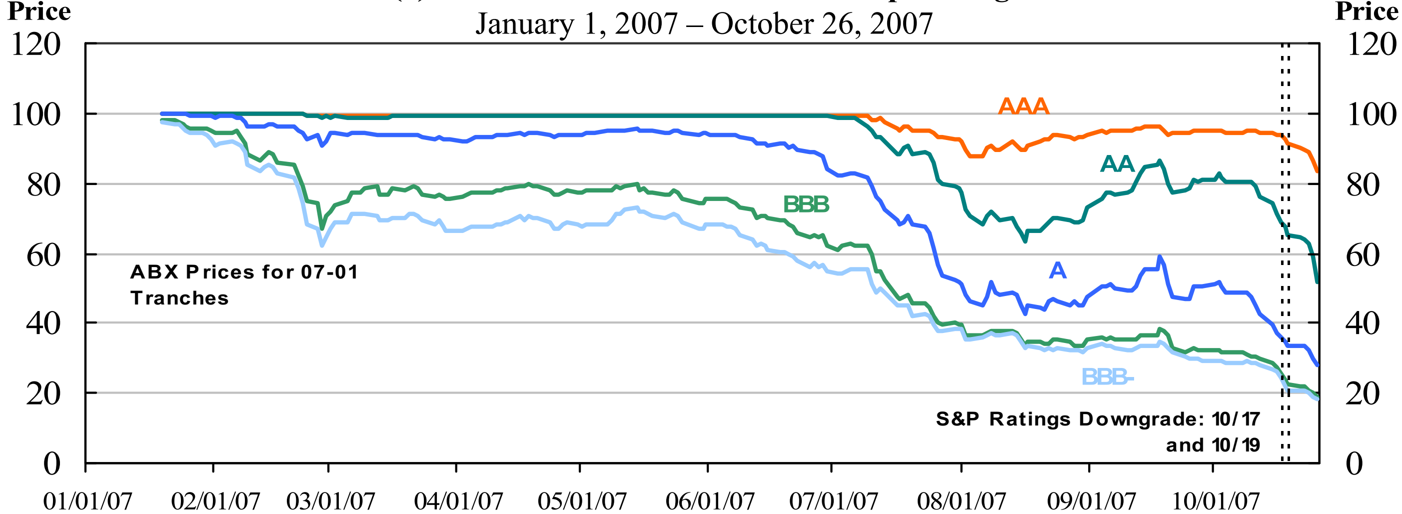
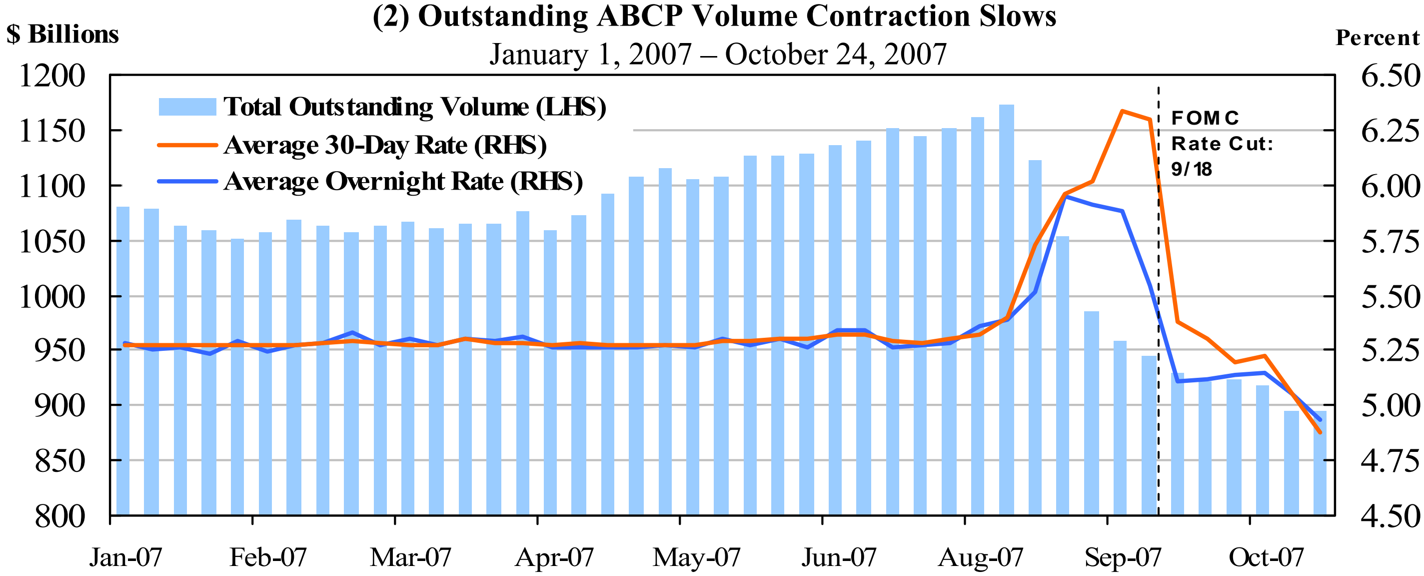
Appendix 1: Materials used by Mr. Dudley

(1) Lower Rated ABX Tranches Keep Falling
January 1, 2007 – October 26, 2007



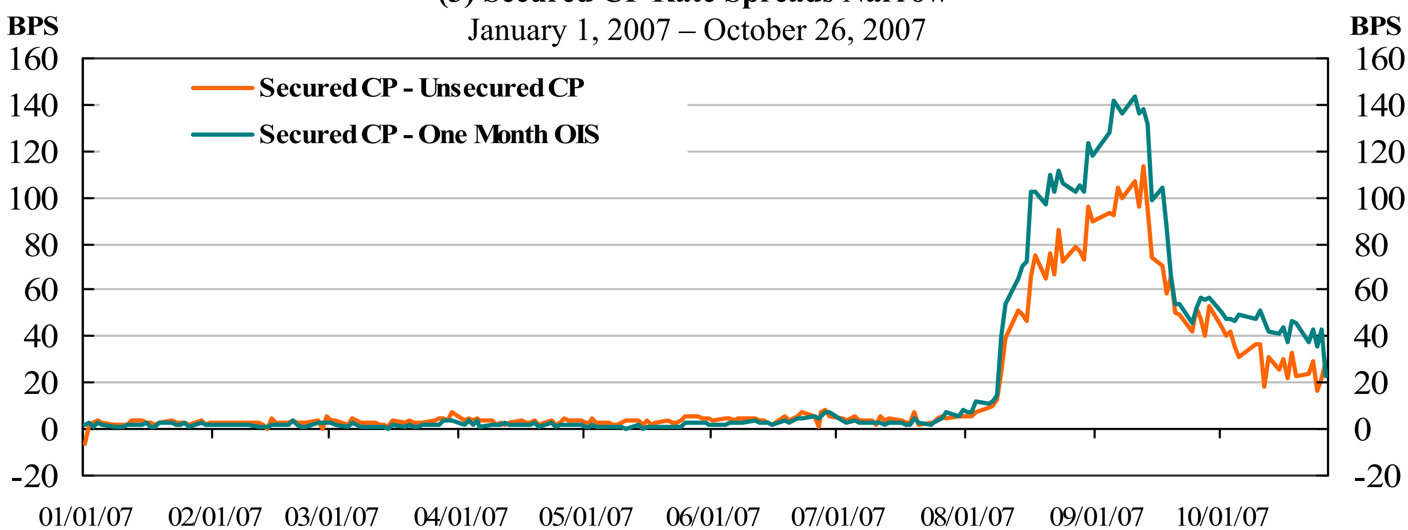
Source: JP Morgan

(2) Outstanding ABCP Volume Contraction Slows
January 1, 2007 – October 24, 2007



Source: Federal Reserve Board

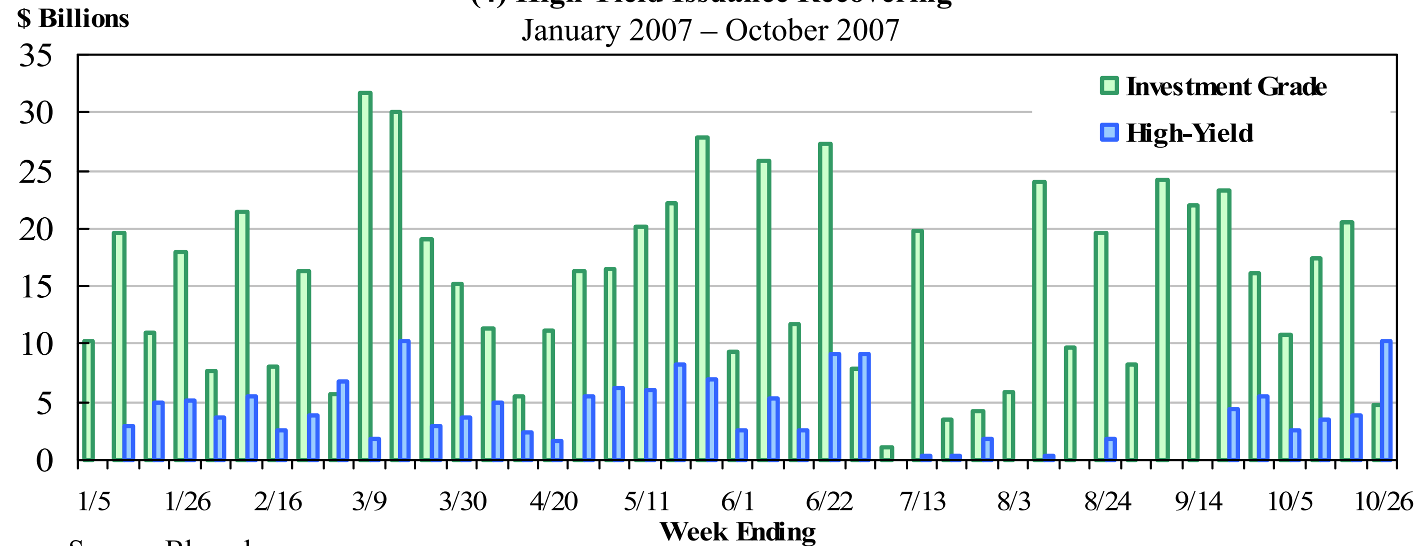
(3) Secured CP Rate Spreads Narrow
January 1, 2007 – October 26, 2007



