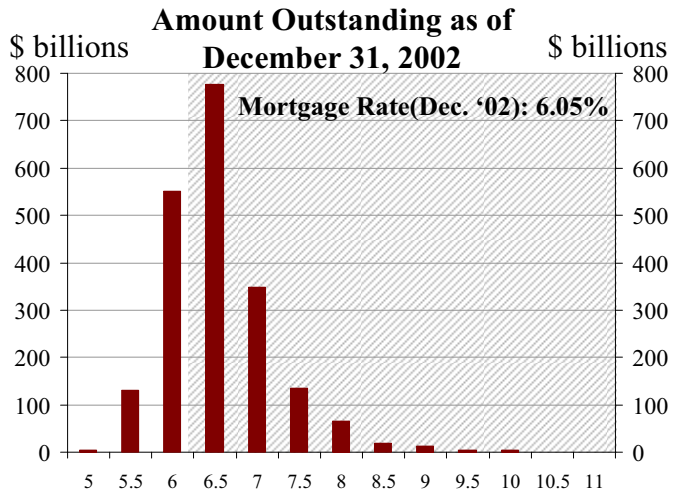
U.S. Nominal 10-Year Treasury Less 10-Year Inflation-Indexed Treasury Yield

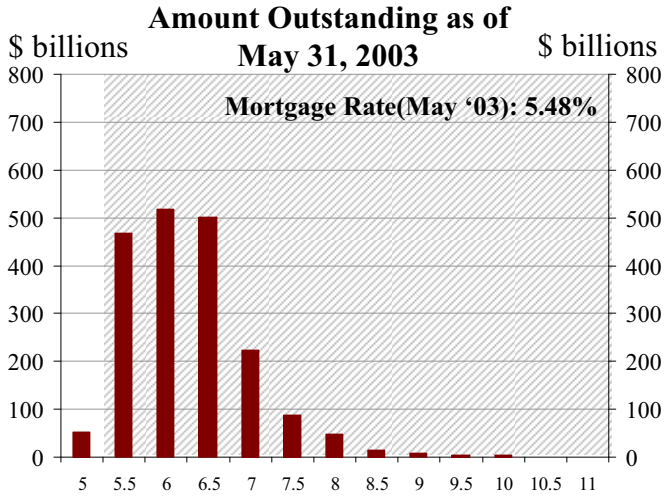
Basis Points January 1, 2000 - August 8, 2003 Basis Points

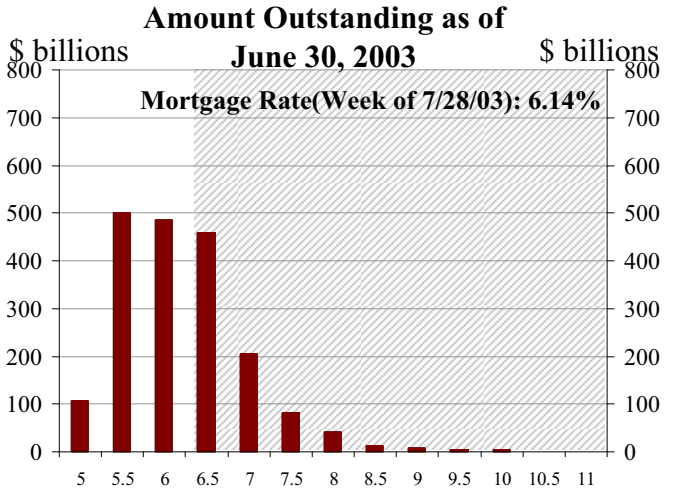


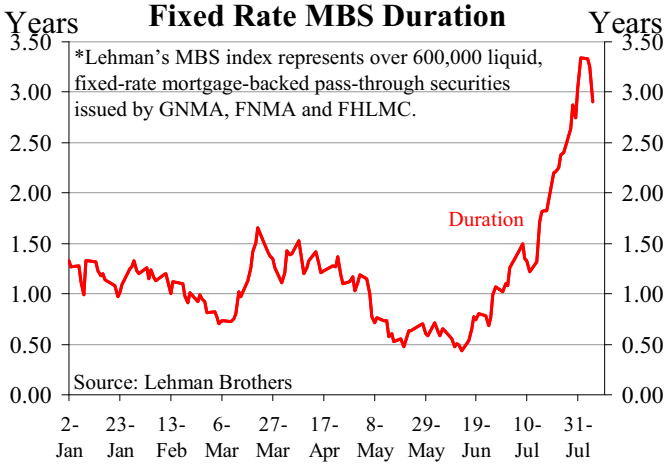
30-Year Mortgage Rates and the MBS Coupon Distribution

