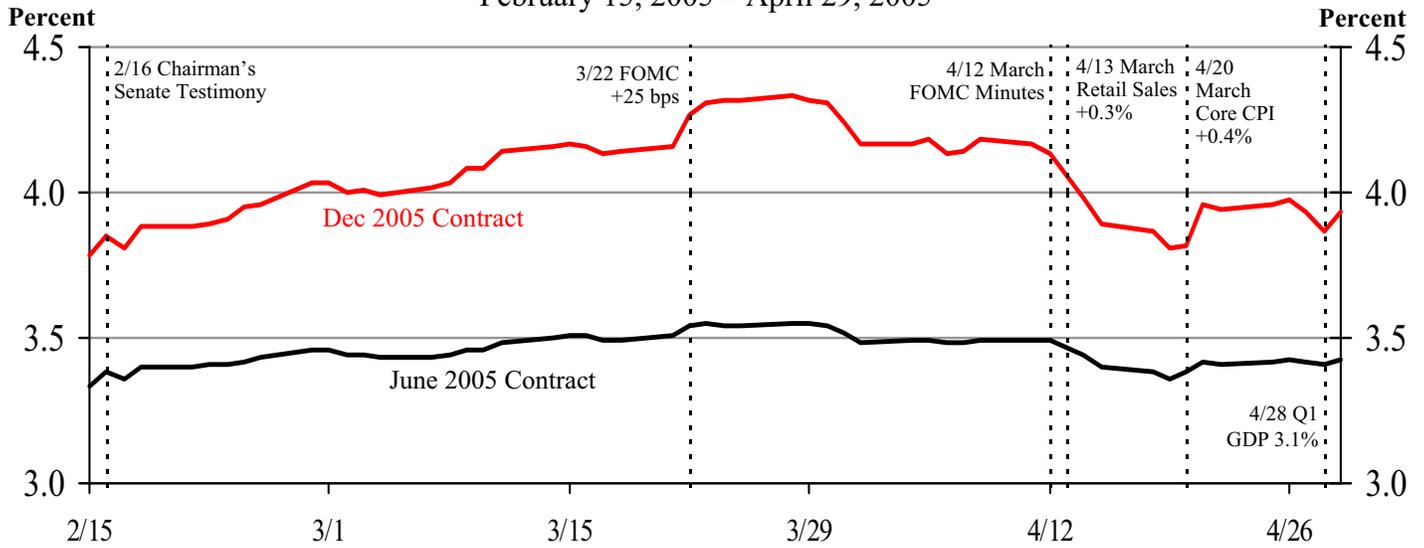


Appendix 1: Materials used by Mr. Kos

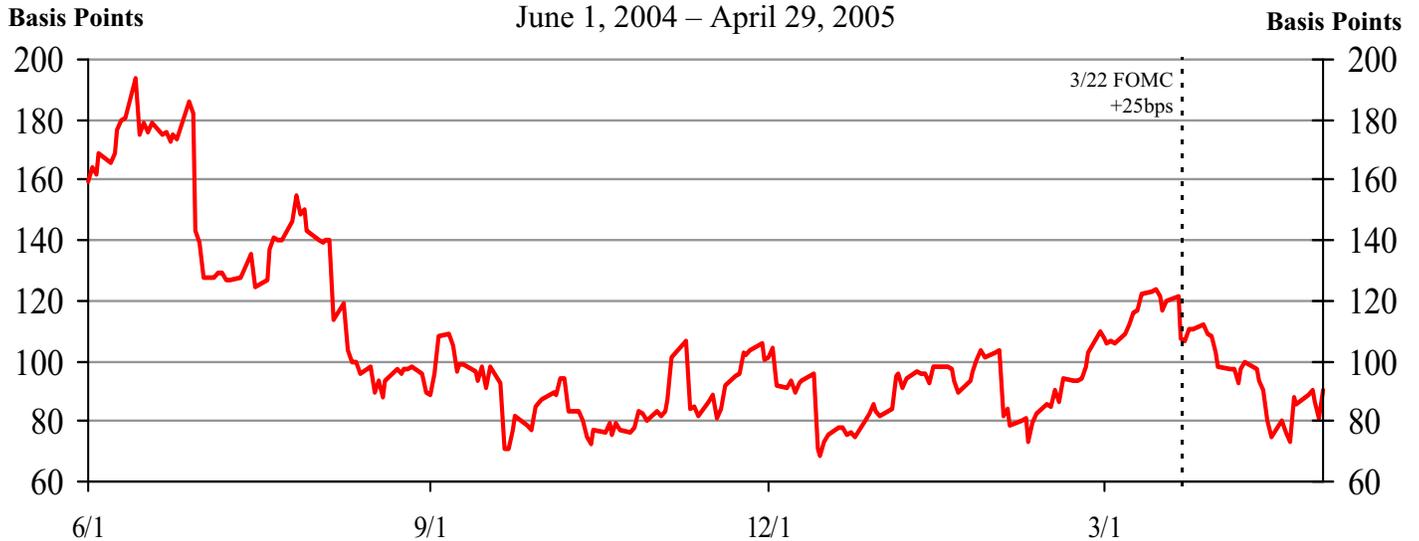
Implied Rates on Eurodollar Futures Contracts

