

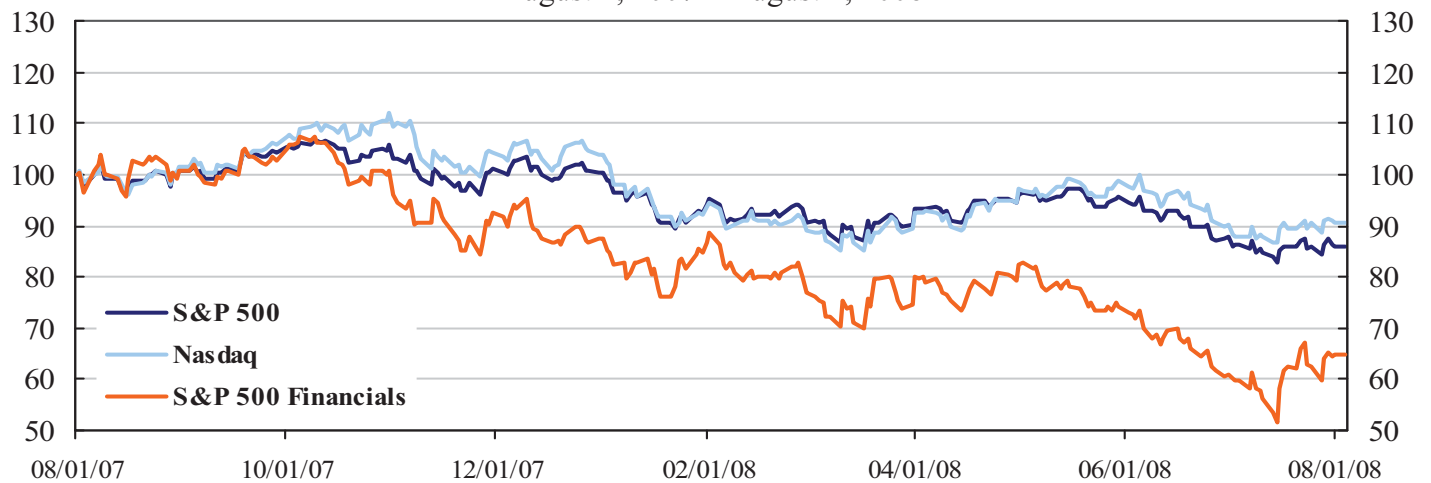
Appendix 1: Materials used by Mr. Dudley

(1) U.S. Equity Indices

Index to 100 on 8/1/07

August 1, 2007 – August 1, 2008

Index to 100 on 8/1/07



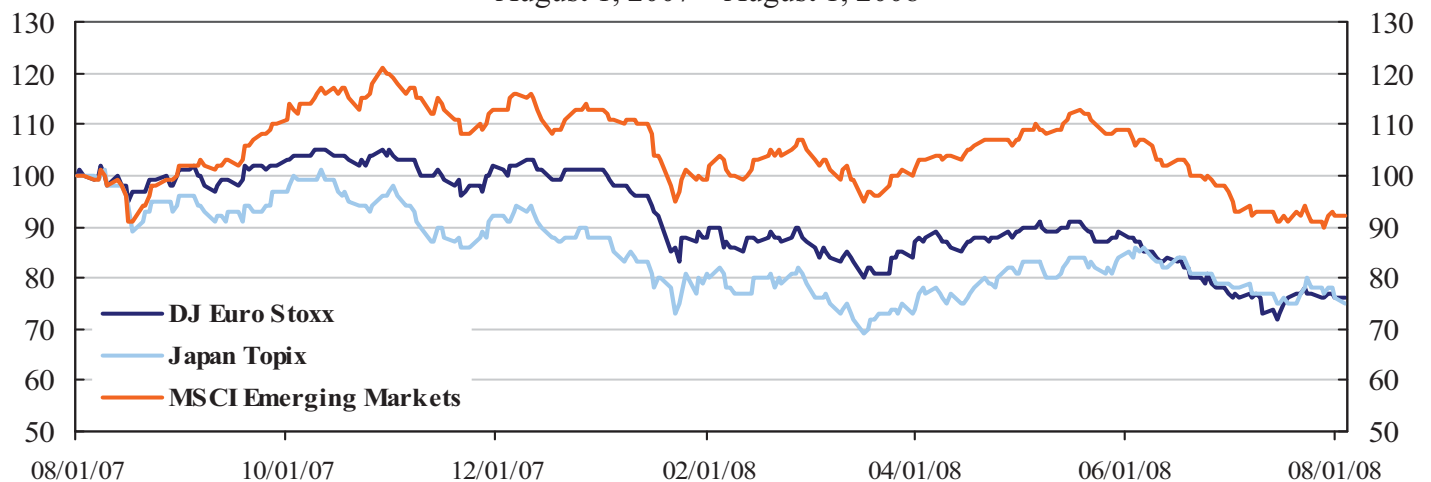
Source: Bloomberg

(2) Global Equity Indices

Index to 100 on 8/1/07

August 1, 2007 – August 1, 2008

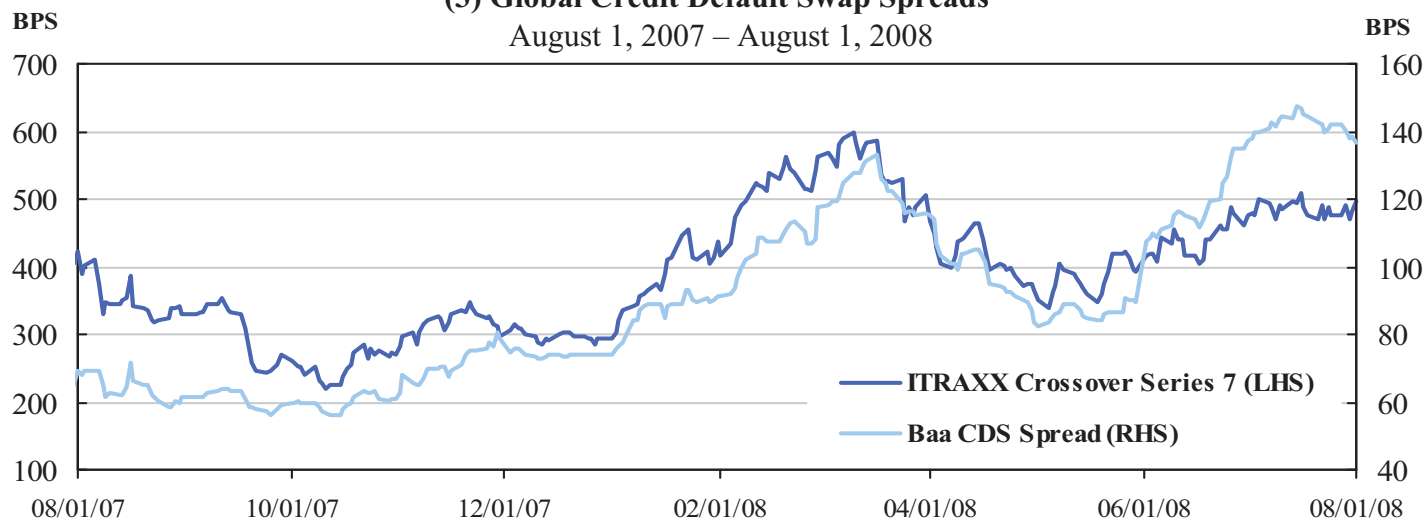
Index to 100 on 8/1/07



Source: Bloomberg

(3) Global Credit Default Swap Spreads

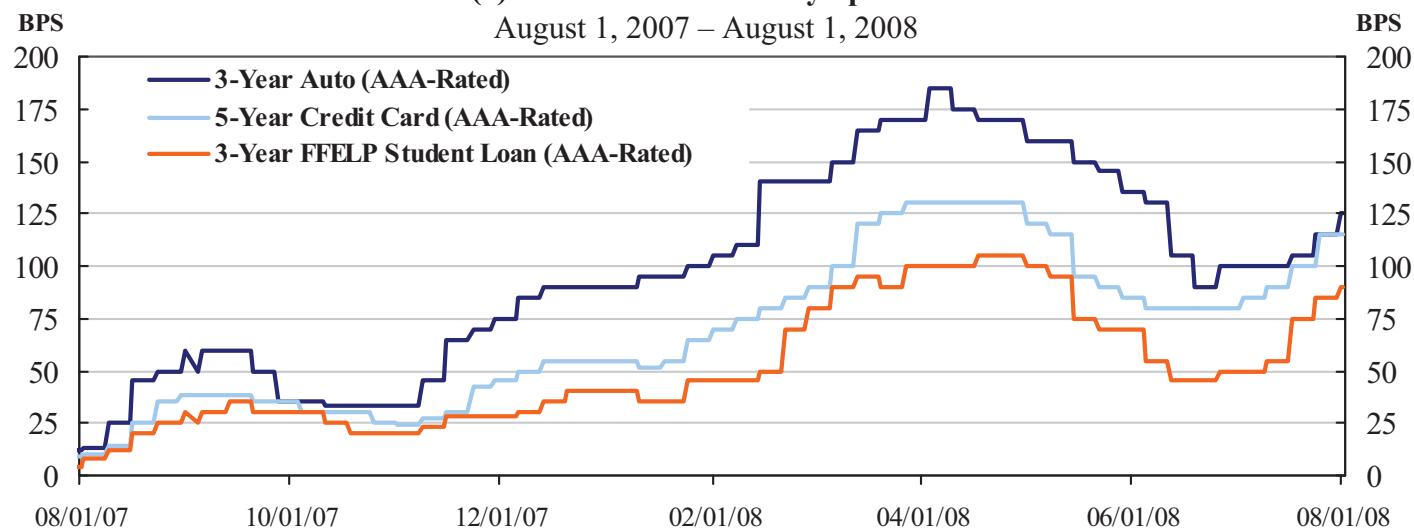
August 1, 2007 – August 1, 2008



Source: Bloomberg, Lehman Brothers

(4) Asset-Backed Security Spreads

August 1, 2007 – August 1, 2008



Source: JPMorgan Chase

(5) Correlation of Daily Asset Price Changes

July 1, 2008 – August 1, 2008

<i>Variables</i>	2YR Yield	10YR Yield	S&P	USD/JPY	10YR Swap Spreads	VIX	CDX IG
2YR Yield							
10YR Yield	0.92						
S&P	0.61	0.56					
USD/JPY	0.49	0.44	0.67				
10YR Swap Spreads	-0.10	0.06	-0.12	0.21			
VIX	-0.47	-0.45	-0.90	-0.54	0.20		
CDX IG	0.44	0.38	0.62	0.25	-0.61	-0.67	
Merrill-HY	-0.71	-0.63	-0.39	-0.42	-0.03	0.26	-0.23