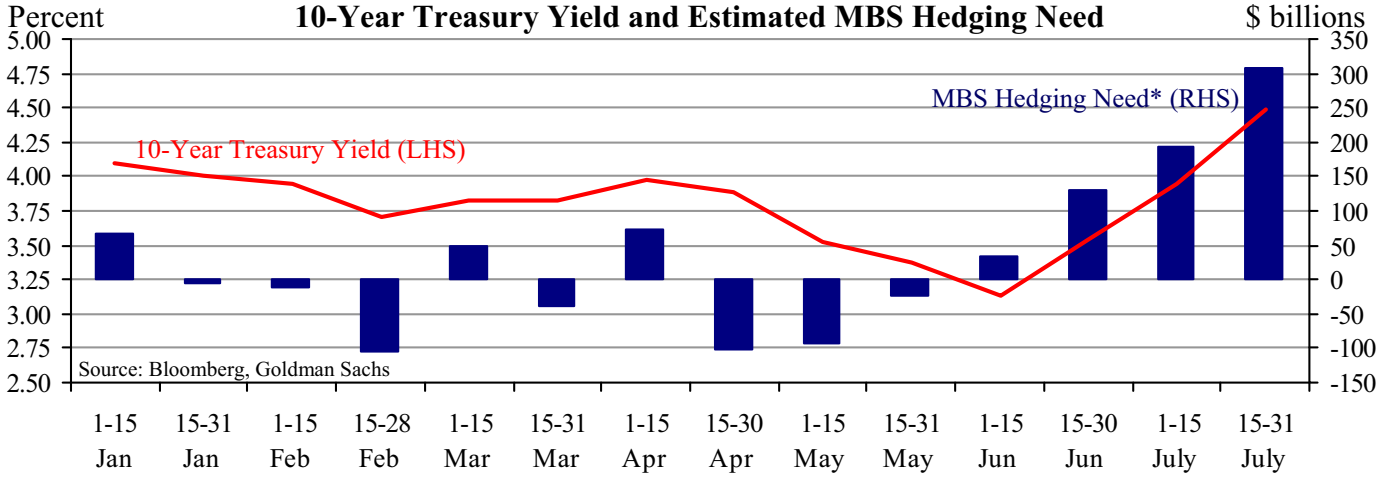
Source: GNMA, FNMA, and FHLMC unless otherwise noted







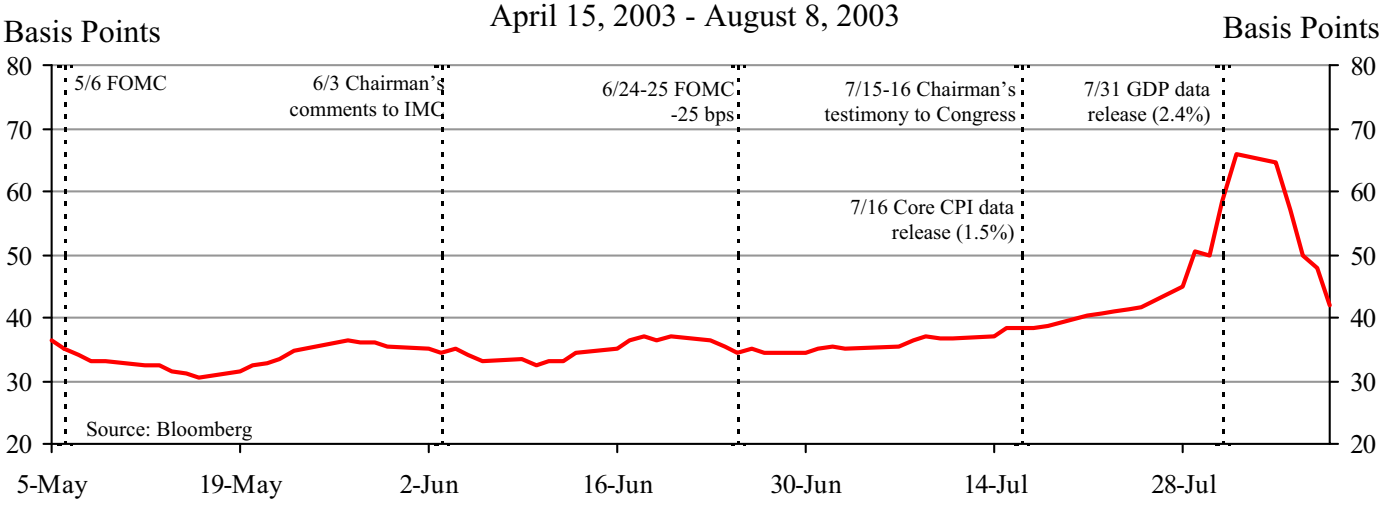




*Based on convexity of all outstanding fixed-rate GNMA, FNMA, and FHLMC mortgage-backed pass through securities (15- year, 30-year, and balloons).
Hedging Need = (Change in Security Duration * Amt Outstanding) / 10-Year Treasury Duration, where Pos. = Treasury Sale, Neg. = Treasury Purchase

