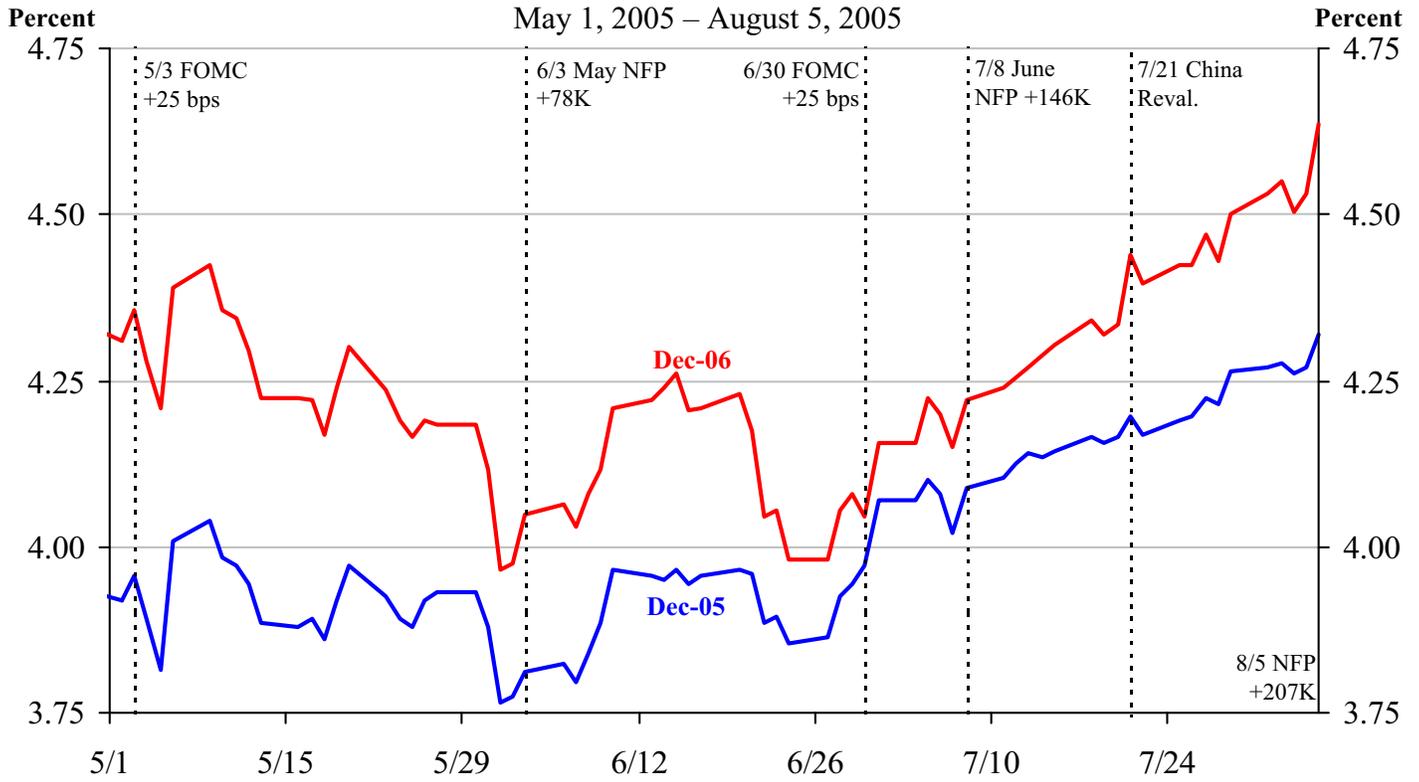
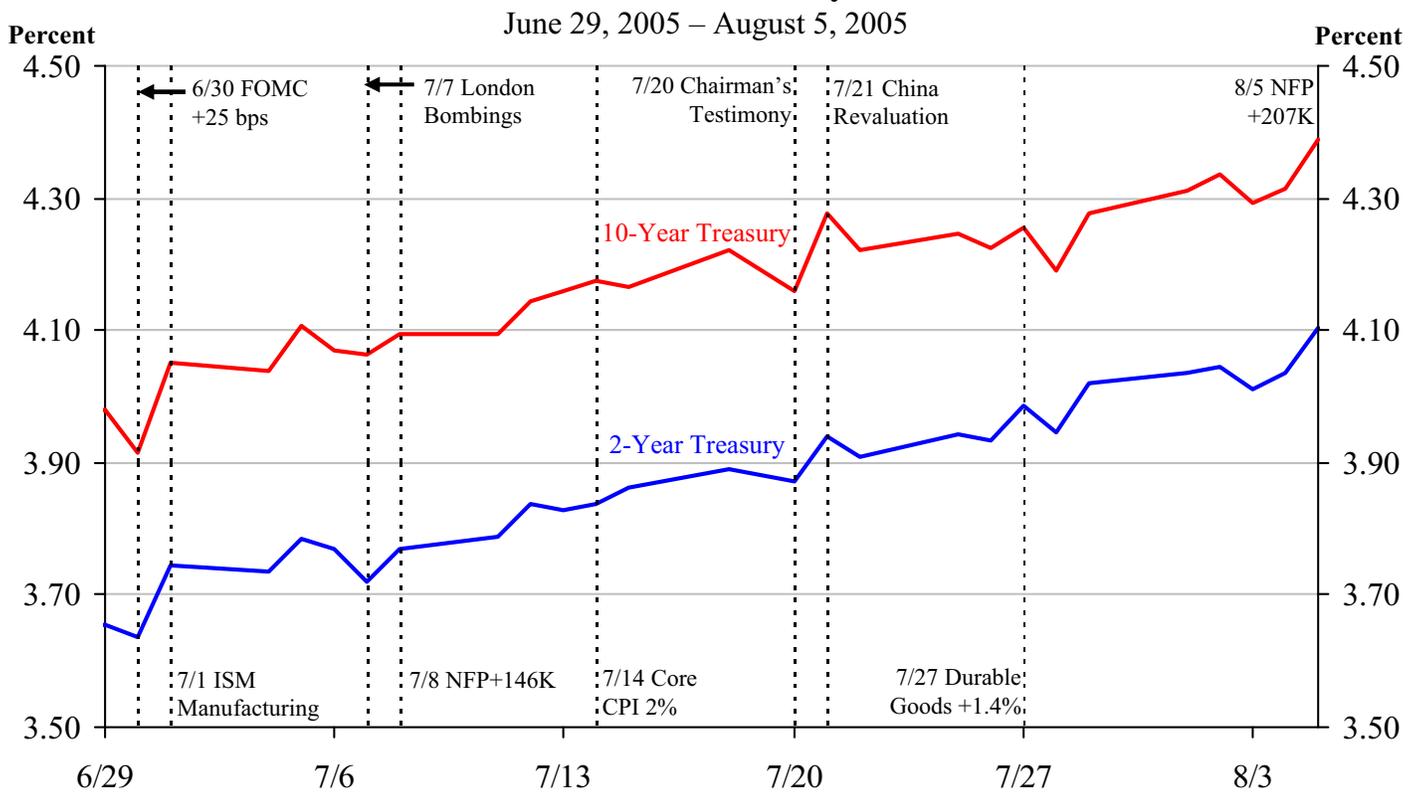