Source: Federal Reserve Board

(4) High Yield Issuance Recovering

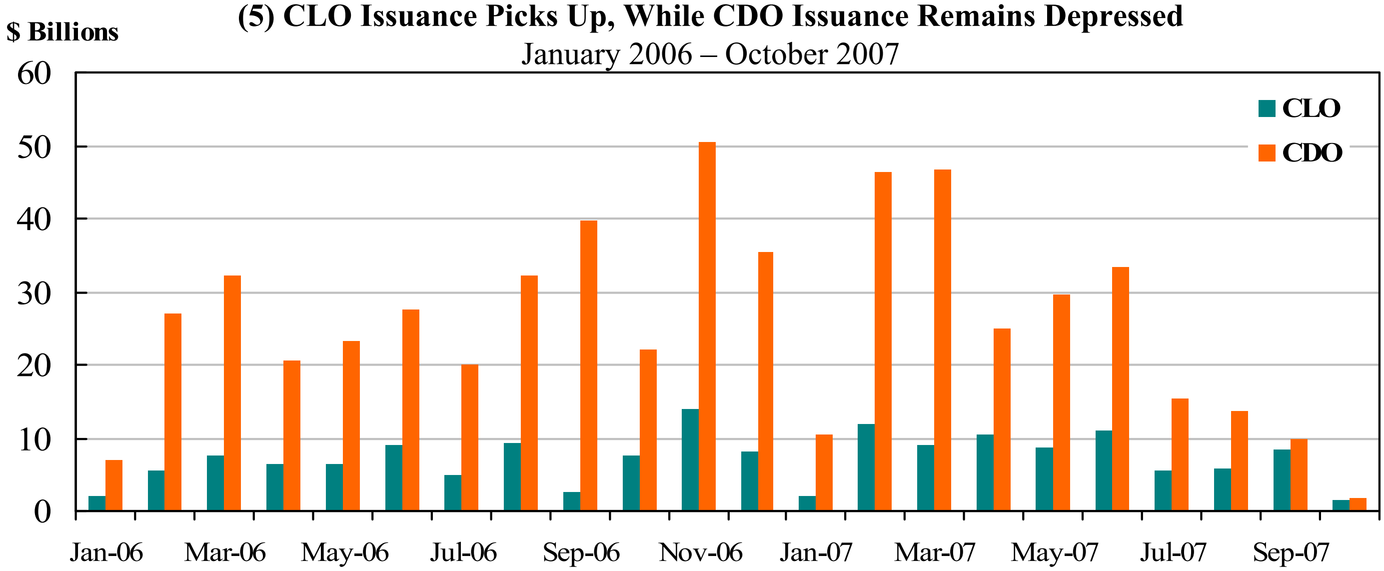
January 2007 – October 2007



Source: Bloomberg

(5) CLO Issuance Picks Up, While CDO Issuance Remains Depressed

January 2006 – October 2007

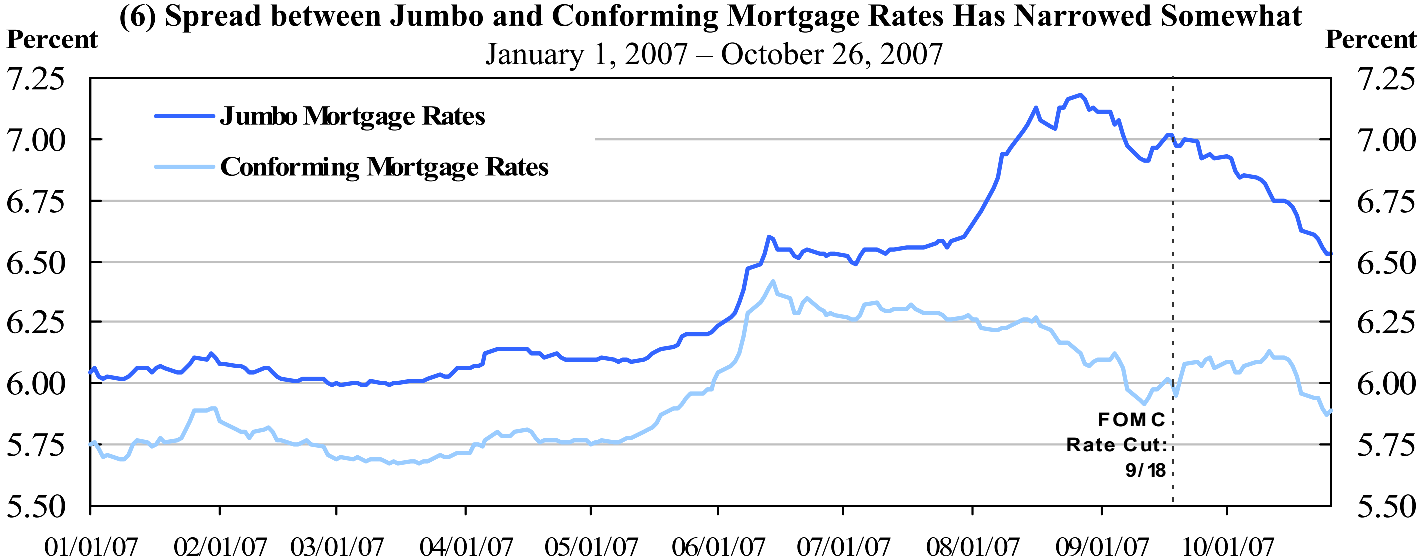


Source: Merrill Lynch

Data for October 2007 includes issuance until 10/22/2007

(6) Spread between Jumbo and Conforming Mortgage Rates Has Narrowed Somewhat

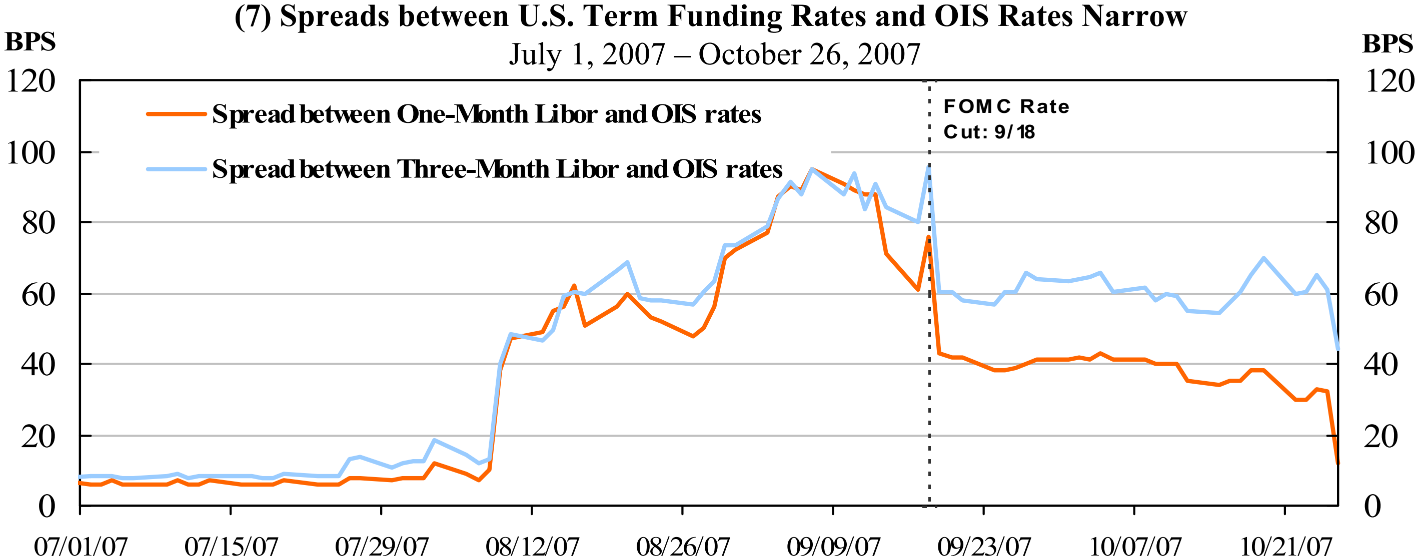
January 1, 2007 – October 26, 2007



Source: Bloomberg

(7) Spreads between U.S. Term Funding Rates and OIS Rates Narrow

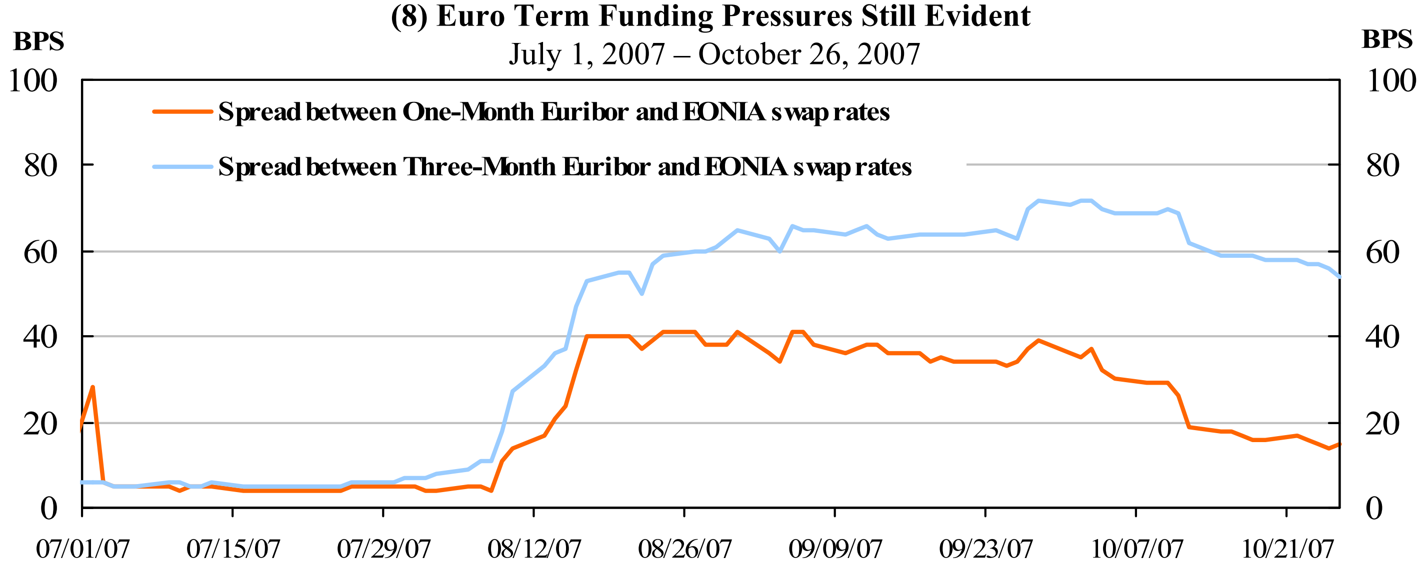
July 1, 2007 – October 26, 2007



Source: Bloomberg

(8) Euro Term Funding Pressures Still Evident

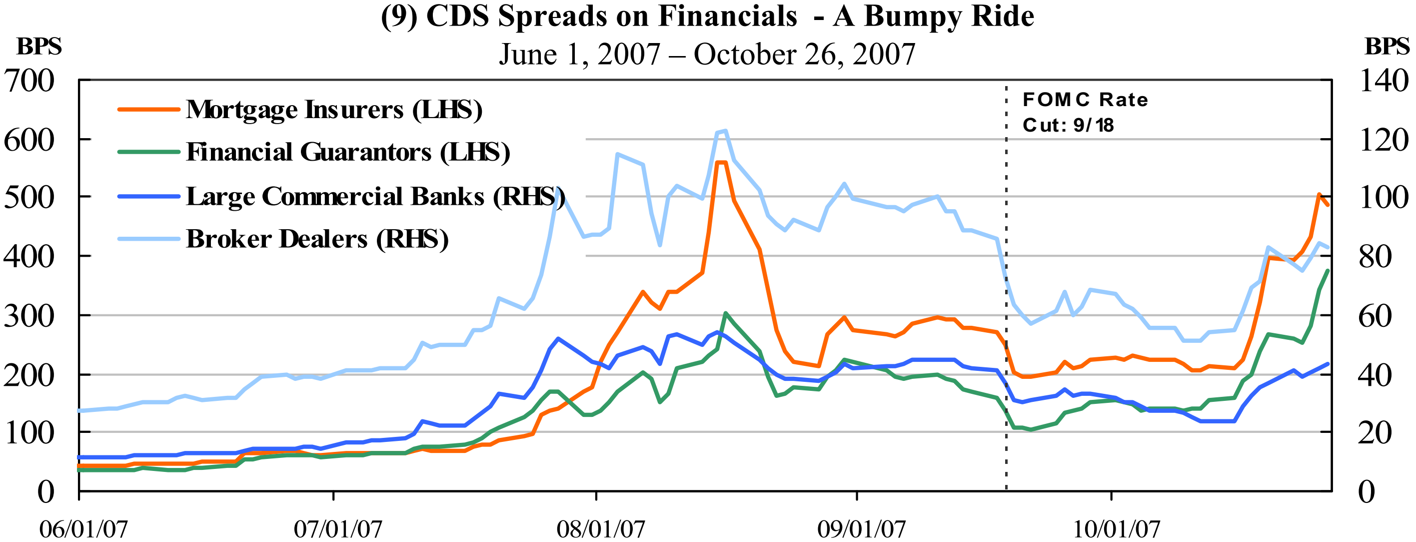
July 1, 2007 – October 26, 2007



Source: Bloomberg