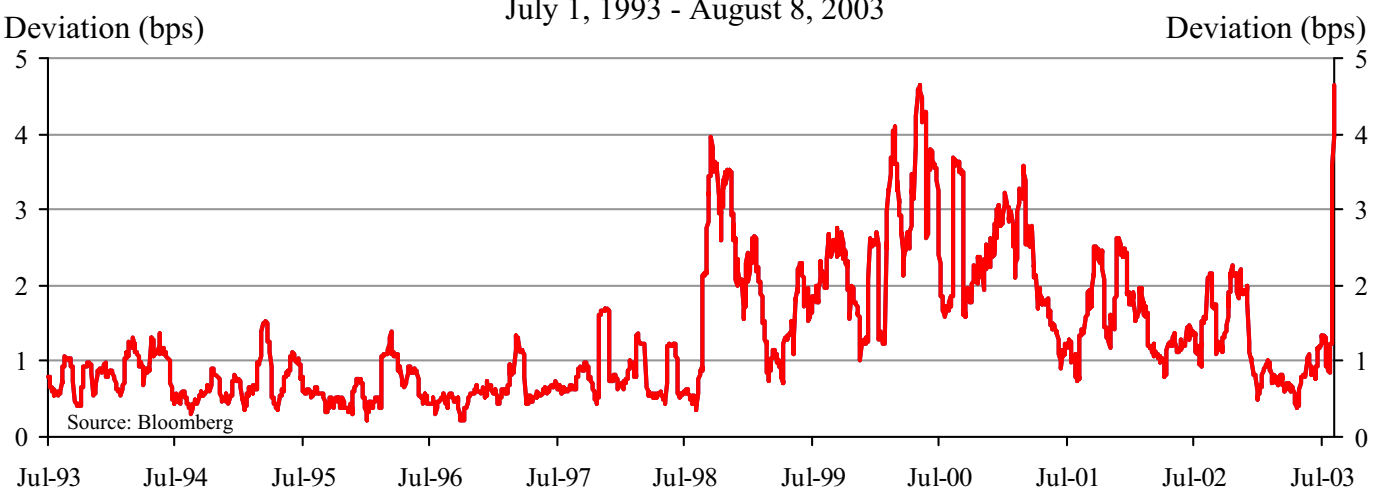
10-year Swap Spread

April 15, 2003 - August 8, 2003



20-Day Std Dev of Daily Change in 10-year Swap Spread

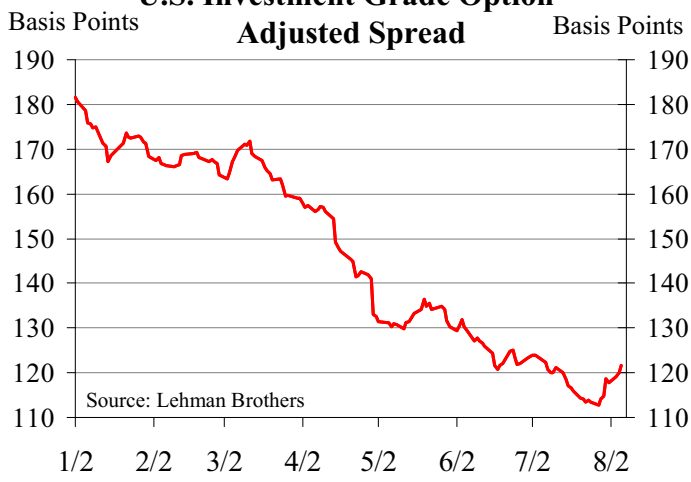
July 1, 1993 - August 8, 2003



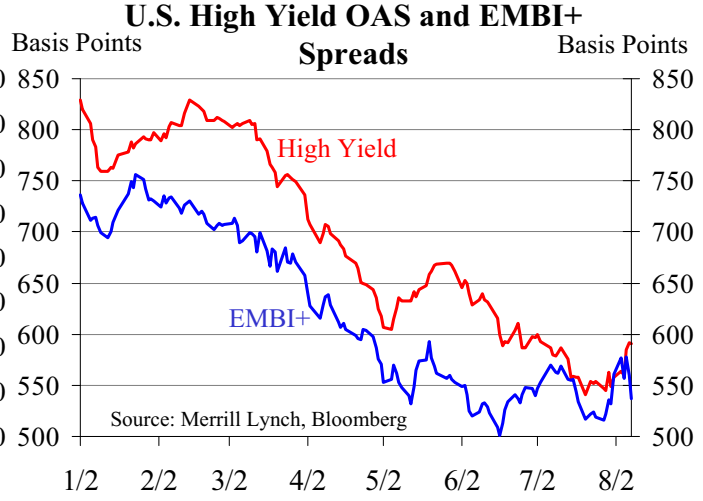
U.S. Corporate and Emerging Market Debt Spreads to U.S. Treasuries