Blue boxes denote correlations greater than 0.50 or less than -0.50

Source: Bloomberg, JPMorgan Chase

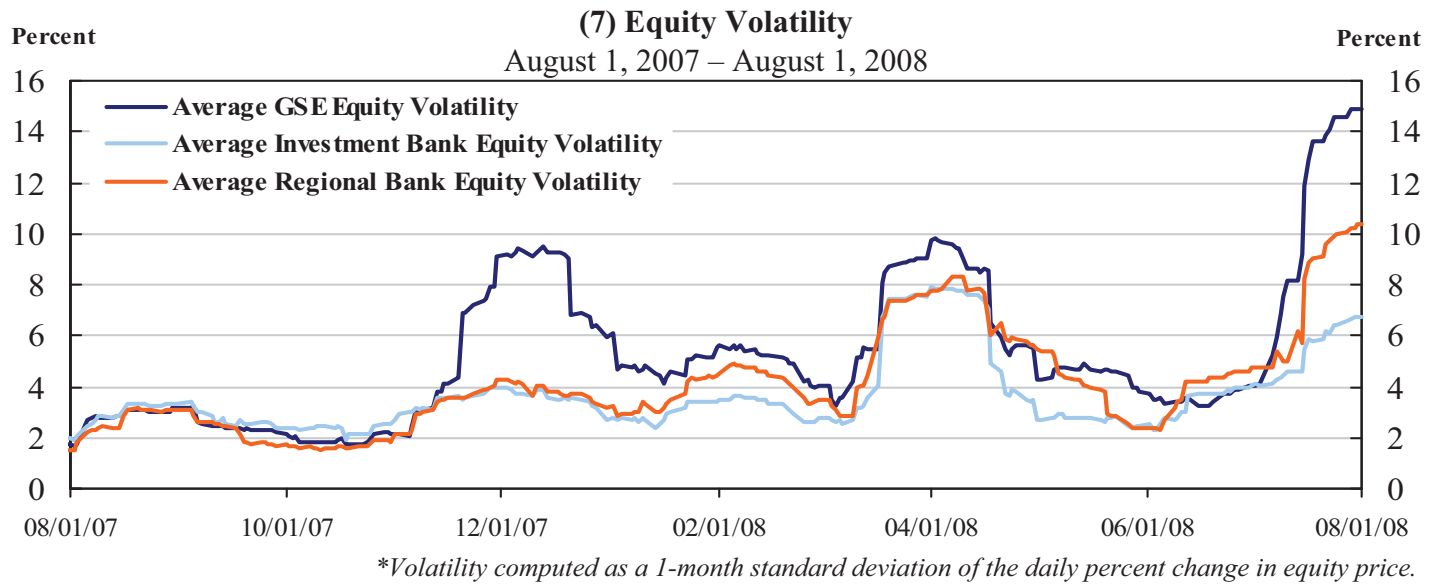
(6) Correlation of Daily Asset Price Changes

March 1, 2008 – April 1, 2008

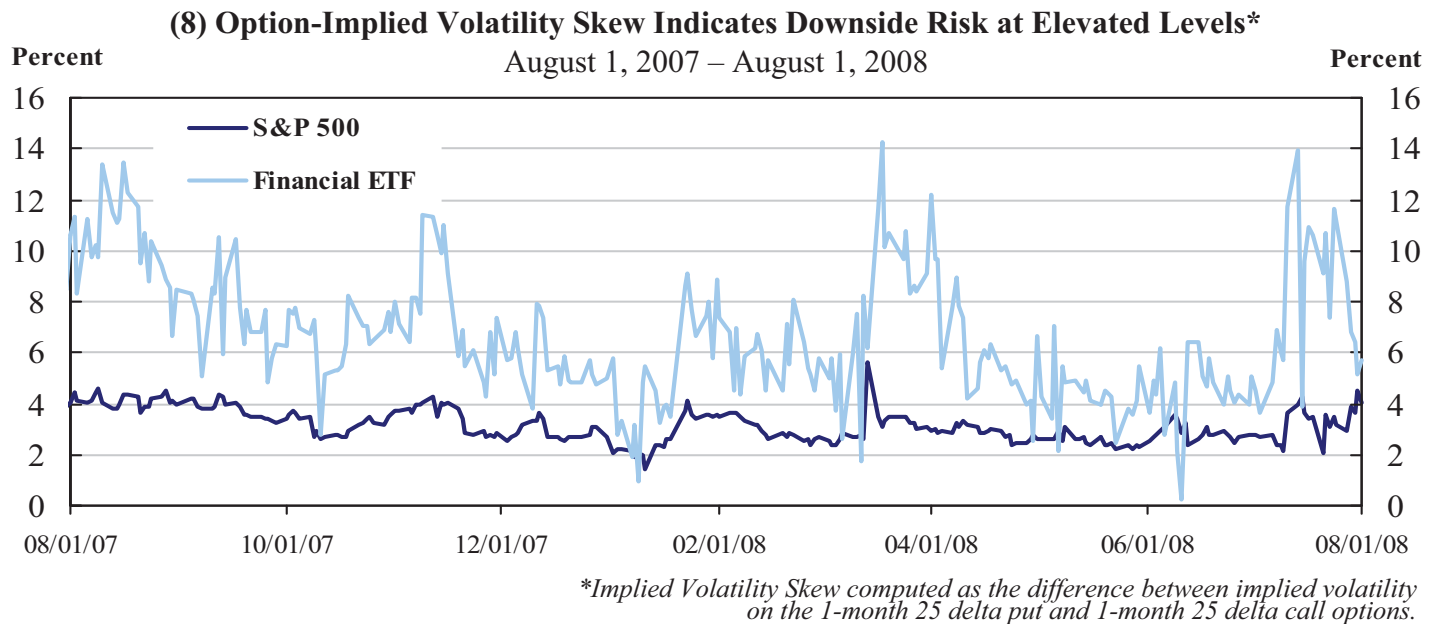
<i>Variables</i>	2YR Yield	10YR Yield	S&P	USD/JPY	10YR Swap Spreads	VIX	CDX IG
2YR Yield							
10YR Yield	0.90						
S&P	0.87	0.77					
USD/JPY	0.90	0.80	0.86				
10YR Swap Spreads	-0.23	-0.01	-0.26	-0.07			
VIX	-0.81	-0.73	-0.94	-0.85	0.14		
CDX IG	0.82	0.69	0.81	0.75	-0.44	-0.75	
Merrill-HY	-0.84	-0.80	-0.66	-0.77	-0.08	0.61	-0.73

