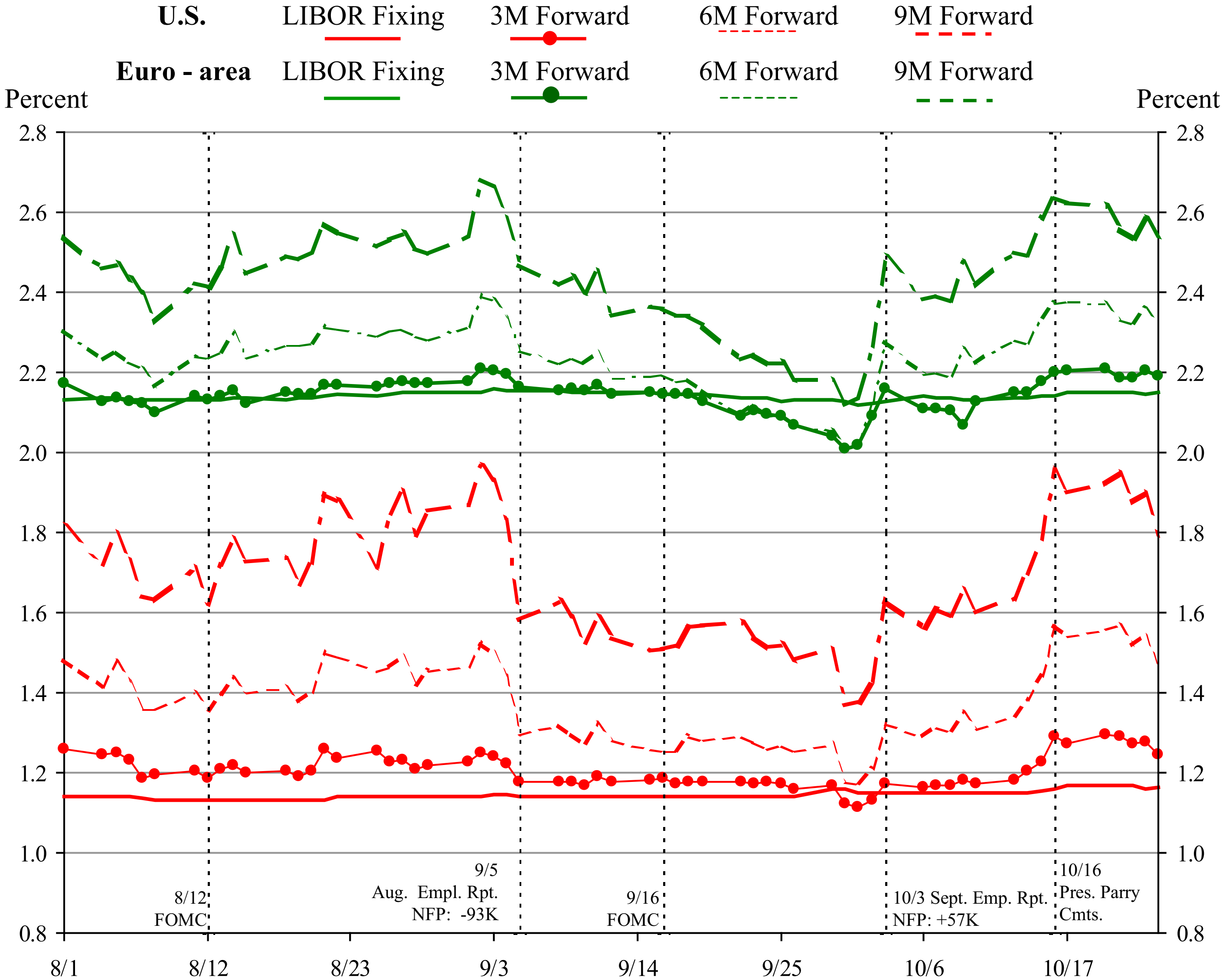
Appendix 1: Materials used by Mr. Kos

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

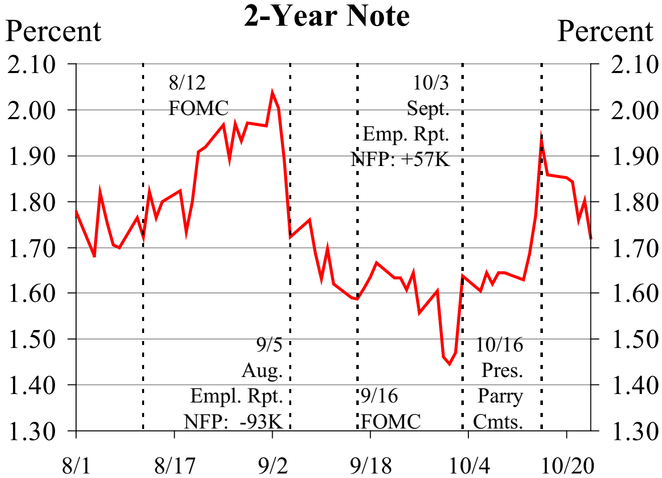
August 1, 2003 - October 24, 2003



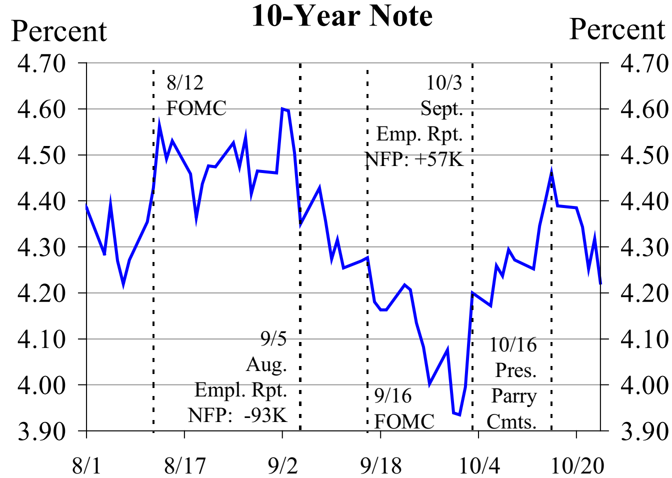
U.S. Treasury Yields

August 1, 2003 - October 24, 2003