February 15, 2005 – April 29, 2005

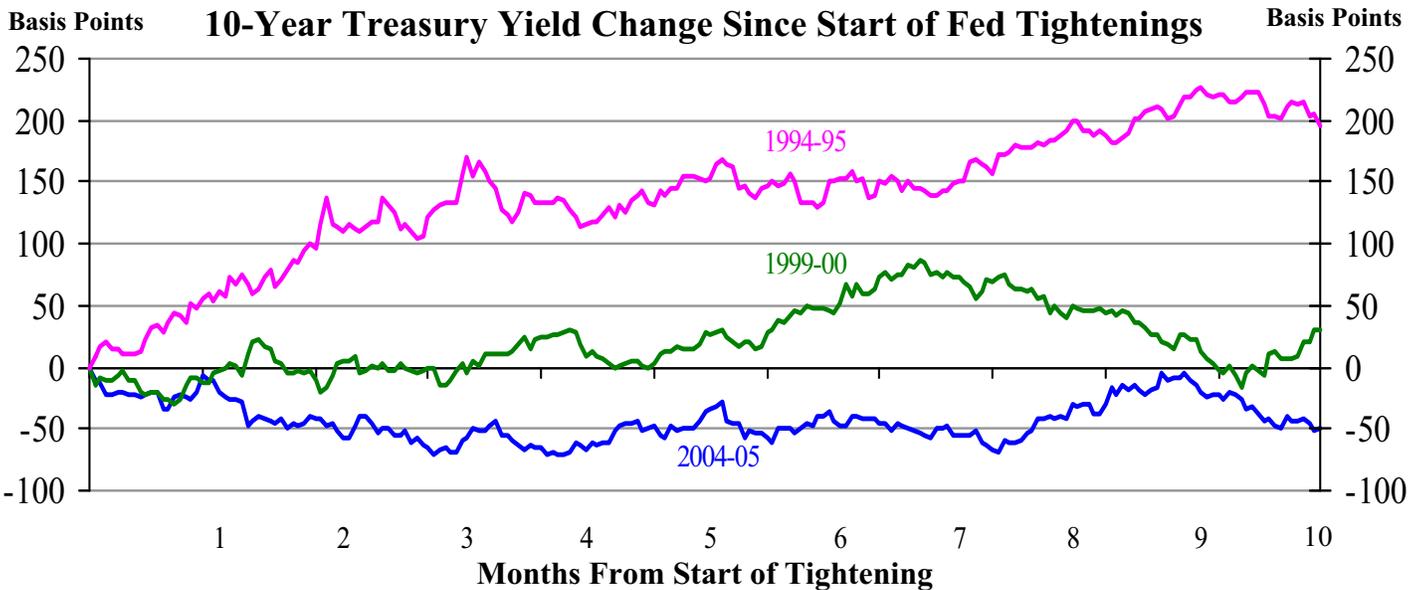


Yield Spread Between 2-Year Treasury and Target Fed Funds Rate

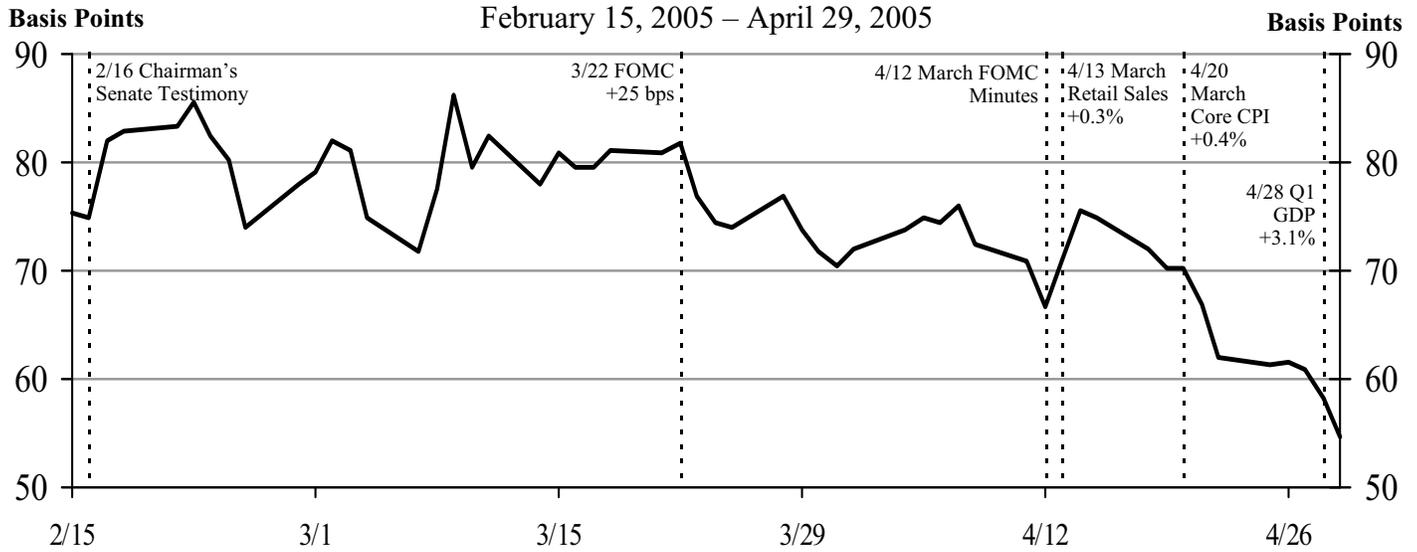
June 1, 2004 – April 29, 2005



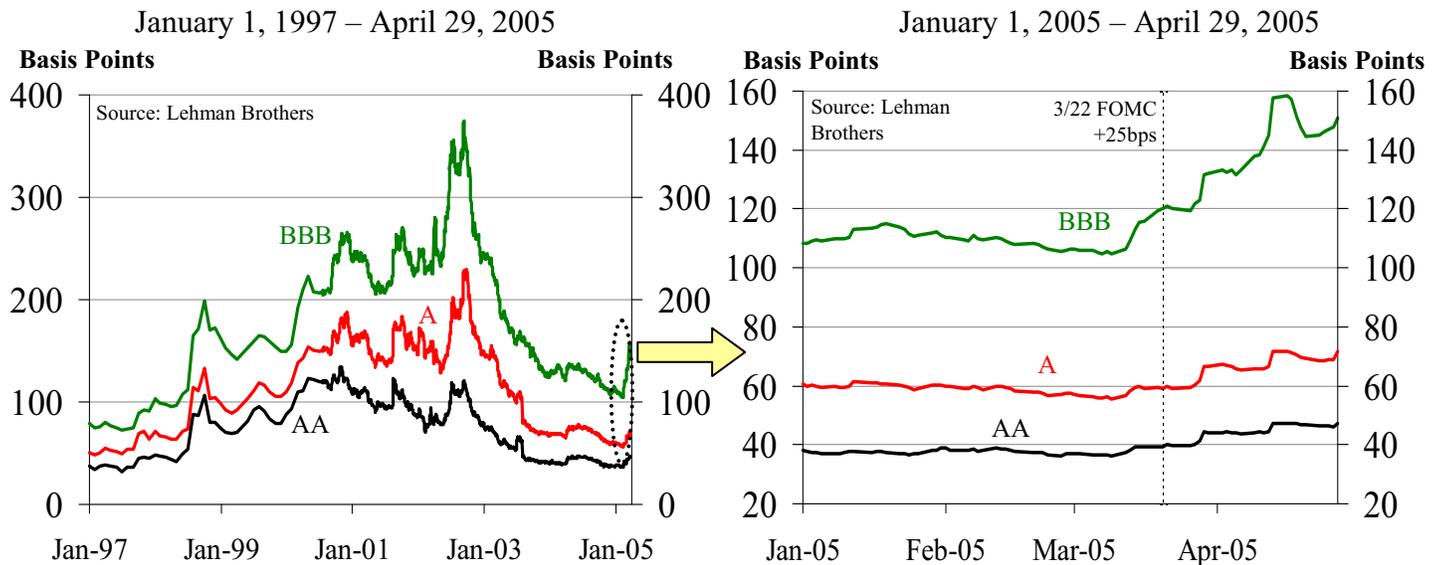
10-Year Treasury Yield Change Since Start of Fed Tightenings



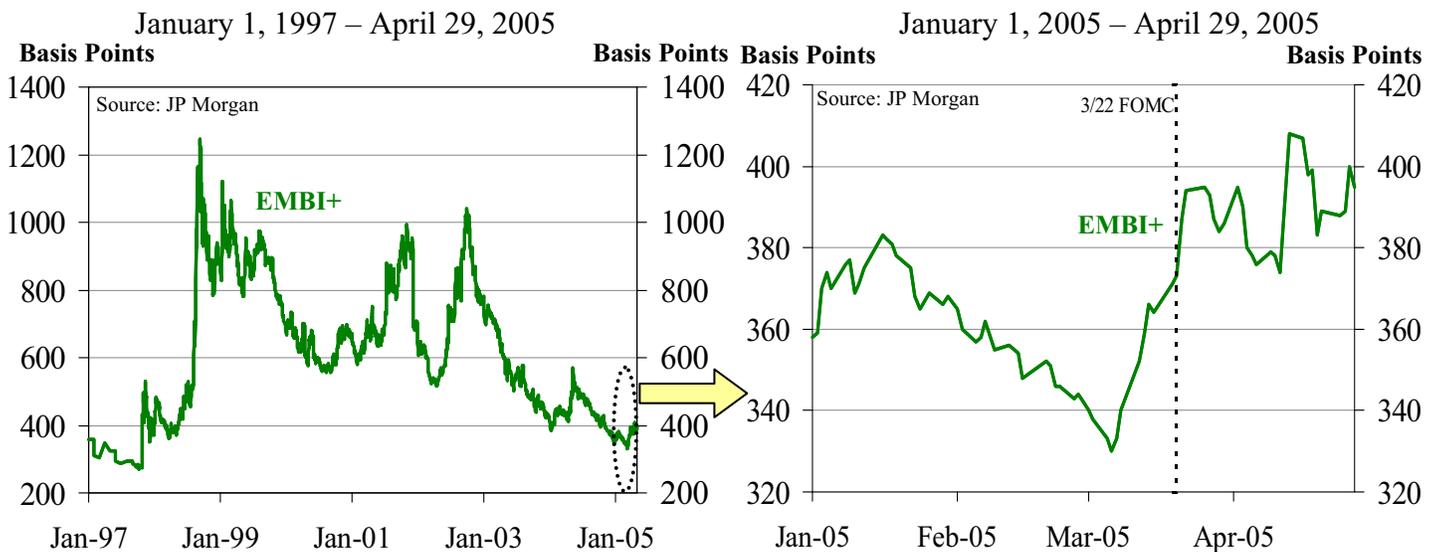
Yield Spread Between 2- and 10-Year Treasury Notes