January 1, 2003 - August 8, 2003

U.S. Investment Grade Option-Adjusted Spread

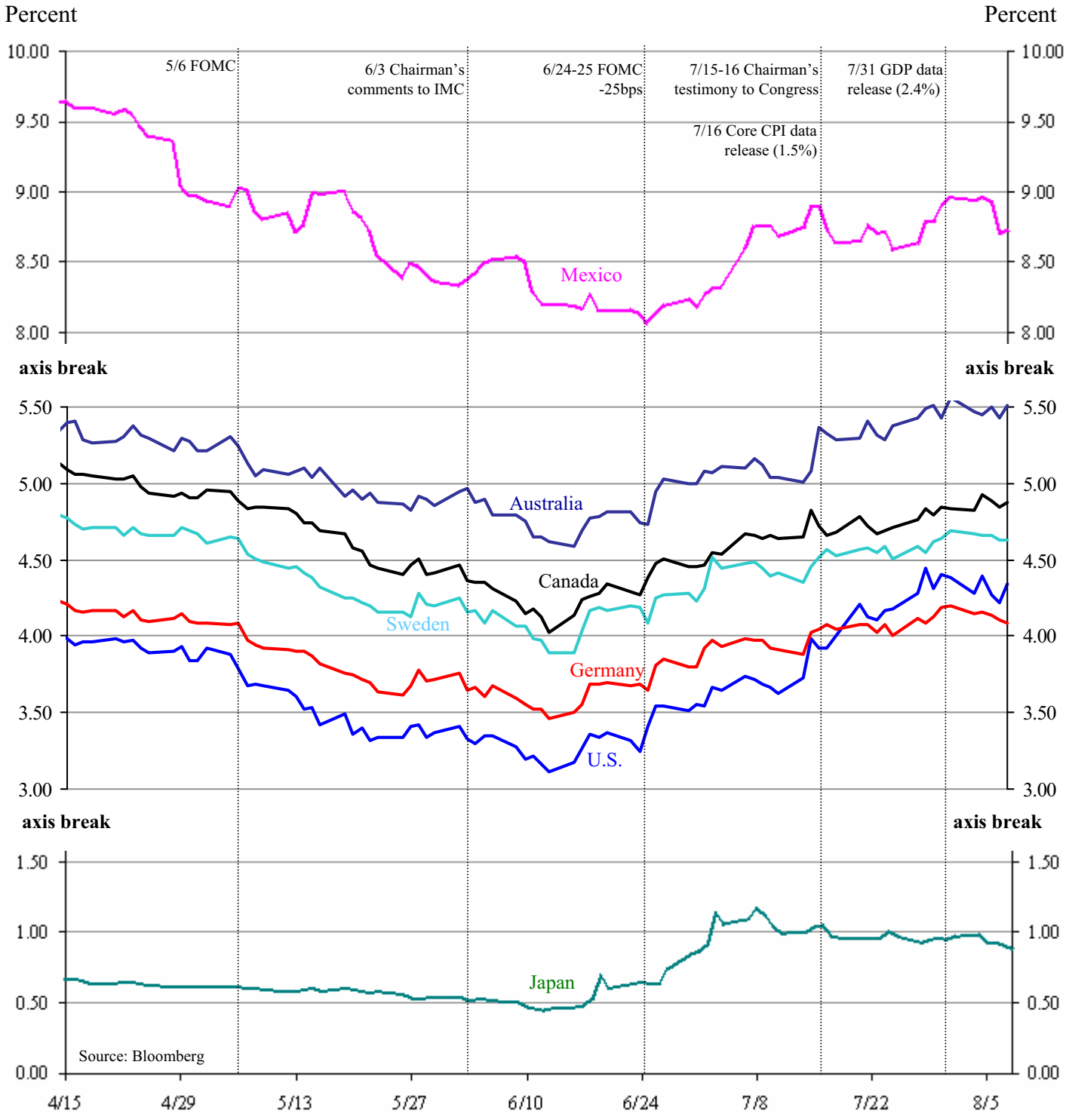


U.S. High Yield OAS and EMBI+ Spreads



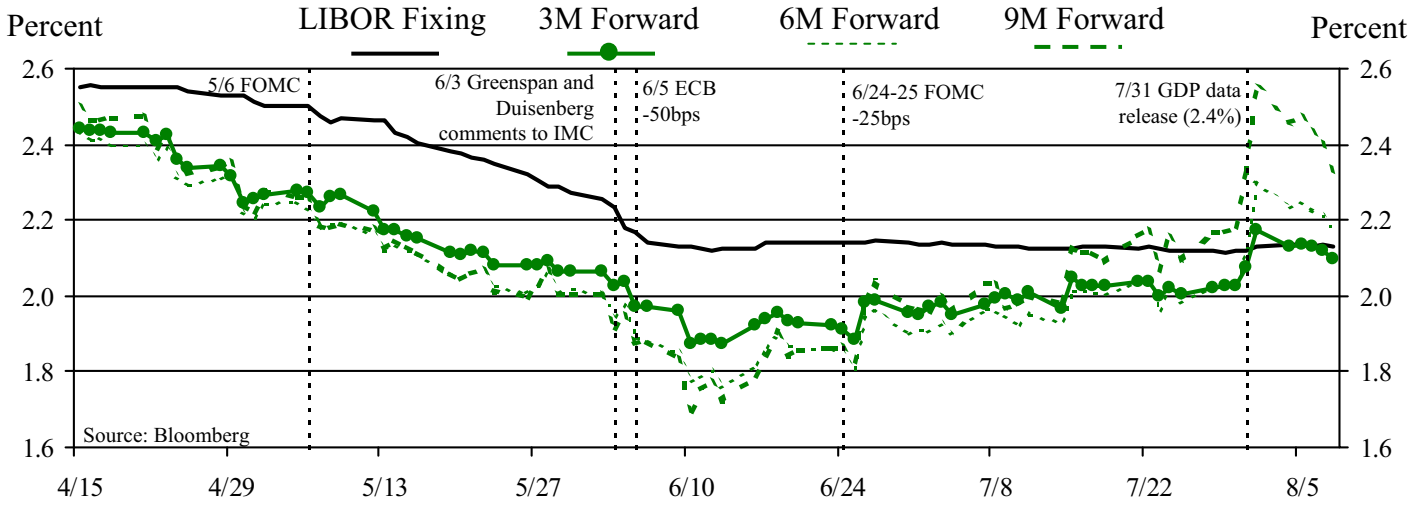
Selected 10-Year Government Bond Yields

April 15, 2003 - August 8, 2003



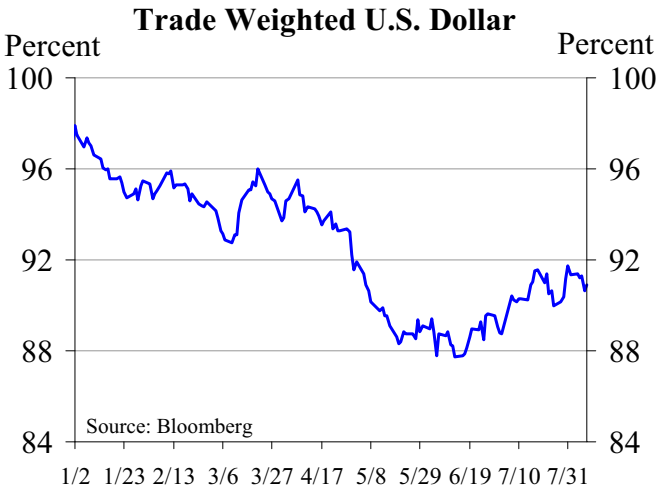
Current 3-Month Euro-Area Deposit Rate and Rates Implied by Traded Forward Rate Agreements