(9) CDS Spreads on Financials - A Bumpy Ride

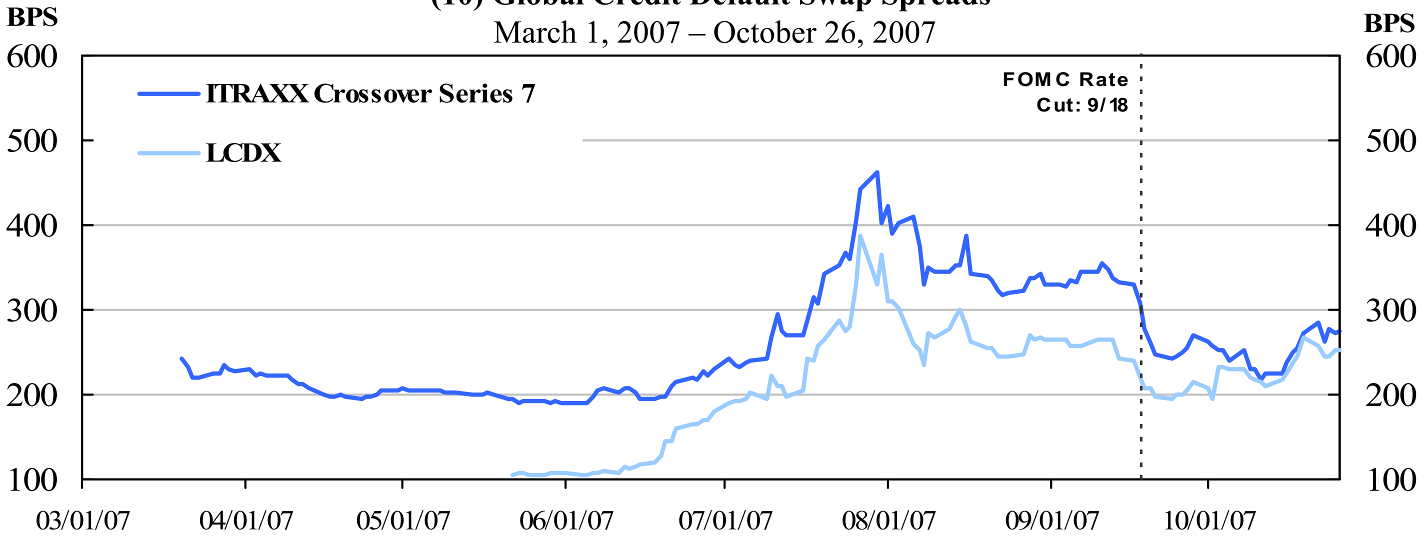
June 1, 2007 – October 26, 2007



Source: Markit

(10) Global Credit Default Swap Spreads

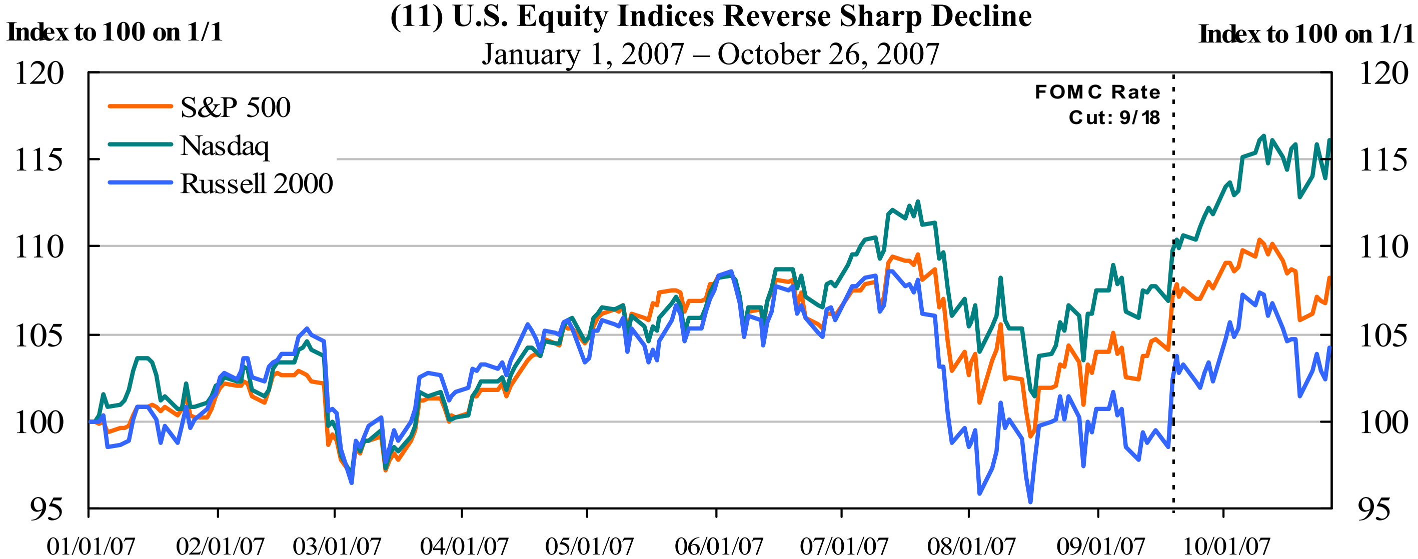
March 1, 2007 – October 26, 2007



Source: Bloomberg

(11) U.S. Equity Indices Reverse Sharp Decline

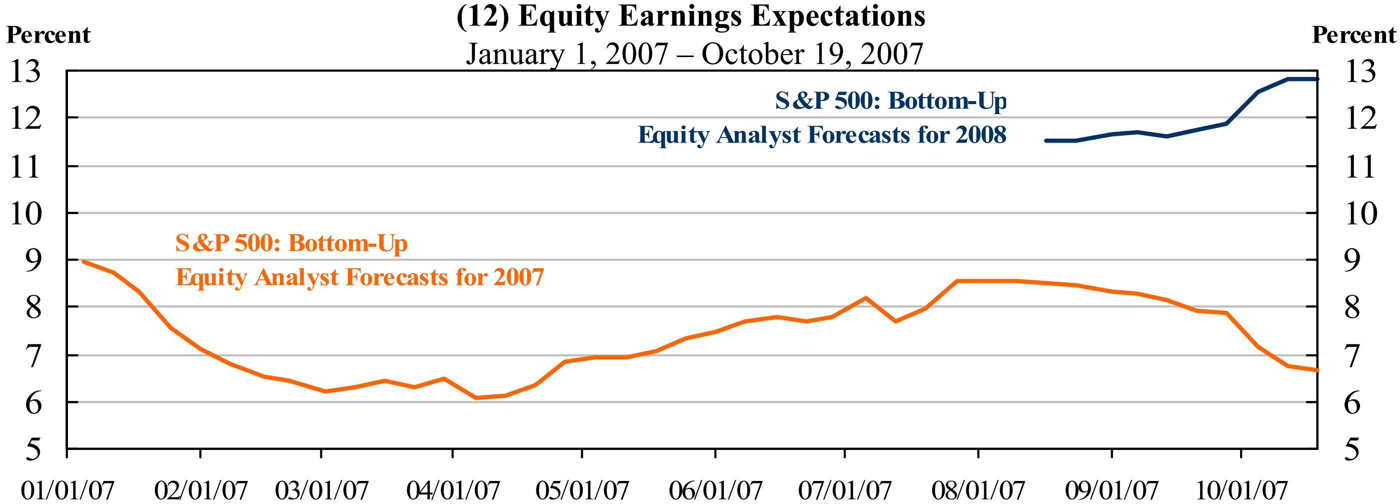
January 1, 2007 – October 26, 2007



Source: Bloomberg

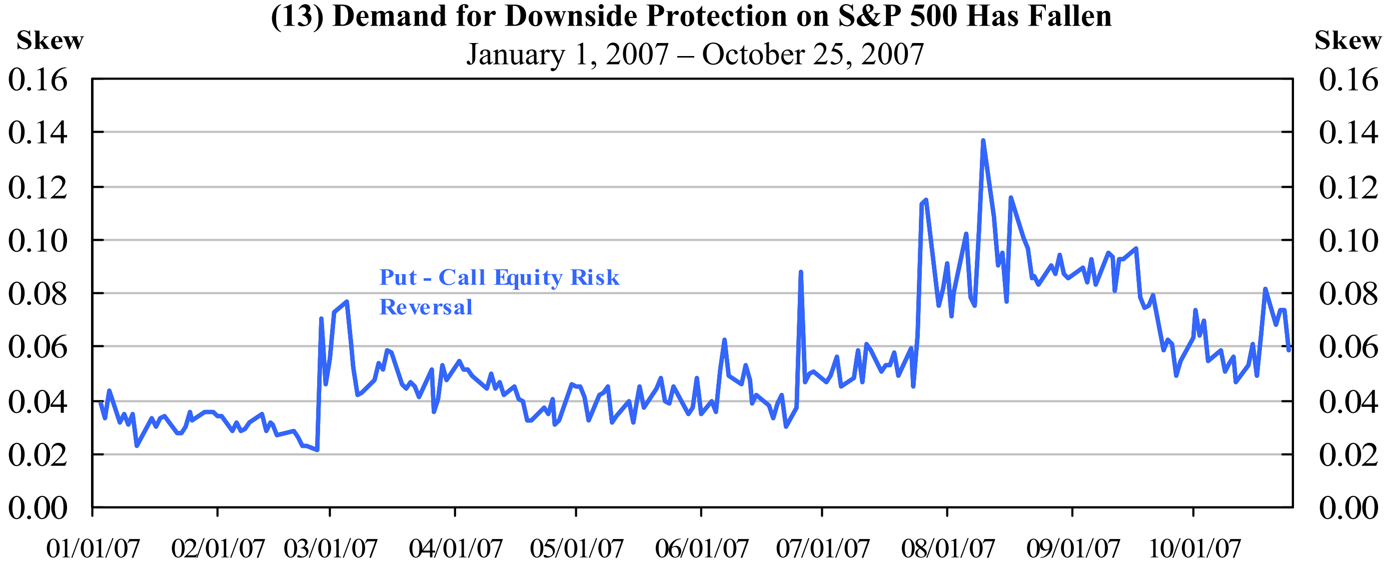
(12) Equity Earnings Expectations

January 1, 2007 – October 19, 2007



Source: Thompson Financial

(13) Demand for Downside Protection on S&P 500 Has Fallen
January 1, 2007 – October 25, 2007



Source: OptionMetrics

(14) Correlation of Daily Price/Yield Changes
August 7, 2007 – September 17, 2007

Variables	2YR Yield	10YR Yield	S&P	USD/JPY	Swap Spreads	VIX	CDX IG
2YR Yield							
10YR Yield	0.89						
S&P	0.75	0.75					