Appendix 1: Materials used by Mr. Kos

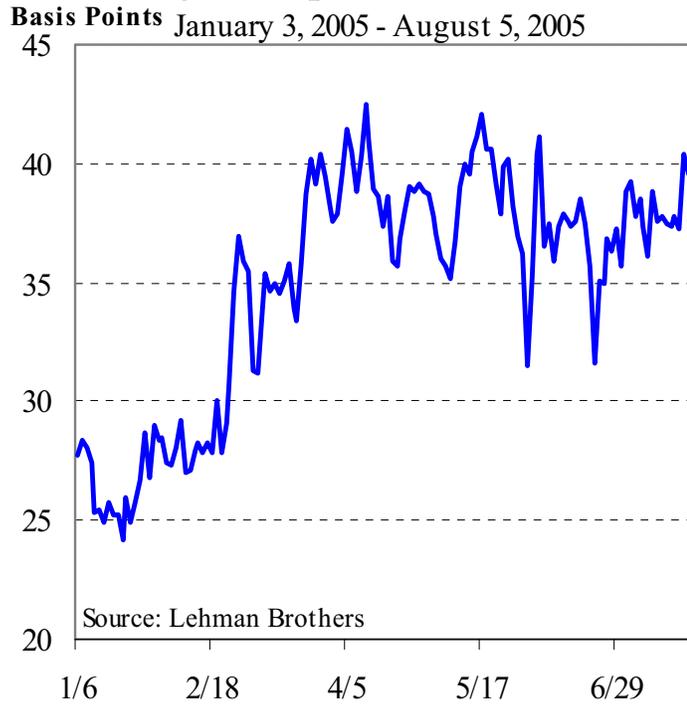
Implied Rates on Euro-dollar Futures Contracts



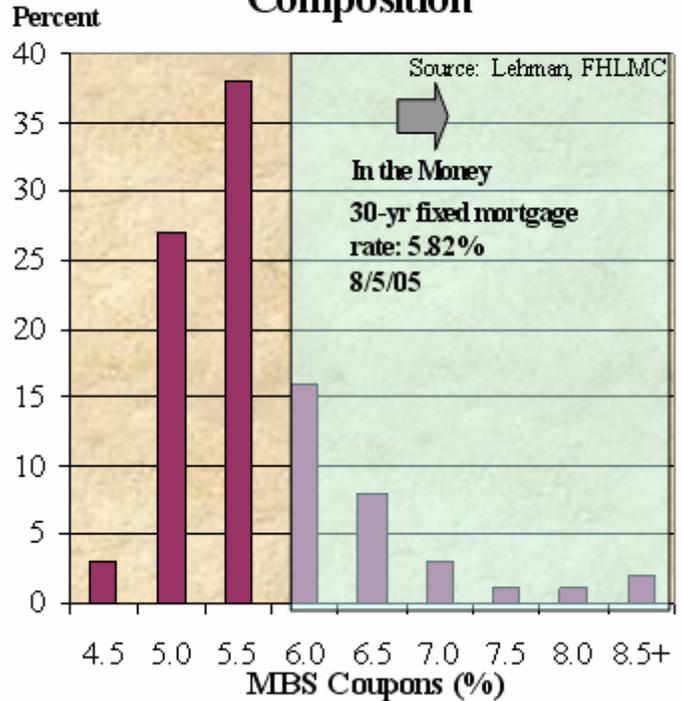
2- and 10-Year Treasury Yields



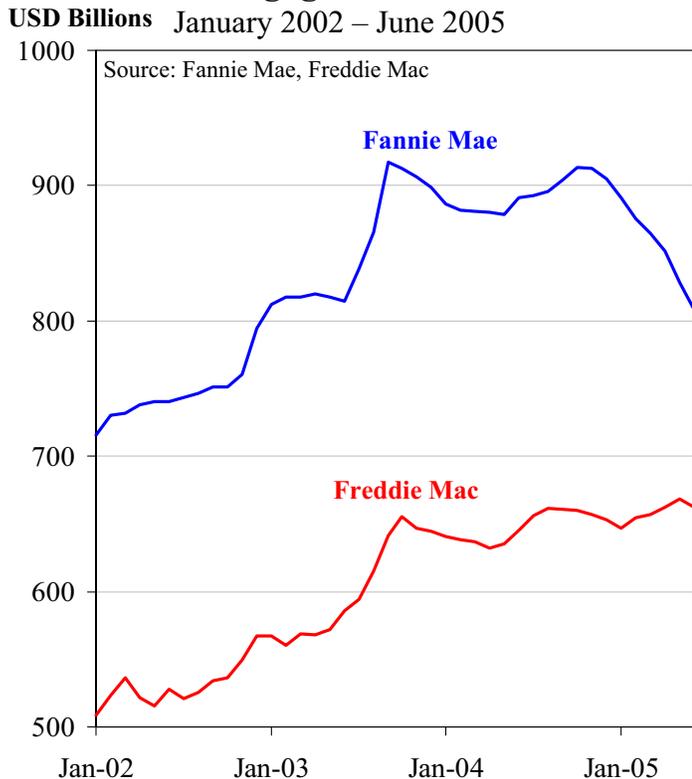
Conventional 30-year MBS Option Adjusted Spread to Treasuries