Blue boxes denote correlations greater than 0.50 or less than -0.50

Source: Bloomberg, JPMorgan Chase



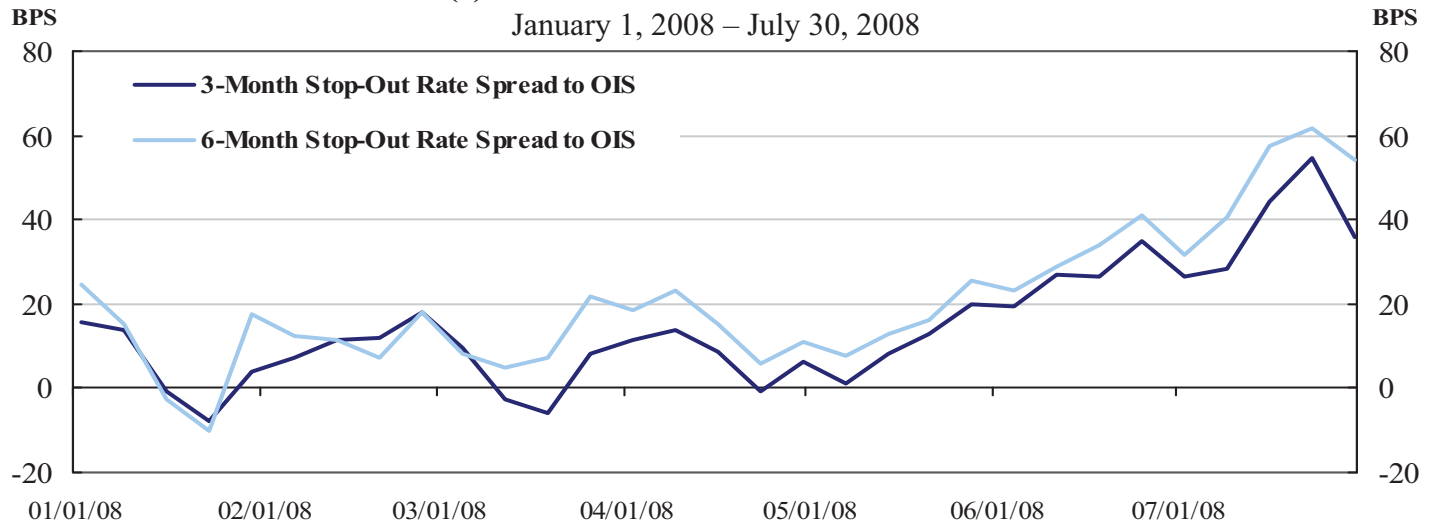
Source: Bloomberg



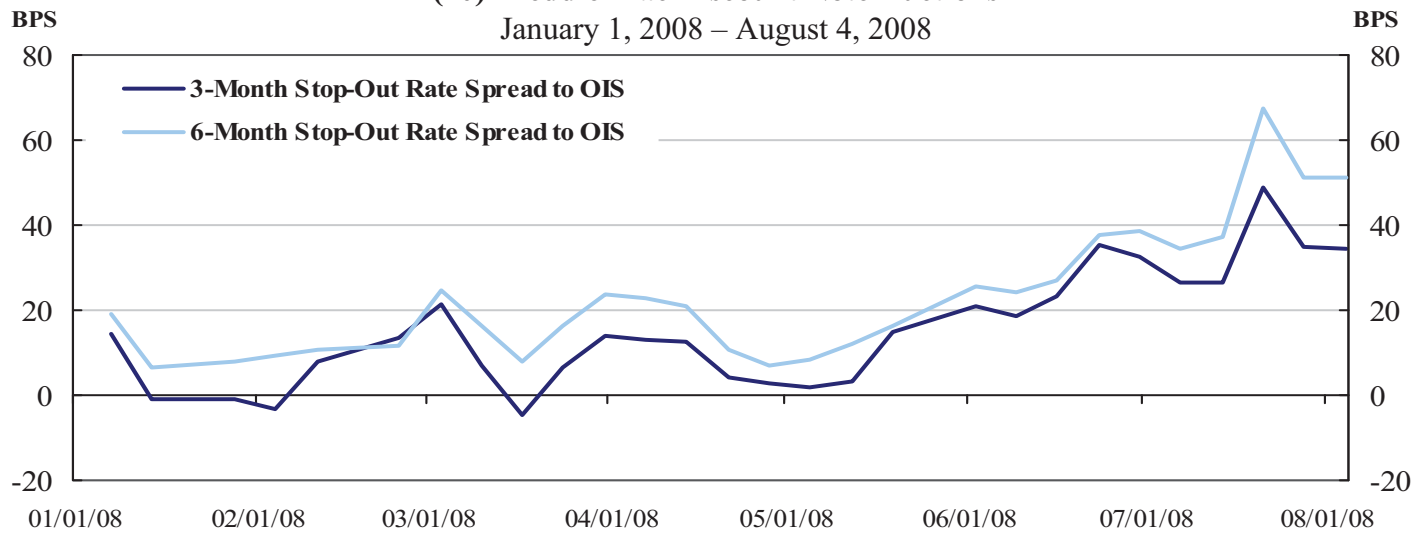
Source: Bloomberg

(9) Fannie Mae Discount Note Auctions

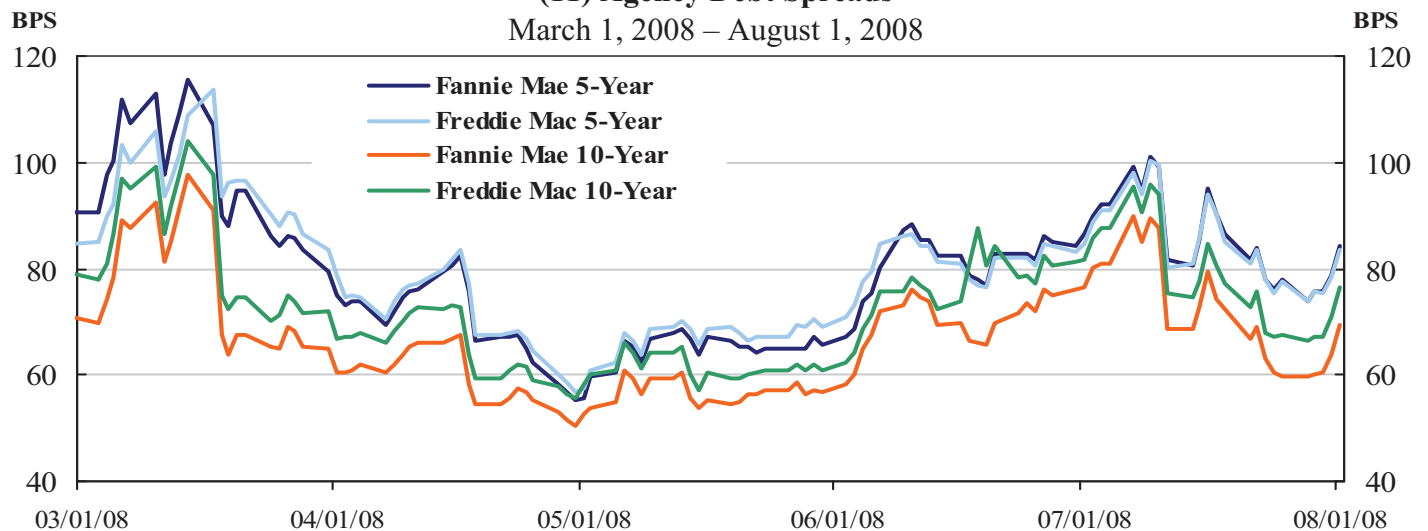
January 1, 2008 – July 30, 2008

**(10) Freddie Mac Discount Note Auctions**

January 1, 2008 – August 4, 2008

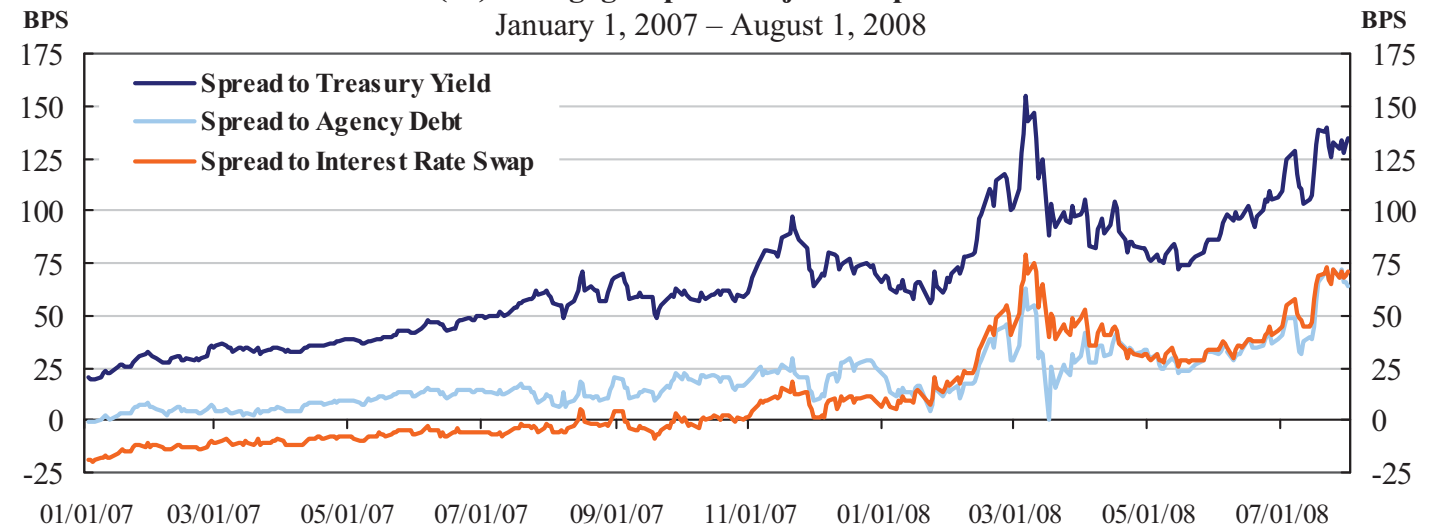
**(11) Agency Debt Spreads**

March 1, 2008 – August 1, 2008



(12) Mortgage Option Adjusted Spreads

January 1, 2007 – August 1, 2008



Source: Lehman Brothers

(13) Federal Reserve Term Securities Lending Facility Results

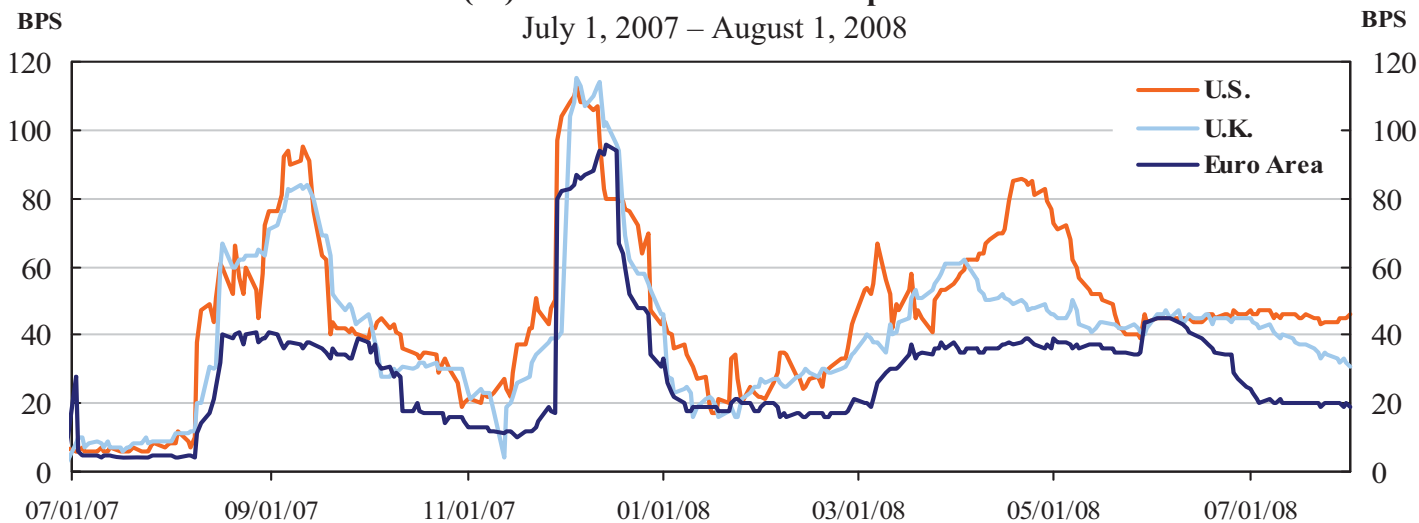
March 28, 2008 – July 31, 2008

<u>Auction</u>				<u>Minimum</u>	<u>Stop-out</u>		
<u>Settlement</u>	<u>Term</u>	<u>Collateral</u>	<u>Amount</u>	<u>Fee Rate</u>	<u>Rate</u>	<u>Propositions</u>	<u>Bid/Cover</u>
3/28/2008	28 Days	Schedule 2	\$75 b	0.25%	0.33%	\$86.1 b	1.15
4/4/2008	28 Days	Schedule 1	\$25 b	0.10%	0.16%	\$46.9 b	1.88
4/11/2008	28 Days	Schedule 2	\$50 b	0.25%	0.25%	\$40.0 b	0.68
4/18/2008	28 Days	Schedule 1	\$25 b	0.10%	0.10%	\$35.1 b	1.40
4/25/2008	28 Days	Schedule 2	\$75 b	0.25%	0.25%	\$ 59.5 b	0.79
5/2/2008	28 Days	Schedule 1	\$25 b	0.10%	0.10%	\$ 24.1 b	0.96
5/9/2008	28 Days	Schedule 2	\$50 b	0.25%	0.25%	\$28.7 b	0.58
5/16/2008	28 Days	Schedule 1	\$25 b	0.10%	0.10%	\$7.2 b	0.29
5/23/2008	28 Days	Schedule 2	\$75 b	0.25%	0.25%	\$46.1 b	0.62
5/30/2008	28 Days	Schedule 1	\$25 b	0.10%	0.10%	\$16.4 b	0.66
6/6/2008	28 Days	Schedule 2	\$50 b	0.25%	0.25%	\$26.9 b	0.54
6/13/2008	28 Days	Schedule 1	\$25 b	0.10%	0.10%	\$27.2 b	1.09
6/20/2008	28 Days	Schedule 2	\$75 b	0.25%	0.25%	\$36.8 b	0.49
6/27/2008	28 Days	Schedule 1	\$25 b	0.10%	0.11%	\$15.4 b	0.62
7/7/2008	28 Days	Schedule 2	\$50 b	0.25%	0.25%	\$26.1 b	0.52
7/11/2008	28 Days	Schedule 1	\$25 b	0.10%	0.10%	\$21.3 b	0.85
7/18/2008	28 Days	Schedule 2	\$50 b	0.25%	0.25%	\$51.8 b	0.69
7/25/2008	28 Days	Schedule 1	\$25 b	0.10%	0.12%	\$51.7 b	2.07
7/31/2008	28 Days	Schedule 2	\$50 b	0.25%	0.25%	\$28.1 b	0.56