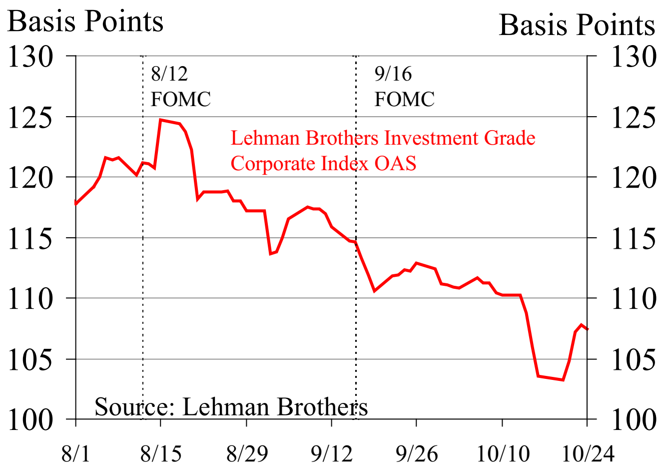
2-Year Note



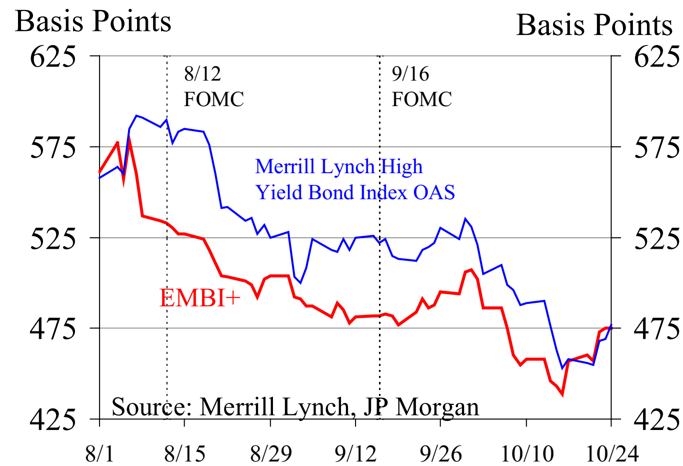
10-Year Note



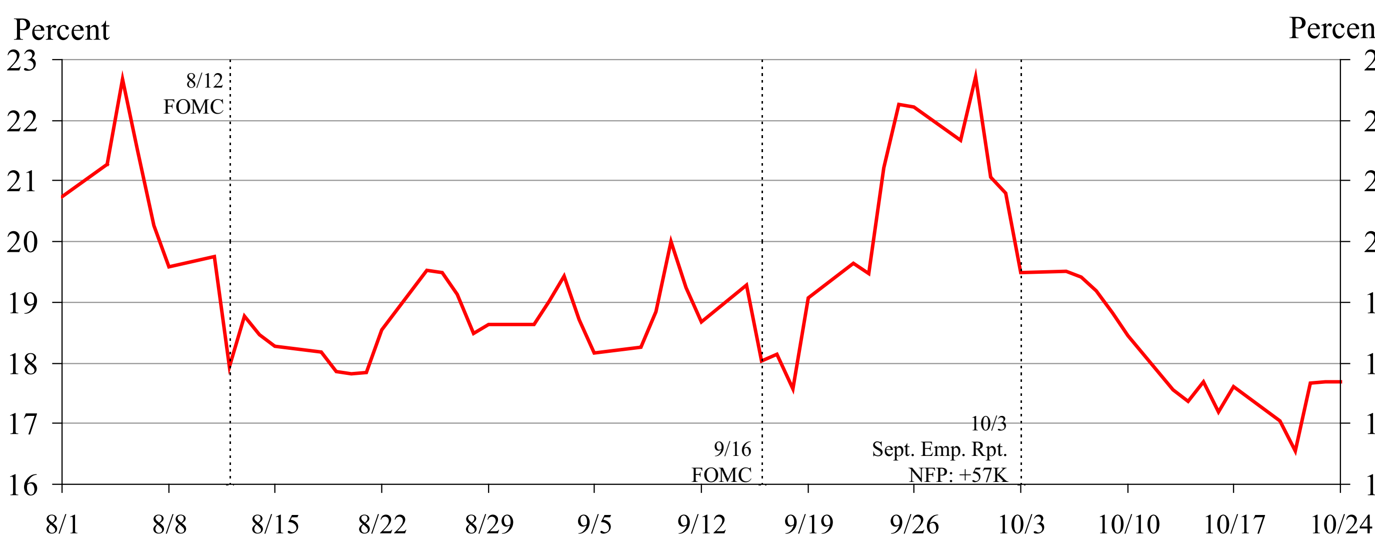
Investment Grade Corporate Debt Spread
August 1, 2003 - October 24, 2003



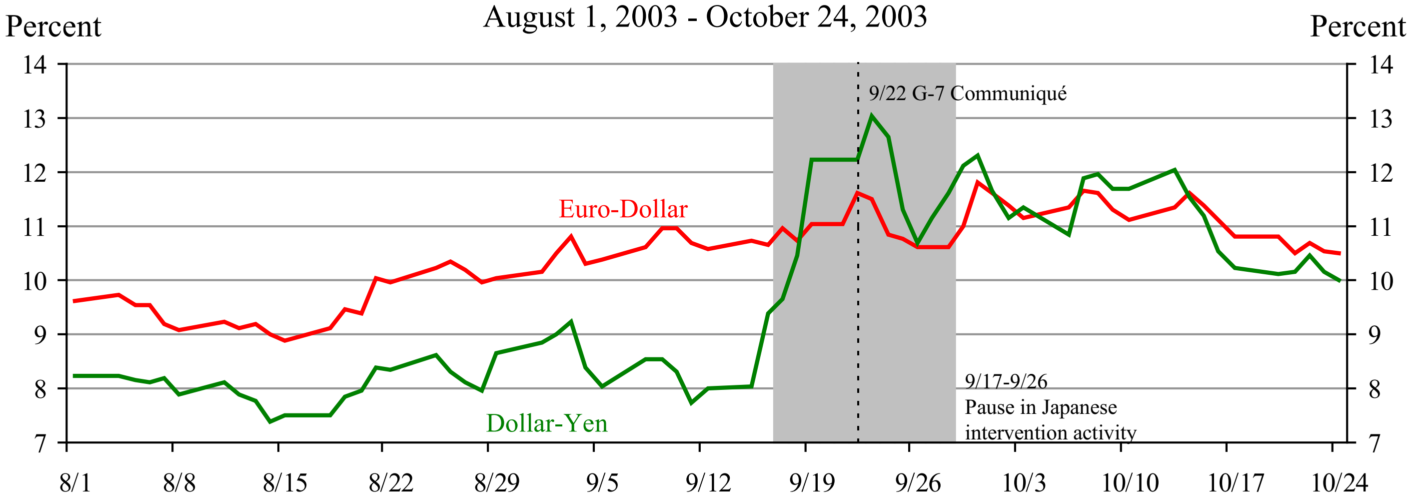
High Yield and EMBI+ Spreads
August 1, 2003 - October 24, 2003