USD/JPY	0.80	0.77	0.71				
Swap Spreads	-0.55	-0.35	-0.53	-0.37			
VIX	-0.62	-0.51	-0.81	-0.64	0.56		
CDX IG	0.62	0.63	0.71	0.48	-0.58	-0.58	
Merrill-HY	-0.84	-0.78	-0.57	-0.78	0.54	0.47	-0.56

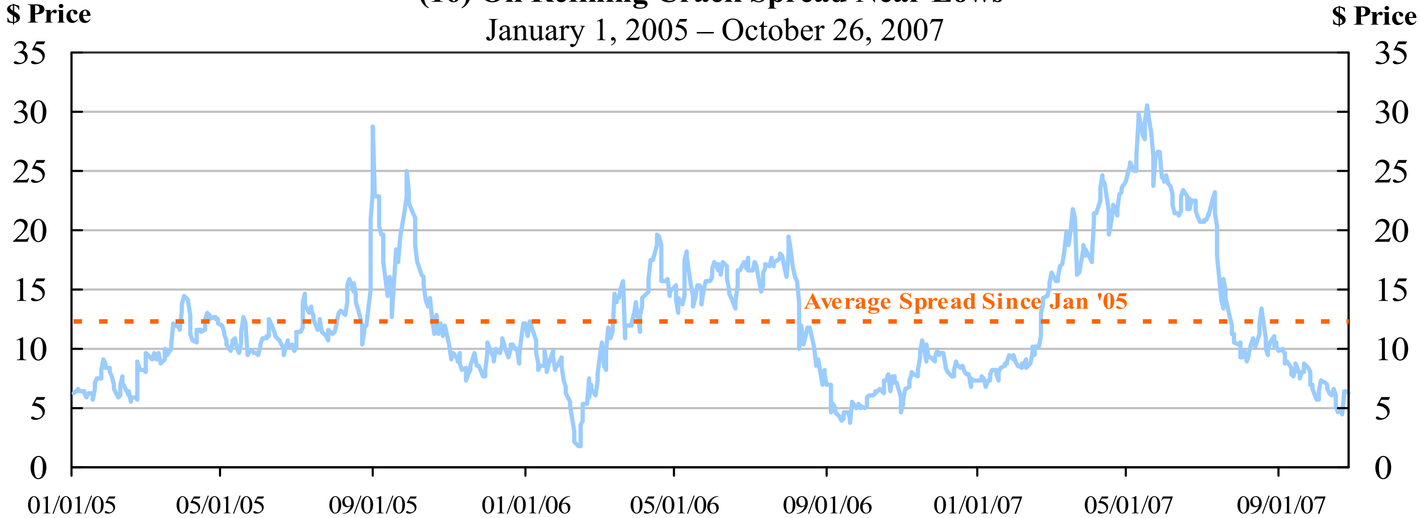
Source: Bloomberg and JP Morgan **Blue boxes denote correlations greater than 0.50 or less than -0.50**

(15) Correlation of Daily Price/Yield Changes
September 18, 2007 – October 26, 2007

Variables	2YR Yield	10YR Yield	S&P	USD/JPY	Swap Spreads	VIX	CDX IG
2YR Yield							
10YR Yield	0.77						
S&P	0.22	0.28					
USD/JPY	0.18	0.05	0.62				
Swap Spreads	0.37	0.27	-0.53	-0.53			
VIX	-0.13	-0.26	-0.91	-0.52	0.47		
CDX IG	0.49	0.51	0.78	0.58	-0.37	-0.74	
Merrill-HY	-0.67	-0.70	-0.40	-0.41	0.08	0.28	-0.65

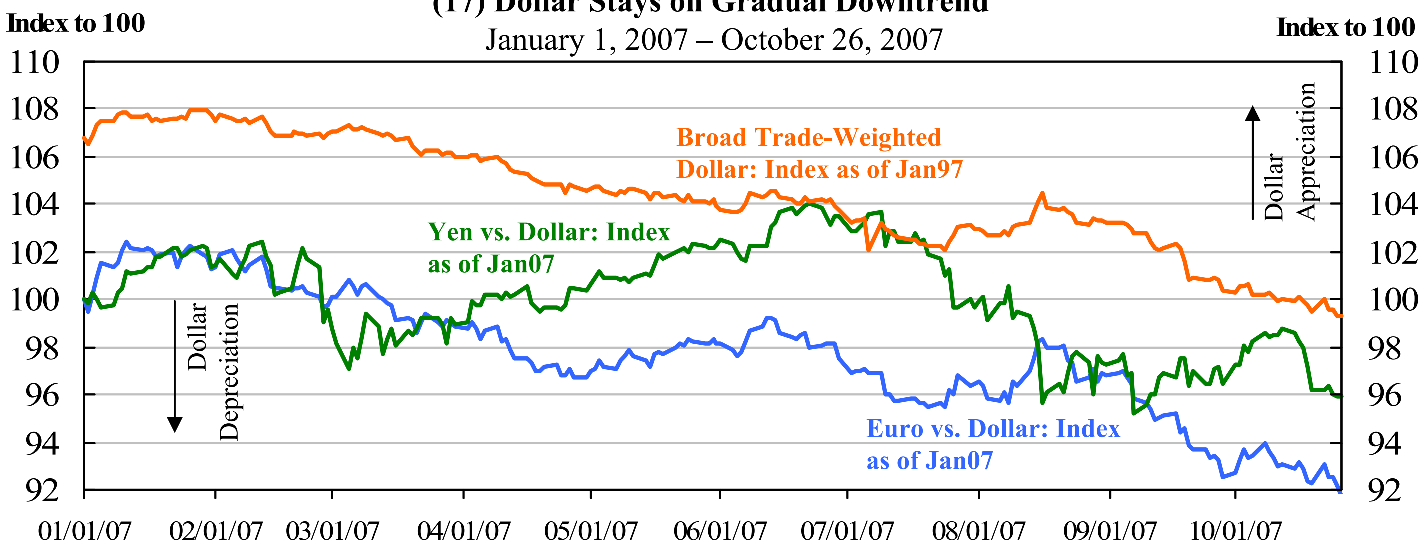
Source: Bloomberg and JP Morgan **Blue boxes denote correlations greater than 0.50 or less than -0.50**