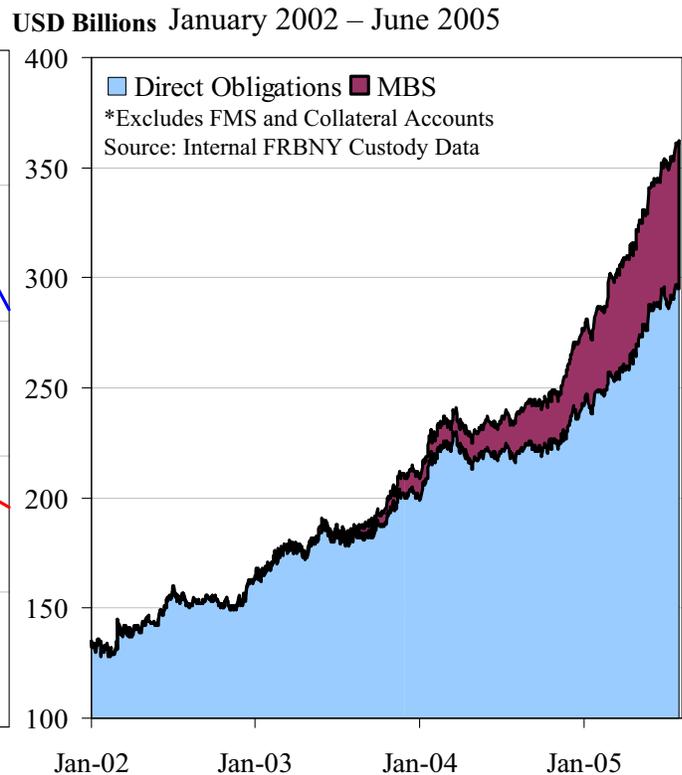
June 30-Yr MBS Coupon Composition



Fannie Mae and Freddie Mac Mortgage Portfolios



Foreign Central Bank* Holdings of GSE Securities in Custody at FRBNY

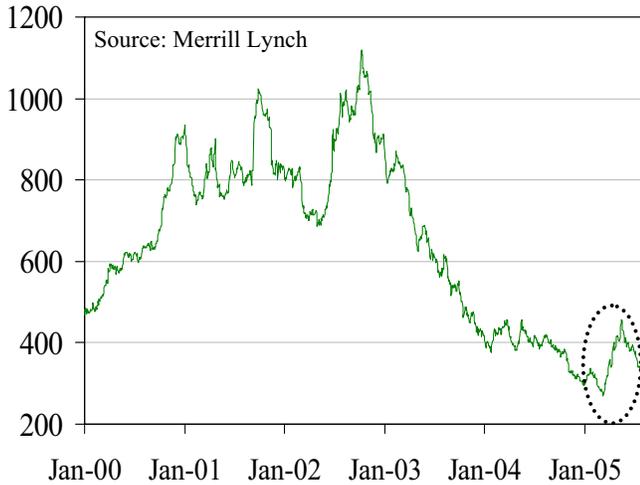


High Yield Index Debt Spread

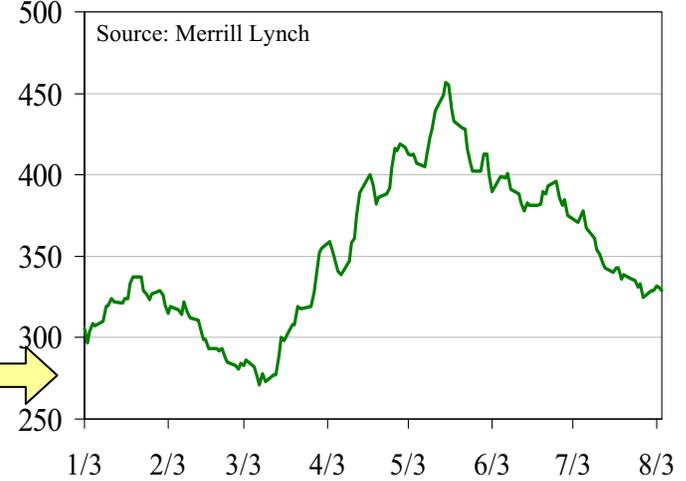
January 3, 2000 – August 5, 2005

January 3, 2005 – August 5, 2005

Basis Points



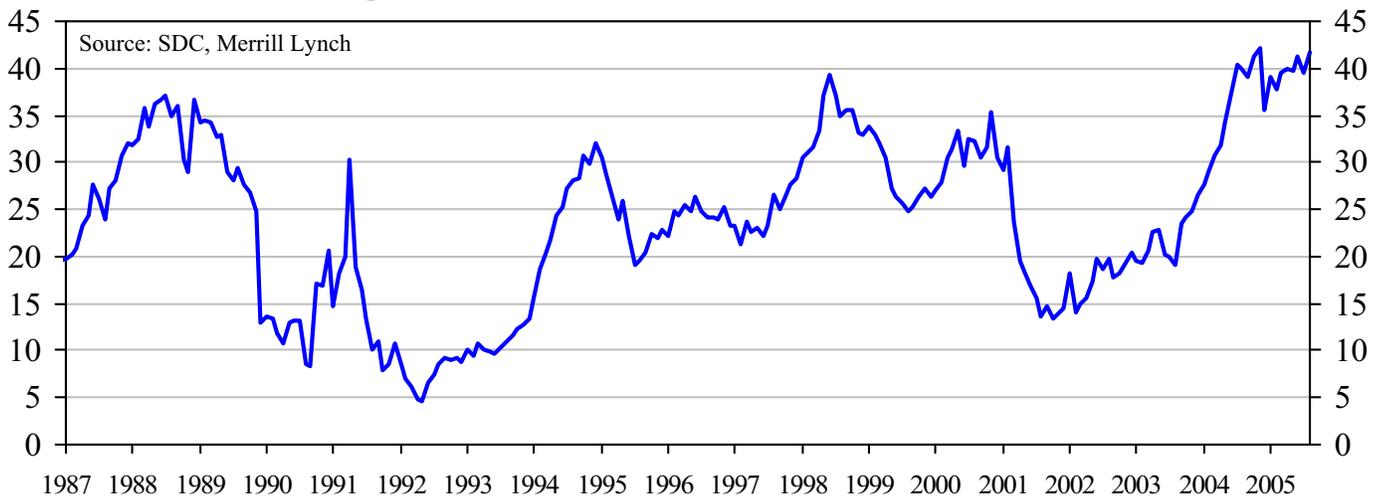
Basis Points



Percent

High Yield Debt Issuance Rated B- and Below

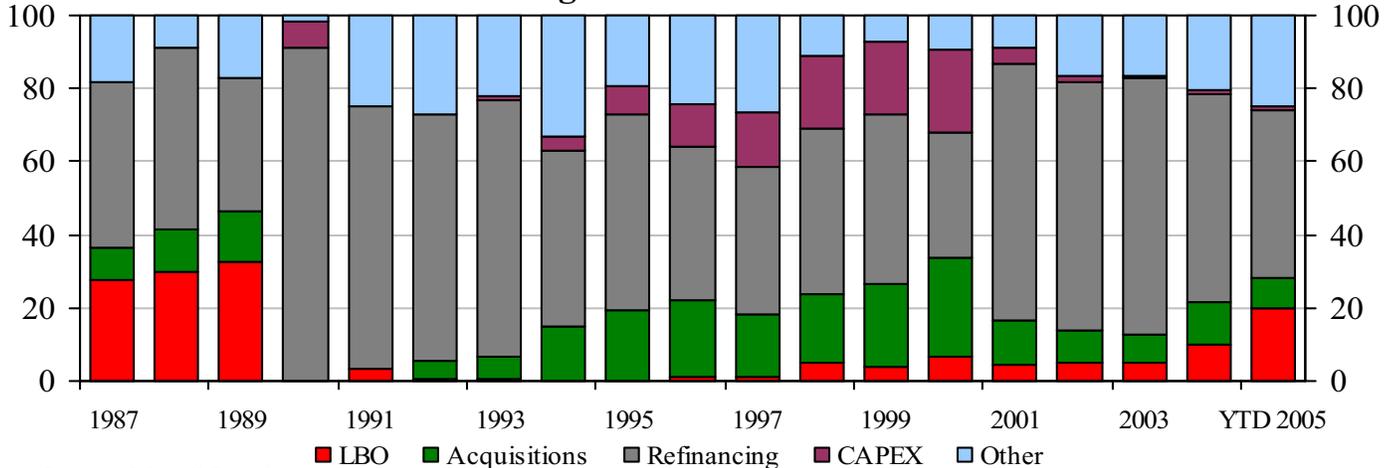
Percent



Percent

Use of Proceeds High Yield Issuance

Percent

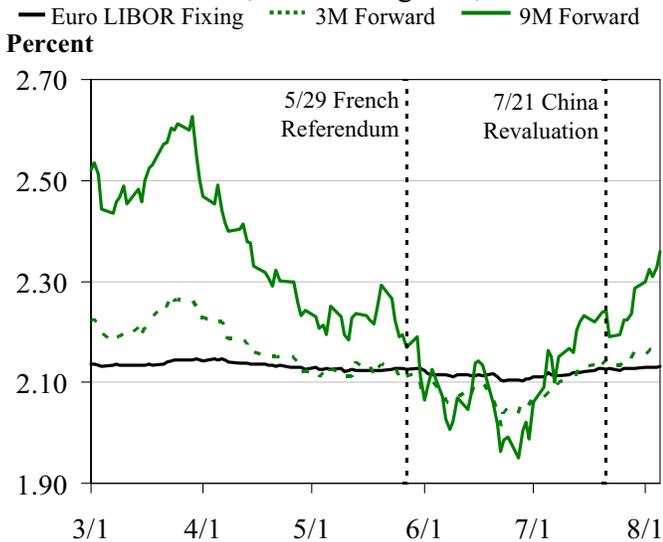


Source: Merrill Lynch

*Other includes general corporate purposes, recapitalization, dividends and stock repurchases.

