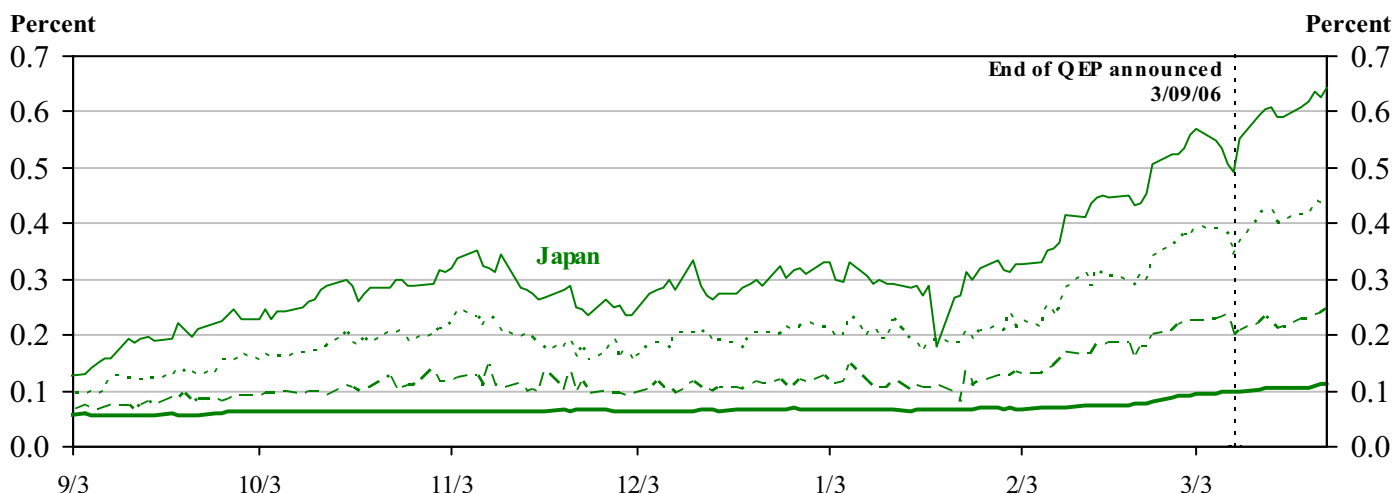
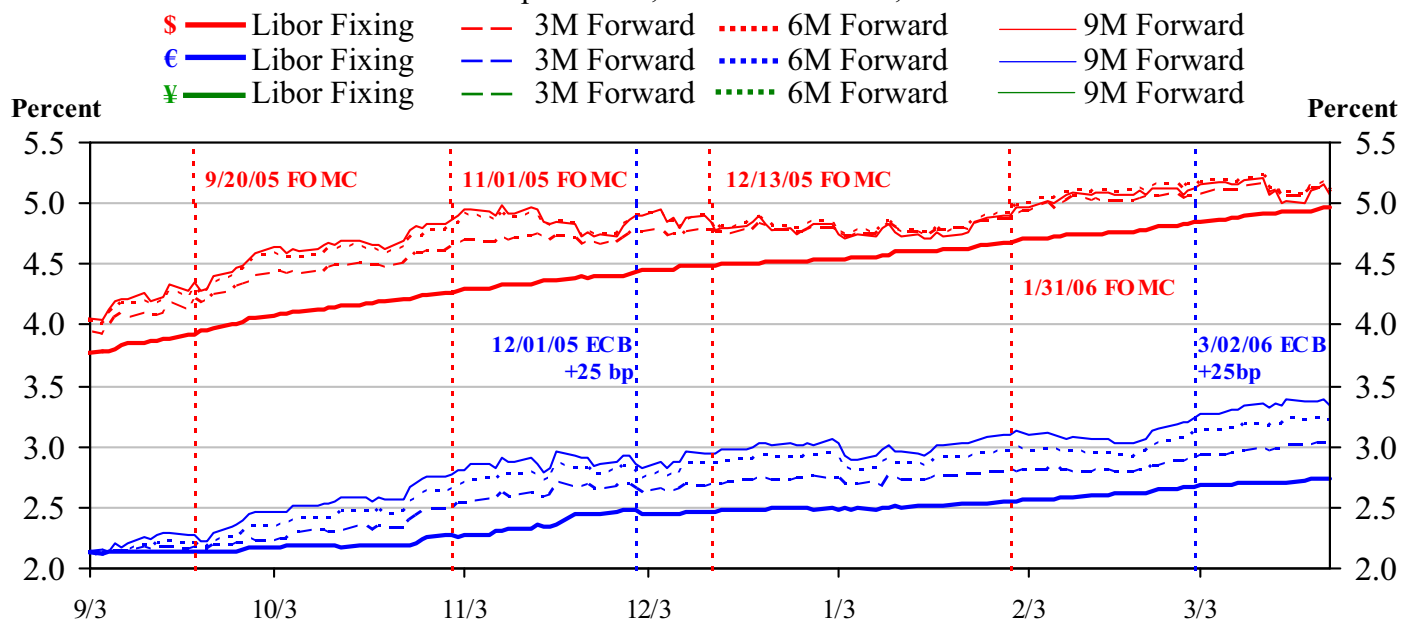


**Appendix 1: Materials used by Mr. Kos**

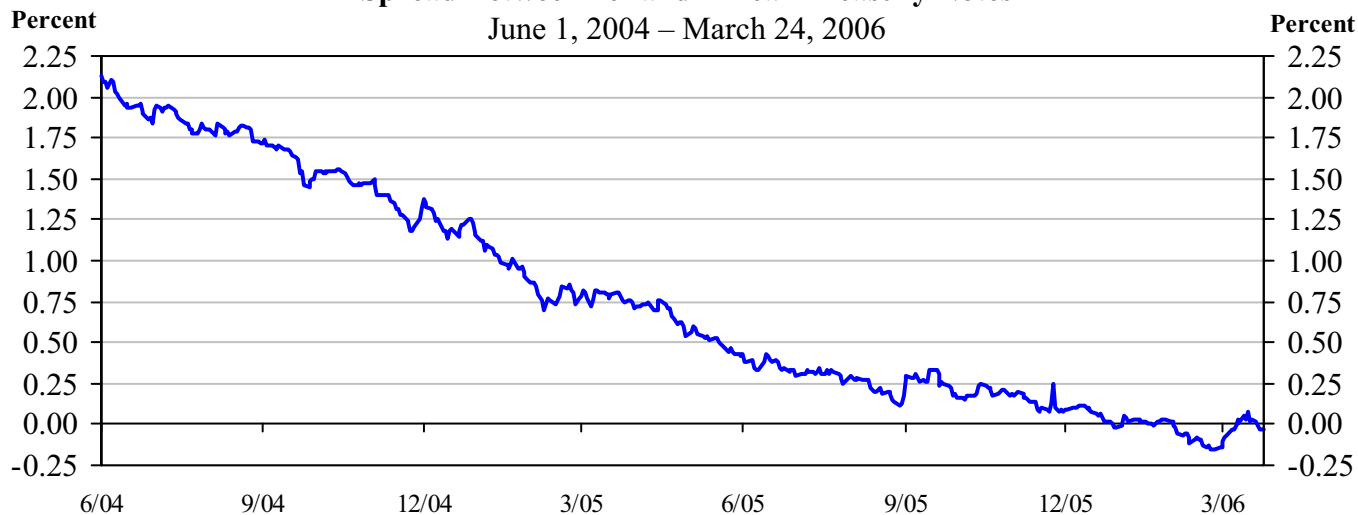
### Current 3-Month Deposit Rates and Rates Implied by Traded Forward Rate Agreements