Investment Grade Spreads by Ratings Category

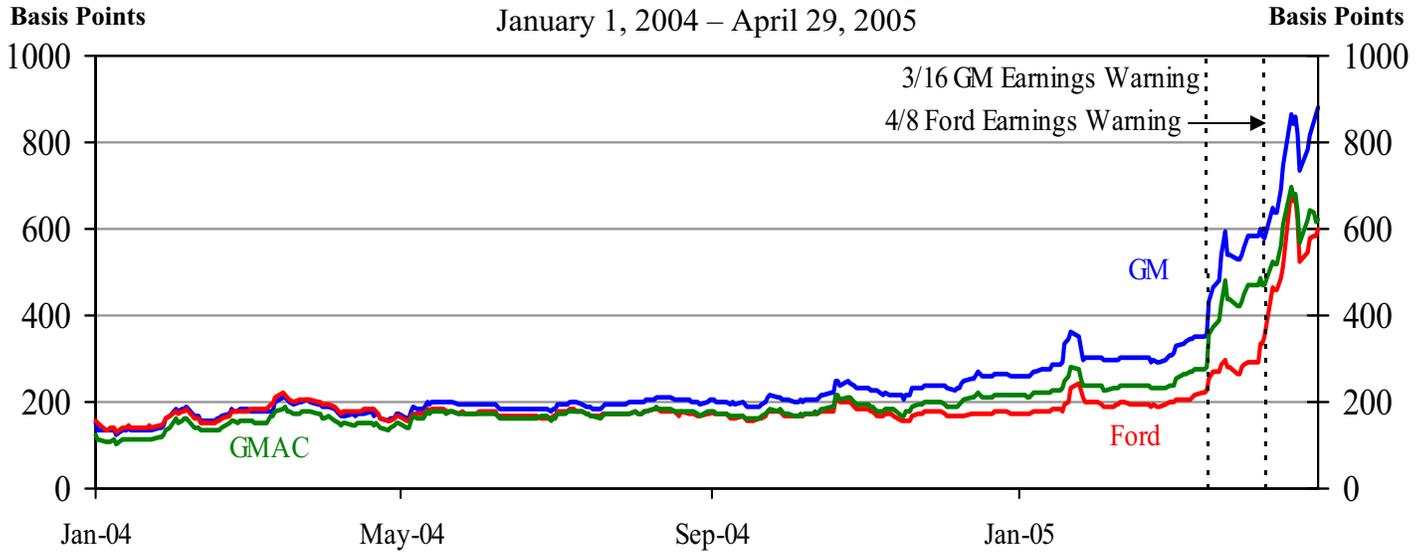


Emerging Market Debt Spreads



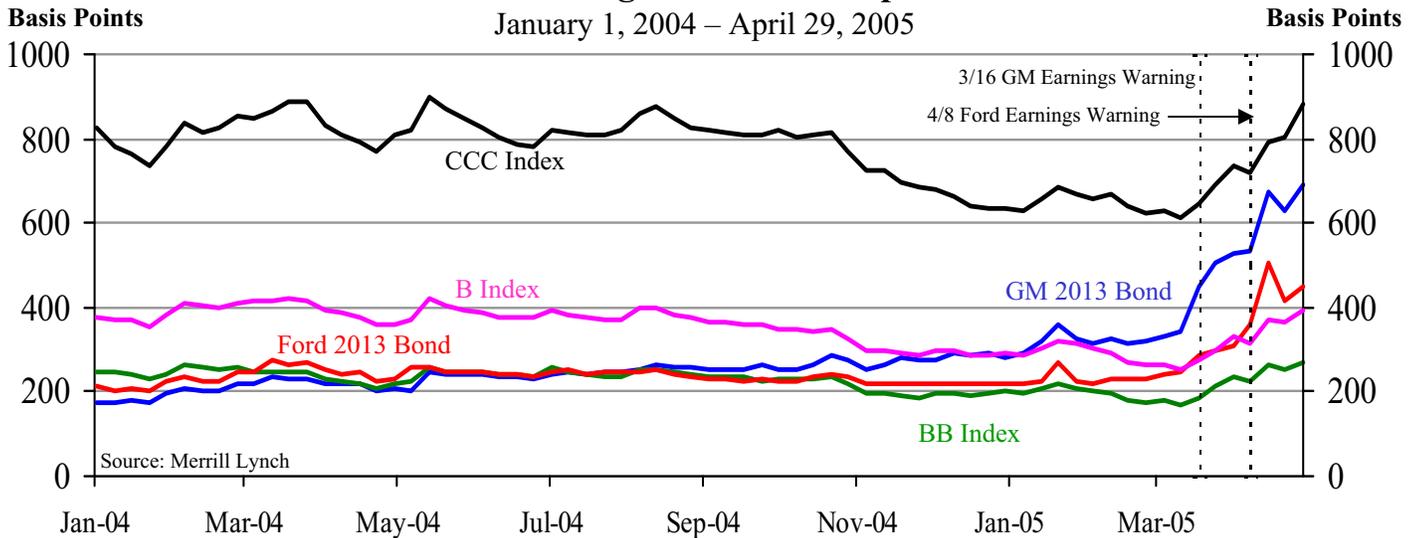
5-Year Credit Default Swaps

January 1, 2004 – April 29, 2005

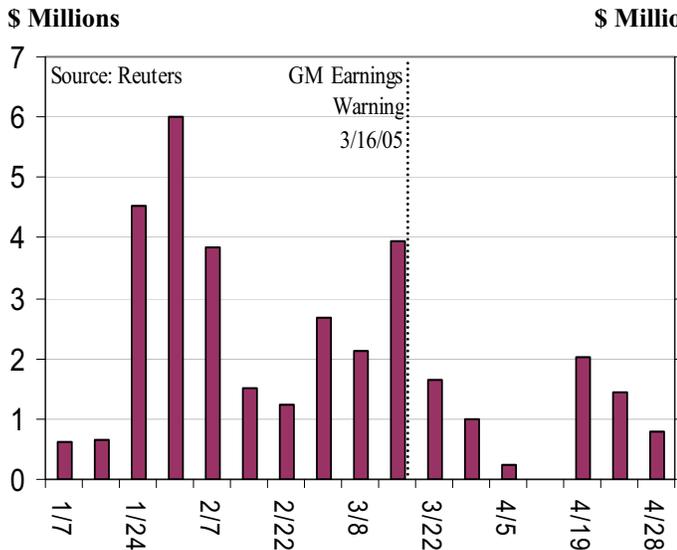


Auto and High Yield Index Spreads

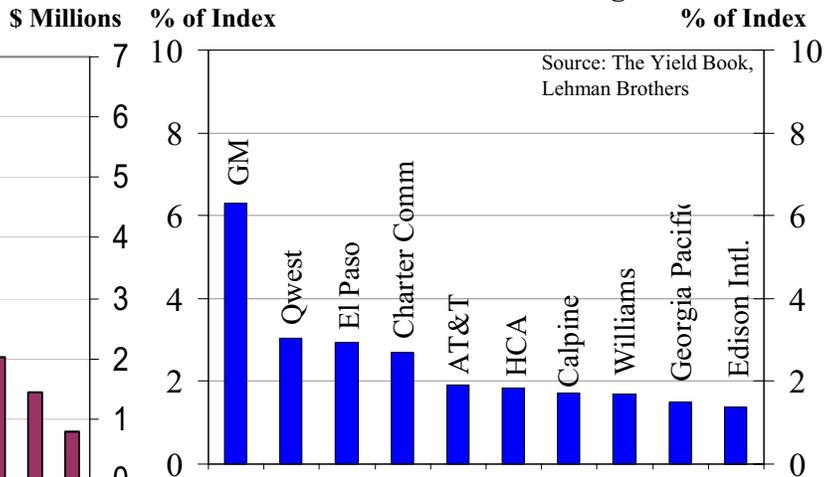
January 1, 2004 – April 29, 2005



Weekly High Yield Issuance

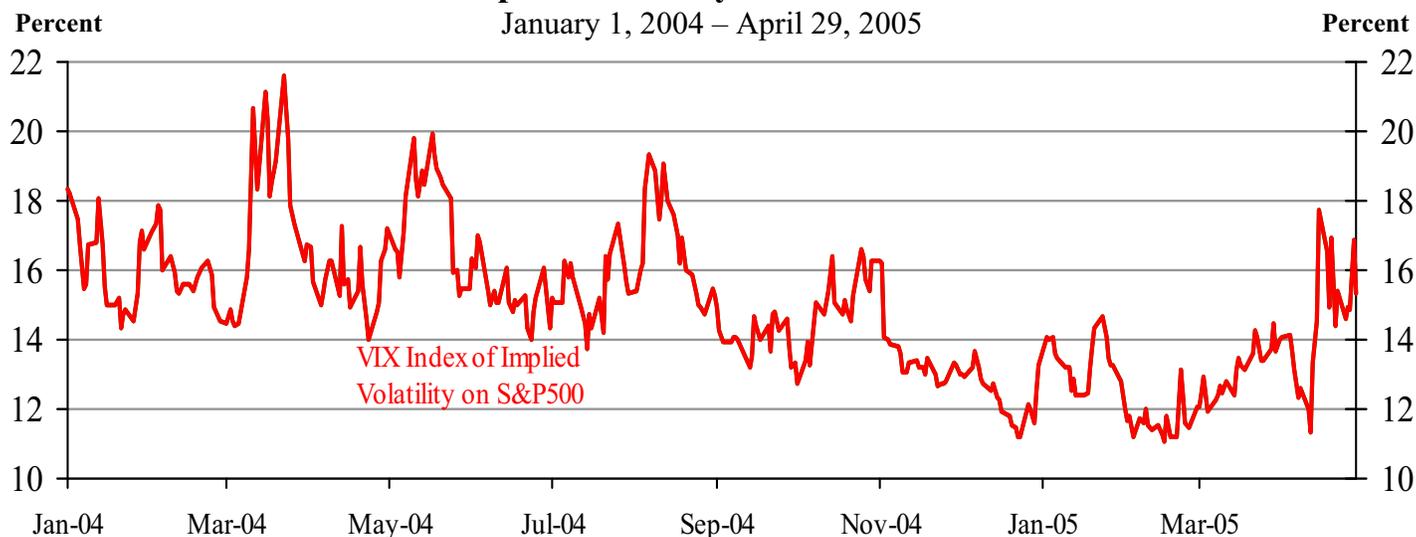


Composition of Lehman Brothers High Yield Index if GM Were Downgraded



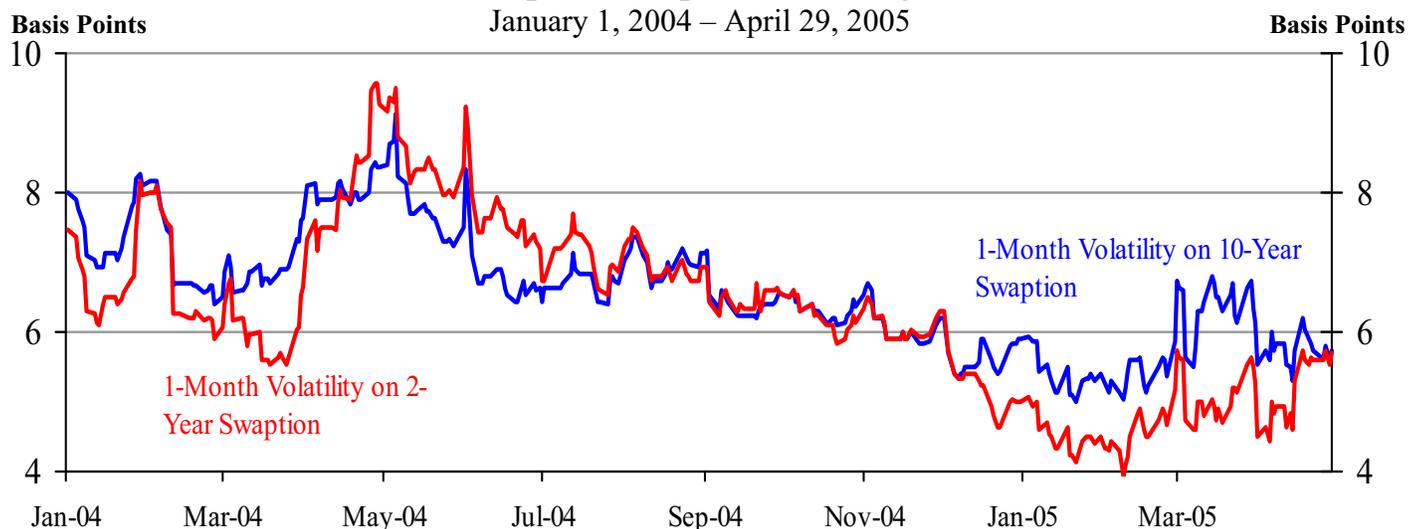
Implied Volatility of the S&P500

January 1, 2004 – April 29, 2005



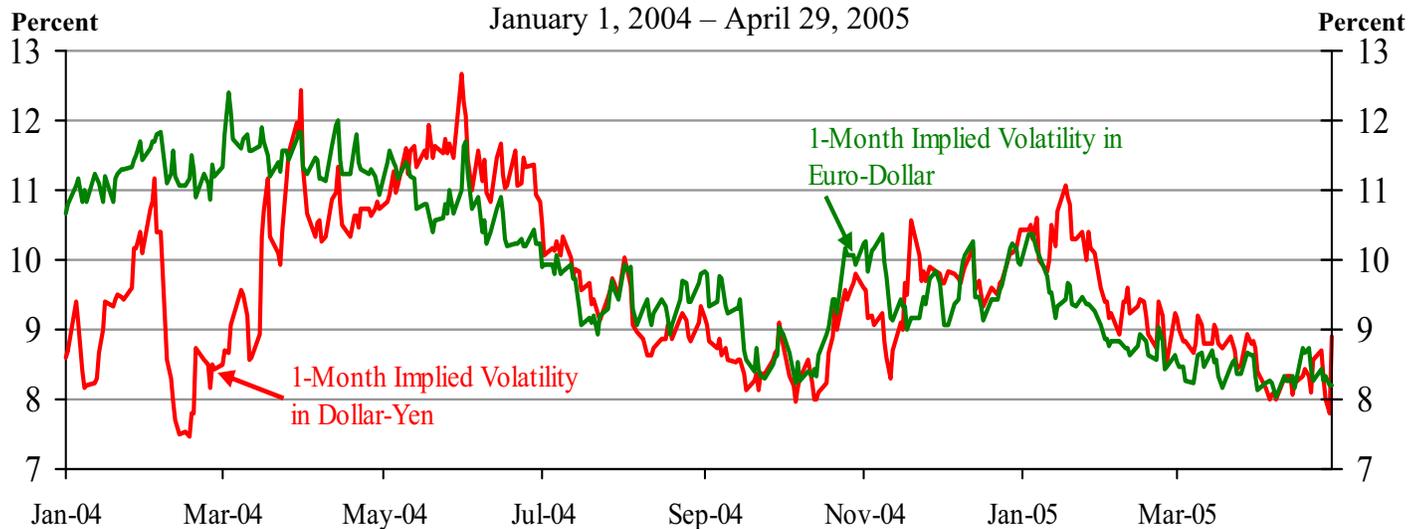
Implied Swaption Volatility

January 1, 2004 – April 29, 2005