VIX Index
August 1, 2003 - October 24, 2003

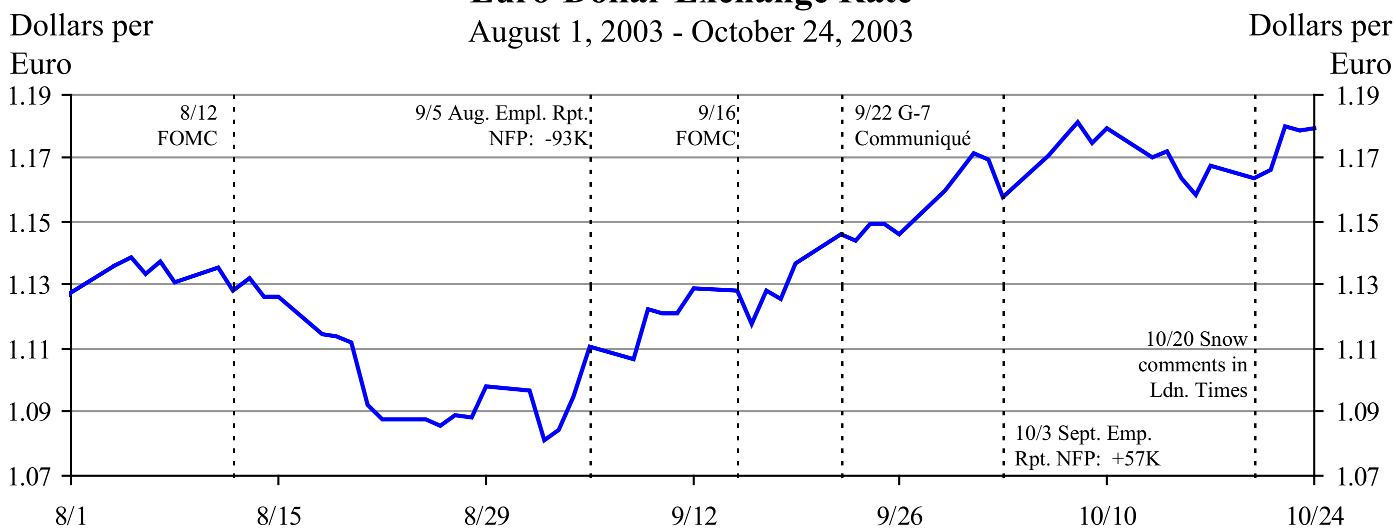


Euro-Dollar and Dollar-Yen 1-Month Option Implied Volatility
August 1, 2003 - October 24, 2003