September 3, 2005 – March 24, 2006

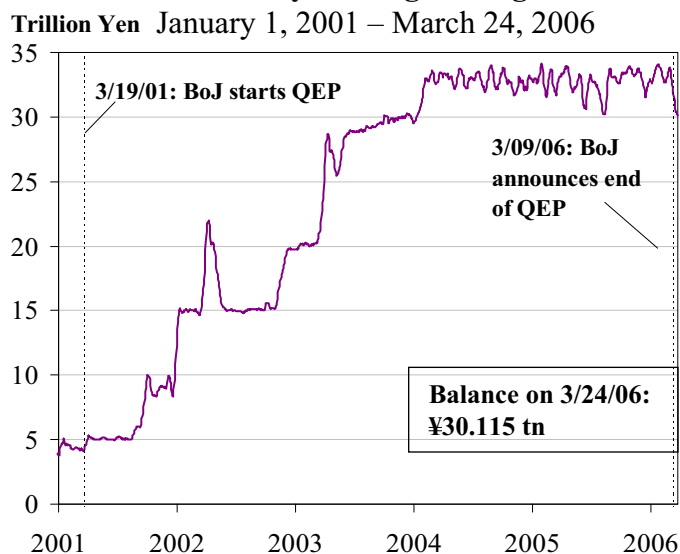


### Spread Between 10- and 2-Year Treasury Notes

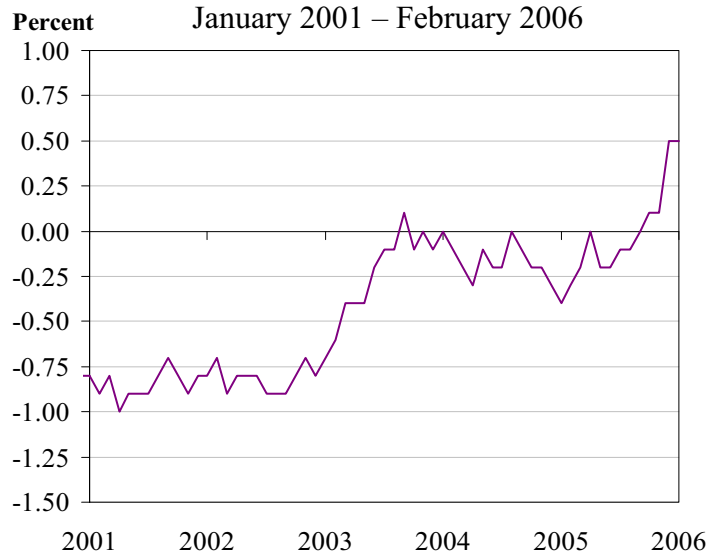
June 1, 2004 – March 24, 2006



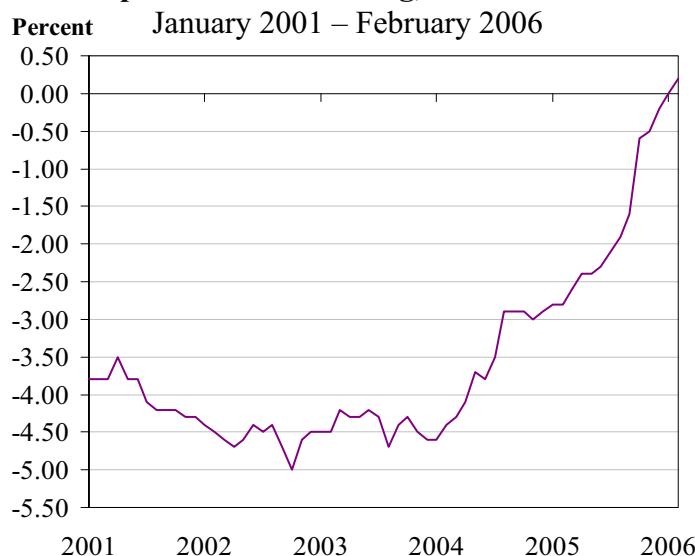
### BoJ Current Account Balances 10-Day Moving Average