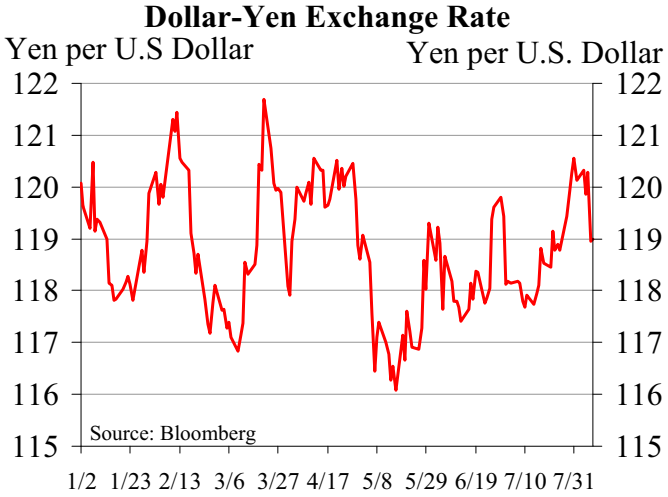
April 15, 2003 through August 8, 2003



Trade Weighted Dollar and the Japanese Yen

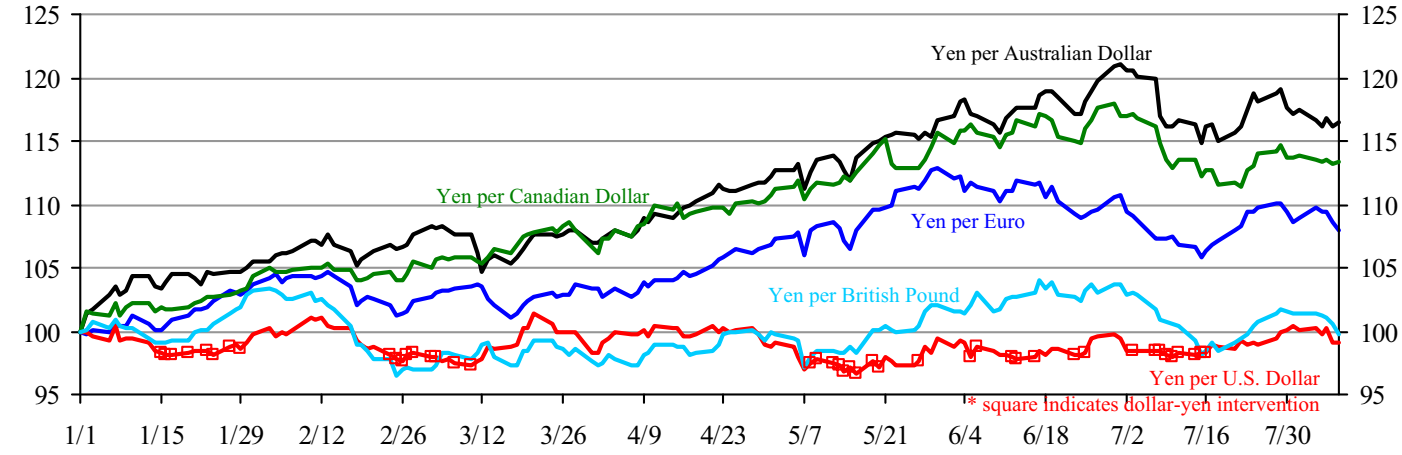
January 2, 2003 - August 8, 2003



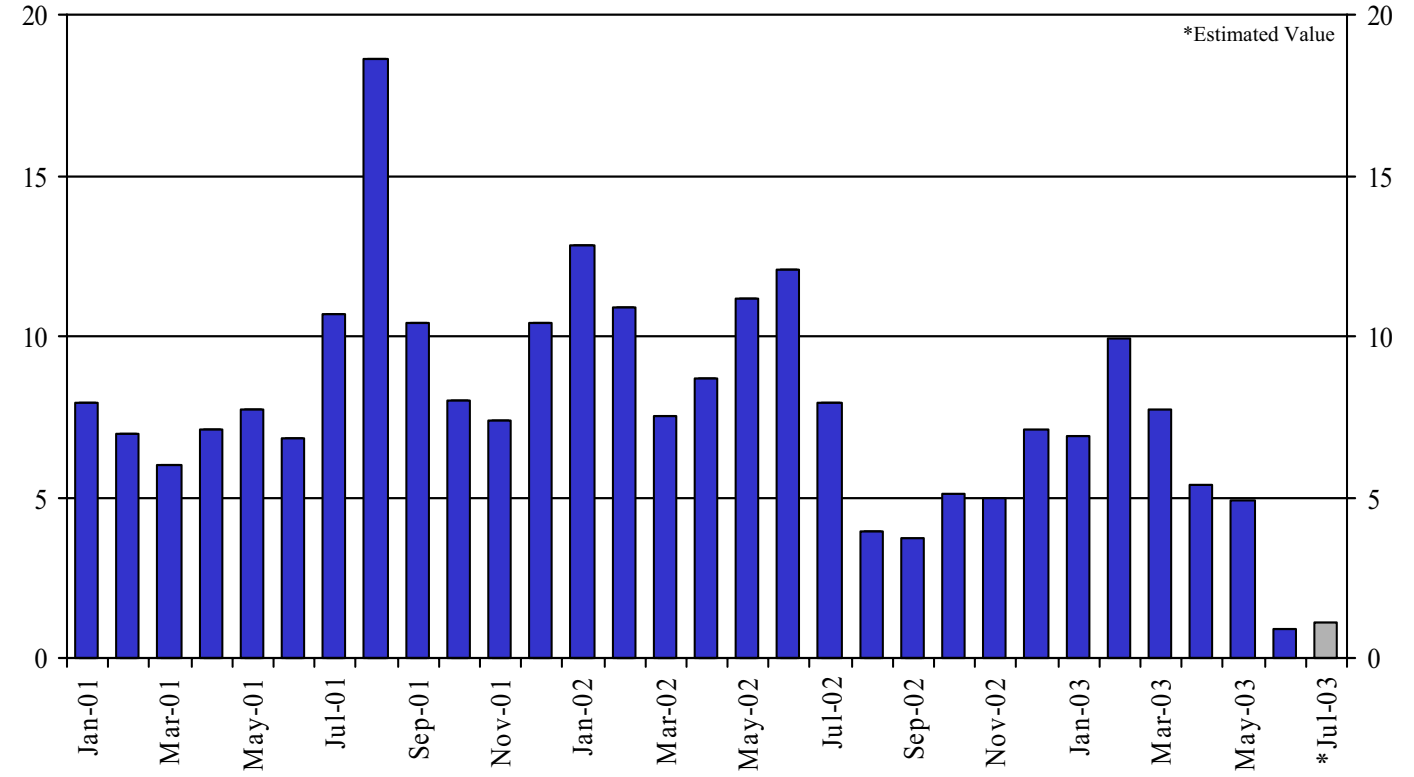


Major Japanese Yen Crosses

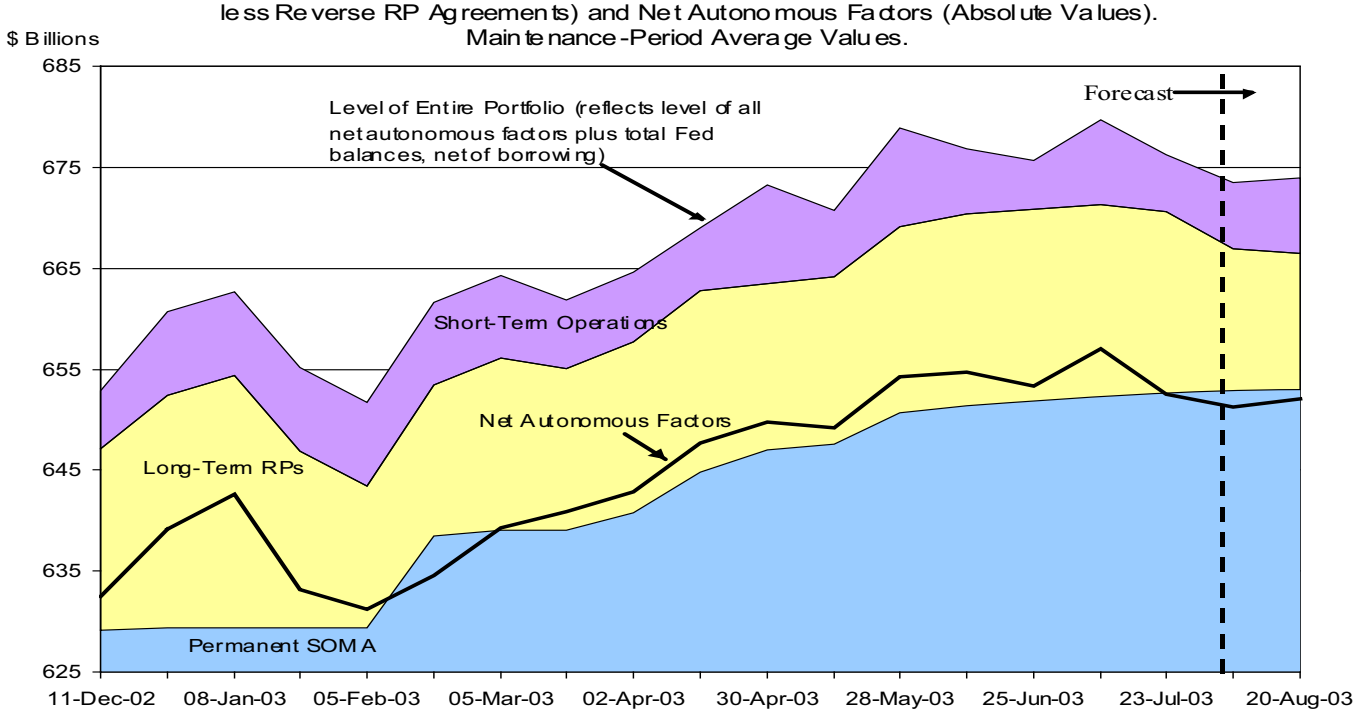
May 1, 2003 - August 8, 2003



Currency Component of M1 (s.a.)