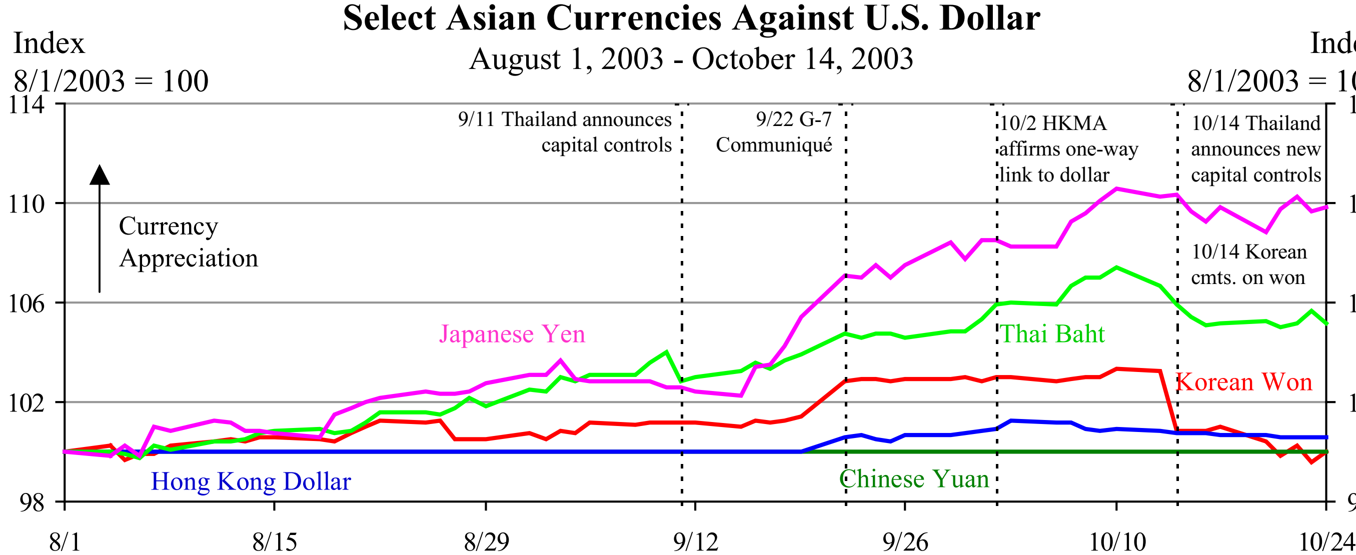
Euro-Dollar Exchange Rate

August 1, 2003 - October 24, 2003



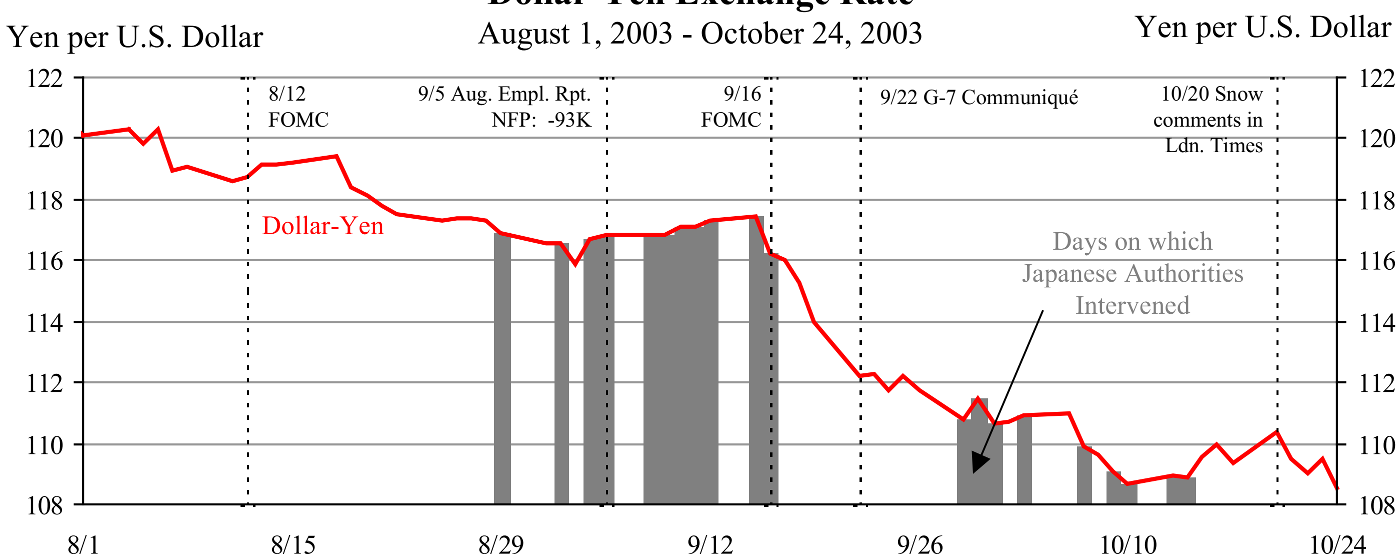
Select Asian Currencies Against U.S. Dollar

