Appendix 1: Materials used by Mr. Kos
Current U.S. and Euro-area 3-Month Deposit Rates and Rates Implied by Traded Forward Rate Agreements
January 3, 2005 to December 12, 2005

Current Japanese 3-Month Deposit Rates and Rates Implied by Traded Forward Rate Agreements
January 3, 2005 to December 12, 2005

Global Equity Performance
January 3, 2005 – December 12, 2005
Emerging Market and High Yield Debt Spreads
January 3, 2005 – December 9, 2005

Investment Grade Debt Spread
January 3, 2005 to December 9, 2005

Credit Default Swaps: GM and High Yield Index
January 3, 2005 to December 9, 2005

Implied Volatility on the S&P 100
January 3, 2005 to December 9, 2005

Treasury Yield Implied Volatility
January 3, 2005 to December 9, 2005
Net SOMA Expansion
1994 – 2004

Currency in Circulation
(December to December Change)

Year-Over-Year Currency Growth Rates
(Daily Data Since the Beginning of 2005)

Rise and Fall of Currency Levels Around Year-Ends
(Cumulative Percent Change from Early November)
Appendix 2: Materials used by Mr. Madigan
Material for
FOMC Briefing on Monetary Policy Alternatives

Brian Madigan
December 13, 2005
Primary Dealer Survey

- Most expect "accommodation" to be modified or dropped.
- Half expect "measured pace" to be modified or dropped.

A Case for Firming Policy Today

- Probably little remaining slack.
- Considerable economic momentum.
- Real funds rate near lower end of estimates of equilibrium.
- Concern about inflationary pressure.
- Incoming data consistent with continued measured firming.

Range of Estimated Equilibrium Real Rates

- Range of model-based estimates
- 70 percent confidence band
- 90 percent confidence band
- Actual real federal funds rate
- Greenbook-consistent measure

An explanatory note is provided in Chart 5 of the Bluebook.
# Table 1: Alternative Language for the December FOMC Announcement

<table>
<thead>
<tr>
<th>Policy Decision</th>
<th>November FOMC</th>
<th>Alternative B</th>
<th>Alternative C</th>
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<tbody>
<tr>
<td>1. The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 4 1/4 percent.</td>
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<td>2. Elevated energy prices and hurricane-related disruptions in economic activity have temporarily depressed output and employment. However, monetary policy accommodation, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity that will likely be augmented by planned rebuilding in the hurricane-affected areas.</td>
<td>Despite elevated energy prices and hurricane-related disruptions, in the expansion in economic activity appears solid, have temporarily depressed output and employment. However, monetary policy accommodation, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity that will likely be augmented by planned rebuilding in the hurricane-affected areas.</td>
<td>Despite elevated energy prices and hurricane-related disruptions, in economic activity the expansion have temporarily depressed output and employment, remain vigorous, supported by -- However, monetary policy accommodation, coupled with robust underlying growth in productivity -- is providing ongoing support to economic activity that will likely be augmented by planned rebuilding in the hurricane-affected areas.</td>
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<td>3. The cumulative rise in energy and other costs has the potential to add to inflation pressures; however, core inflation has been relatively low in recent months and longer-term inflation expectations remain contained.</td>
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<td>Core inflation has been relatively low in recent months and longer-term inflation expectations remain contained. Nevertheless, relatively high levels of resource utilization as well as elevated the cumulative rise in energy prices have and other costs has the potential to add to inflation pressures; however, core inflation has been relatively low in recent months and longer-term inflation expectations remain contained.</td>
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<td>4. 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.</td>
<td>The Committee judges that some further measured policy firming is likely to be needed to keep the risks to the attainment of both sustainable economic growth and price stability roughly in balance.</td>
<td>[Unchanged]</td>
<td></td>
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<td>5. 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.</td>
<td>In any event, the Committee will respond to changes in economic prospects as needed to foster these objectives.</td>
<td>[Unchanged]</td>
<td></td>
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