(16) Oil Refining Crack Spread Near Lows
January 1, 2005 – October 26, 2007



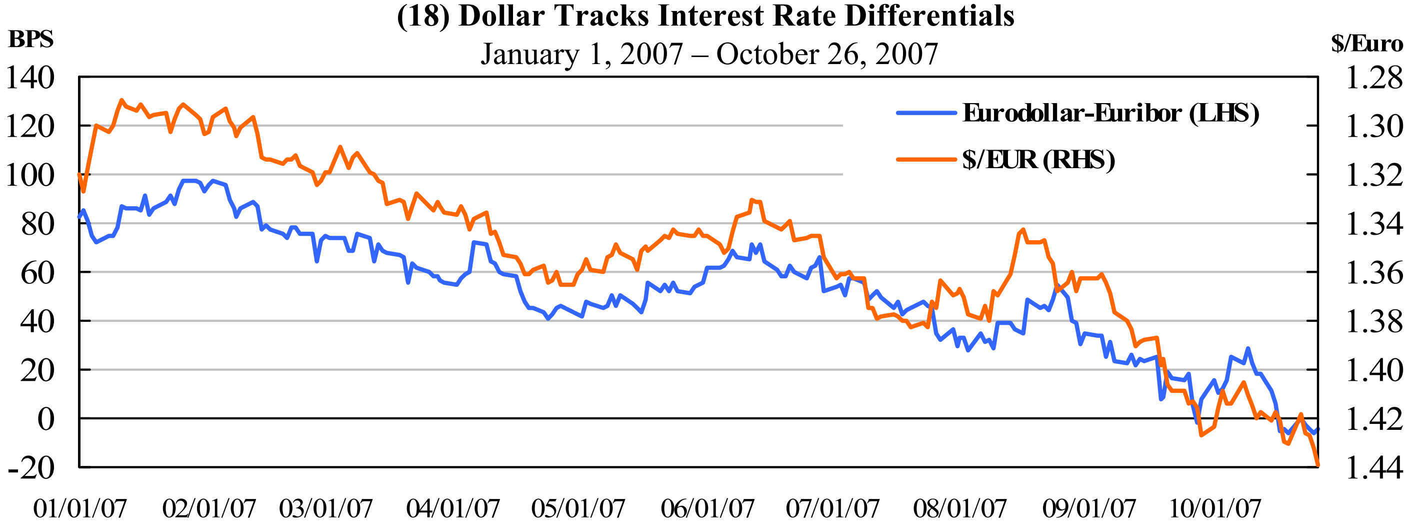
Source: Bloomberg

(17) Dollar Stays on Gradual Downtrend
January 1, 2007 – October 26, 2007



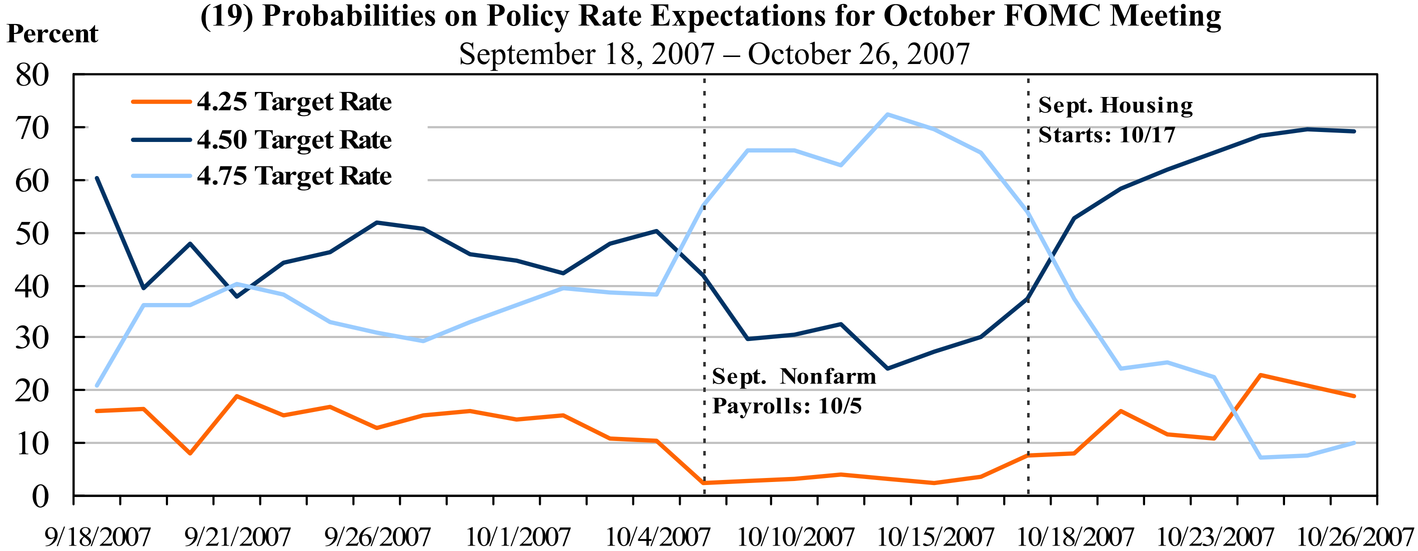
Source: Bloomberg and Federal Reserve Board

(18) Dollar Tracks Interest Rate Differentials
January 1, 2007 – October 26, 2007



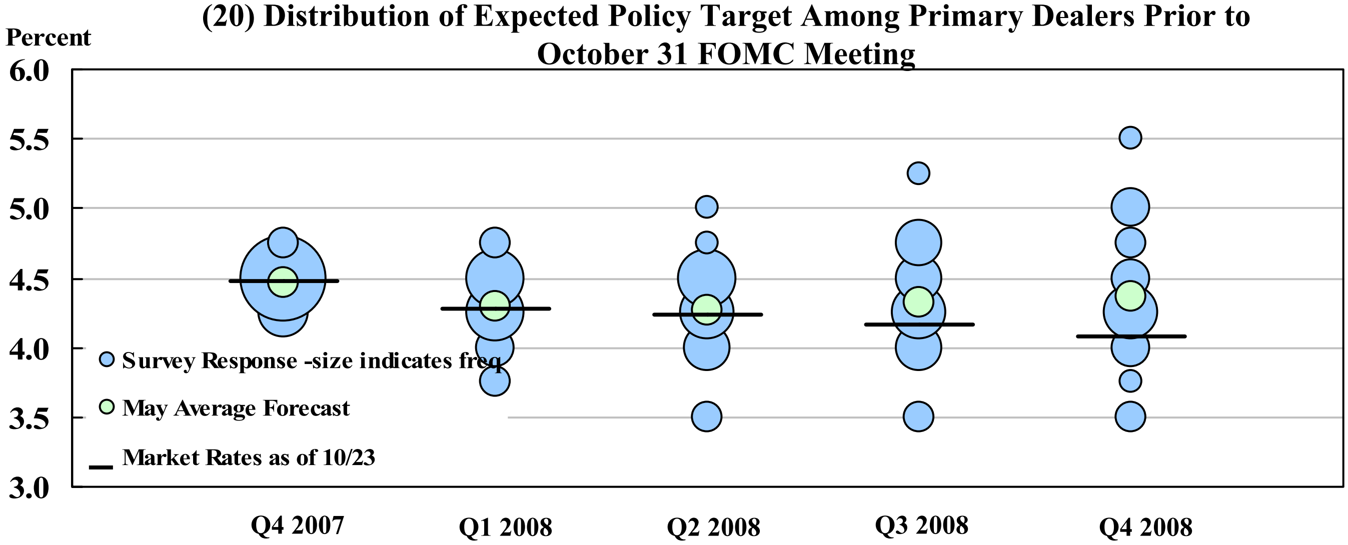
Source: Bloomberg

(19) Probabilities on Policy Rate Expectations for October FOMC Meeting
September 18, 2007 – October 26, 2007



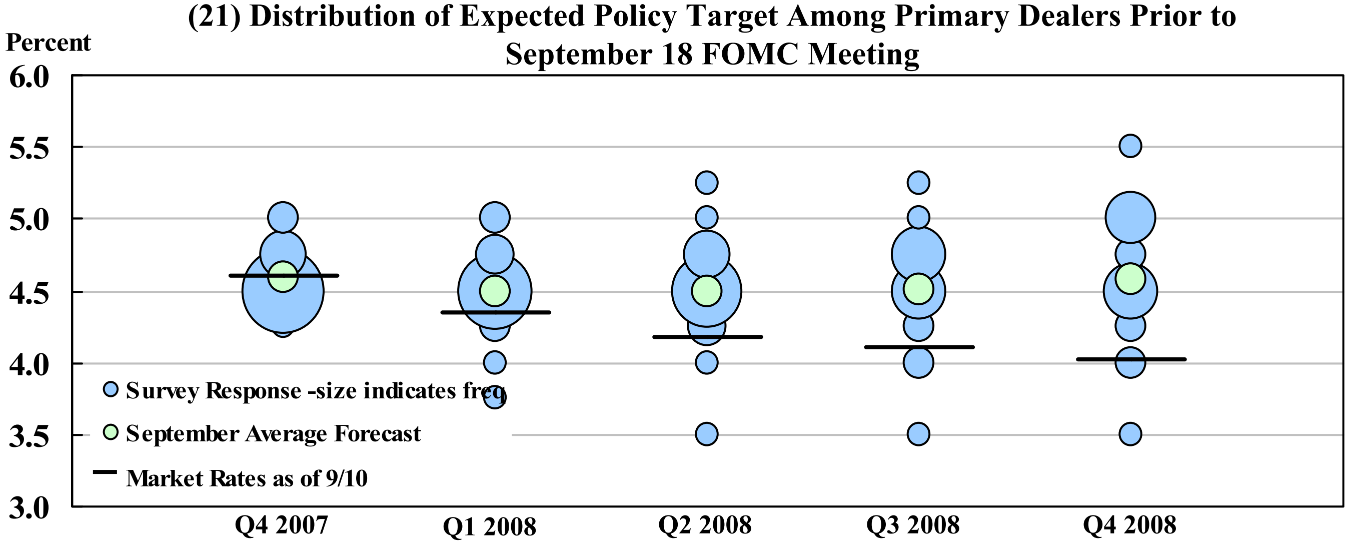
Source: Cleveland Fed

(20) Distribution of Expected Policy Target Among Primary Dealers Prior to October 31 FOMC Meeting