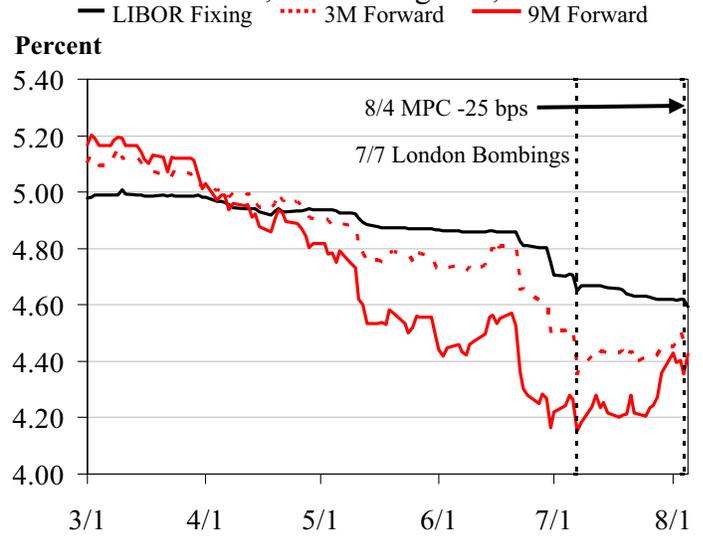
Euro-Area 3-Month Deposit Rates and Rates Implied by Traded Forward Rate Agreements

March 1, 2005 – August 5, 2005



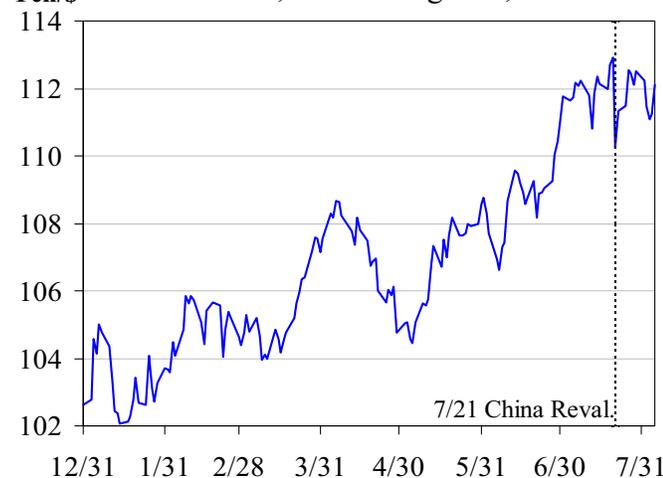
UK 3-Month Deposit Rates and Rates Implied by Traded Forward Rate Agreements