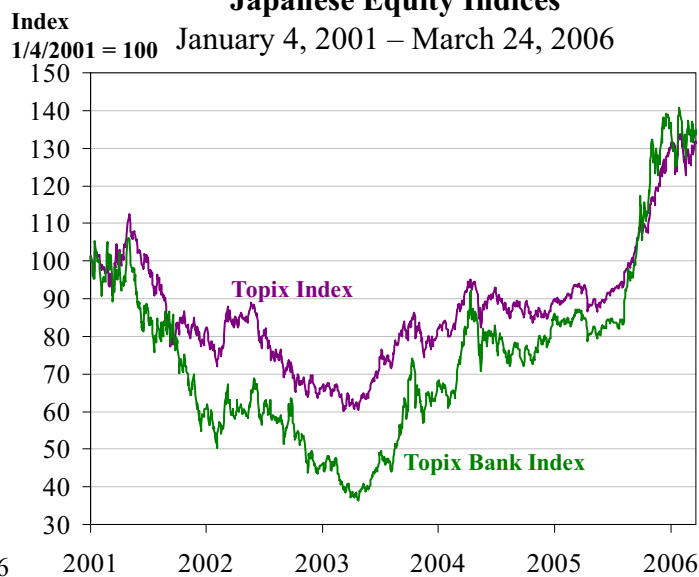
### Japan Core CPI ex Fresh Food, YoY



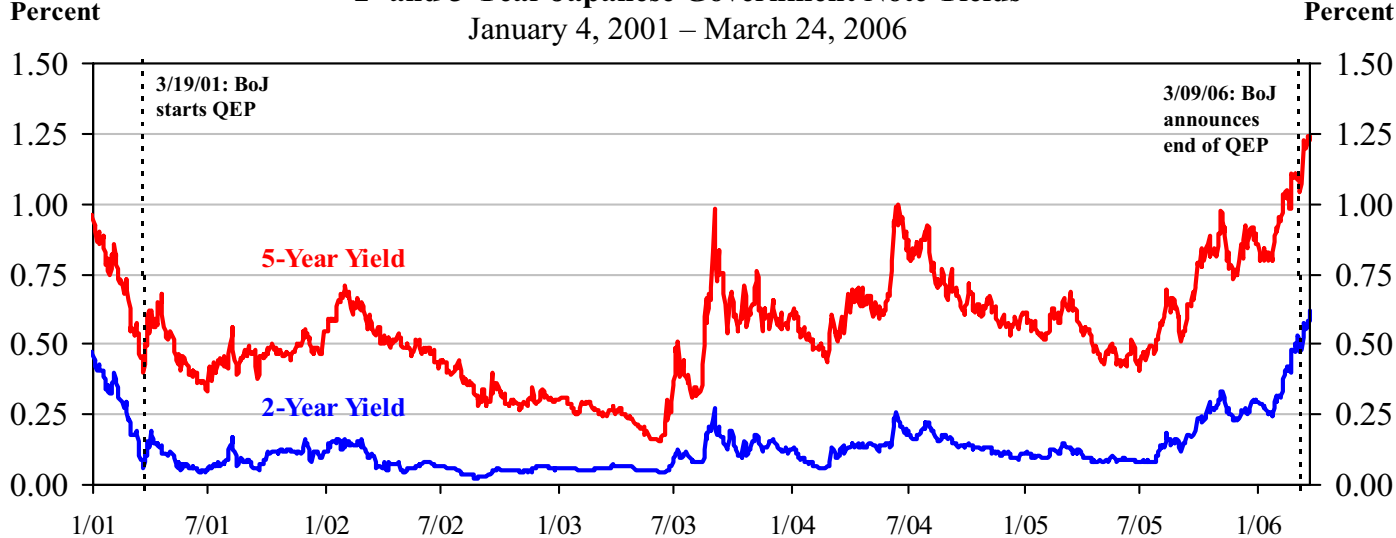
### Japanese Bank Lending, YoY Growth



### Japanese Equity Indices

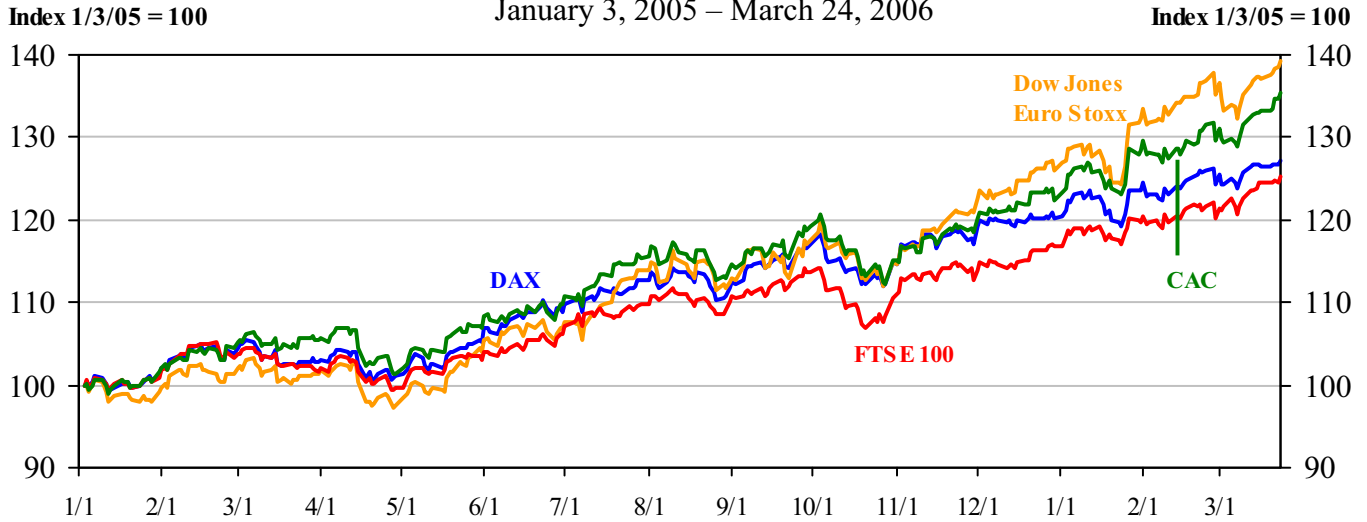


### 2- and 5-Year Japanese Government Note Yields



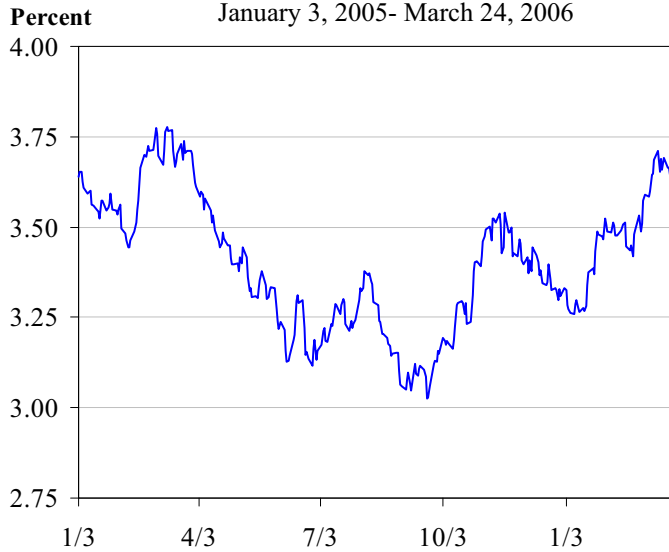
### Select European Equity Indices

January 3, 2005 – March 24, 2006



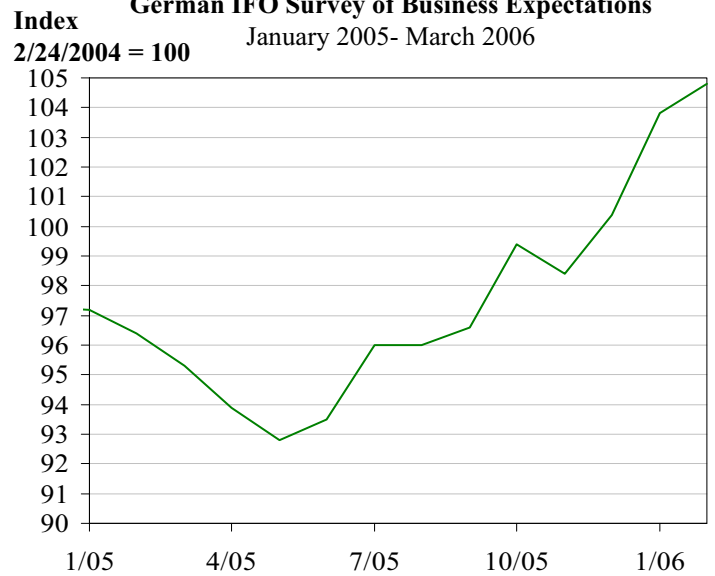
### 10-Year German Bund

January 3, 2005- March 24, 2006



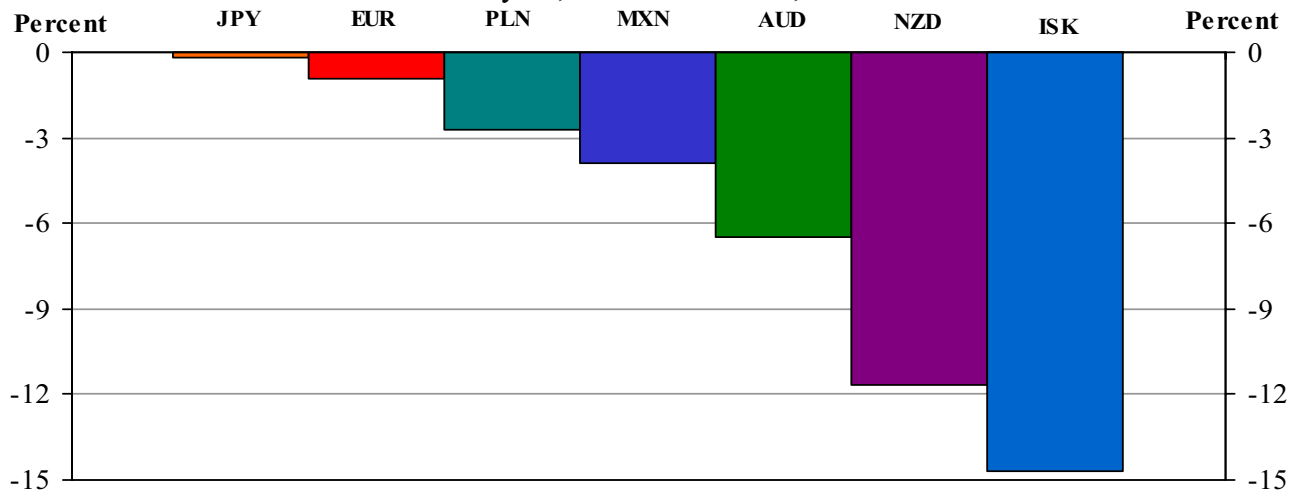
### German IFO Survey of Business Expectations