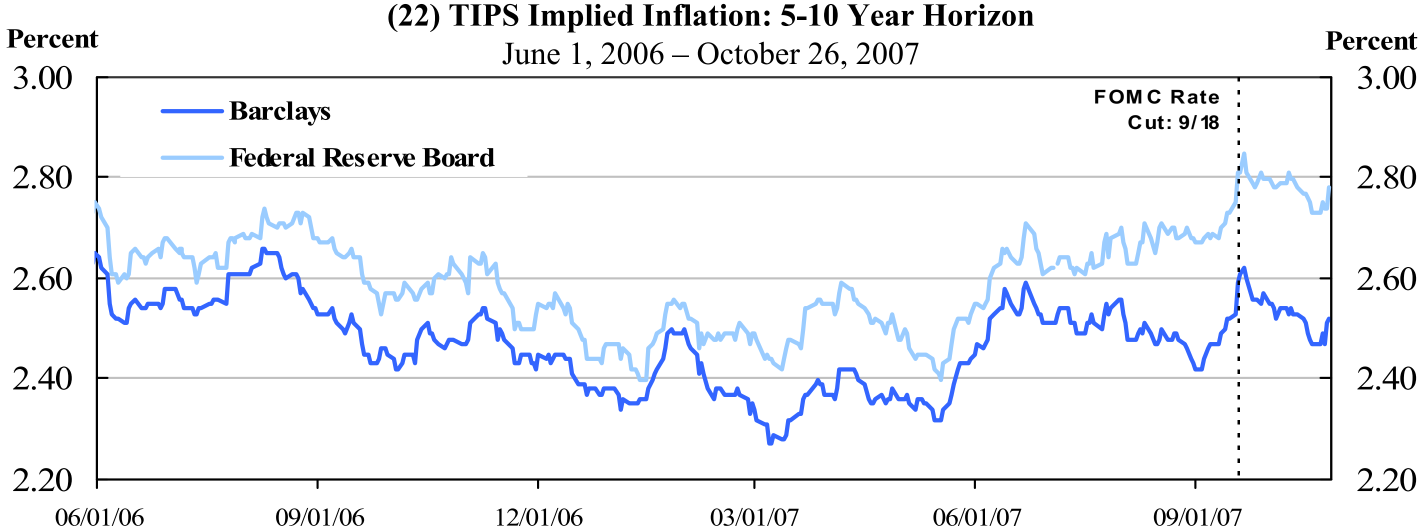
Source: Dealer Policy Survey

(21) Distribution of Expected Policy Target Among Primary Dealers Prior to September 18 FOMC Meeting



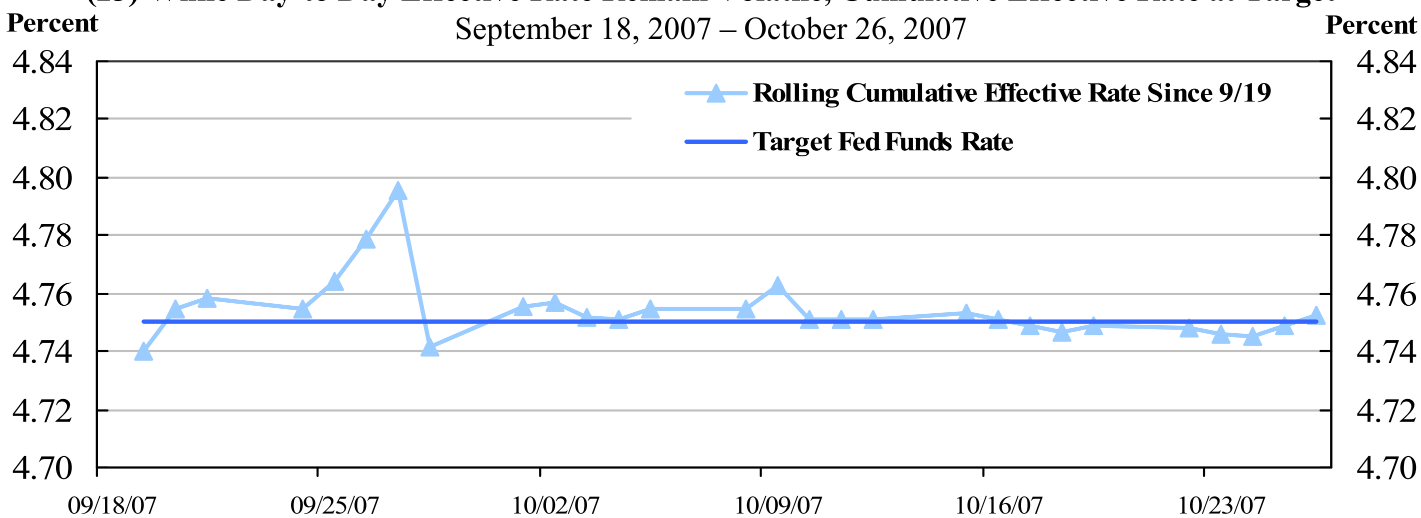
Source: Dealer Policy Survey

(22) TIPS Implied Inflation: 5-10 Year Horizon
June 1, 2006 – October 26, 2007



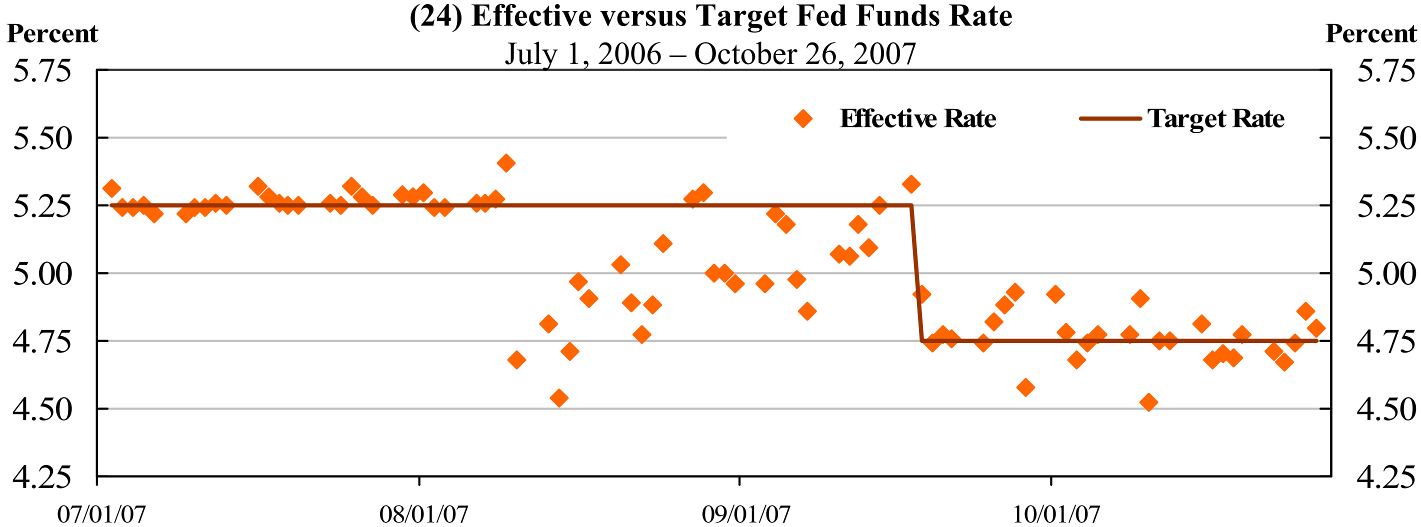
Source: Federal Reserve Board and Barclays Capital

(23) While Day-to Day Effective Rate Remain Volatile, Cumulative Effective Rate at Target
September 18, 2007 – October 26, 2007



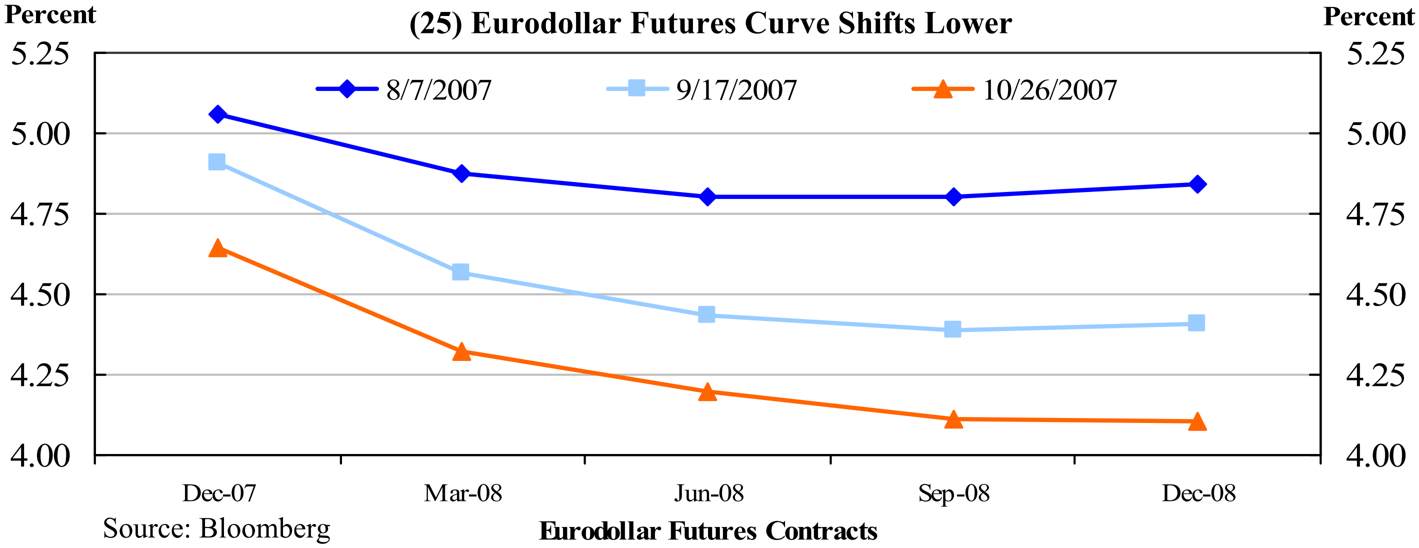
Source: Federal Reserve Bank of New York