Source: Federal Reserve Bank of New York

(14) One-Month Libor–OIS Spreads

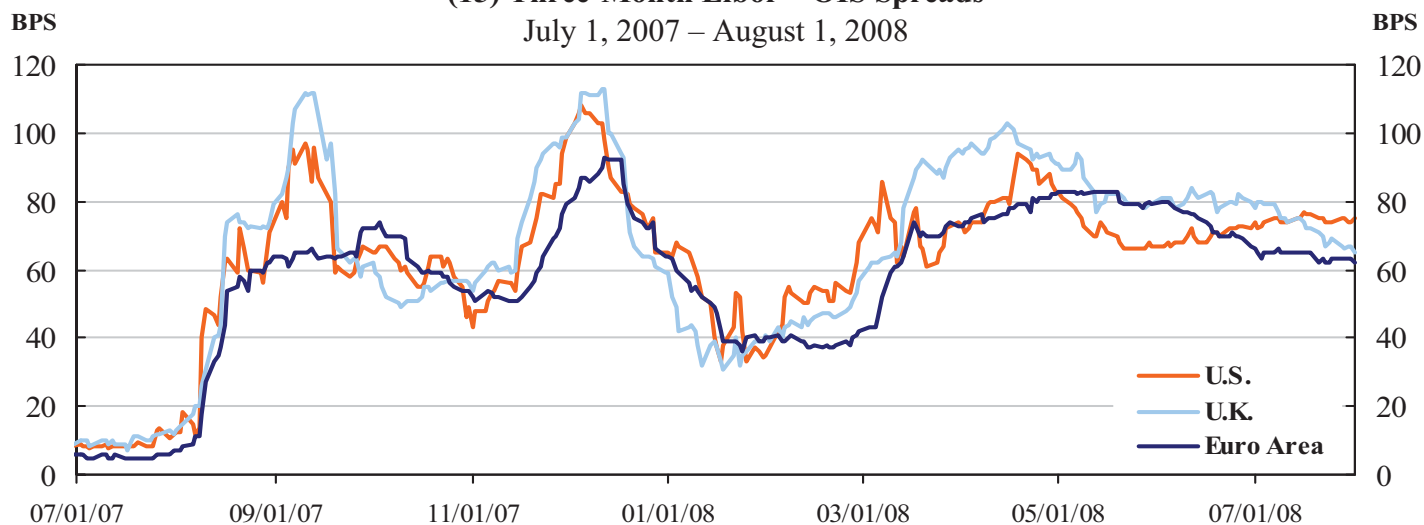
July 1, 2007 – August 1, 2008



Source: Bloomberg

(15) Three-Month Libor – OIS Spreads

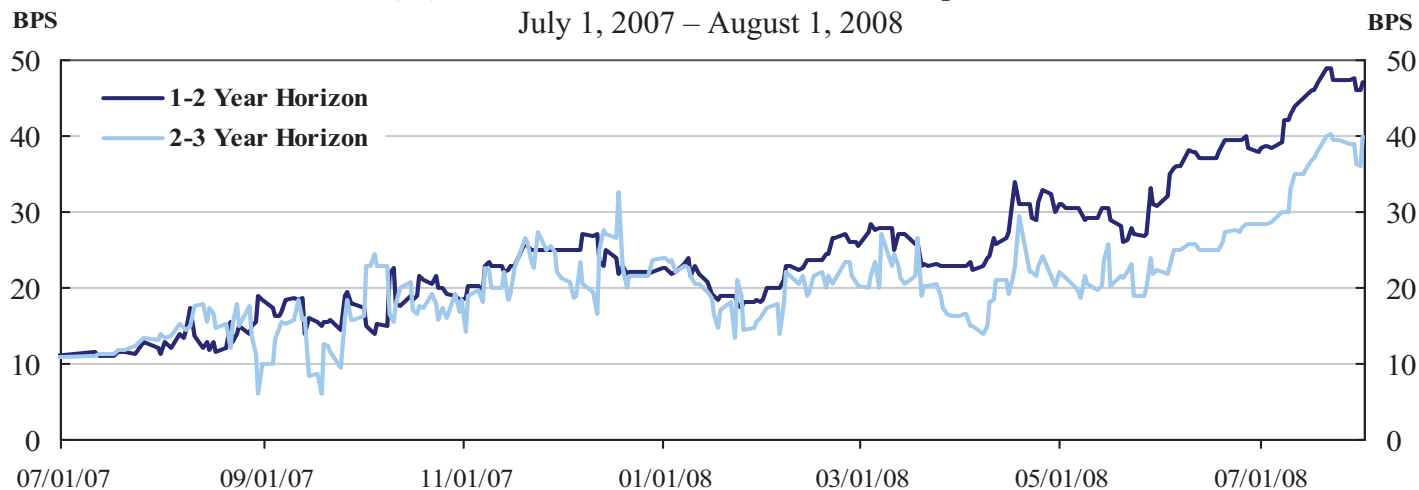
July 1, 2007 – August 1, 2008



Source: Bloomberg

(16) Forward Three-Month Libor-OIS Spreads

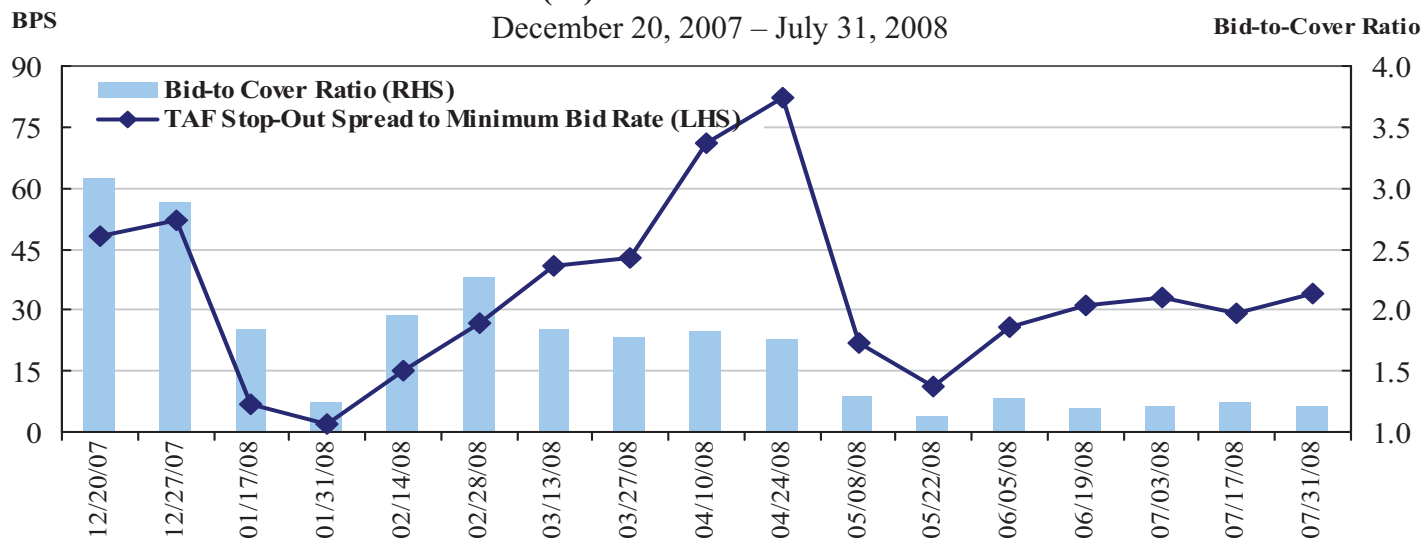
July 1, 2007 – August 1, 2008



Source: Reuters