1-Month Annualized Growth Rate
January 2001 - July 2003 (Est.)



Total Domestic Portfolio: Permanent SOMA Holdings, Long-Term RPs, Short Term Operations (RPs less Reverse RP Agreements) and Net Autonomous Factors (Absolute Values).
Maintenance-Period Average Values.



Note: A positive movement in Net Autonomous Factors (absolute values) reflects a reserve drain.

Appendix 2: Materials used by Mr. Madigan

Material for

Briefing on Monetary Policy Alternatives

August 12, 2003

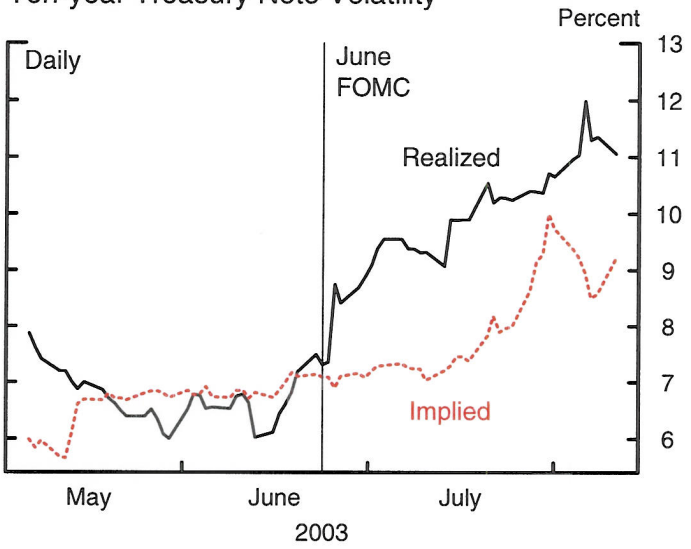
STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

Exhibit 1
Key Financial Market Developments

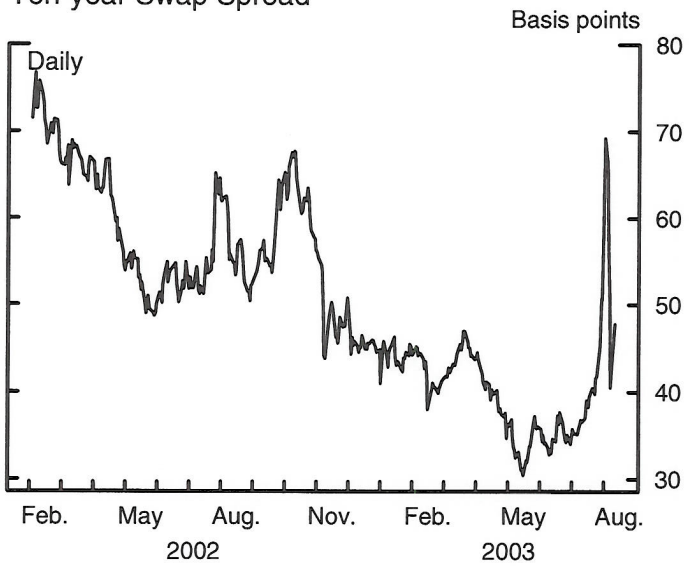
Ten-year Yields

	Change June 24 to Aug. 11 -basis points-
Treasury	110
Swap	113
Fannie Mae	111
AA	111
BBB	101