(24) Effective versus Target Fed Funds Rate
July 1, 2006 – October 26, 2007

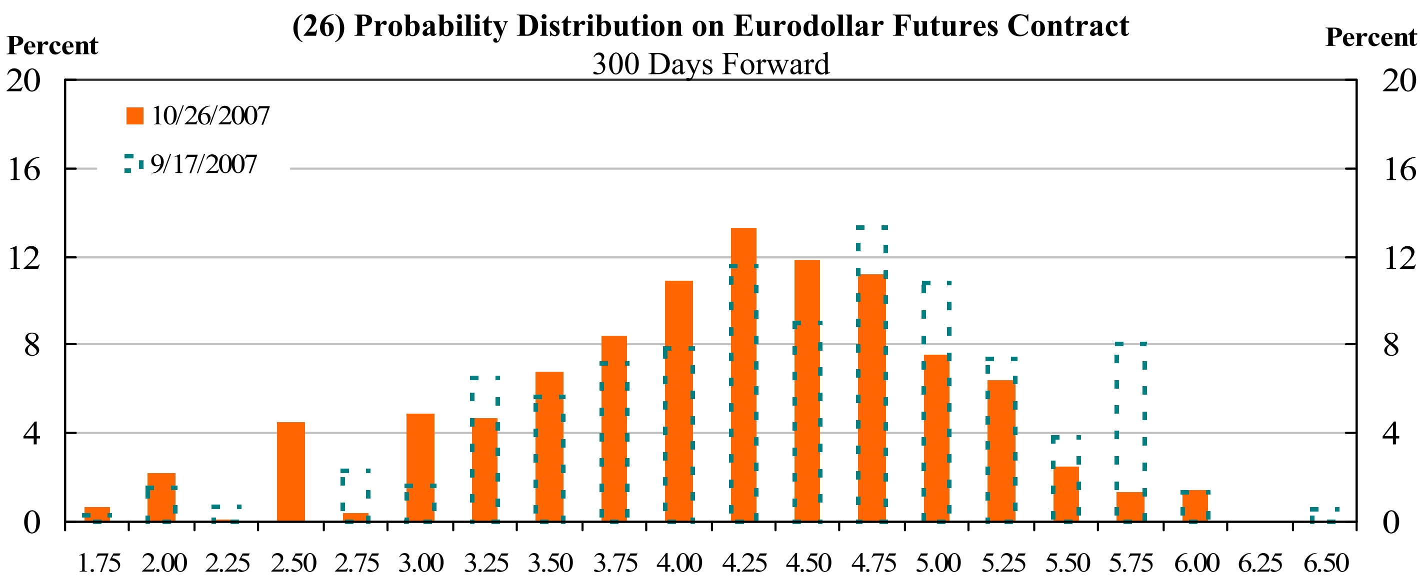


Source: Federal Reserve Bank of New York

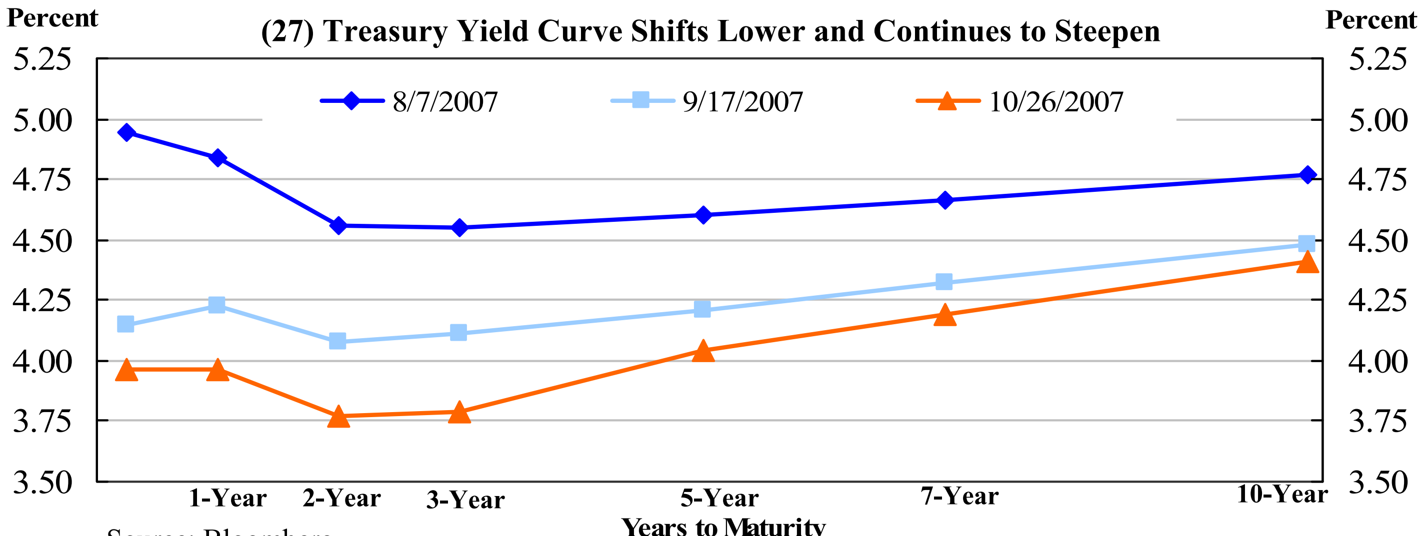
APPENDIX: Reference Exhibits



Source: Bloomberg



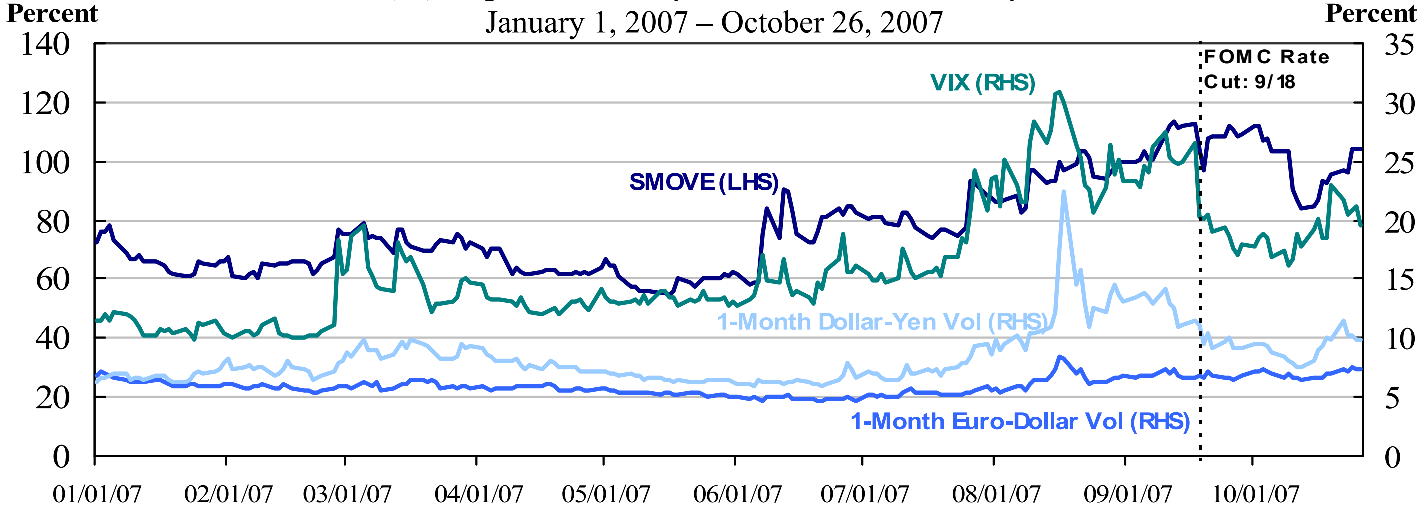
Source: CME Option



Source: Bloomberg

(28) Implied Volatility Increases in Recent Days

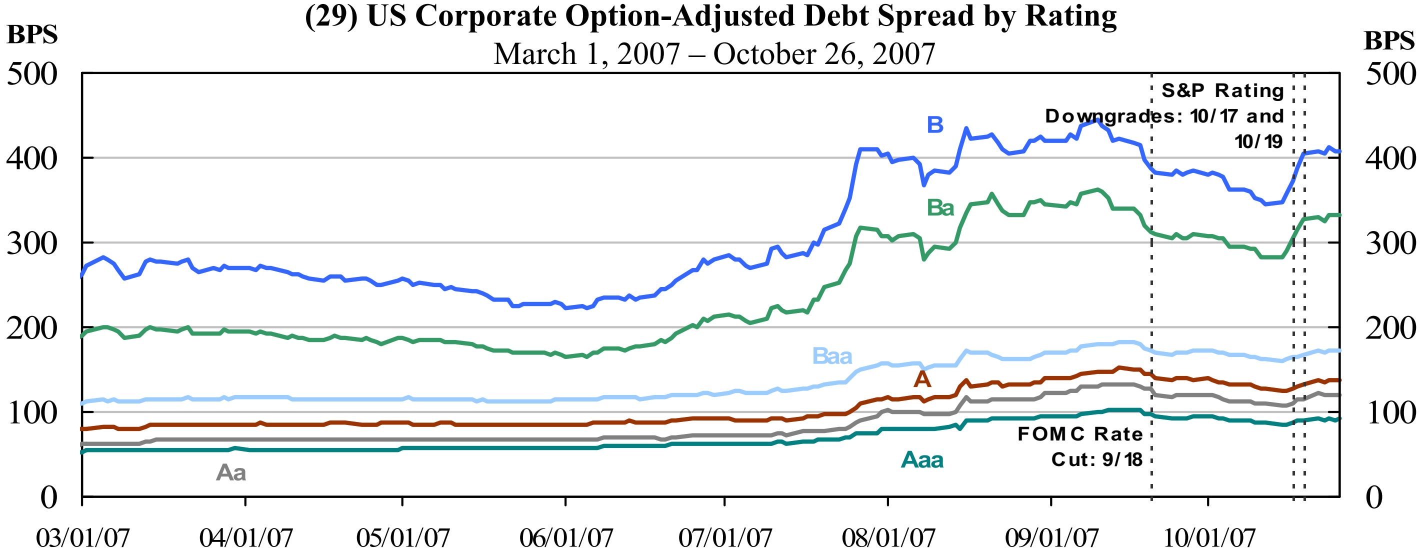
January 1, 2007 – October 26, 2007



Source: Bloomberg

(29) US Corporate Option-Adjusted Debt Spread by Rating

March 1, 2007 – October 26, 2007



Source: Bloomberg

Appendix 2: Materials used by Mr. Madigan

Class I FOMC – Restricted Controlled (FR)