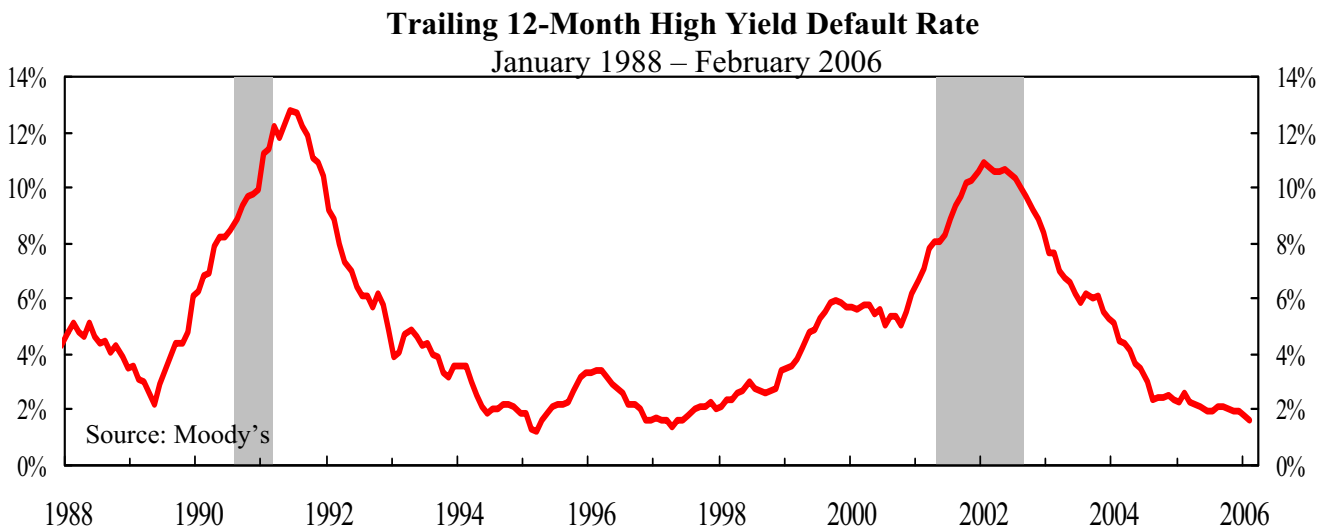
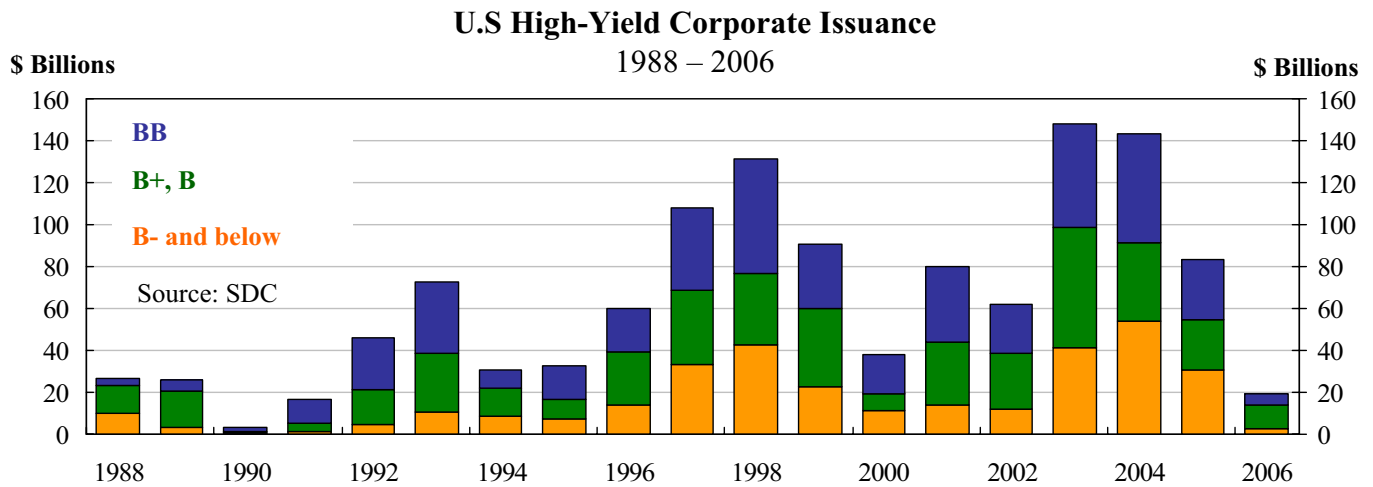
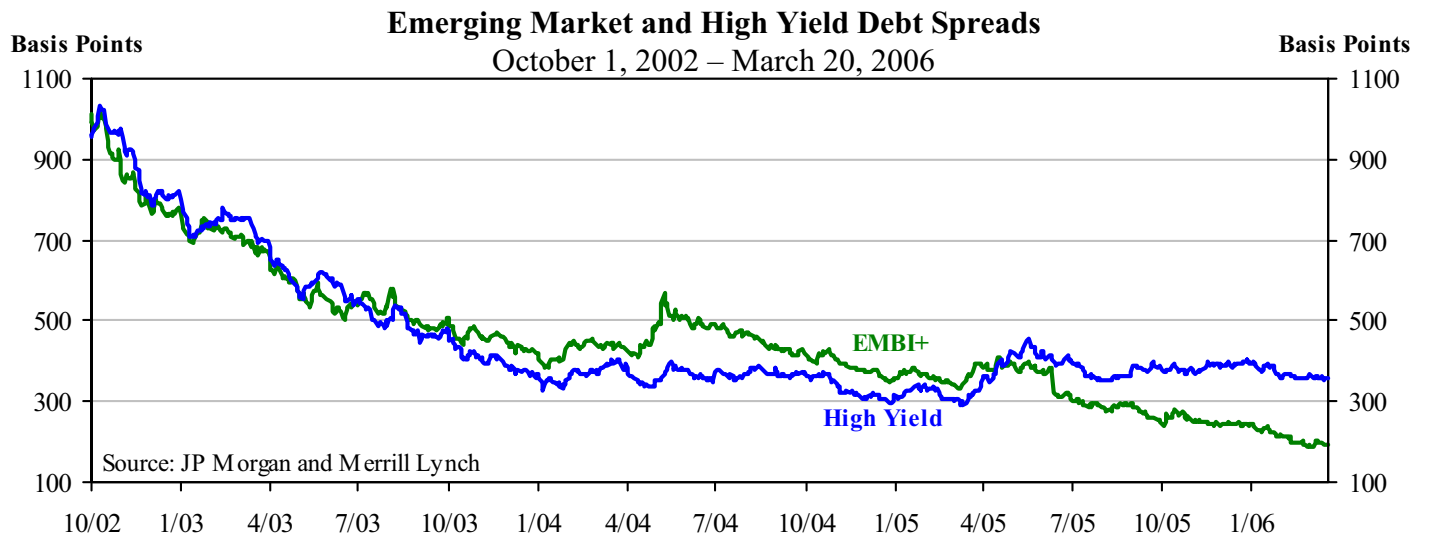
January 2005- March 2006



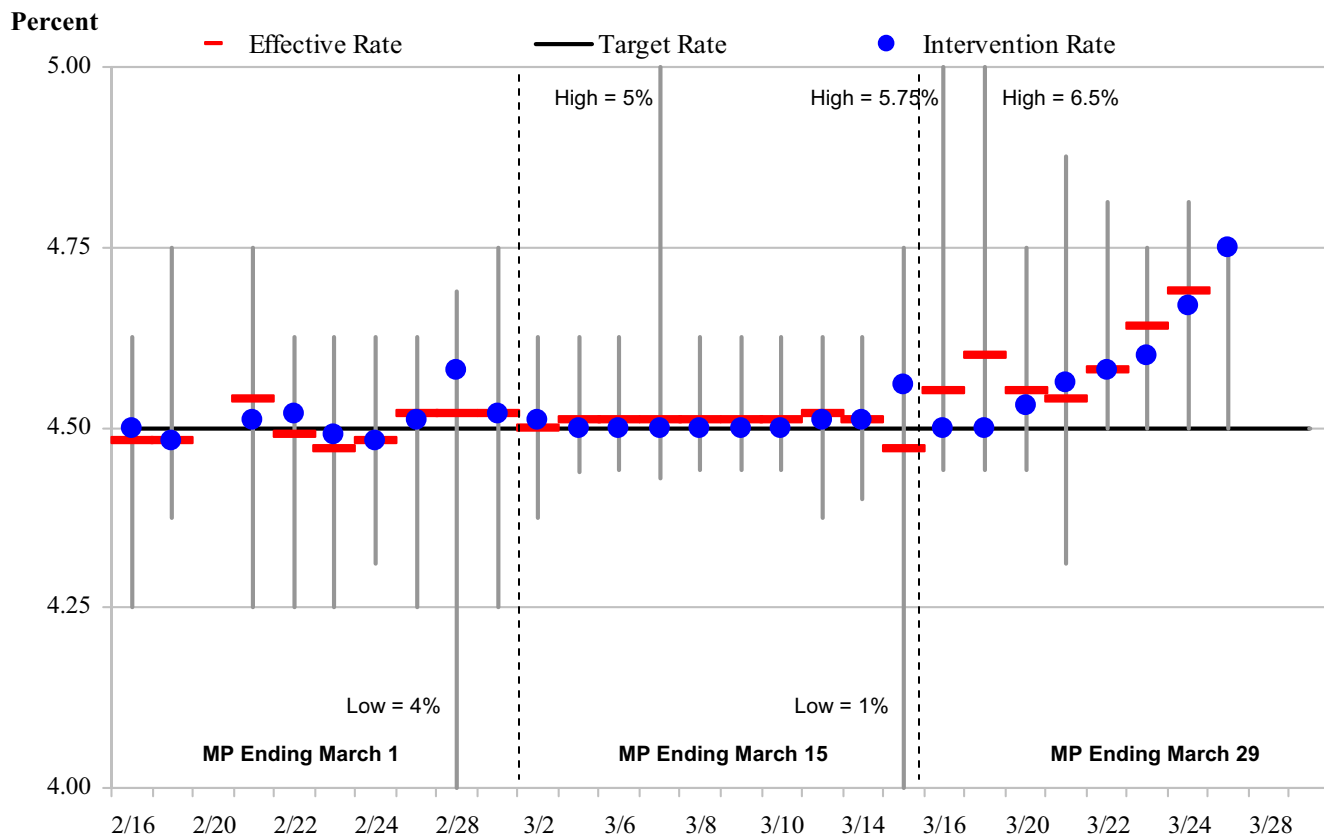
### Select Foreign Currency Performance Against the Dollar