(17) TAF Auction Results

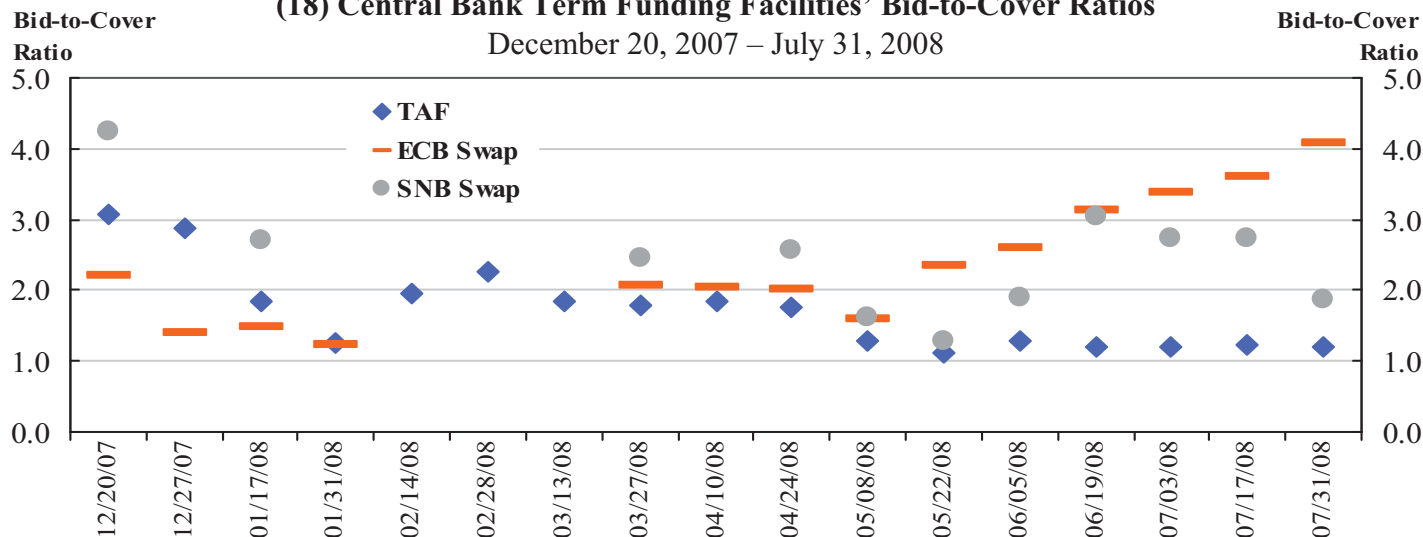
December 20, 2007 – July 31, 2008



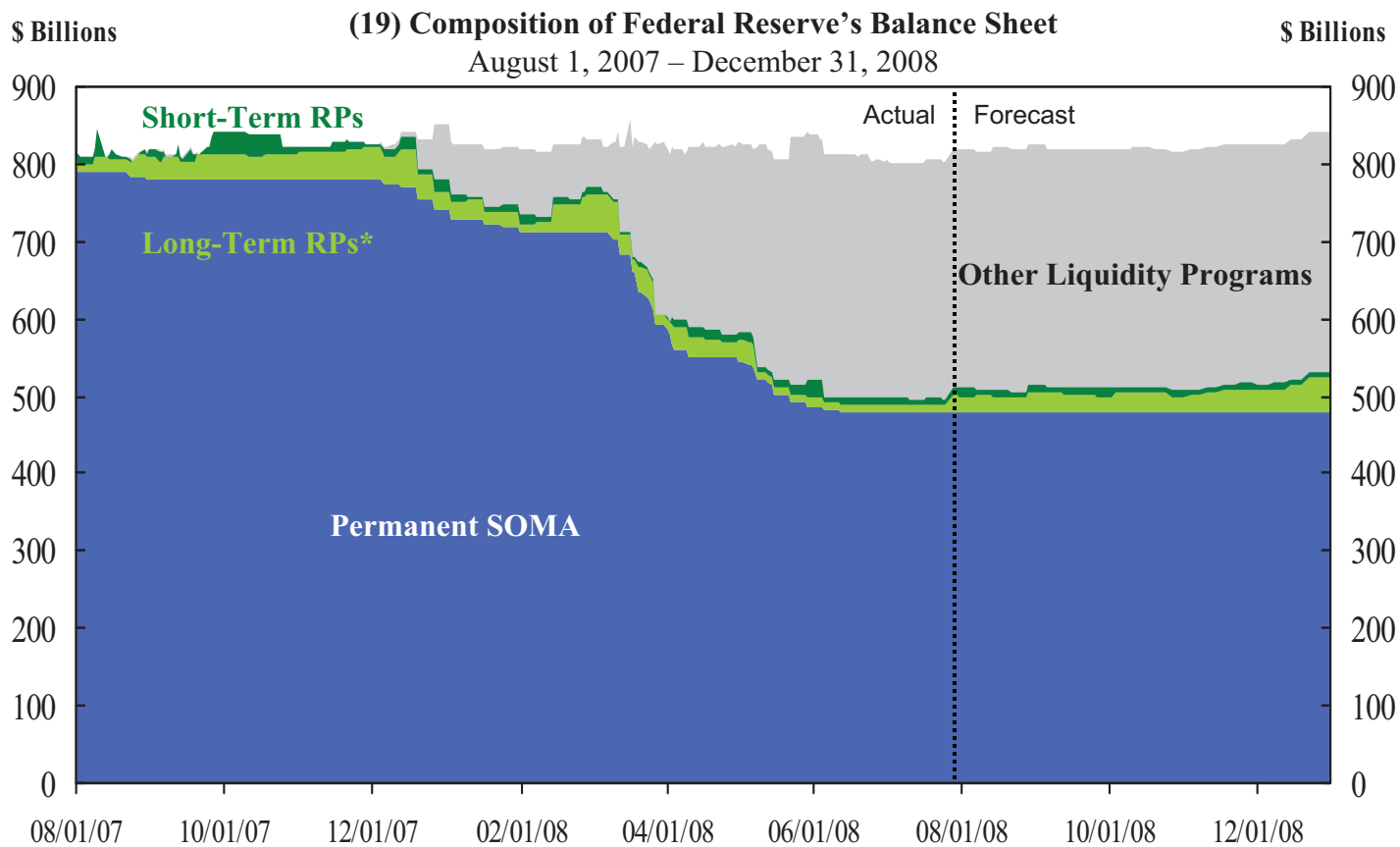
Source: Federal Reserve Board

(18) Central Bank Term Funding Facilities' Bid-to-Cover Ratios

December 20, 2007 – July 31, 2008



Source: Federal Reserve Board, European Central Bank, Swiss National Bank



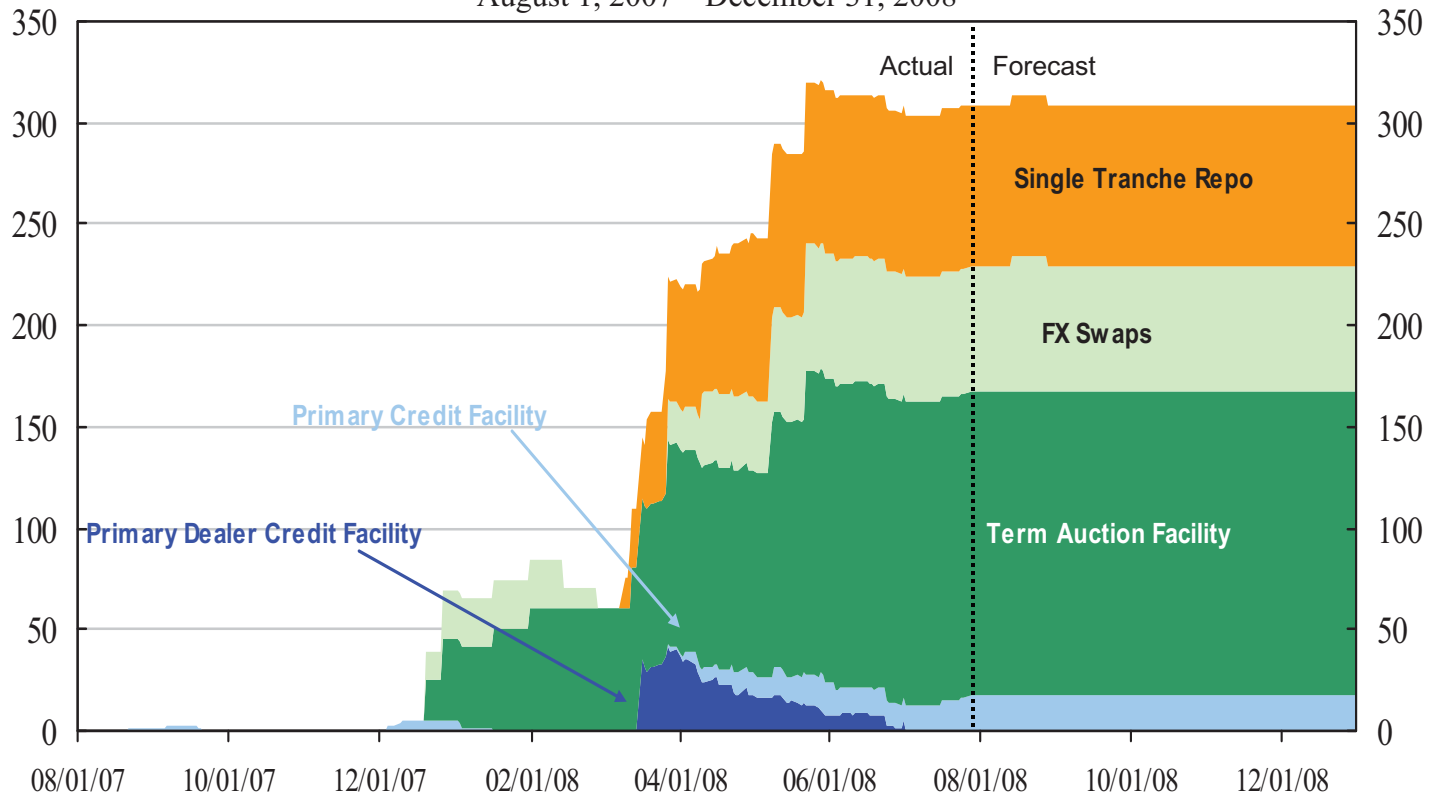
*RPs with an original maturity of at least 7 days are long-term.