March 1, 2005 – August 5, 2005



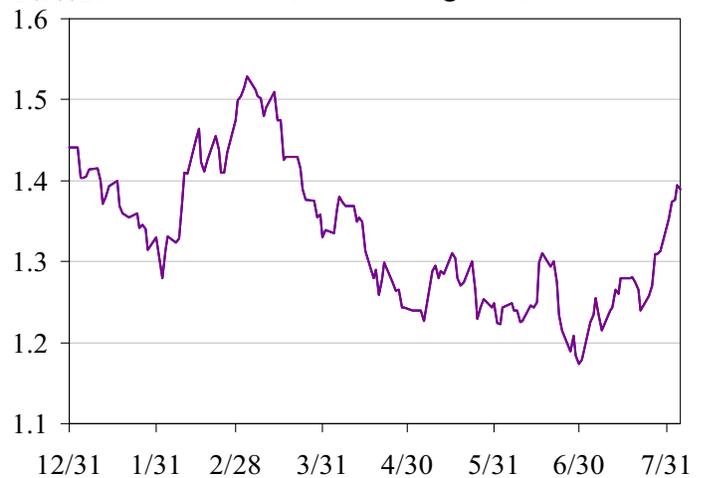
Dollar-Yen

December 31, 2004 – August 5, 2005



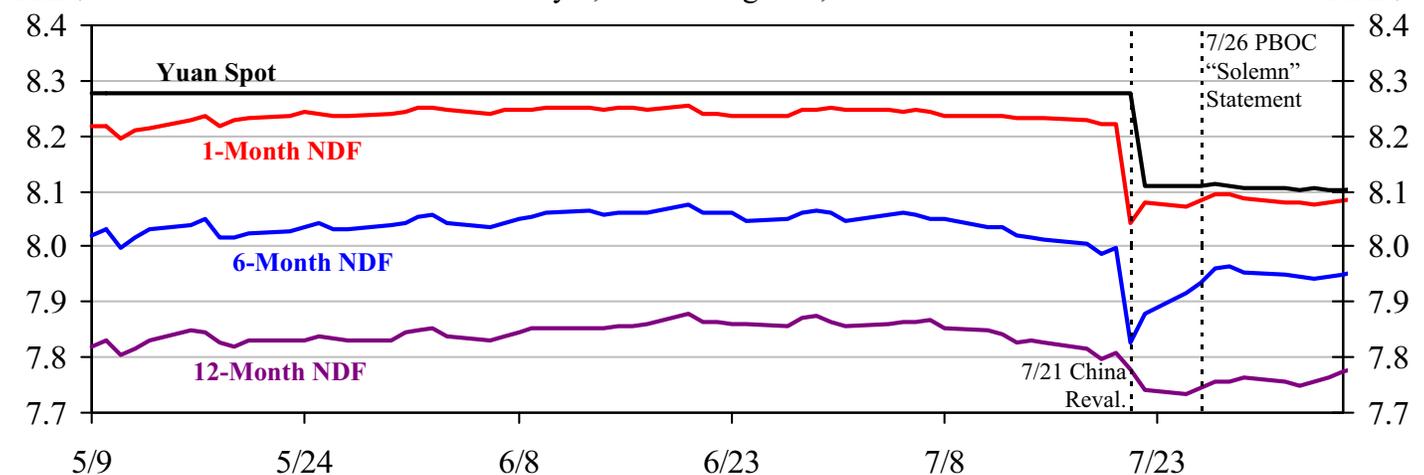
10-Year JGB Yield

December 31, 2004 – August 5, 2005

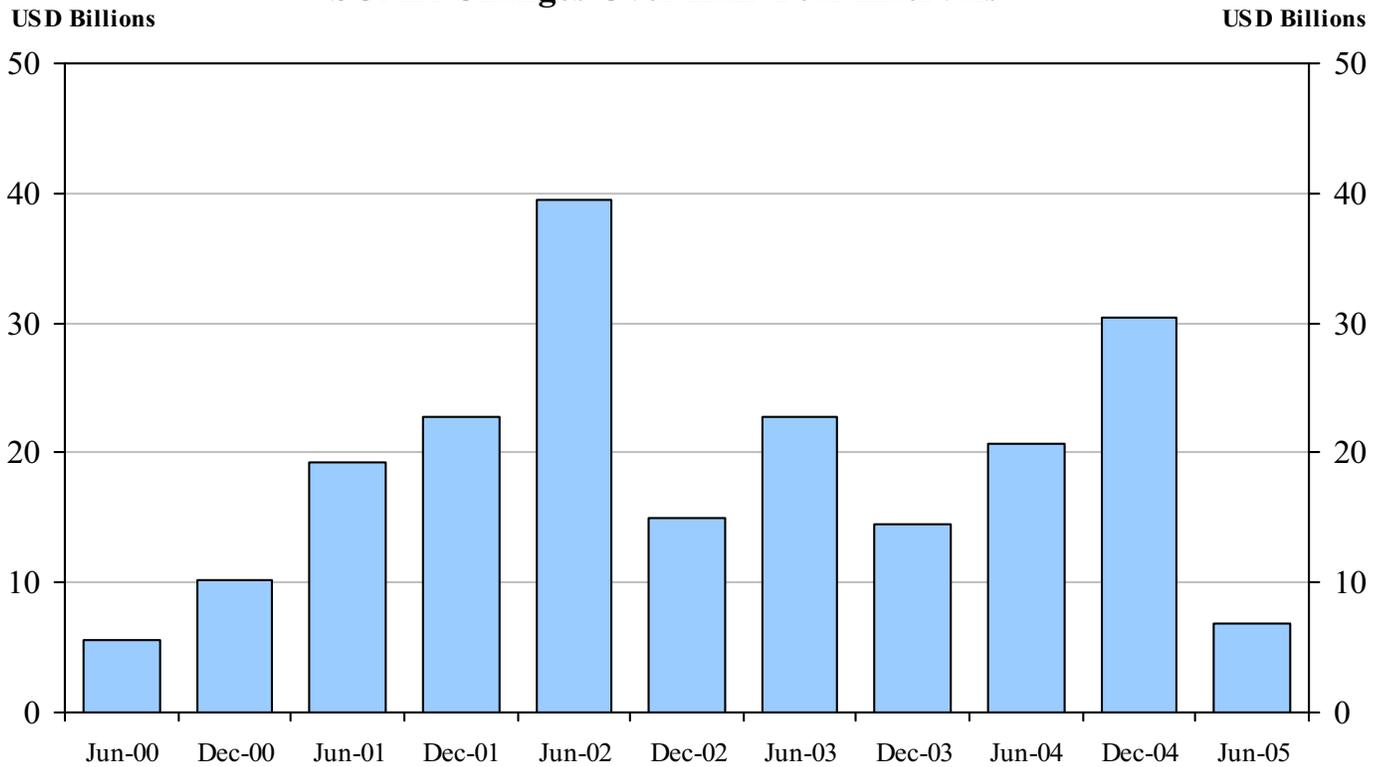


Yuan Spot and NDFs

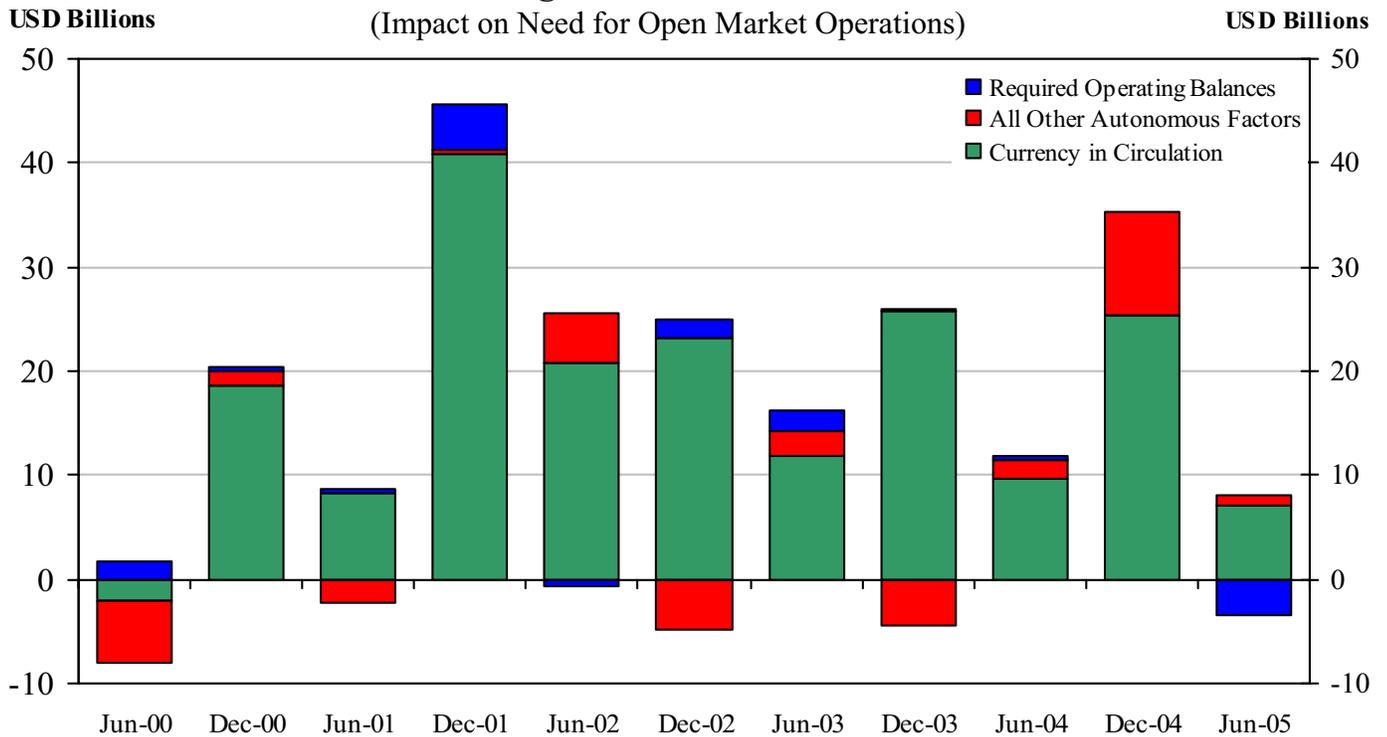
May 9, 2005 – August 5, 2005



SOMA Changes Over Half-Year Intervals



Factor Changes Over Half-Year Intervals (Impact on Need for Open Market Operations)



*SOMA changes are based on values on half-year end dates.

*The change for June 2000 is based on factor movements following the unwinding of the Y2K effects.

Appendix 2: Materials used by Mr. Ferguson

**Root Mean Square Prediction Error of Alternative
Forecasts of One-year-ahead CPI Inflation**

(in percentage points)

Sample Period	81Q3-04Q1	81Q3-92Q4	93Q4-04Q1	99Q1-04Q1
Greenbook	1.20	1.44	0.89	1.10
SPF CPI forecast	1.22	1.50	0.84	0.88
CPI random walk	1.51	1.91	0.93	1.18
Median CPI random walk	1.43	1.74	1.01	1.24
<i>Raw TIPS</i>				
One-year TIPS compensation	NA	NA	NA	1.17
Five-year TIPS compensation	NA	NA	NA	1.11
<i>Adjusted TIPS</i>				
One-year TIPS compensation	NA	NA	NA	0.80
Five-year TIPS compensation	NA	NA	NA	0.76

Indicator Forecasts of One-year-ahead CPI Inflation

Indicator	Forecast of CPI inflation
Greenbook (05Q2-06Q2)	2.45
SPF CPI forecast	2.40
CPI random walk (Q2)	2.55
Median CPI random walk	2.33
<i>Raw TIPS</i>	
One-year TIPS compensation	2.53
Five-year TIPS compensation	2.39
<i>Adjusted TIPS</i>	
One-year TIPS compensation	2.37
Five-year TIPS compensation	2.42