January 31, 2006 – March 24, 2006

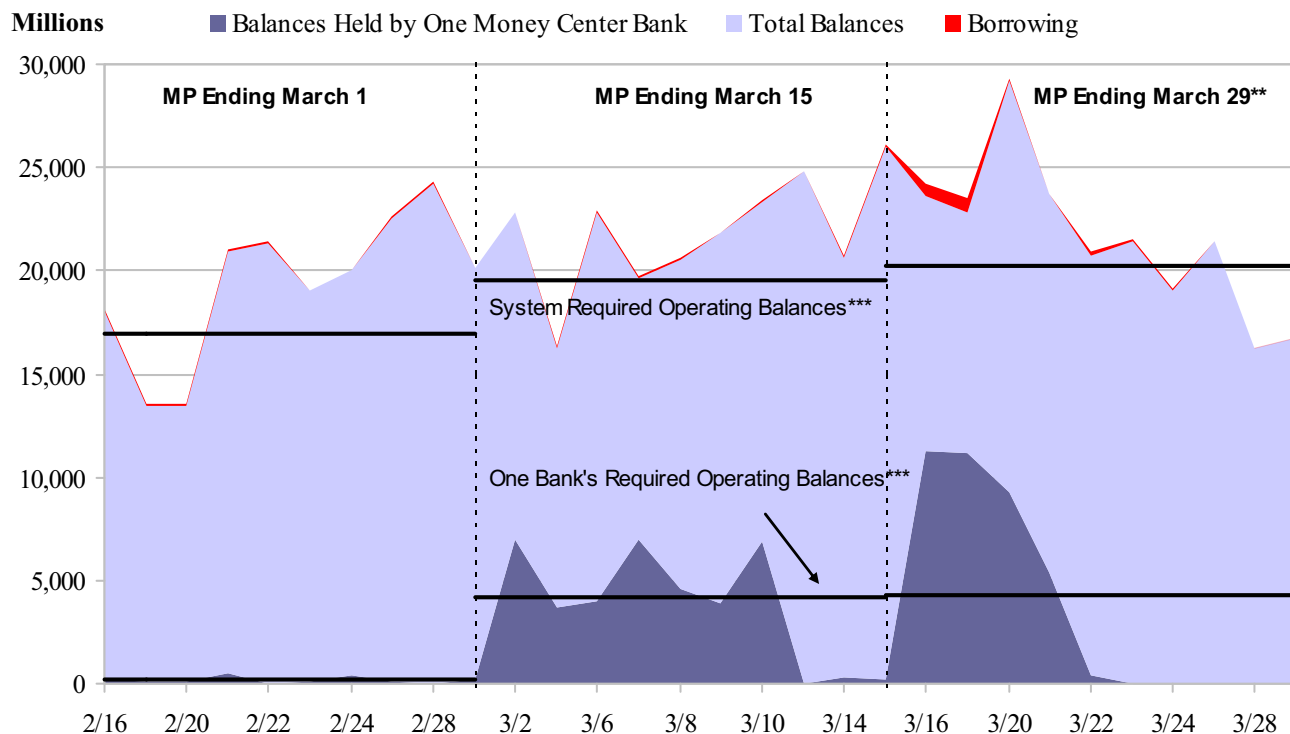




### Fed Funds Rate Behavior Over Recent Maintenance Periods



### Reserve Balances Held by the Banking System and One Money Center Bank\*



\*This bank had a \$4.1 billion "as of" adjustment this and last maintenance period

\*\*Data beyond 3/26/06 are projections

\*\*\*Required Operating Balances are equal to: Required Reserves - Applied Vault Cash + Required Clearing Balances - "As of" Adjustments

**Appendix 2: Materials used by Mr. Reinhart**

**Class I FOMC – Restricted Controlled FR**

*Material for*

**FOMC Briefing on Monetary Policy Alternatives**

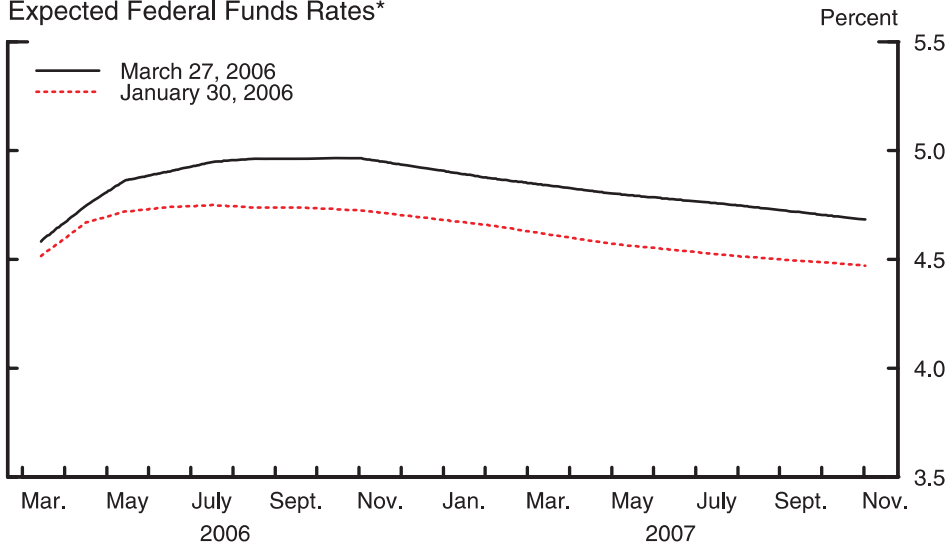
**Vincent R. Reinhart**

**March 28, 2006**



**Exhibit 1**  
**The Market Outlook for Policy**

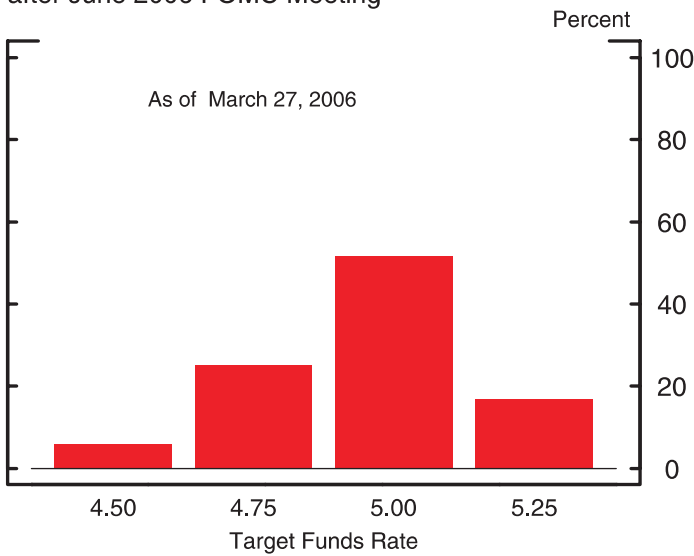
Expected Federal Funds Rates\*



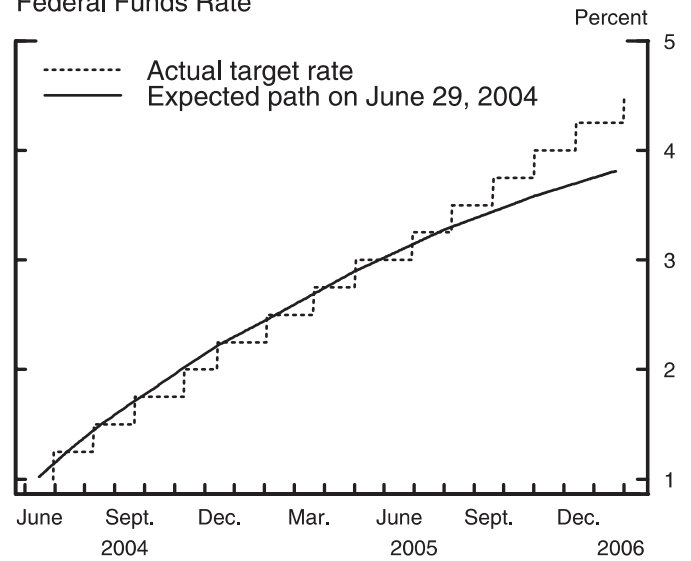
Desk Survey

- Primary dealers are virtually certain of a 25 bps tightening at this meeting
- They anticipate little change in the statement
- They expect the retention of the assessment that the risks are tilted to the upside