Note: The sum of all components equals net autonomous factors plus reserve balances

Source: Federal Reserve Bank of New York

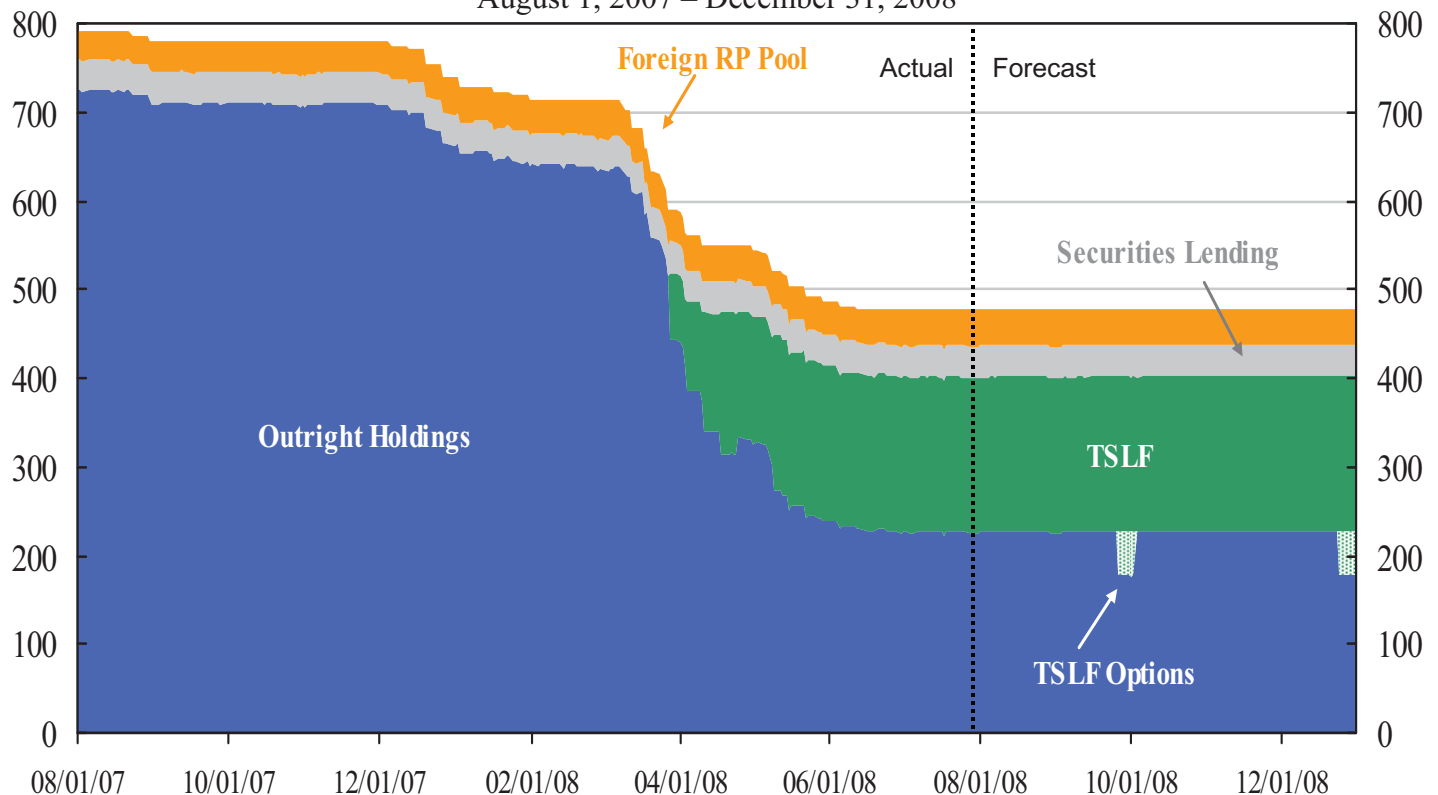
(20) Other Liquidity Programs Component of Federal Reserve's Balance Sheet