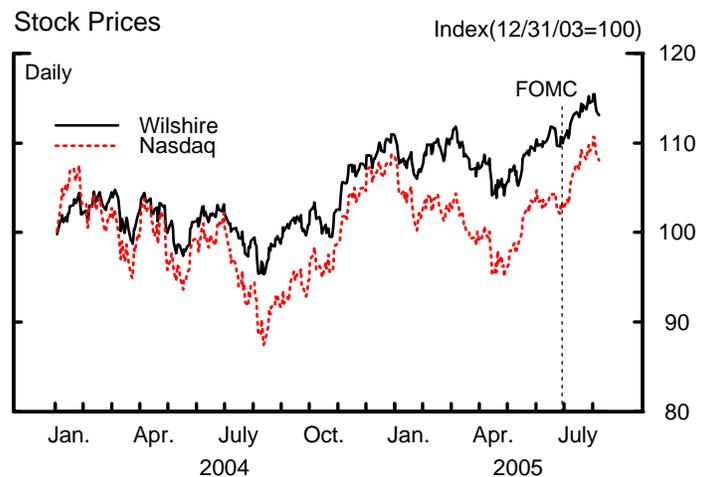
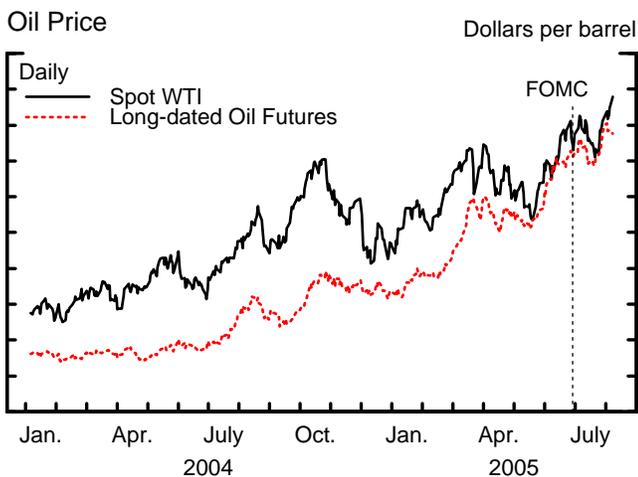
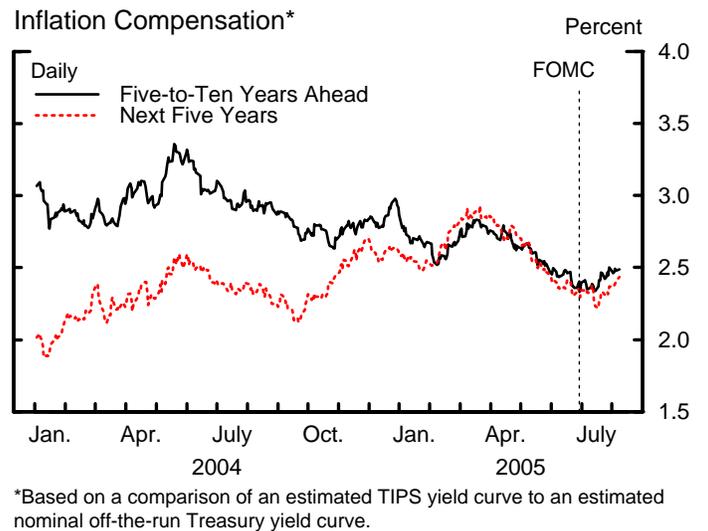
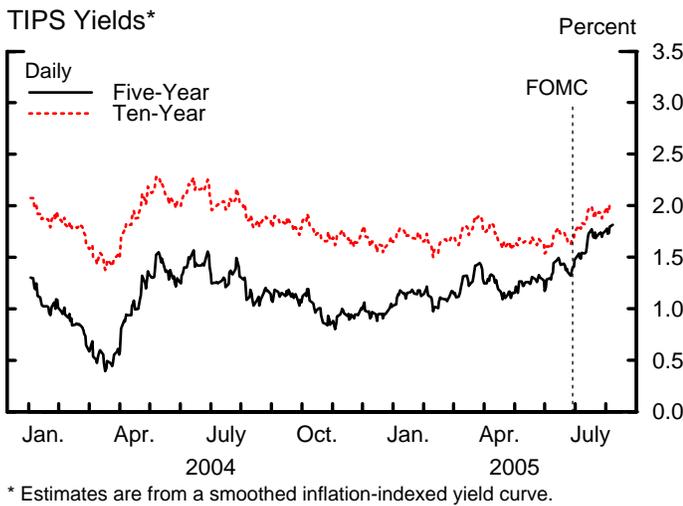
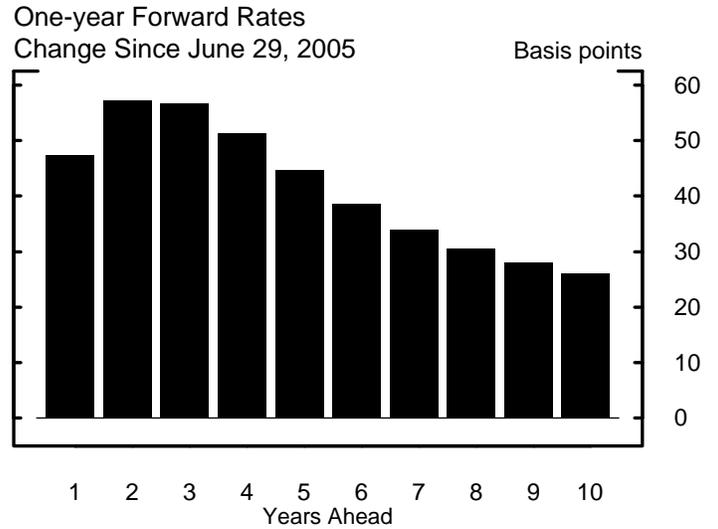
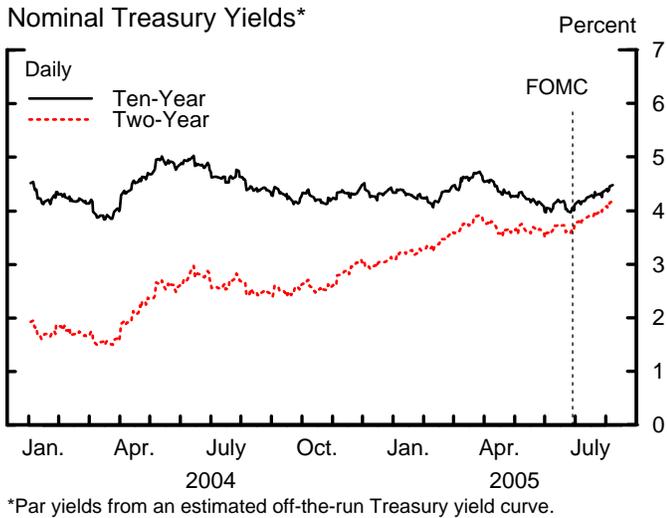
Appendix 3: Materials used by Mr. Madigan

Class I FOMC – Restricted Controlled (FR)

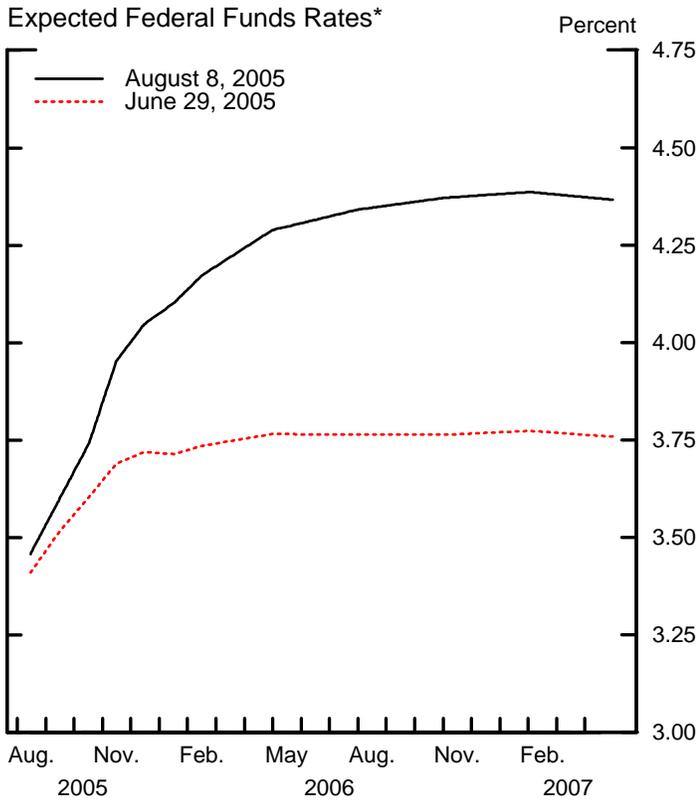
***Material for
Briefing on Monetary Policy Alternatives***