Probability Density for Target Funds Rate after June 2006 FOMC Meeting

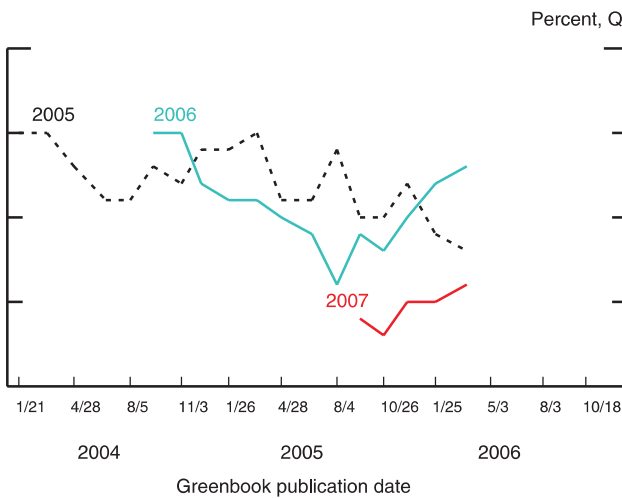


Federal Funds Rate

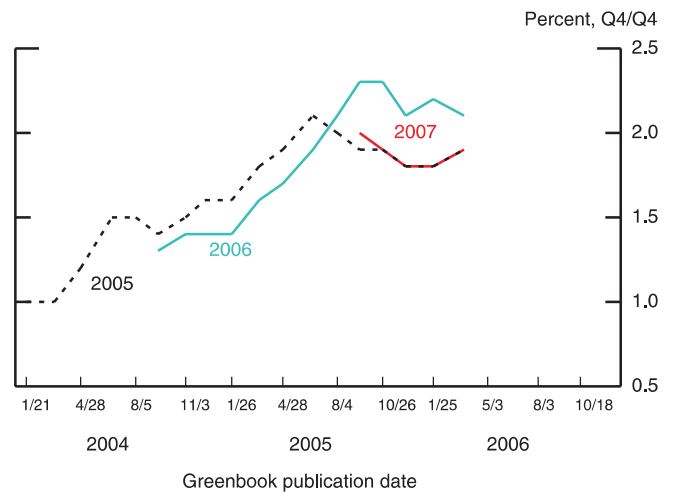


**Evolution of the Staff Forecast**

Change in Real GDP

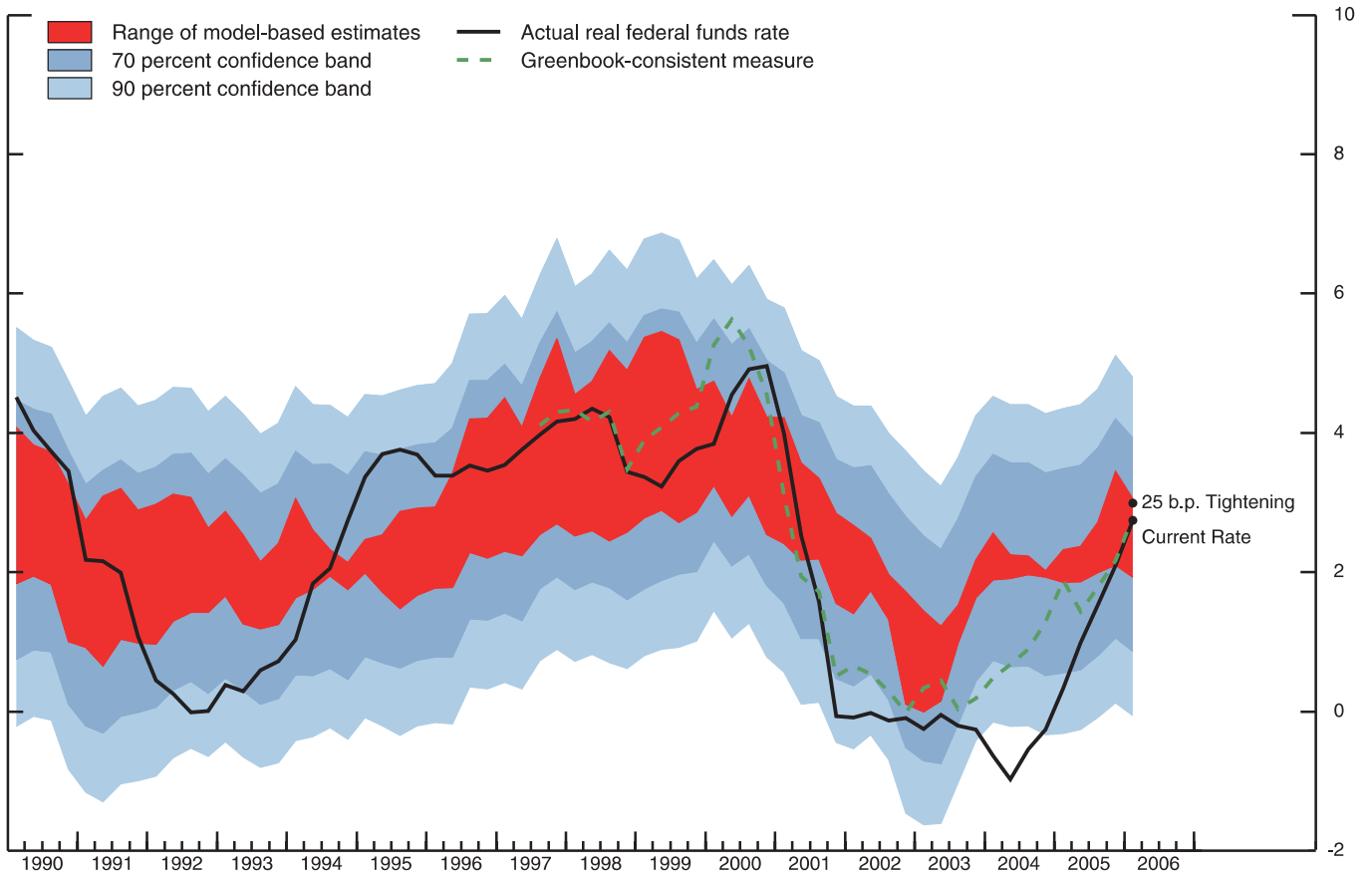


Change in PCE Prices Excluding Food and Energy



**Exhibit 2**  
**The Case for Tighter Policy**

Range of Estimated Equilibrium Real Rates

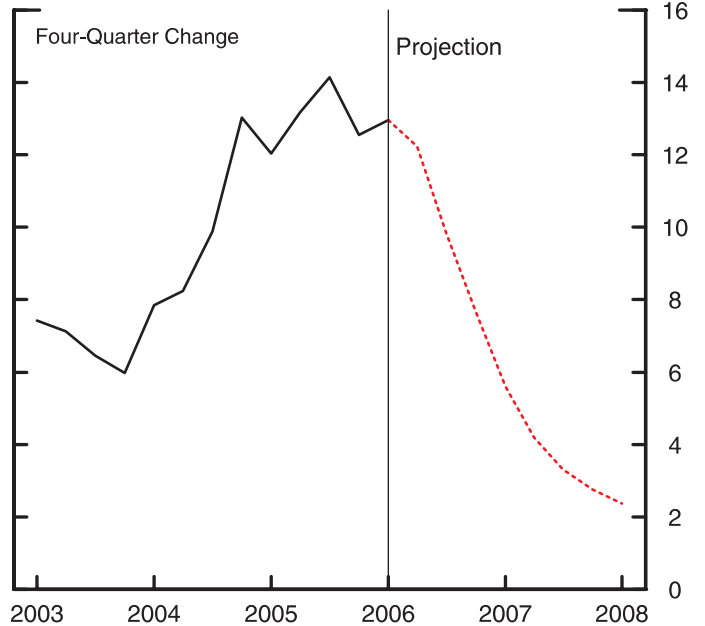


Explanatory notes are provided after Chart 5 of the Bluebook.