Implied Volatility of Major Currency Pairs

January 1, 2004 – April 29, 2005



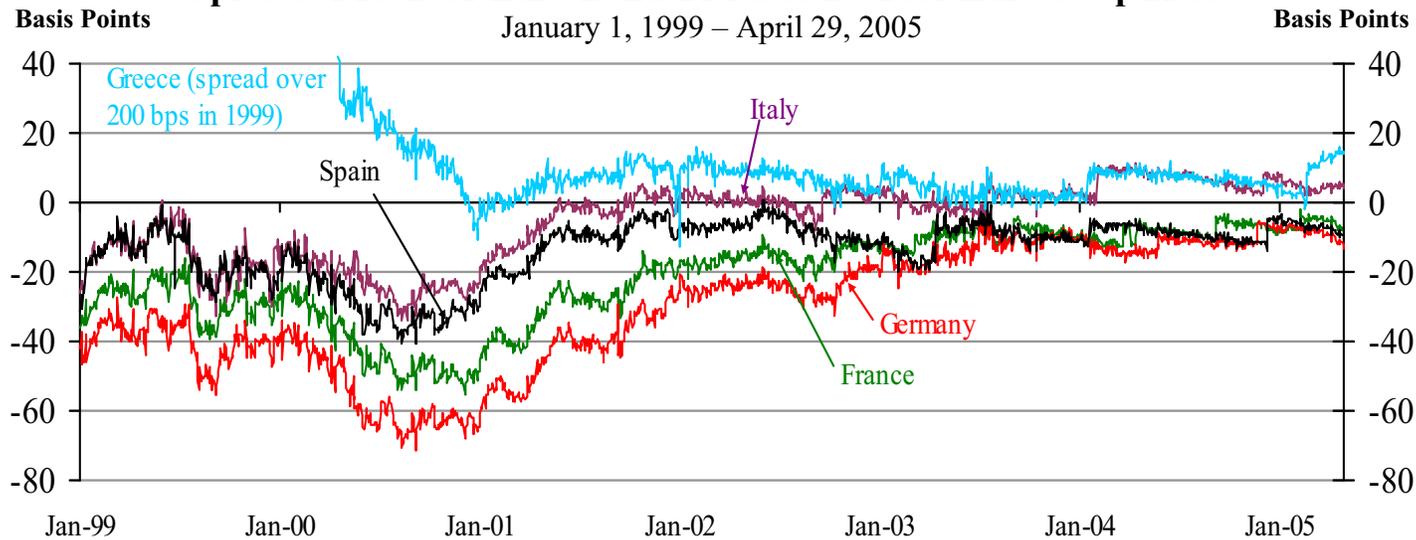
30-Year Treasury and 30-Year Bund

January 1, 2005 – April 29, 2005



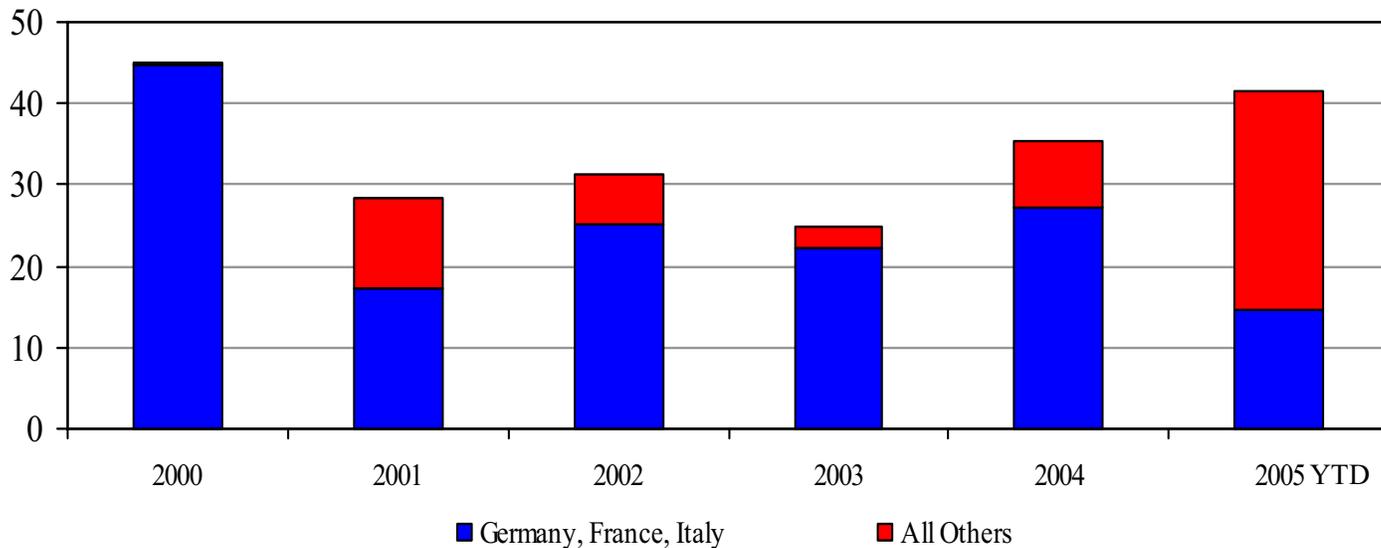
Spread of 10-Year Euro Bond Yields to 10-Year Euro Swap Rates

January 1, 1999 – April 29, 2005



Long-Dated Euro-Area Sovereign Debt Issuance (Greater than 10 Years)

Billions of Euros



Appendix 2: Materials used by Mr. Reinhart

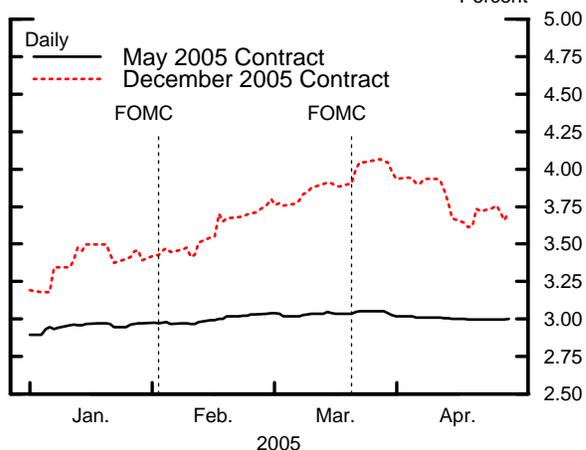
Exhibit 1

Policy Expectations and Financial Conditions

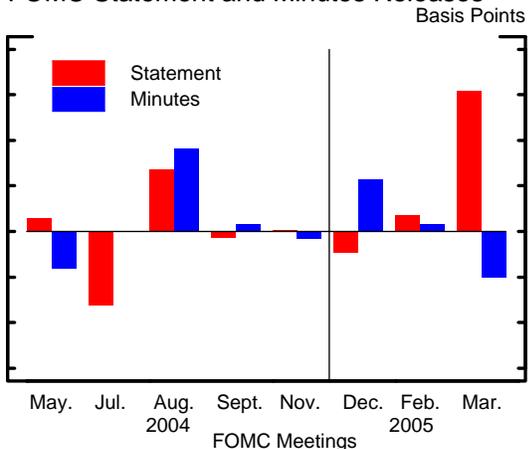
Desk Survey of Primary Dealers

- Quarter-point tightening fully anticipated.
- Along with balanced risk assessment.
- One-quarter believe 'measured pace' will be dropped