August 9, 2005

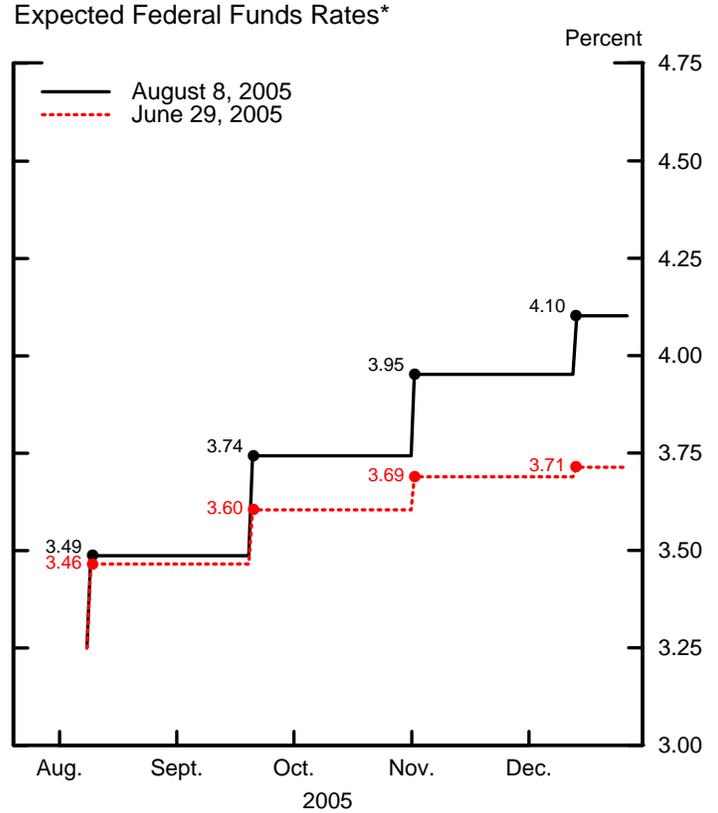
Exhibit 1
Financial Market Developments



**Exhibit 2
 Policy Expectations**



*Estimates from federal funds and eurodollar futures, with a 1 basis point per month allowance for term premia and other adjustments.



*Estimates assume a 1 basis point per month term premium and zero probability of intermeeting moves.

Trading Desk's Survey of Primary Dealers

Fed Funds Target Rate
 Percent

	Aug.	Sept.	Nov.
Average subjective probabilities			
+0 b.p.	3	7	14
+25 b.p.	93	84	76
+50 b.p.	4	6	9

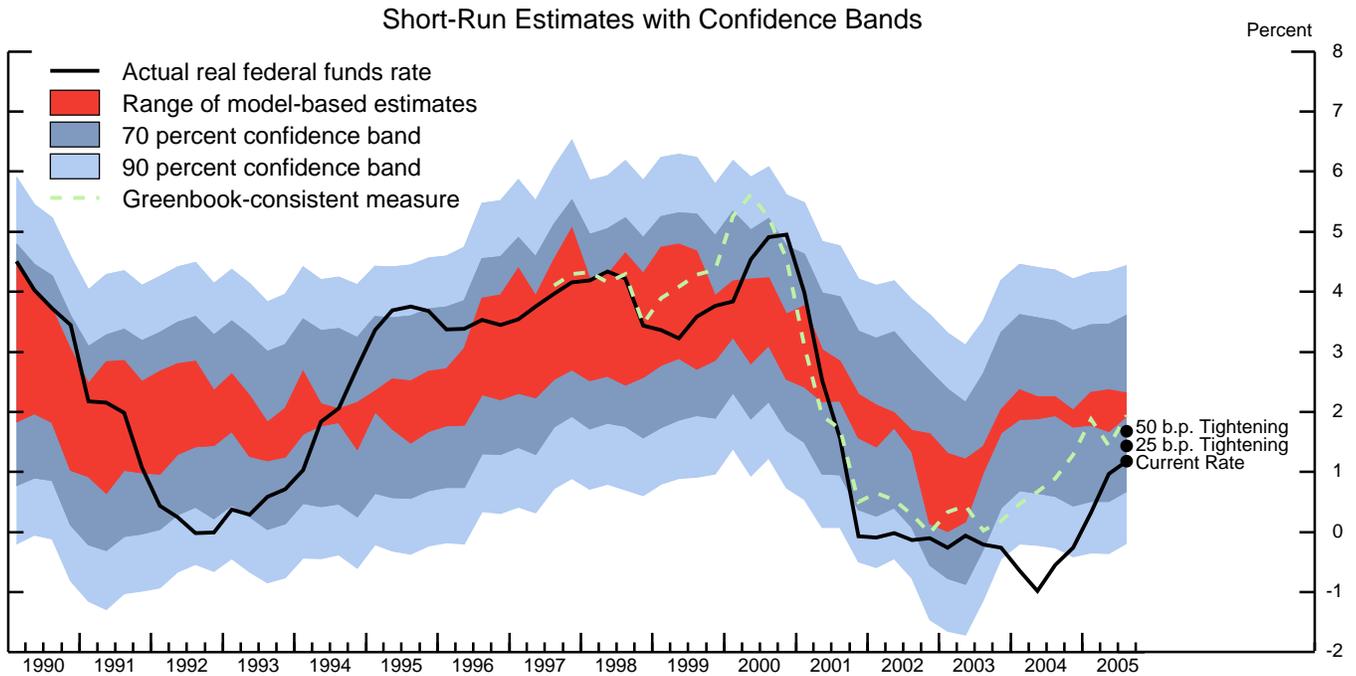
Expectations for August FOMC Statement
 Percent of dealers

Policy accommodative	95
Balanced risks to growth	100
Balanced risks to inflation	100
Measured pace	100

Average Estimates of Neutral Nominal Funds Rate
 Percent

Low	3.82
Neutral	4.24
High	4.65

Exhibit 3
Equilibrium Real Federal Funds Rate



Notes: The real federal funds rate is constructed as the difference between the quarterly average of the actual nominal funds rate and the log difference of the core PCE price index over the previous four quarters. For the current quarter, the nominal funds rate used is the target federal funds rate as of the Bluebook publication date.