Staff Forecast

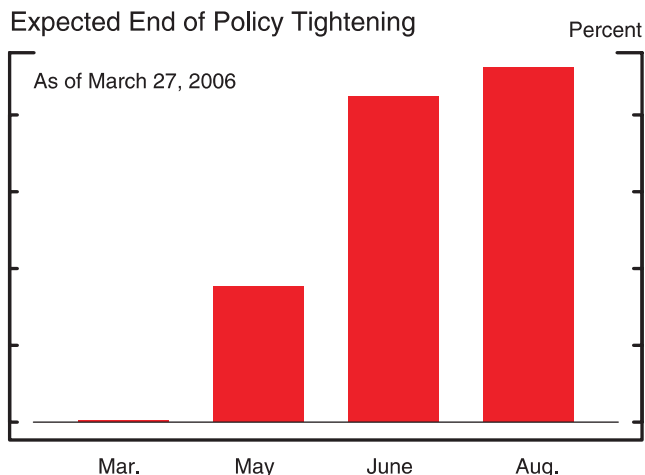
	Unemployment rate	Core PCE inflation
	- percent -	
2005	5.1	1.9
2006:H1	4.8	2.0
2006:H2	4.8	2.2
2007	4.9	1.9

House Price Growth

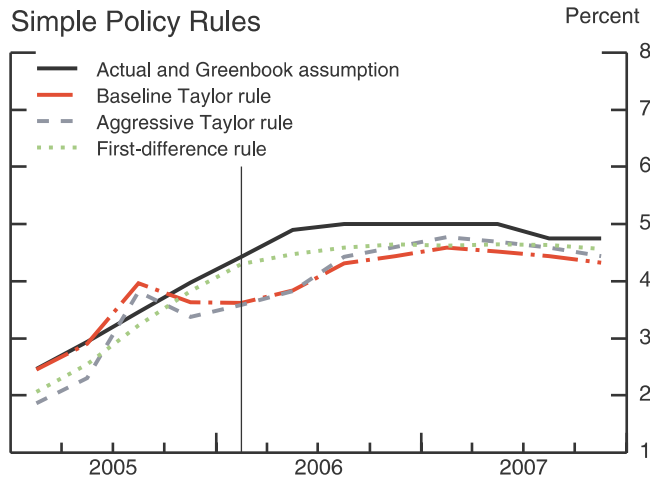


Source: OFHEO All Transactions Index

**Exhibit 3  
When Are You Going to Stop?**

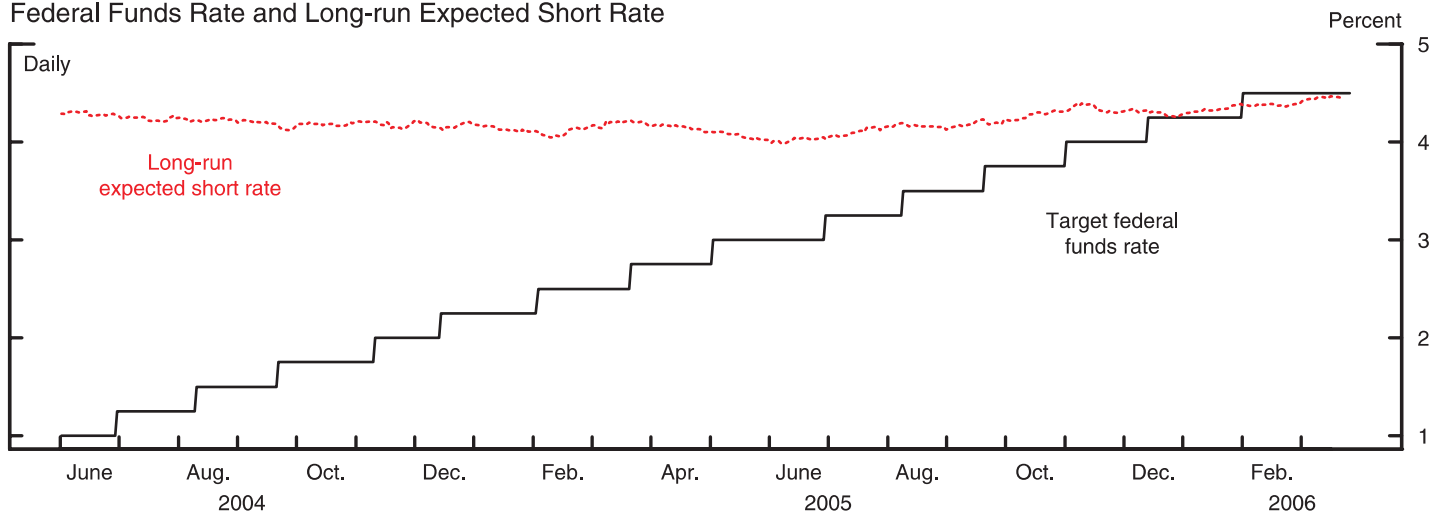


Note. Estimates from federal funds futures with an allowance for term premia. Calculation assumes no intermeeting moves and that no change or a 25 basis point hike are the only possible outcomes at FOMC meetings.



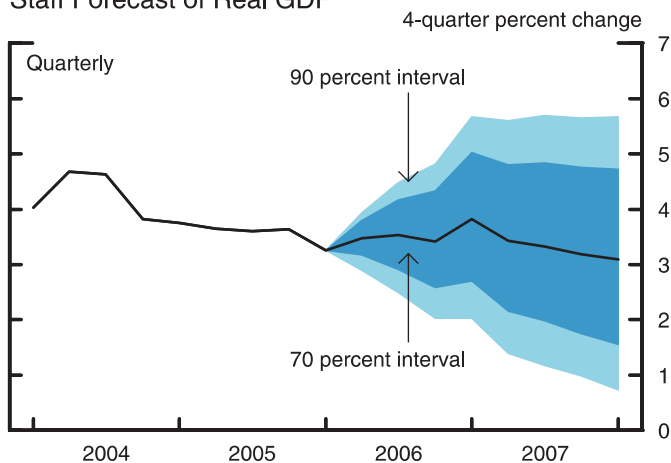
Note. These rules assume a 2 percent inflation objective. Additional explanatory notes are provided after Chart 7 of the Bluebook.

**Federal Funds Rate and Long-run Expected Short Rate**

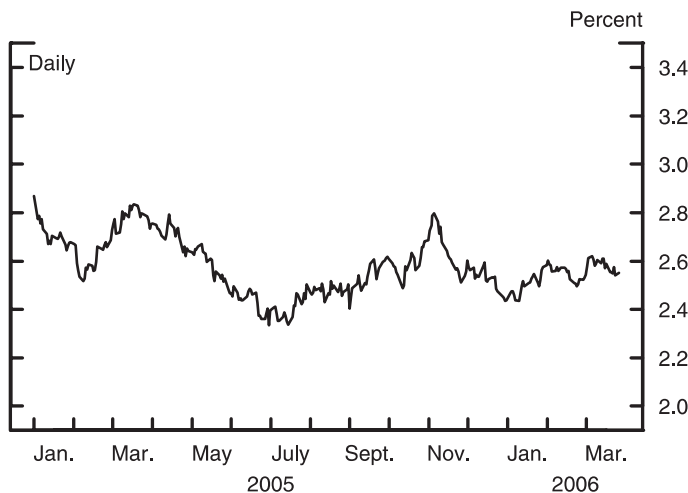


Note. Long-run expected short rate from a three-factor, no-arbitrage model of the Treasury yield curve.