Federal Funds Futures

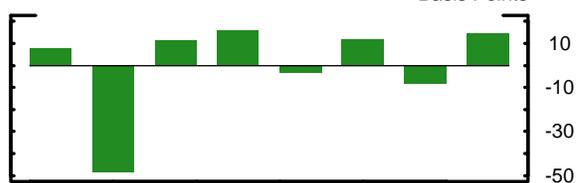


Two-Year Treasury Change in Response to FOMC Statement and Minutes Releases

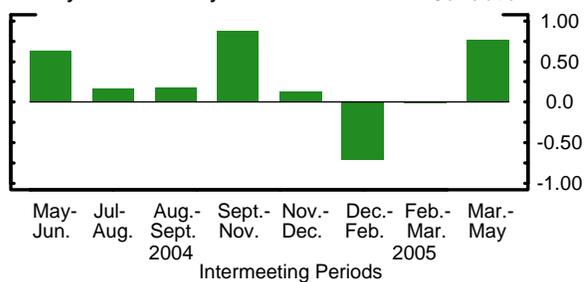


Note. Change in the on-the-run two-year Treasury yield from 15 minutes before to 1 hour after the release.

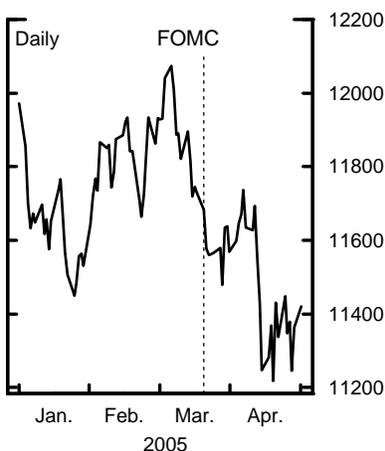
Two-year Treasury Change in Response to Economic Data



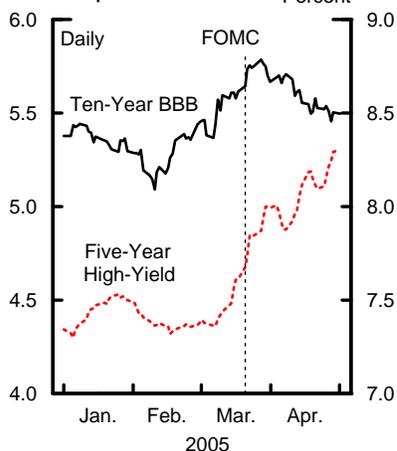
Correlations between the S&P500 and the Two-year Treasury



Wilshire Index



Corporate Yields



Nominal Major Currencies Dollar Index

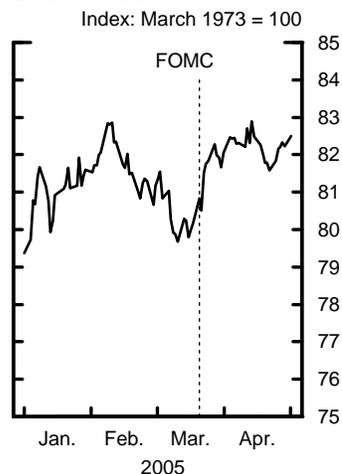
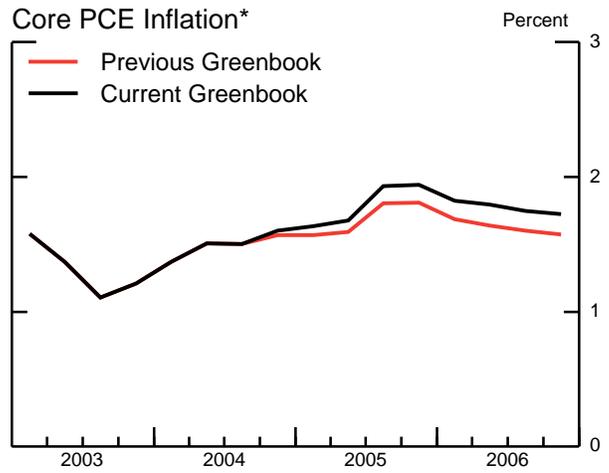
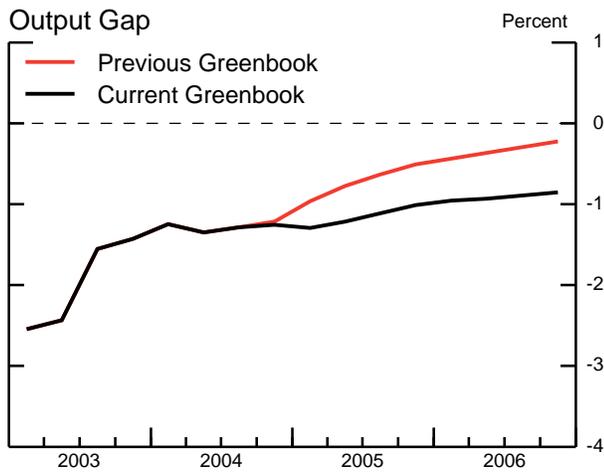
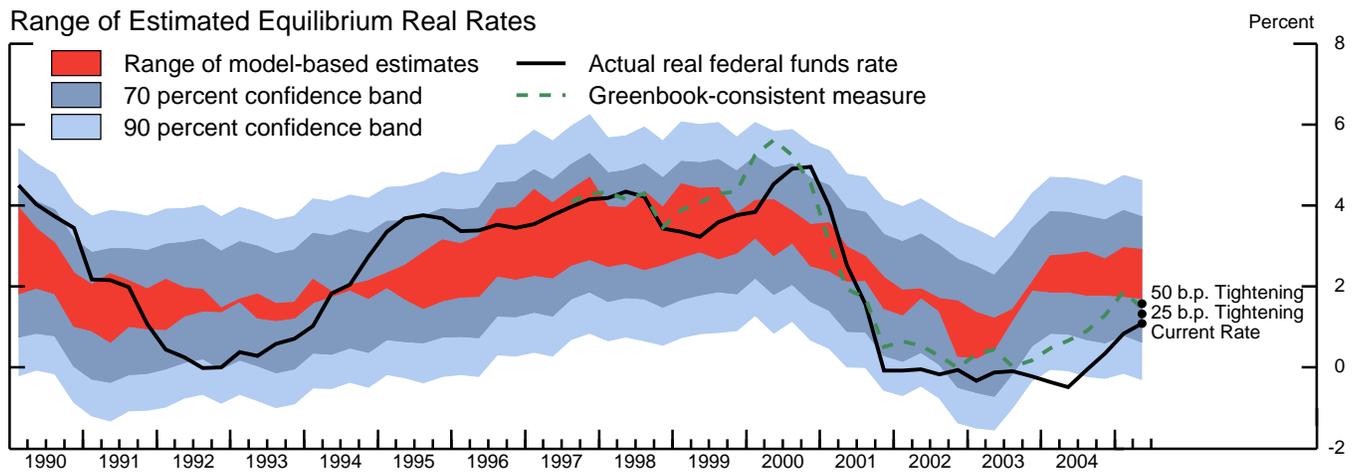