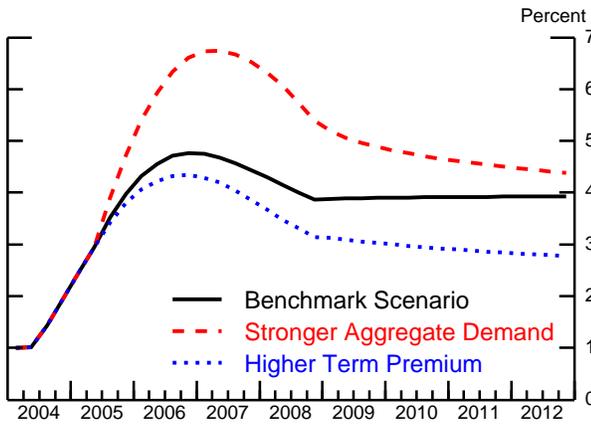
Short-Run and Medium-Run Measures

	Current Estimate	<i>Previous Bluebook</i>
Short-Run Measures		
Greenbook-consistent measure	1.9	1.5
Single-equation model	1.9	1.9
Small structural model	2.2	2.8
Large model (FRB/US)	2.3	2.1
Confidence intervals for three model-based estimates		
70 percent confidence interval	0.7 - 3.6	
90 percent confidence interval	-0.2 - 4.4	
Medium-Run Measures		
TIPS-based measure	1.9	1.7
Single-equation model	2.1	2.2
Small structural model	2.4	2.7
Confidence intervals for two model-based estimates		
70 percent confidence interval	1.4 - 3.2	
90 percent confidence interval	0.7 - 3.7	
Memo		
Actual real federal funds rate	1.19	1.26

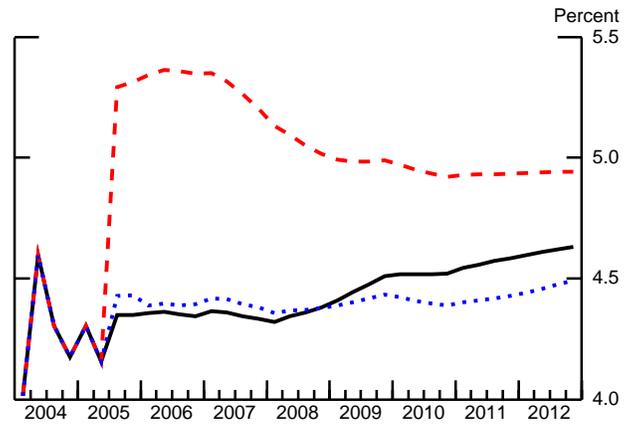
Notes: Confidence intervals and bands reflect uncertainties about model specification, coefficients, and the level of potential output. The final column indicates the values for the current quarter based on the estimation for the previous Bluebook, except that the TIPS-based measure and the actual real funds rate are the values published in the previous Bluebook.

Exhibit 4 Optimal Policy with Alternative Scenarios

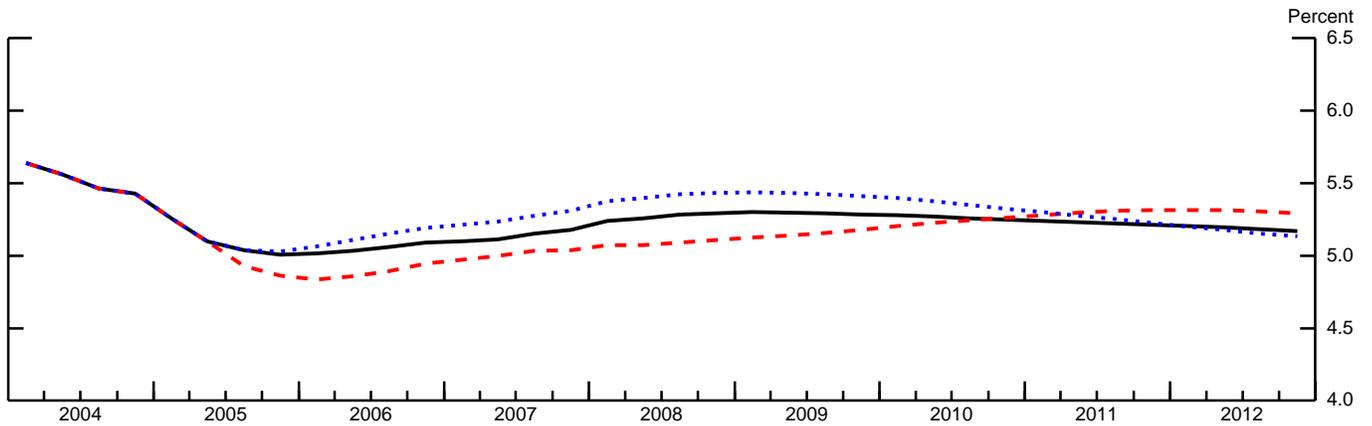
Nominal Federal Funds Rate



Nominal Ten-Year Treasury Yield



Civilian Unemployment Rate



PCE Inflation (ex. food and energy) (Four-quarter percent change)

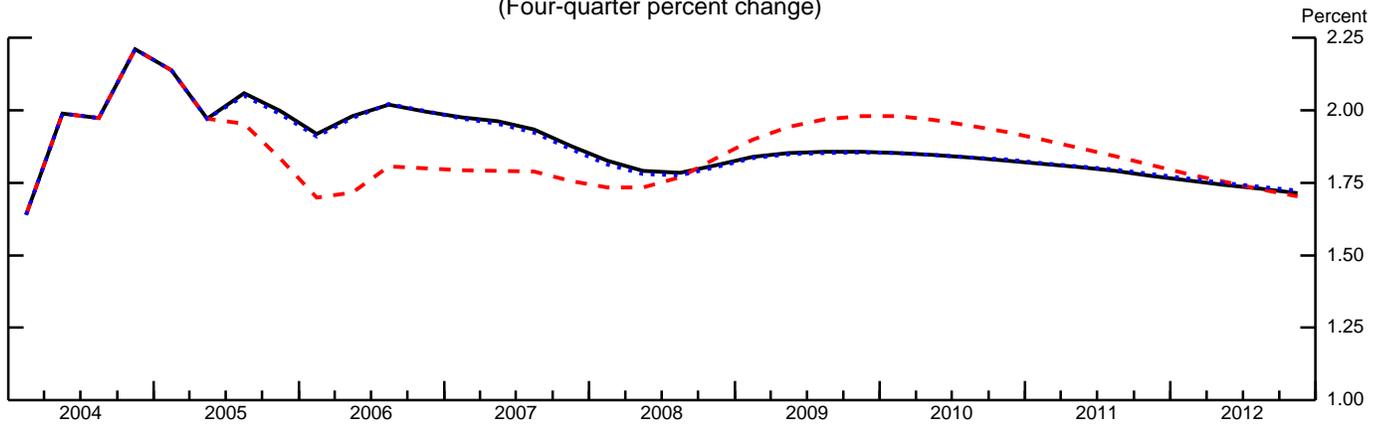


Table 1: Alternative Language for the August FOMC Announcement

	June 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 3-1/4 percent.	The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 3-1/2 percent.	The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 3-1/2 percent.	The Federal Open Market Committee decided today to raise its target for the federal funds rate by 50 basis points to 3-3/4 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 the degree of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. accommodation has been substantially reduced.	[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. Although energy prices have risen further, the expansion remains firm and labor market conditions continue to improve gradually.	Although energy prices have risen further, the expansion remains firm despite high energy prices , and labor market conditions continue to improve gradually.	Although energy prices have risen further, the expansion remains firm Aggregate spending, despite high energy prices, appears to have strengthened since late winter , and labor market conditions continue to improve gradually.	Although energy prices have risen further, the expansion remains firm Aggregate spending appears to be expanding briskly despite high energy prices , and labor market conditions continue to improve gradually.
	4. Pressures on inflation have stayed elevated, but longer-term inflation expectations remain well contained.	Pressures on inflation have stayed elevated, but Core inflation has been relatively low in recent months , and longer-term inflation expectations remain well contained.	Pressures on inflation have stayed elevated, but Core inflation has been relatively low in recent months and longer-term inflation expectations remain well contained, but pressures on inflation have stayed elevated.	Pressures on inflation have stayed elevated, but Core inflation has been relatively low in recent months and longer-term inflation expectations remain seem well contained, but pressures on business costs and inflation appear to be increasing.
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.	[no change]	[no change]	[none]
	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, 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]	[none]