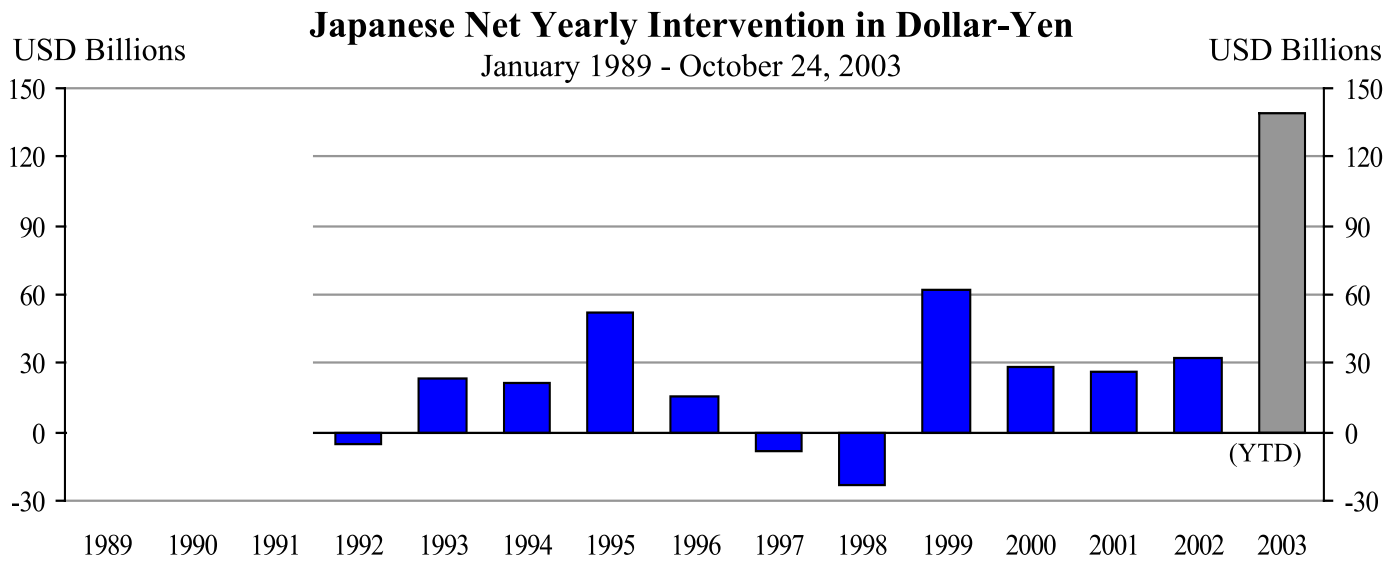
August 1, 2003 - October 14, 2003

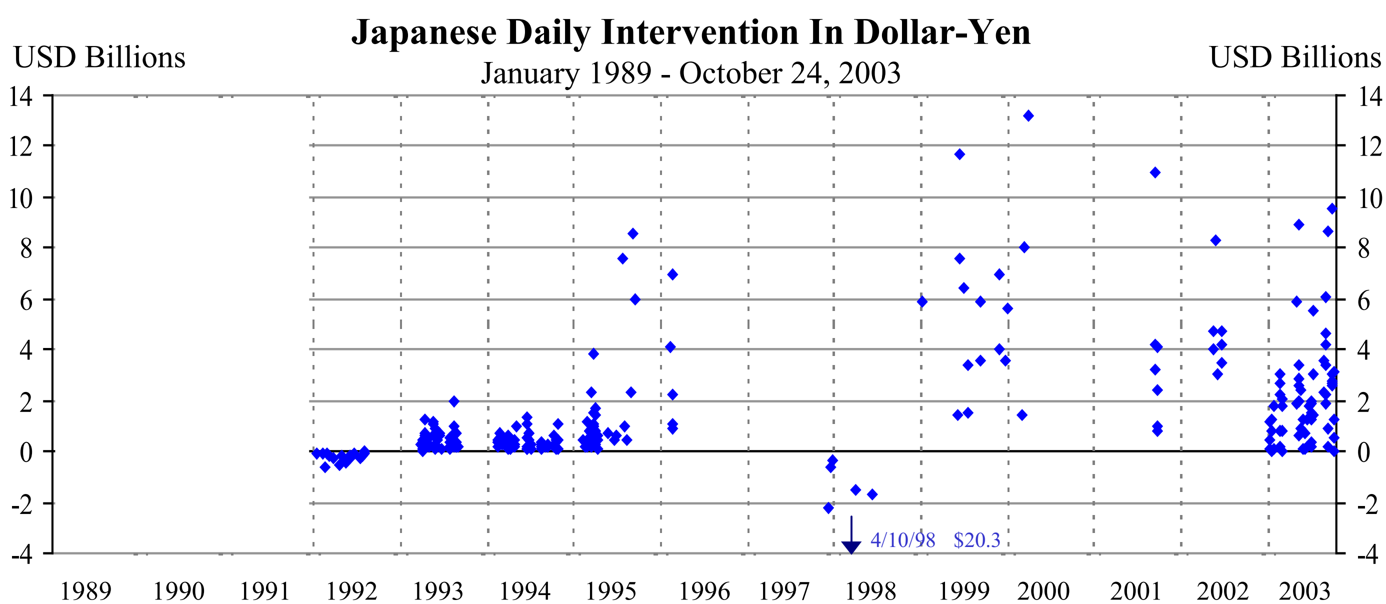


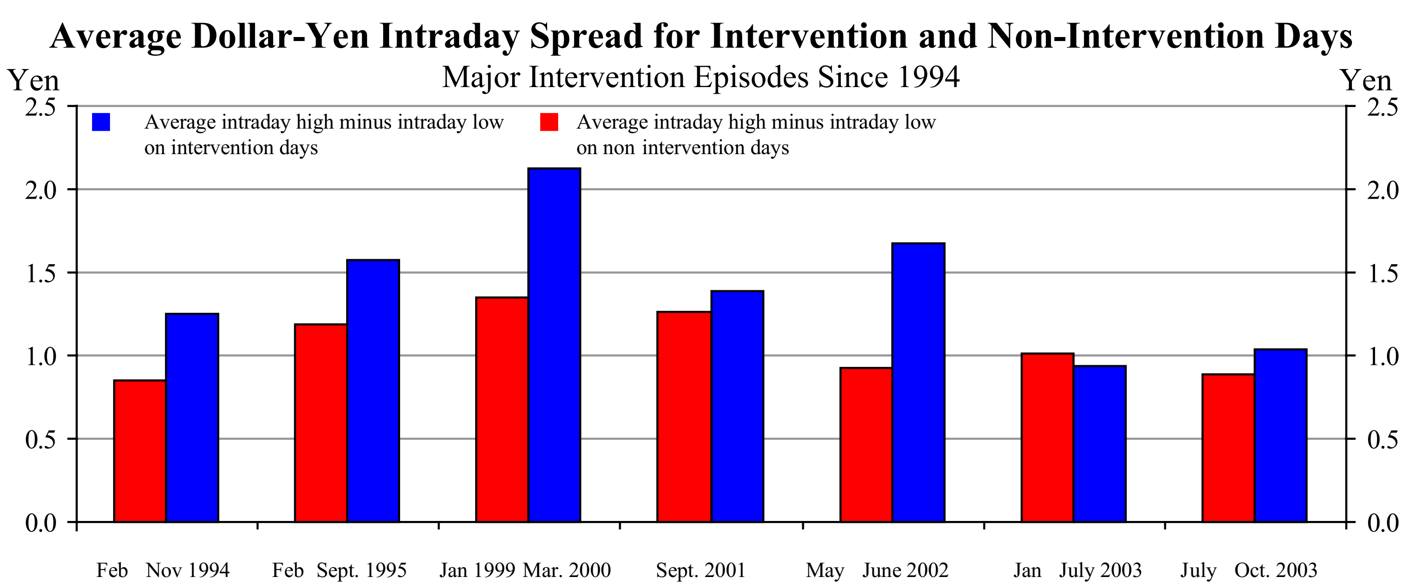
Dollar-Yen Exchange Rate

August 1, 2003 - October 24, 2003




Japanese Net Yearly Intervention in Dollar-Yen
January 1989 - October 24, 2003
USD Billions
USD Billions
150
120
90
60
30
0
-30
(YTD)
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003


Japanese Daily Intervention In Dollar-Yen
January 1989 - October 24, 2003
USD Billions
USD Billions
14
12
10
8
6
4
2
0
-2
-4
4/10/98 $20.3
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003


Average Dollar-Yen Intraday Spread for Intervention and Non-Intervention Days
Major Intervention Episodes Since 1994
Yen
Yen
Average intraday high minus intraday low on intervention days
Average intraday high minus intraday low on non intervention days
2.5
2.0
1.5
1.0
0.5
0.0
Feb Nov 1994
Feb Sept. 1995
Jan 1999 Mar. 2000
Sept. 2001
May June 2002
Jan July 2003
July Oct. 2003

Appendix 2: Materials used by Mr. Reinhart

Material for

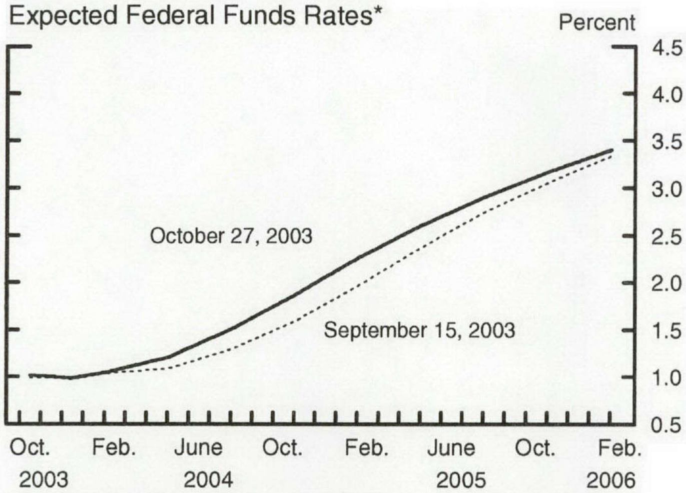
Briefing on Monetary Policy Alternatives

October 28, 2003

STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

Exhibit 1
Financial Market Conditions

Expected Federal Funds Rates*

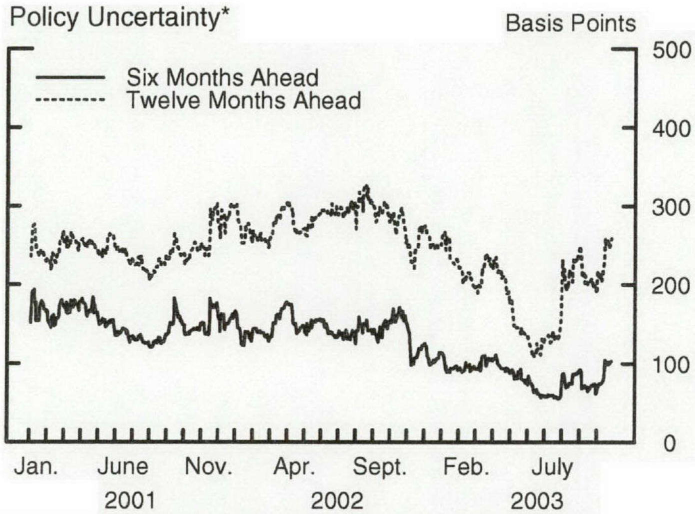


*Estimates from federal funds and eurodollar futures, with an allowance for term premia and other adjustments.