**Staff Forecast of Real GDP**



**Inflation Compensation Five to Ten Years Ahead**

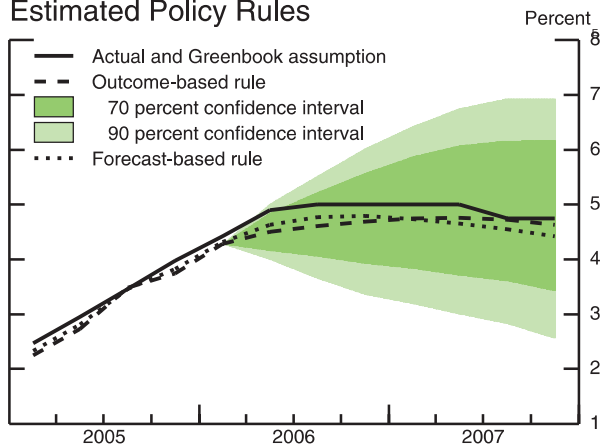


### Exhibit 4 Statement Issues

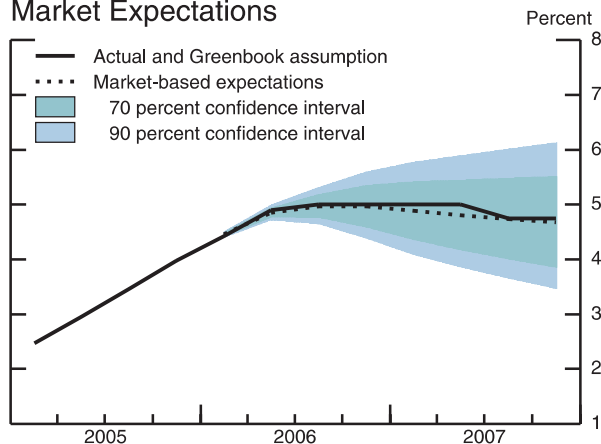
#### Balance of Risks

The Committee judges that some further policy firming may be needed to keep the risks to the attainment of both sustainable economic growth and price stability roughly in balance.

#### Estimated Policy Rules



#### Market Expectations



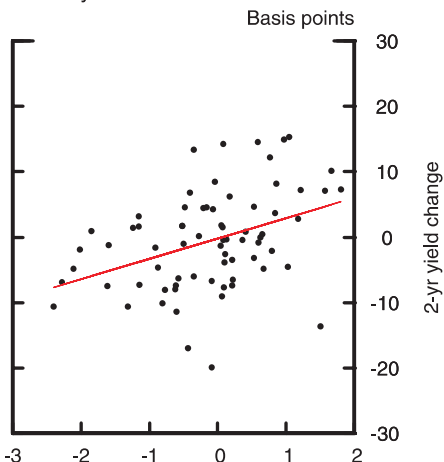
Explanatory notes are provided after Chart 6 of the Bluebook.

#### Data Dependence

Nevertheless, future policy action will be determined by the evolution of the economic outlook as implied by incoming information.

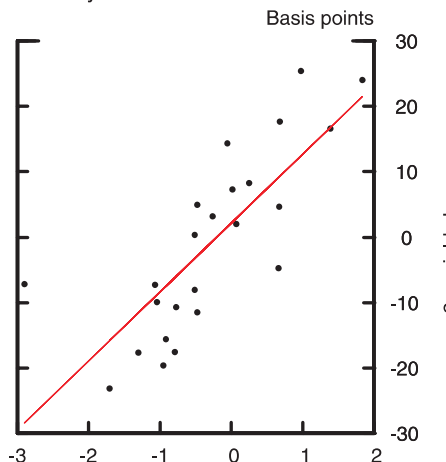
#### Effects of Employment Report Surprises on Two-Year Treasury Yields

January 1997 to December 2002



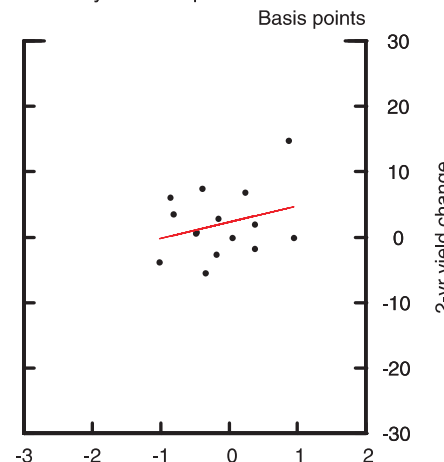
Standardized non-farm payroll surprise

January 2003 to December 2004



Standardized non-farm payroll surprise

January 2005 to present



Standardized non-farm payroll surprise

**Table 1: Alternative Language for the March FOMC Announcement (March 28, 2006)**

	January FOMC	Alternative A	Alternative B	Alternative C
<b>Policy Decision</b>	1. The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 4½ percent.	The Federal Open Market Committee decided today to <del>keep raise</del> its target for the federal funds rate <del>unchanged by 25 basis points to</del> at 4½ percent.	The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 4¾/4½ percent.	The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 4¾/4½ percent.
<b>Rationale</b>	2. Although recent economic data have been uneven, the expansion in economic activity appears solid.	The slowing of the growth of real GDP in the fourth quarter of 2005 seems largely to have reflected temporary or special factors. Economic growth has rebounded in the current quarter, and the underlying pace of expansion appears <del>to be</del> solid. Resource utilization has risen further this year. Some recent data and anecdotal information suggest that the housing market is moderating, which <del>the</del> Committee believes will likely contribute to a slowing in economic growth to a more sustainable pace.	The slowing of the growth of real GDP in the fourth quarter of 2005 seems largely to have reflected temporary or special factors. Economic growth has rebounded strongly in the current quarter but appears likely to moderate to a more sustainable pace. <del>and the underlying pace of expansion appears to be solid.</del>	Economic growth has rebounded strongly in the current quarter, and the underlying pace of expansion appears <del>to be</del> solid.
	3. Core inflation has stayed relatively low in recent months and longer-term inflation expectations remain contained. Nevertheless, possible increases in resource utilization as well as elevated energy prices have the potential to add to inflation pressures.	In addition to possible increases in resource utilization, the elevated prices of energy and other commodities have the potential to add to inflation pressures going forward. As yet, however, the run-up in those prices has had only a modest effect on core inflation, ongoing productivity gains have held the growth of unit labor costs in check, and inflation expectations remain contained.	As yet, the run-up in the prices of energy and other commodities has had only a modest effect on core inflation, ongoing productivity gains have held the growth of unit labor costs in check, and inflation expectations remain contained. Still, possible increases in resource utilization, in combination with the elevated prices of energy and other commodities, have the potential to add to inflation pressures. <del>going forward.</del>	In addition to increases in resource utilization, the elevated prices of energy and other commodities have the potential to add to inflation pressures going forward. As yet, however, inflation expectations remain contained.
<b>Assessment of Risk</b>	4. The Committee judges that some further policy firming may be needed to keep the risks to the attainment of both sustainable economic growth and price stability roughly in balance.	The Committee judges that <del>maintaining the federal funds rate at its current level will likely keep some further policy firming may be needed to keep</del> the risks to the attainment of both sustainable economic growth and price stability roughly in balance.	[Unchanged]	The Committee judges that <del>some</del> further policy firming may be needed to keep the risks to the attainment of both sustainable economic growth and price stability roughly in balance.
	5. In any event, the Committee will respond to changes in economic prospects as needed to foster these objectives.	Nevertheless, future policy action will be determined by the evolution of the economic outlook as implied by incoming information.	[Unchanged]	[Unchanged]

**Appendix 3: Materials used by Ms. Danker**

# Review of Meeting Format

- Did the extra time enhance the discussion? Did it allow for more interaction among participants?
- Were the economic and policy discussions effectively separated this time? Is that separation one that is worth preserving?
- How did this format affect (if at all) the Committee's ability to provide input to the formulation of the statement, both before and during the meeting?
- Any suggestions for changes to the two-day format?
- The next meeting will of necessity be only one day. Does the experience of yesterday and today suggest any format changes to consider for one-day meetings?