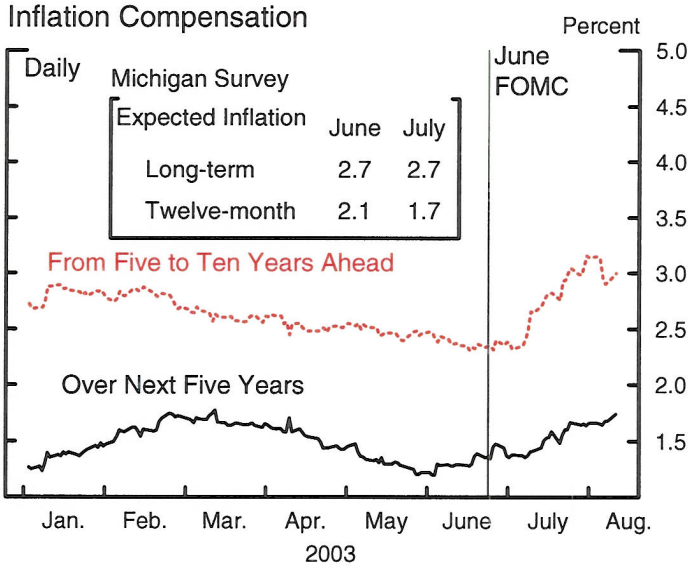
Ten-year Treasury Note Volatility



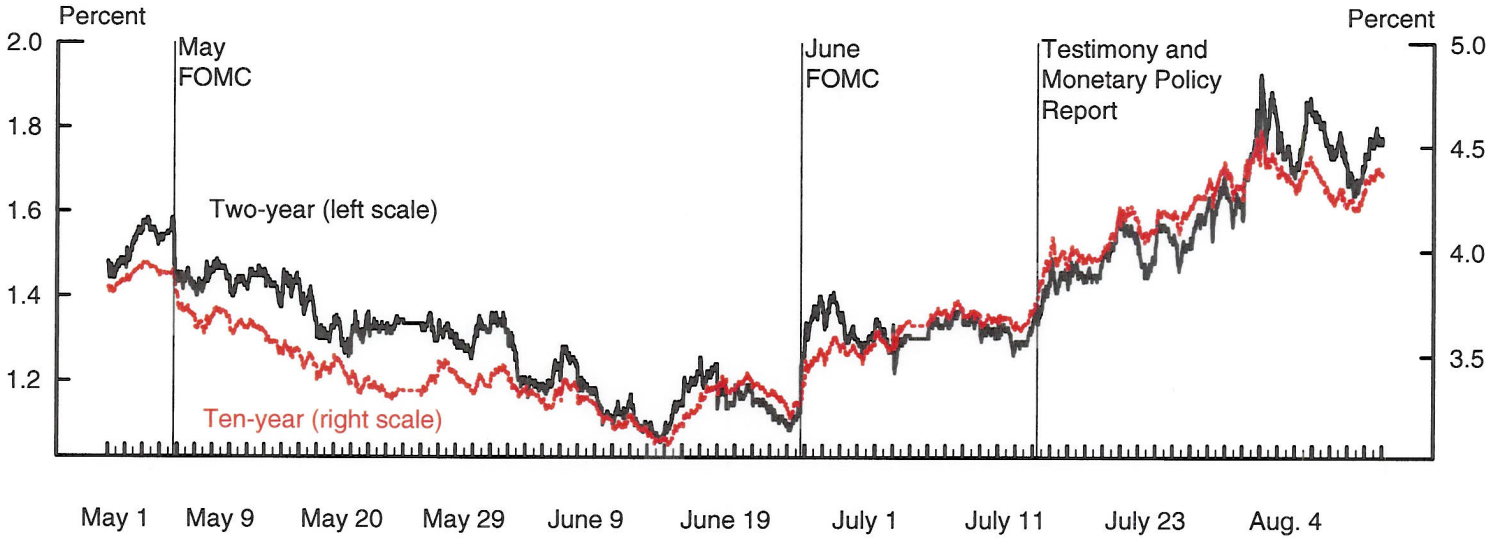
Ten-year Swap Spread



Inflation Compensation



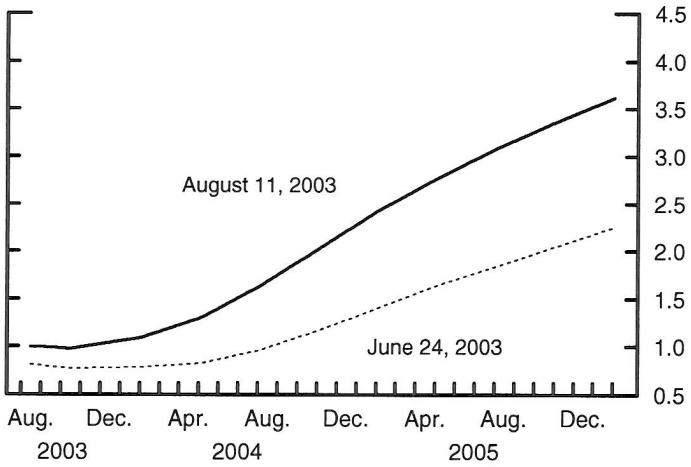
Treasury Yields*



*On-the-run issues, five-minute intervals.

Exhibit 2
Policy Expectations and Choices

Expected Federal Funds Rates*



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

Desk Survey of Primary Dealers

- All 22 dealers expect no policy change at this meeting:
  - 16 expect unchanged risk assessment.
  - 4 expect growth risks to downside.
  - 2 expect balanced risks.

Arguments for Easier Policy

- Greenbook credible, but prefer more rapid progress against slack and, perhaps, a greater inflation buffer.
  - Or may want more insurance.
- Aggregate demand could be weaker than in Greenbook.
- Aggregate supply could be stronger than in Greenbook.

Arguments for Unchanged Policy

- Greenbook credible and acceptable.
  - Early evidence of accelerating demand.
  - More fiscal stimulus coming on line.
- Rise in yields may signal firming economy.
- Apparent rise in inflation expectations.

Assessment of Risks

- Developments over intermeeting period would seem to call for an unchanged assessment of risks.
  - Offsetting effects of strong incoming data and backup in rates suggest balanced risks to growth.
  - Continued low inflation, strong productivity, weak labor market, and small downward revision to staff forecast suggest downside risks to inflation.
- A relatively high hurdle for changing the risk assessment today.