August 1, 2007 – December 31, 2008

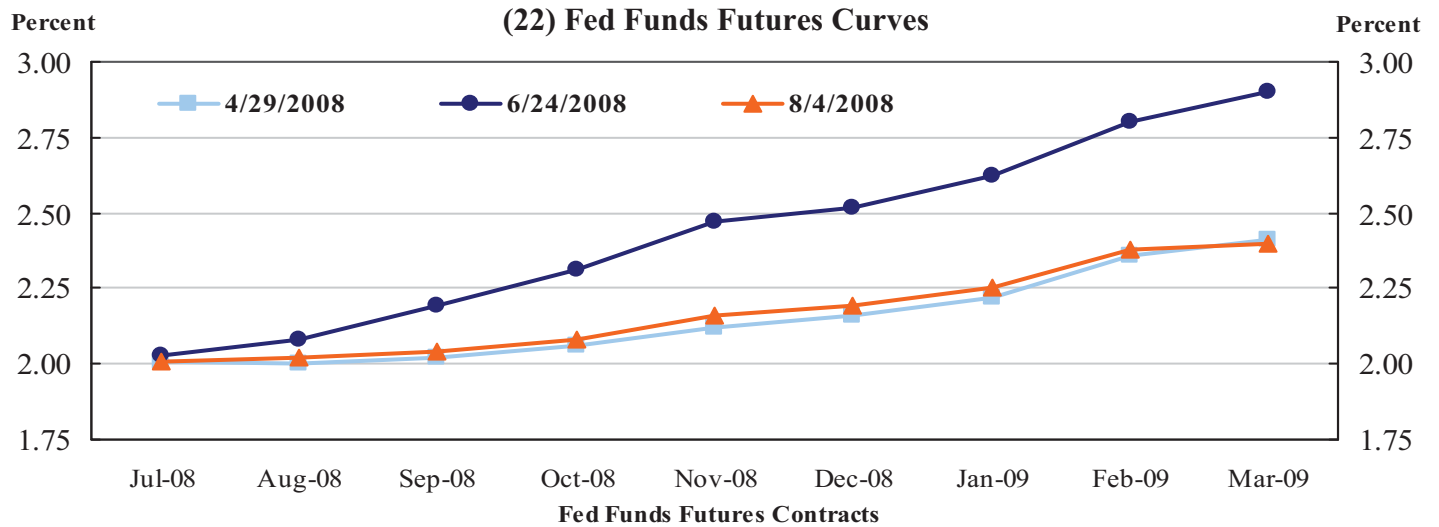


(21) Permanent SOMA Component of Federal Reserve's Balance Sheet

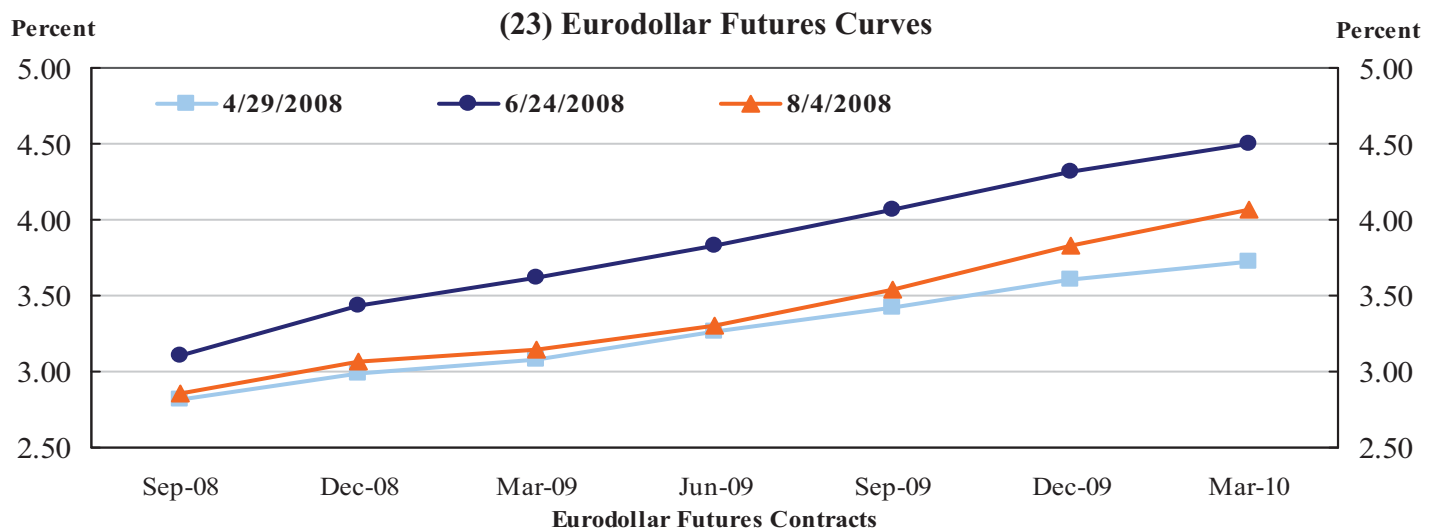
August 1, 2007 – December 31, 2008



Source: Federal Reserve Bank of New York

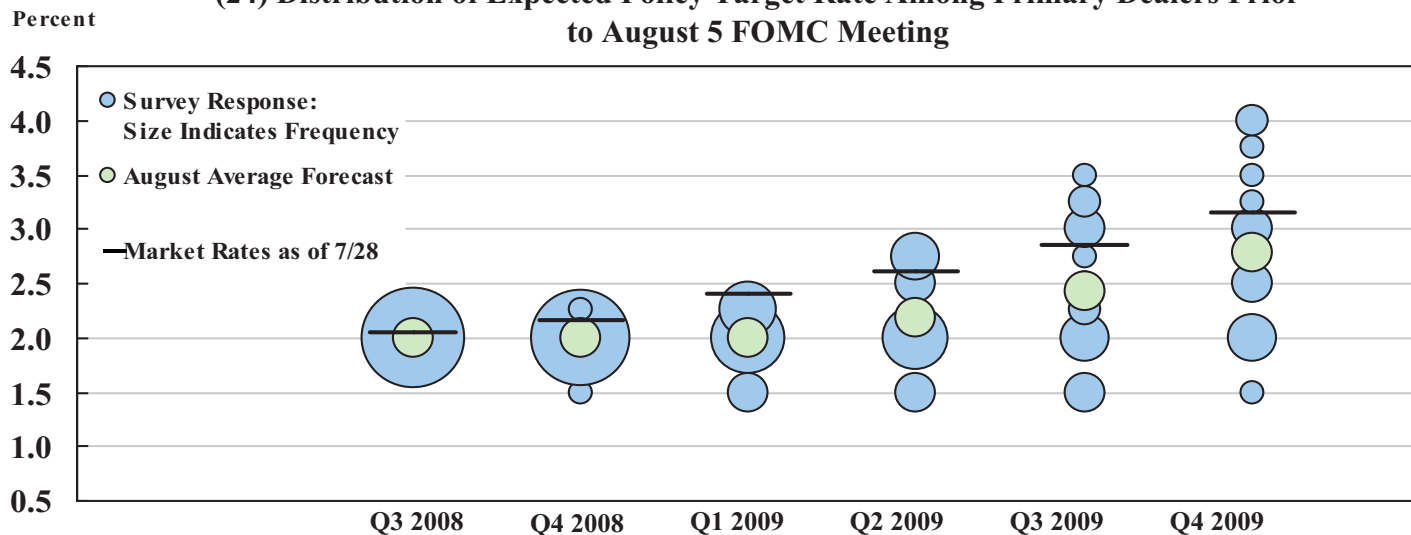


Source: Bloomberg

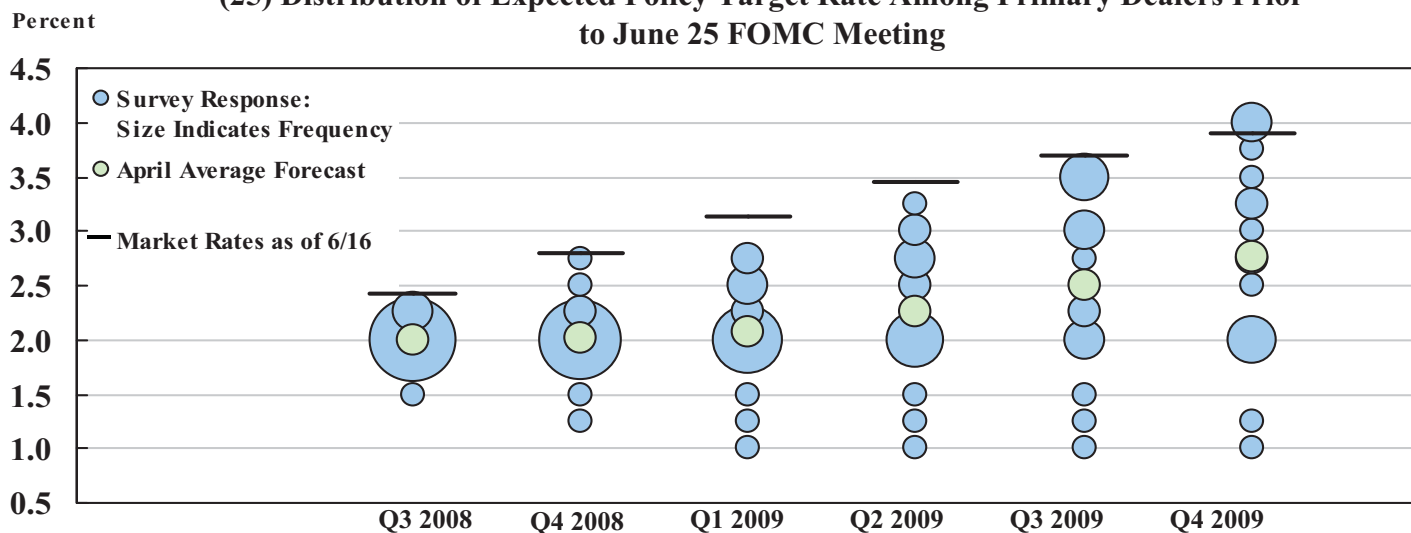


Source: Bloomberg

(24) Distribution of Expected Policy Target Rate Among Primary Dealers Prior to August 5 FOMC Meeting

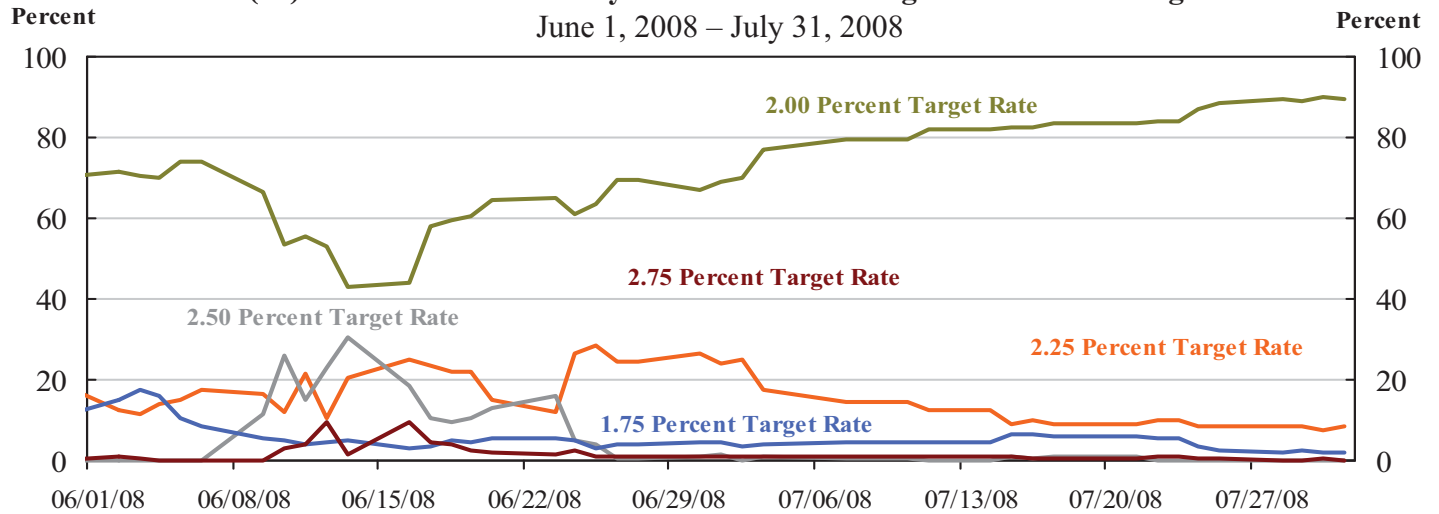


(25) Distribution of Expected Policy Target Rate Among Primary Dealers Prior to June 25 FOMC Meeting