Primary Dealers' Expectation of Risk Assessment (FRBNY Survey, as of October 20)

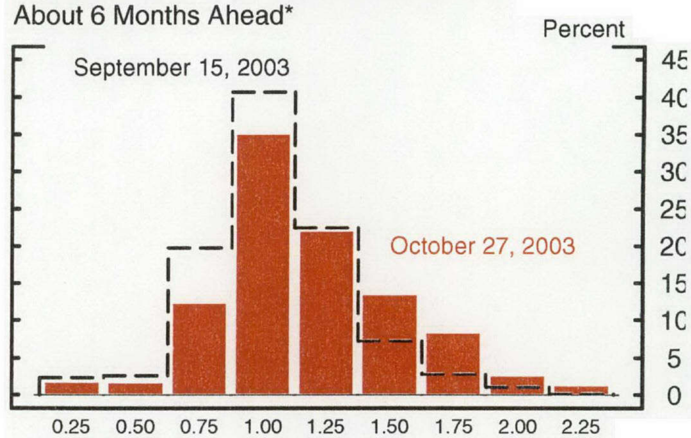
Objectives	Balance: Downside	Balanced	Upside
Growth	0	20	2
Price Stability	22	0	0
Predominant Risk	21	1	0

Policy Uncertainty*



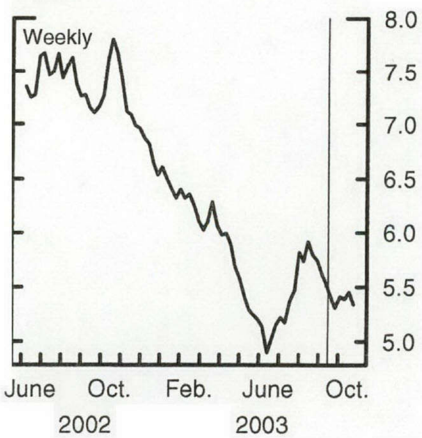
*Width of a 90 percent confidence interval computed from the term structures for the expected federal funds rate and implied volatility.

Implied Distribution of Federal Funds Rate About 6 Months Ahead*

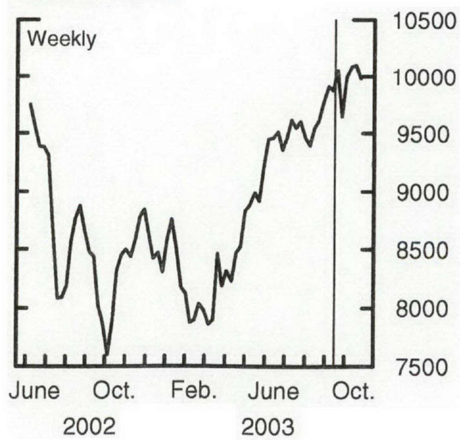


*Based on the distribution of the three-month eurodollar rate five months ahead (adjusted for a risk premium), as implied by options on eurodollar futures contracts.

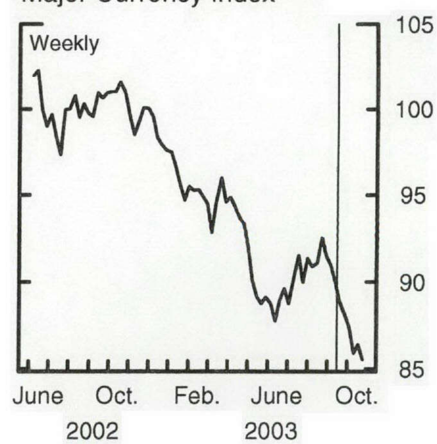
Weighted-Average Corporate Yield



Wilshire 5000



Nominal Trade-Weighted Major Currency Index



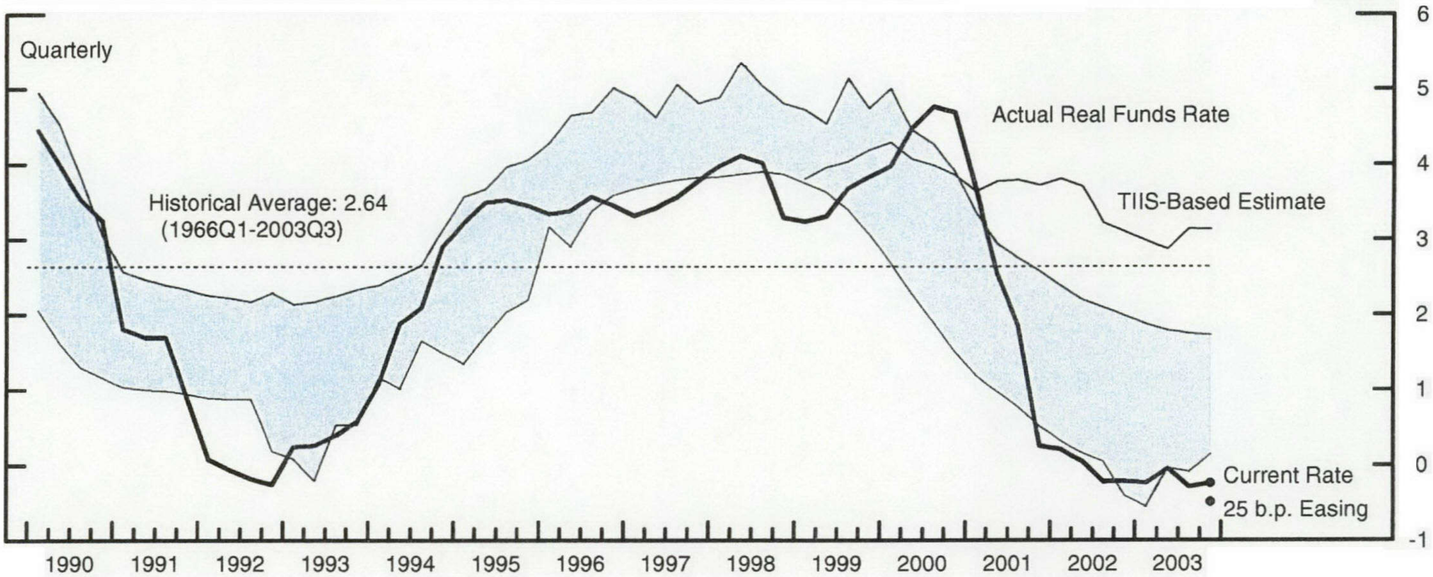
Note: Vertical lines indicate September 15, 2003.