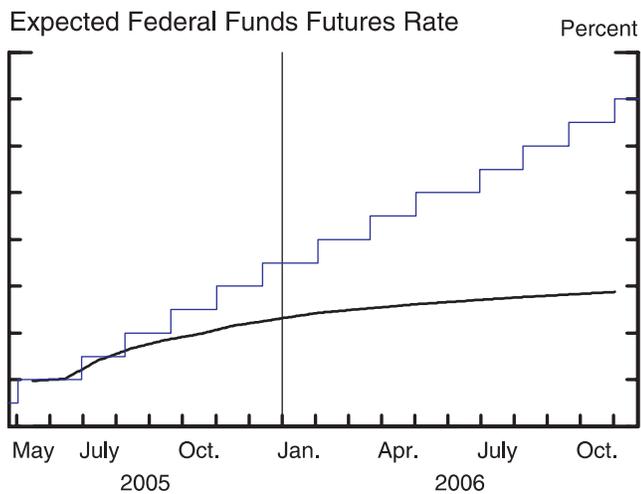
Exhibit 2 The Case for Tightening



*Four-quarter percent change.



An explanatory note is provided in Chart 5 of the Bluebook.



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

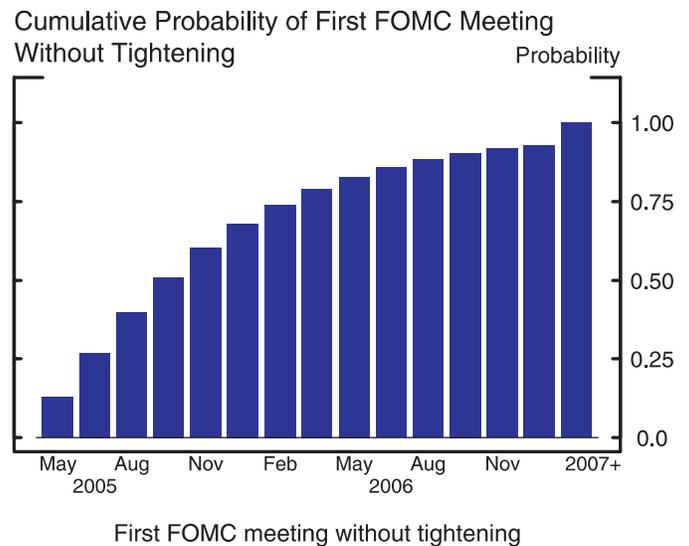
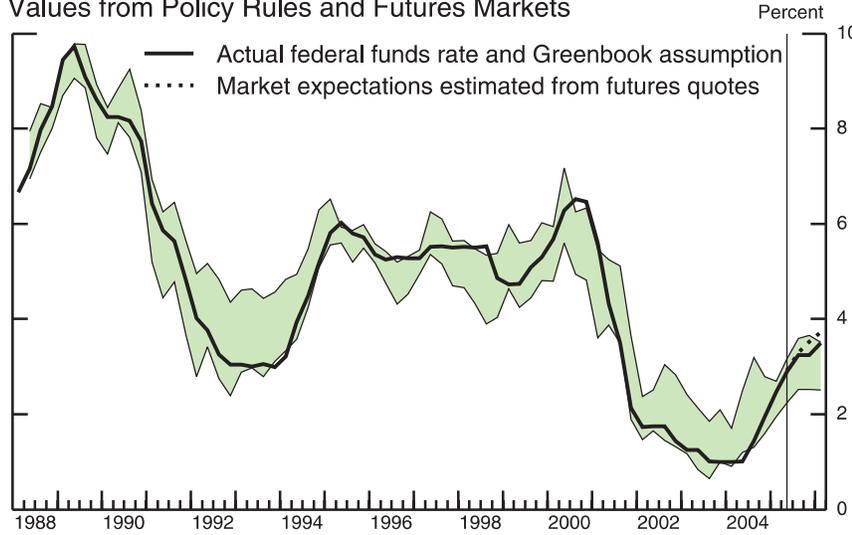


Exhibit 3 The Case for Pausing Soon

Values from Policy Rules and Futures Markets



Imposed Coefficients: $\pi^* = 1.5$

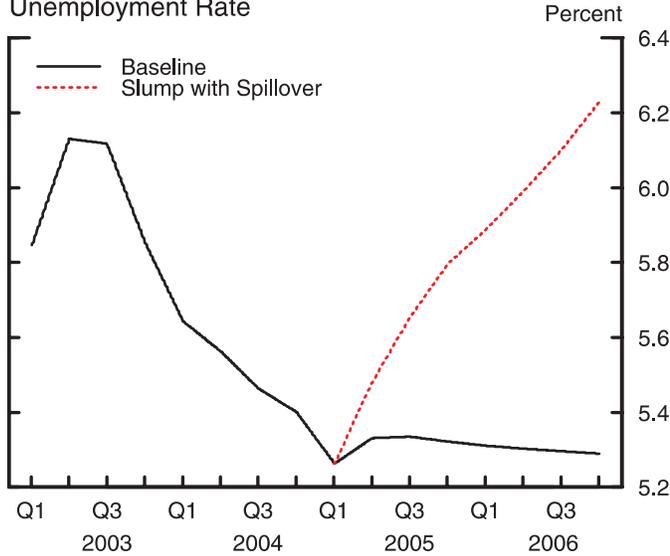
	Q1	Q2
Baseline Taylor Rule	2.70	3.16
Aggressive Taylor Rule	2.12	2.56
First-Difference Rule	2.31	2.80

Imposed Coefficients: $\pi^* = 2.0$

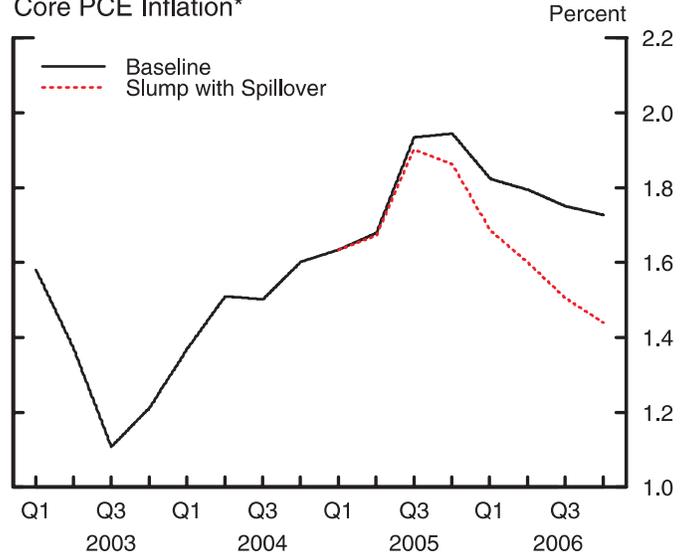
	Q1	Q2
Baseline Taylor Rule	2.45	2.91
Aggressive Taylor Rule	1.87	2.31
First-Difference Rule	2.06	2.55

An explanatory note is provided in Chart 6 of the Bluebook.