(26) Probabilities for Policy Rate Outcomes: August FOMC Meeting

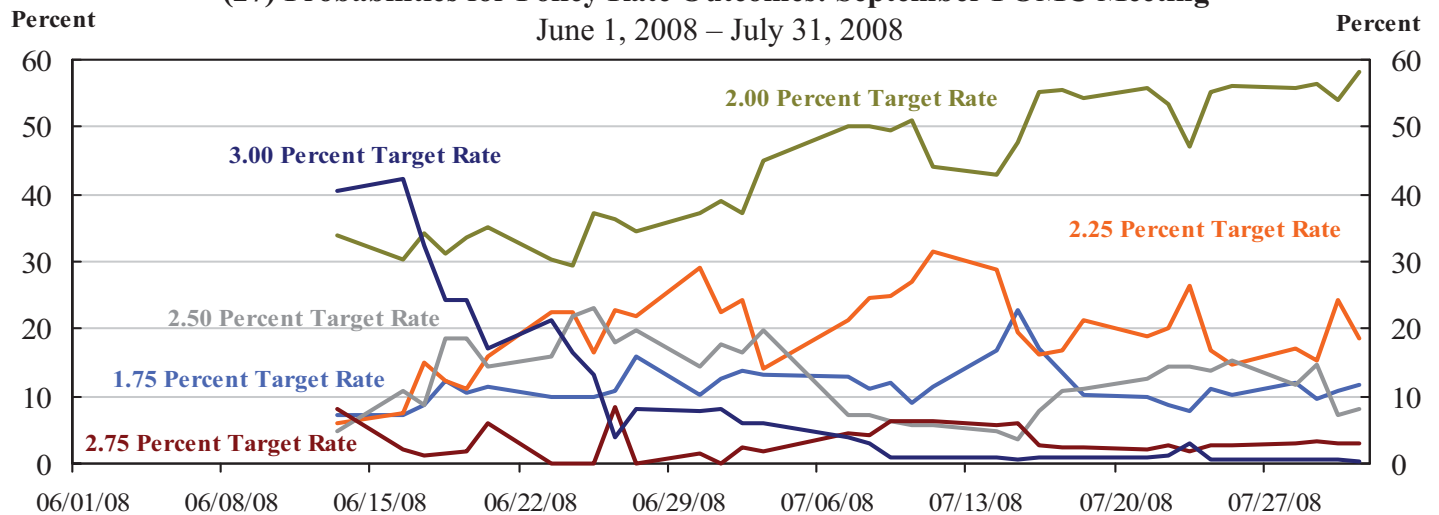
June 1, 2008 – July 31, 2008



Source: Federal Reserve Bank of Cleveland

(27) Probabilities for Policy Rate Outcomes: September FOMC Meeting

June 1, 2008 – July 31, 2008



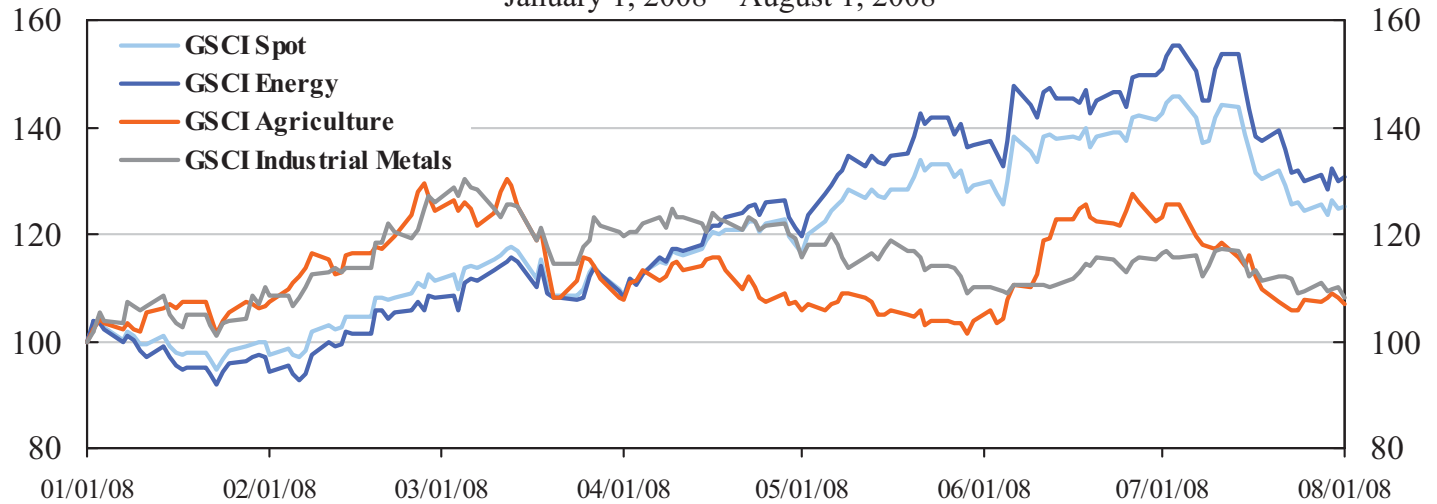
Source: Federal Reserve Bank of Cleveland

(28) Commodity Prices

January 1, 2008 – August 1, 2008

Index to 100 on 1/1/08

Index to 100 on 1/1/08



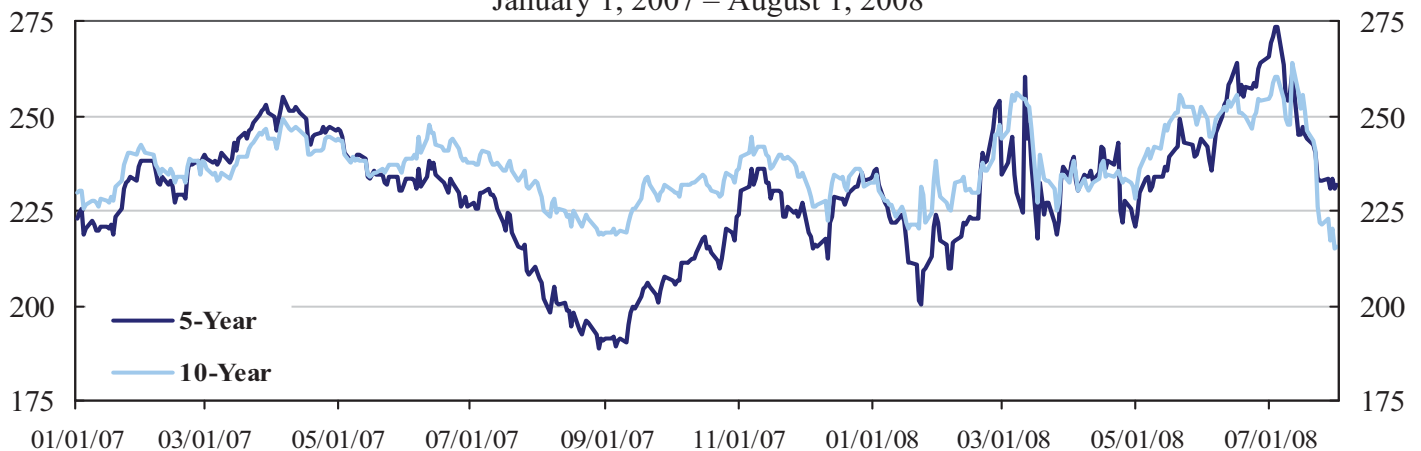
Source: Bloomberg

(29) Spread Between Nominal and Inflation Protected Treasury Yields

January 1, 2007 – August 1, 2008

BPS

BPS



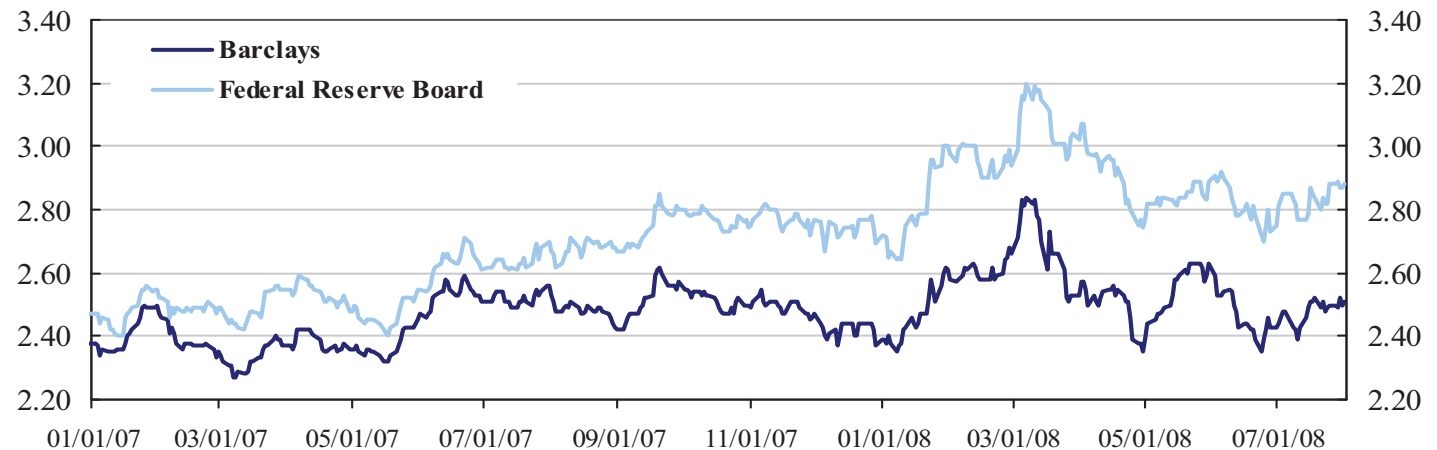
Source: Bloomberg

(30) TIPS Implied Average Rate of Inflation: 5-10 Year Horizon

January 1, 2007 – August 1, 2008

Percent

Percent



Source: Federal Reserve Board, Barclays Capital

Appendix 2: Materials used by Mr. Madigan

Class I FOMC – Restricted Controlled (FR)

*Material for
FOMC Briefing on Monetary Policy Alternatives*

Brian Madigan
August 5, 2008

Table 1: Alternative Language for the August 2008 FOMC Announcement				August 5, 2008
	June FOMC	Alternative B	Alternative C	
Policy Decision	1. The Federal Open Market Committee decided today to keep its target for the federal funds rate at 2 percent.	The Federal Open Market Committee decided today to keep its target for the federal funds rate at 2 percent.	The Federal Open Market Committee decided today to <u>raise</u> its target for the federal funds rate <u>25 basis points to 2¼</u> percent.	
Rationale	2. Recent information indicates that overall economic activity continues to expand, partly reflecting some firming in household spending. However, labor markets have softened further and financial markets remain under considerable stress. Tight credit conditions, the ongoing housing contraction, and the rise in energy prices are likely to weigh on economic growth over the next few quarters.	Overall Economic activity continues to expanded <u>in the second quarter</u> , partly reflecting <u>growth in consumer</u> spending <u>and exports</u> . However, labor markets have softened further and financial markets remain under considerable stress. Tight credit conditions, the ongoing housing contraction, and <u>elevated</u> energy prices are likely to weigh on economic growth over the next few quarters. <u>Over time</u> , the substantial easing of monetary policy, combined with ongoing measures to foster market liquidity, should help to promote moderate economic growth.	Overall Economic activity continues to expanded <u>in the second quarter</u> , partly reflecting <u>growth in consumer</u> spending <u>and exports</u> . However, labor markets have softened further and financial markets remain under considerable stress. Tight credit conditions, the ongoing housing contraction, and <u>elevated</u> energy prices are likely to weigh on economic growth over the next few quarters. <u>Nevertheless</u> , the <u>accommodative stance</u> of monetary policy, combined with ongoing measures to foster market liquidity, should help to promote moderate economic growth.	
	3. The Committee expects inflation to moderate later this year and next year. However, in light of the continued increases in the prices of energy and some other commodities and the elevated state of some indicators of inflation expectations, uncertainty about the inflation outlook remains high.	Inflation <u>has been high, spurred by the earlier</u> increases in the prices of energy and some other commodities, and some indicators of inflation expectations <u>have been</u> elevated. The Committee expects inflation to moderate later this year and next year, <u>but uncertainty about</u> the inflation outlook remains highly <u>uncertain</u> .	Inflation <u>has been high, spurred by the earlier</u> increases in the prices of energy and some other commodities, and some indicators of inflation expectations <u>have been</u> elevated. <u>Although</u> the Committee expects inflation to moderate later this year and next year, <u>the possibility that inflation may fail to decline as anticipated is of significant concern</u> .	
Assessment of Risk	4. The substantial easing of monetary policy to date, combined with ongoing measures to foster market liquidity, should help to promote moderate growth over time. Although downside risks to growth remain, they appear to have diminished somewhat, and the upside risks to inflation and inflation expectations have increased. The Committee will continue to monitor economic and financial developments and will act as needed to promote sustainable economic growth and price stability.	Although downside risks to growth remain, the upside risks to inflation <u>are also of significant concern to the Committee</u> . The Committee will continue to monitor economic and financial developments and will act as needed to promote sustainable economic growth and price stability.	<u>The Committee took this action to better balance the upside risks to inflation and the downside risks to growth</u> . The Committee will continue to monitor economic and financial developments and will act as needed to promote sustainable economic growth and price stability.	