Exhibit 2

The Case for an Unchanged Target Federal Funds Rate

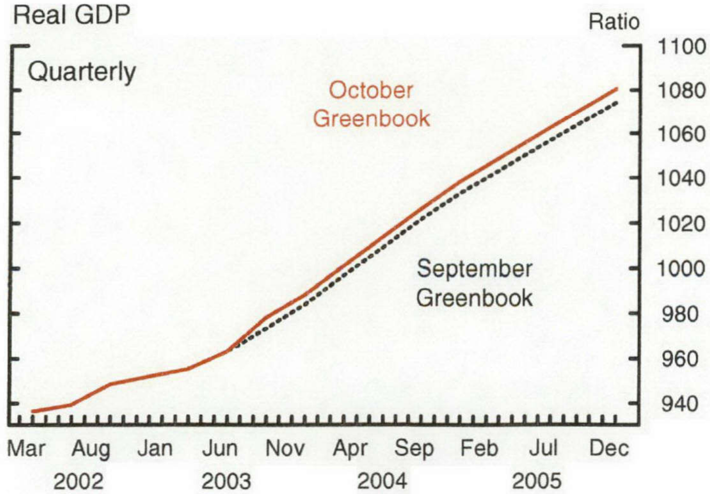
- Financial market conditions have eased.
- Policy is accommodative.
- Pressures on resources may emerge.

Actual Real Federal Funds Rate and Range of Estimated Equilibrium Real Rates

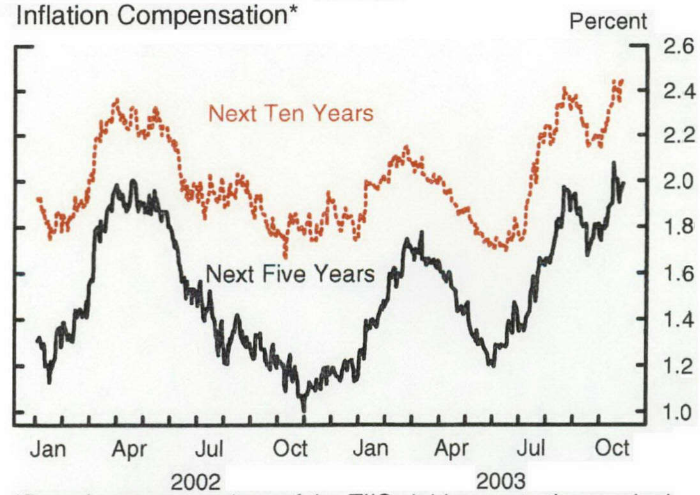


Note: The shaded range represents the maximum and the minimum values each quarter of four estimates of the equilibrium real federal funds rate based on a statistical filter and the FRB/US model. Real federal funds rates employ a four-quarter moving average of core PCE inflation as a proxy for inflation expectations, with the staff projection used for 2003Q4.

Real GDP



Inflation Compensation*

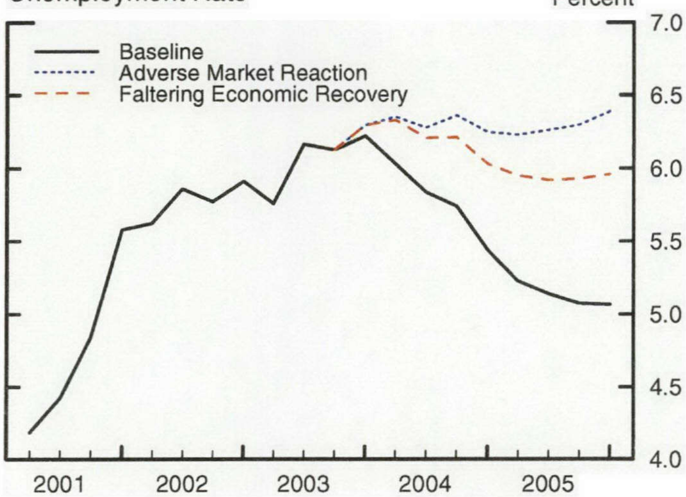


*Based on a comparison of the TIIS yield curve to the nominal off-the-run Treasury yield curve.

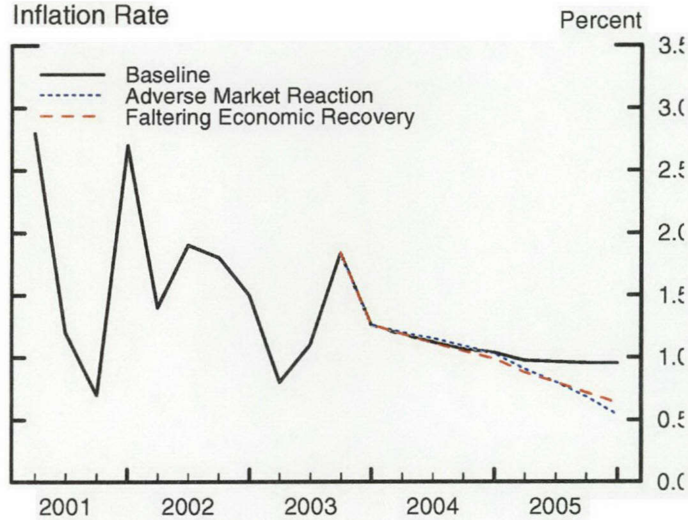
Exhibit 3
The Case for Easing 25 Basis Points

- Resource slack lingers in the outlook.
- A durable expansion is not yet assured.
- Financial flows have not yet revived.