Material for

FOMC Briefing on October Projections

Brian Madigan
October 30, 2007

Table 1: Economic Projections of Federal Reserve Governors and Reserve Bank Presidents [1]

	2007	2008	2009	2010
Central Tendencies				
Real GDP Growth	2.2 to 2.3	1.8 to 2.5	2.3 to 2.7	2.5 to 2.6
June projections	*2-1/4 to 2-1/2*	*2-1/2 to 2-3/4*		
Unemployment Rate	4.7 to 4.8	4.8 to 5.0	4.8 to 5.0	4.7 to 4.9
June projections	*4-1/2 to 4-3/4*	*about 4-3/4*		
PCE Inflation	2.9 to 3.0	1.8 to 2.1	1.7 to 2.0	1.6 to 1.9
Core PCE Inflation	1.8 to 1.9	1.7 to 1.9	1.7 to 1.9	1.6 to 1.9
June projections	*2 to 2-1/4*	*1-3/4 to 2*		
Ranges				
Real GDP Growth	2.2 to 2.5	1.6 to 2.6	2.0 to 2.8	2.2 to 2.7
June projections	*2 to 2-3/4*	*2-1/2 to 3*		
Unemployment Rate	4.7 to 4.8	4.6 to 5.0	4.6 to 5.0	4.6 to 5.0
June projections	*4-1/2 to 4-3/4*	*4-1/2 to 5*		
PCE Inflation	2.7 to 3.2	1.7 to 2.3	1.5 to 2.2	1.5 to 2.0
Core PCE Inflation	1.8 to 2.1	1.7 to 2.0	1.5 to 2.0	1.5 to 2.0
June projections	*2 to 2-1/4*	*1-3/4 to 2*		

1. Projections of real GDP growth, PCE inflation and core PCE inflation are fourth-quarter-to-fourth-quarter growth rates, i.e. percentage changes from the fourth quarter of the prior year to the fourth quarter of the indicated year. PCE inflation and core PCE inflation are the percentage rates of change in the price index for personal consumption expenditures and the price index for personal consumption expenditures excluding food and energy, respectively. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of each year. Each participant's projections are based on his or her assessment of appropriate monetary policy. The range for each variable in a given year includes all participants' projections, from lowest to highest, for that variable in the given year; the central tendencies exclude the three highest and three lowest projections for each variable in each year.

Appendix 3: Materials used by Mr. Stockton

Gross Domestic Product

(percent change at an annual rate)

	2007-Q2	2007-Q3	
	Final	Greenbook	Advance
Real GDP	**3.8**	**3.3**	**3.9**
Final Sales	3.6	3.6	3.5
Personal Consumption	1.4	3.2	3.0
Durables	1.7	2.8	4.4
Nondurables	-0.5	2.9	2.7
Services	2.3	3.4	2.9
Business Fixed Investment	11.0	6.2	7.9
Nonresidential Structures	26.2	3.7	12.3
Equipment and Software	4.7	7.4	5.9
Residential Investment	-11.8	-22.4	-20.1
Government	4.1	3.2	3.7
Federal	6.0	5.8	6.8
State and Local	3.0	1.8	2.0
Exports	7.5	16.9	16.2
Imports	-2.7	3.5	5.2
Level in chained 2000 dollars:			
Change in nonfarm business inventories	1.3	-4.2	12.4
Change in farm inventories	3.6	1.0	2.9
Net Exports	-573.9	-535.9	-546.2
Price Indexes:			
Total PCE Chain Price Index	4.3	1.5	1.7
Core PCE Chain Price Index	1.4	1.6	1.8

Appendix 4: Materials used by Mr. Madigan

Class I FOMC – Restricted Controlled (FR)

Material for
FOMC Briefing on Monetary Policy Alternatives

Brian Madigan
October 31, 2007

Class I FOMC – Restricted Controlled (FR) **Table 1: Alternative Language for the October 2007 FOMC Announcement** **Bluebook version**

	September FOMC	Alternative A	Alternative B	Alternative C
Policy Decision	1. The Federal Open Market Committee decided today to lower its target for the federal funds rate 50 basis points to 4-3/4 percent.	The Federal Open Market Committee decided today to lower its target for the federal funds rate 25 basis points to 4-1/2 percent.	The Federal Open Market Committee decided today to keep its target for the federal funds rate at 4-3/4 percent.	The Federal Open Market Committee decided today to keep its target for the federal funds rate at 4-3/4 percent.
Rationale	2. Economic growth was moderate during the first half of the year, but the tightening of credit conditions has the potential to intensify the housing correction and to restrain economic growth more generally. Today's action is intended to help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and to promote moderate growth over time.	Economic growth was solid in the third quarter, and strains in financial markets have eased somewhat on balance. However, the pace of economic expansion will likely slow somewhat in the near term, partly reflecting the intensification of the housing correction. Today's action, combined with the policy action taken in September, should help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and promote moderate growth over time.	Economic growth was solid in the third quarter, and strains in financial markets have eased somewhat on balance. The pace of economic expansion will likely slow somewhat in the near term, partly reflecting the intensification of the housing correction. But, to date, other sectors of the economy have proven resilient and the global economy remains strong. The Committee anticipates that the economic expansion will return to a moderate pace over time, but sees continuing risks to growth, notably the potential impact of the tightening of credit conditions for some households and businesses.	Economic growth was solid in the third quarter despite an intensification of the housing correction. Strains in financial markets have eased somewhat on balance, reducing the downside risks to growth. Though incoming indicators point to some near-term slowing in the pace of economic expansion, the recent easing of monetary policy should help promote moderate growth over time.
	3. Readings on core inflation have improved modestly this year. However, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.	Readings on core inflation have improved modestly this year. However, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.	Readings on core inflation have improved modestly this year. However, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.	Readings on core inflation have improved modestly this year, but the high level of resource utilization and recent increases in energy prices may put renewed upward pressures on overall and core inflation.
Assessment of Risk	4. Developments in financial markets since the Committee's last regular meeting have increased the uncertainty surrounding the economic outlook. The Committee will continue to assess the effects of these and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.	The Committee judges that the upside risks to inflation roughly balance the downside risks to growth. The Committee will continue to assess the effects of financial and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.	On balance, the Committee views downside risks to growth as the greater policy concern. The Committee will continue to assess the effects of financial and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.	The Committee judges that the upside risks to inflation roughly balance the downside risks to growth. Future policy adjustments will depend on the outlook for both inflation and economic growth, as implied by incoming information.

Class I FOMC – Restricted Controlled (FR) **Table 1: Alternative Language for the October 2007 FOMC Announcement** **Revised: October 31, 2007**

	September FOMC	Alternative A	Alternative B	Alternative C
Policy Decision	1. The Federal Open Market Committee decided today to lower its target for the federal funds rate 50 basis points to 4-3/4 percent.	The Federal Open Market Committee decided today to lower its target for the federal funds rate 25 basis points to 4-1/2 percent.	The Federal Open Market Committee decided today to keep its target for the federal funds rate at 4-3/4 percent.	The Federal Open Market Committee decided today to keep its target for the federal funds rate at 4-3/4 percent.
Rationale	2. Economic growth was moderate during the first half of the year, but the tightening of credit conditions has the potential to intensify the housing correction and to restrain economic growth more generally. Today's action is intended to help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and to promote moderate growth over time.	Economic growth was solid in the third quarter, and strains in financial markets have eased somewhat on balance. However, the pace of economic expansion will likely slow in the near term, partly reflecting the intensification of the housing correction. Today's action, combined with the policy action taken in September, should help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and promote moderate growth over time.	Economic growth was solid in the third quarter, and strains in financial markets have eased somewhat on balance. The pace of economic expansion will likely slow in the near term, partly reflecting the intensification of the housing correction. But, to date, other sectors of the economy have proven resilient and the global economy remains strong. The Committee anticipates that the economic expansion will return to a moderate pace over time, but sees continuing risks to growth, notably the potential impact of the tightening of credit conditions for some households and businesses.	Economic growth was solid in the third quarter despite an intensification of the housing correction. Strains in financial markets have eased somewhat on balance, reducing the downside risks to growth. Though incoming indicators point to some near-term slowing in the pace of economic expansion, the recent easing of monetary policy should help promote moderate growth over time.
	3. Readings on core inflation have improved modestly this year. However, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.	Readings on core inflation have improved modestly this year, but recent increases in energy and commodity prices, among other factors, may put renewed upward pressure on inflation. In this context, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.	Readings on core inflation have improved modestly this year. However, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.	Readings on core inflation have improved modestly this year, but recent increases in energy and commodity prices, among other factors, may put renewed upward pressure on inflation. In this context, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully.
Assessment of Risk	4. Developments in financial markets since the Committee's last regular meeting have increased the uncertainty surrounding the economic outlook. The Committee will continue to assess the effects of these and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.	The Committee judges that, after this action, the upside risks to inflation roughly balance the downside risks to growth. The Committee will continue to assess the effects of financial and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.	On balance, the Committee views downside risks to growth as the greater policy concern. The Committee will continue to assess the effects of financial and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.	The Committee judges that the upside risks to inflation roughly balance the downside risks to growth. Future policy adjustments will depend on the outlook for both inflation and economic growth, as implied by incoming information.