Unemployment Rate

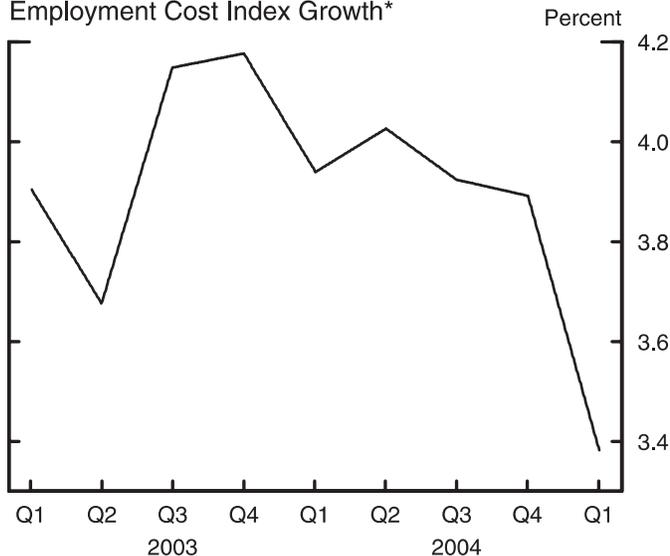


Core PCE Inflation*



*Rate of inflation over previous four quarters.

Employment Cost Index Growth*



*Rate of growth over previous four quarters.

Inflation Expectations

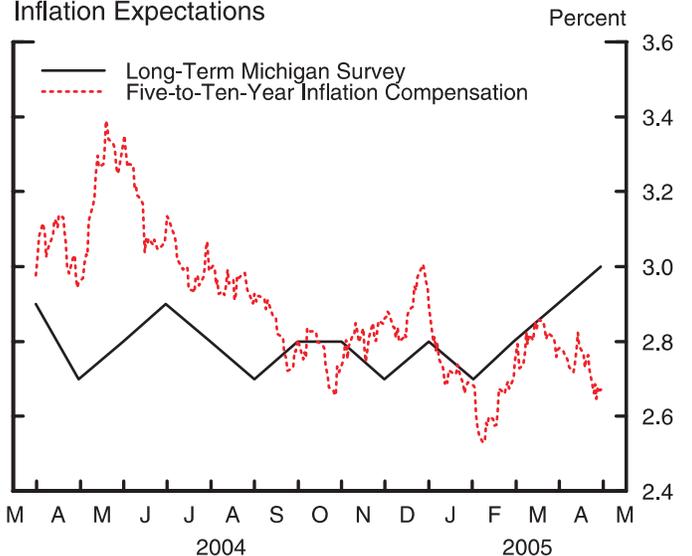
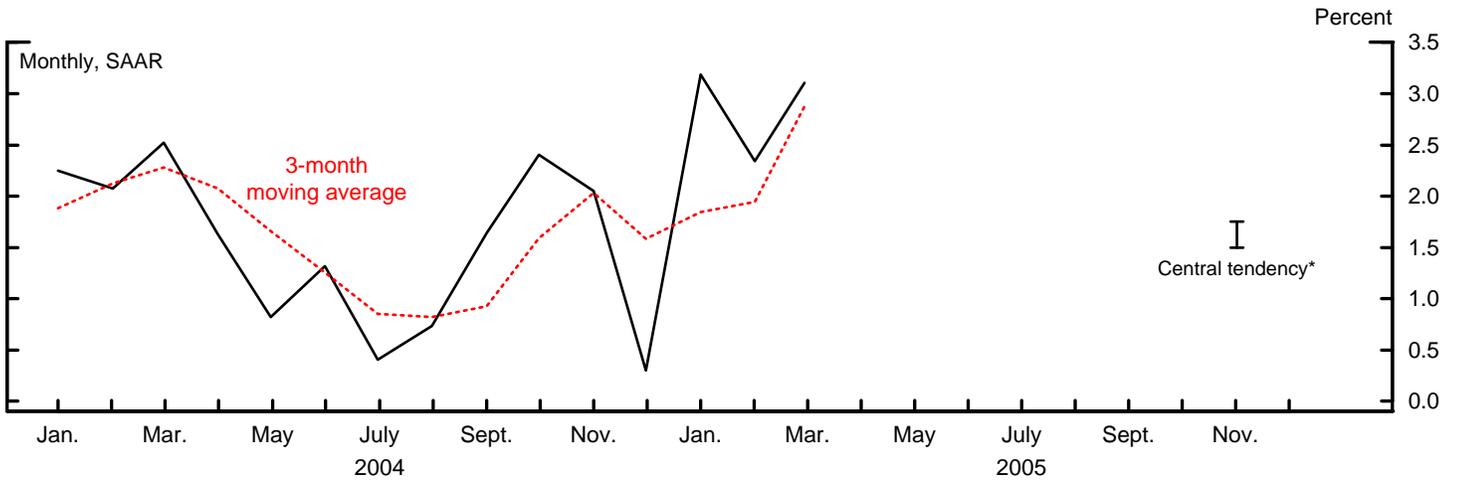


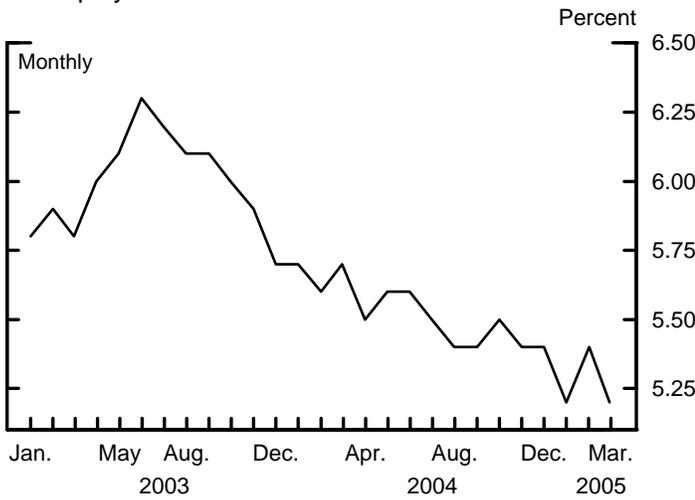
Exhibit 4 The Case for Pushing up the Pace of Tightening

Core PCE Inflation

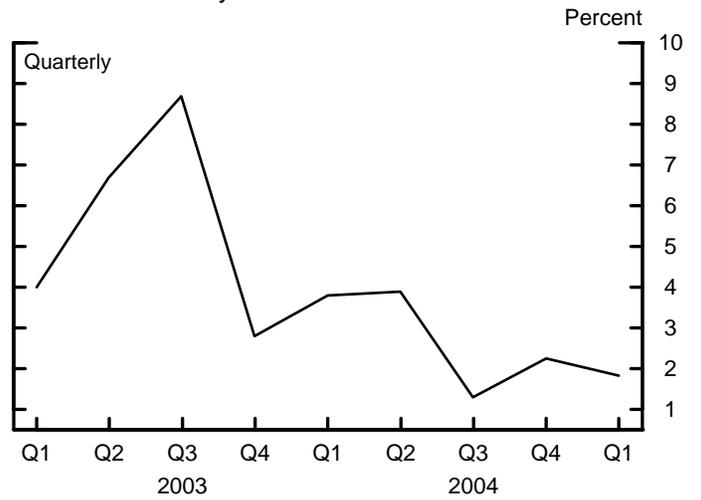


*The central tendency of the forecast of 4-quarter growth in the core PCE price index made by Federal Reserve governors and Reserve Bank presidents for the February Monetary Policy Report.

Unemployment Rate



Actual Productivity Growth*



*Quarterly growth of output per hour in the nonfarm business sector.