Unemployment Rate

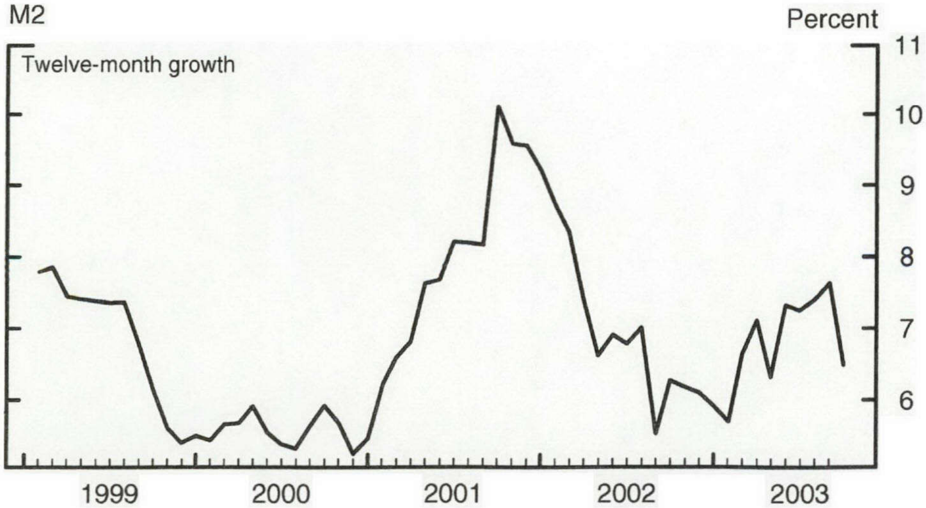


Inflation Rate



Note: PCE prices excluding food and energy.

M2



Net Debt Financing of Nonfinancial Businesses

	2003 H1	2003 Q3	2003 Oct
	--- $ billions ---		
C&I Loans	-4.5	-6.9	-0.8
CP	-4.3	-1.9	2.5
Net Bond Issuance	20	7.3	1.7

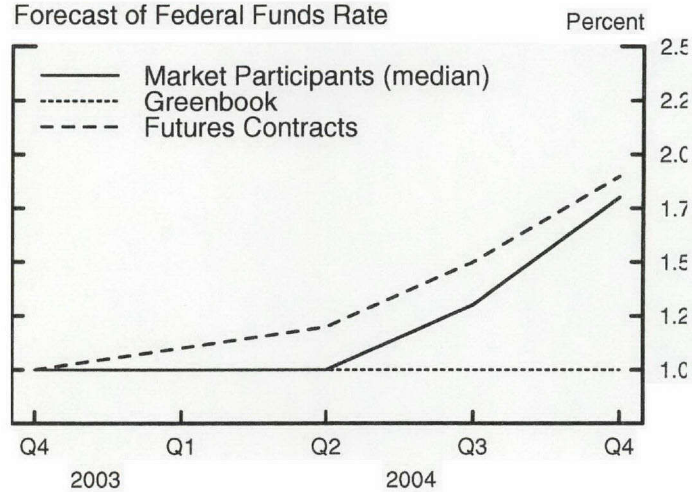
Exhibit 4
As Time Goes By

Possible Configurations of the Risks to Economic Growth, the Risks to Inflation, and the Balance of Risks

		Risks to Inflation		
		Unwelcome fall	Balanced	Unwelcome rise
Risks to Sustainable Economic Growth	Weighted to the downside			
	Balanced	Inflation undesirably low	Balanced	
	Weighted to the upside	Inflation undesirably low -or- balanced	Upside risks to sustainable growth	

"...the Committee believes that policy accommodation can be maintained for a considerable period."

Forecast of Federal Funds Rate



- Dropping the sentence may risk an outsized market reaction.
- Market participants may expect policy to be more aggressive than currently expected.

"...the Committee believes that policy accommodation can be maintained for the considerable period it currently assesses will be required to foster the moderation of disinflationary pressures."

Appendix 3: Materials used by Mr. Reinhart

Exhibit 1

Alternative Assessments of the Outlook

1. The Balance-of-Risks Assessment

Against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the Committee believes that the risks ARE BALANCED WITH RESPECT TO PROSPECTS FOR BOTH GOALS / ARE WEIGHTED MAINLY TOWARD CONDITIONS THAT MAY GENERATE HEIGHTENED INFLATION PRESSURES / ARE WEIGHTED MAINLY TOWARD CONDITIONS THAT MAY GENERATE ECONOMIC WEAKNESS in the foreseeable future.

2. The Current Language

The Committee perceives that the upside and downside risks to the attainment of sustainable economic growth for the next few quarters are roughly equal. In contrast, the probability, though minor, of an unwelcome fall in inflation exceeds that of a rise in inflation from its already low level. The Committee judges that, on balance, the risk of inflation becoming undesirably low remains the predominant concern for the foreseeable future.

3. Reinhart memo (October 22, 2003)

The probability of economic growth running above its long-run sustainable pace is BELOW / ABOUT EQUAL TO / ABOVE that of it falling short over the next few quarters. Over the same period, the probability of inflation rising is BELOW / ABOUT EQUAL TO / ABOVE that of it declining. In light of this assessment and against the backdrop of its long-run goals of price stability and maximum employment, the Committee judges that

EITHER

> the risk(s) of
> INCREASING PRESSURE ON RESOURCES / DECREASING PRESSURE ON RESOURCES / *(AND)* / INFLATION RUNNING UNDESIRABLY HIGH / INFLATION RUNNING UNDESIRABLY LOW is (are) the more pressing concern(s)

OR

> THE RISKS TO BOTH OF ITS LONG-RUN GOALS ARE BALANCED

for the foreseeable future.

4. Gramlich memo (October 22, 2003)

The probability that economic growth will proceed over the next few quarters at a rate consistent with the attainment of maximum sustainable employment is BELOW / EQUAL TO / ABOVE the probability of it falling short. Over the same period, the probability that inflation will be undesirably high is BELOW / EQUAL TO / ABOVE the probability that it will be undesirably low. Overall, the Committee judges that the risks to the attainment of MAXIMUM SUSTAINABLE EMPLOYMENT ARE THE MORE PRESSING CONCERN / PRICE STABILITY ARE THE MORE PRESSING CONCERN / BOTH GOALS ARE ABOUT EQUAL.

Exhibit 2

Some Questions

1. Do you have a clear preference as to the basic structure of the assessment of the outlook?

2. Do you want to follow a bilateral or multilateral approach to arrive at new language?

3. How much importance do you place on wrapping up this issue quickly?

4. When do you want to talk about this next?