WTI Oil Price

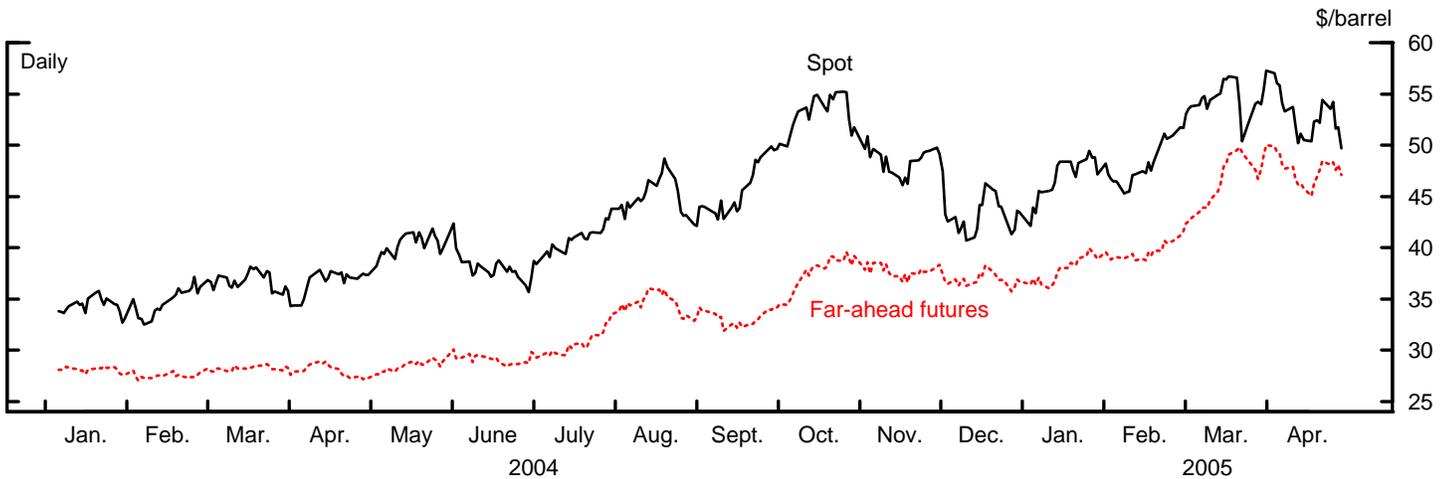


Exhibit 5
Forward Looking Elements of March Statement Language

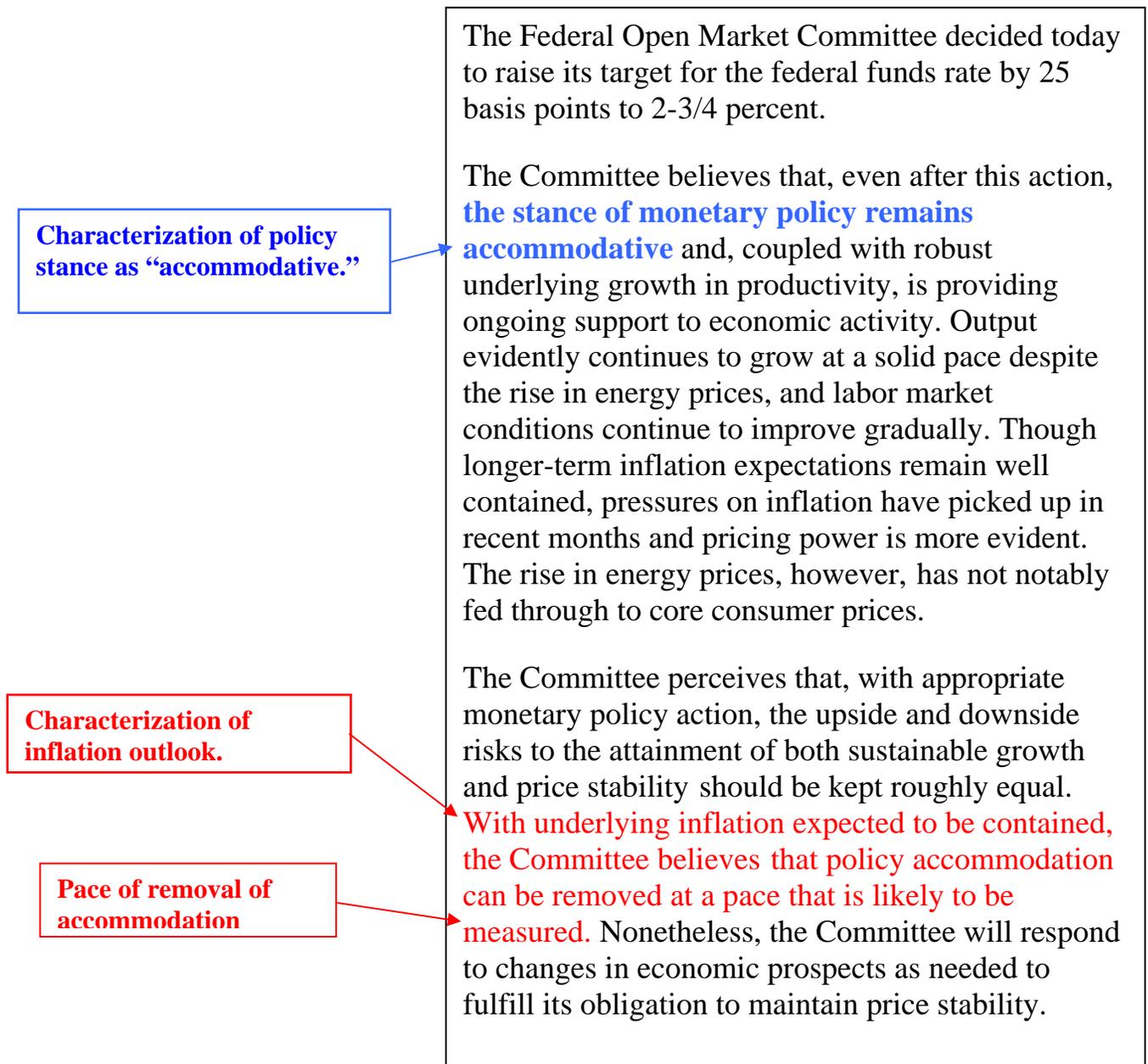


Table 1: Alternative Language for the May FOMC Announcement

	March FOMC	Alternative A	Alternative B	Alternative C
Policy Decision	1. The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 2-3/4 percent.	The Federal Open Market Committee decided today to raise its target for the federal funds rate by a further 25 basis points to 3 percent.	The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 3 percent.	The Federal Open Market Committee decided today to raise its target for the federal funds rate by 50 basis points to 3-1/4 percent.
Rationale	2. The Committee believes that, even after this action, the stance of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity.	The Committee believes that, even after this action, the stance of monetary policy remains somewhat accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity.	[no change]	The Committee believes that, even after this action, the stance of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity.
	3. Output evidently continues to grow at a solid pace despite the rise in energy prices, and labor market conditions continue to improve gradually.	Recent data suggest that the solid pace of spending growth has slowed, partly in response to Output evidently continues to grow at a solid pace despite the rise in the earlier increases in energy prices. and labor Labor market conditions, however, apparently continue to improve gradually.	Recent data suggest that the solid pace of spending growth has slowed somewhat, partly in response to Output evidently continues to grow at a solid pace despite the rise in the earlier increases in energy prices. and labor Labor market conditions, however, apparently continue to improve gradually.	Output evidently continues to grow at a solid pace despite the rise in energy prices, and labor market conditions continue to improve gradually. sufficient to eliminate any remaining resource slack.
	4. Though longer-term inflation expectations remain well contained, pressures on inflation have picked up in recent months and pricing power is more evident. The rise in energy prices, however, has not notably fed through to core consumer prices.	Though longer-term inflation expectations remain well contained, pressures While pressures on inflation have picked up in recent months, and pricing power is more evident, longer-term inflation expectations remain well contained. The rise in energy prices, however, has not notably fed through to core consumer prices.	Though longer-term inflation expectations remain well contained, pressures Pressures on inflation have picked up in recent months, and pricing power is more evident. Longer-term inflation expectations remain well contained. The rise in energy prices, however, has not notably fed through to core consumer prices.	Though longer-term inflation expectations remain well contained, pressures on inflation have picked up in recent months and pricing power is more evident. The rise in energy prices, however, has not notably fed through to core consumer prices.
Assessment of Risk	5. The Committee perceives that, with appropriate monetary policy action, the upside and downside risks to the attainment of both sustainable growth and price stability should be kept roughly equal.	The Committee perceives that, with appropriate monetary policy action , the upside and downside risks to the attainment of both sustainable growth and price stability should be kept roughly equal.	[no change]	The Committee perceives that, with appropriate monetary policy action, the upside and downside risks to the attainment of both sustainable growth and price stability should be kept roughly equal.
	6. With underlying inflation expected to be contained, the Committee believes that policy accommodation can be removed at a pace that is likely to be measured. Nonetheless, the Committee will respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability.	With underlying inflation expected to be contained relatively low , the Committee believes that remaining policy accommodation can be removed at a pace that is likely to be measured. Nonetheless, the Committee will respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability.	[no change]	With underlying inflation expected to be contained, the Committee believes that policy accommodation can be removed at a pace that is likely to be measured. Nonetheless, the Committee will respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability. The Committee will respond to changes in economic prospects as needed to fulfill its obligation to foster the attainment of both sustainable economic growth and maintain price stability.