

Appendix 1: Materials used by Mr. Dudley

(1) Collateral Haircuts Moving Higher

February 1, 2008 – March 10, 2008

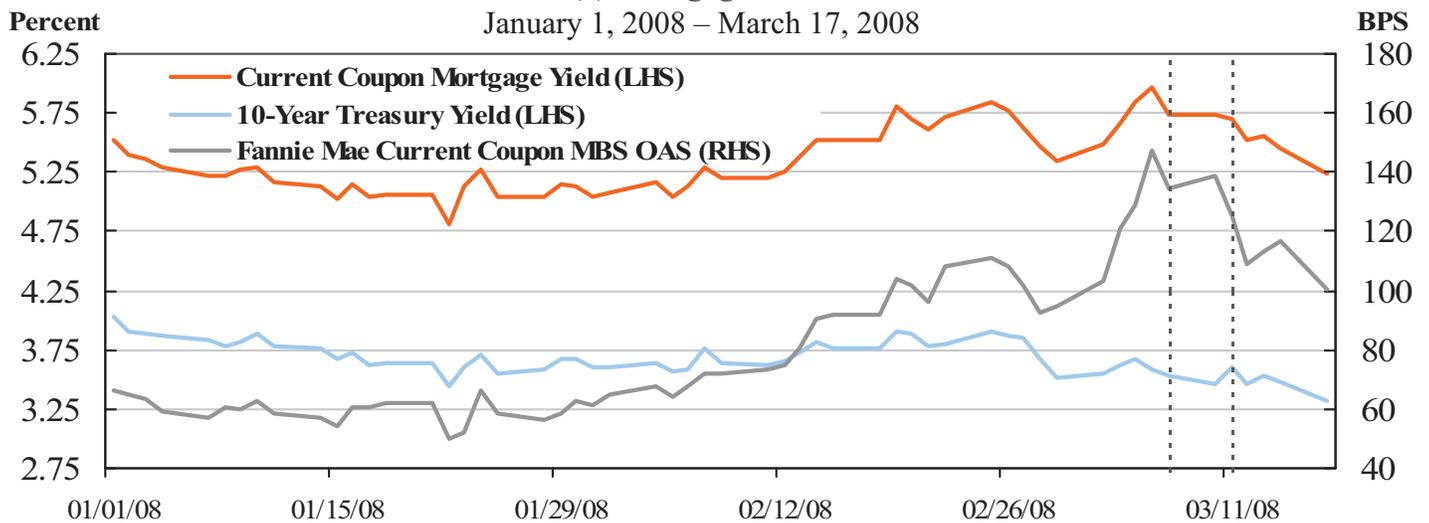
Haircuts by Asset Class

		Maturity								
		Overnight			1-Month			3-Month		
COLLATERAL	Date	Average	High	Low	Average	High	Low	Average	High	Low
Treasury	10-Mar	0.3%	1.5%	0.0%	0.3%	1.5%	0.0%	0.4%	1.5%	0.0%
	3-Mar	0.2%	1.5%	0.0%	0.3%	1.5%	0.0%	0.4%	1.5%	0.0%
	1-Feb	0.2%	1.5%	0.0%	0.3%	1.5%	0.0%	0.4%	1.5%	0.0%
Agency Debt	10-Mar	0.7%	2.0%	0.0%	1.2%	5.0%	0.0%	1.3%	5.0%	0.0%
	3-Mar	0.6%	2.0%	0.0%	0.9%	3.0%	0.0%	1.0%	3.0%	0.0%
	1-Feb	0.6%	2.0%	0.0%	0.9%	3.0%	0.0%	1.0%	3.0%	0.0%
Agency MBS	10-Mar	5%	7%	3%	5%	8%	3%	7%	10%	3%
	3-Mar	3%	3%	3%	3%	3%	3%	4%	5%	3%
	1-Feb	3%	3%	2%	3%	3%	3%	4%	5%	3%
Non-agency MBS										
Prime	10-Mar	16%	20%	10%	18%	20%	12%	17%	18%	15%
	3-Mar	16%	18%	15%	16%	18%	15%	18%	18%	18%
	1-Feb	11%	15%	5%	10%	18%	4%	12%	18%	7%
Alt-A	10-Mar	23%	33%	18%	25%	33%	18%			
	3-Mar	14%	18%	10%	16%	20%	10%			
	1-Feb	11%	13%	10%	11%	13%	10%			
Corporate Debt										
High Grade	10-Mar	12%	25%	5%	16%	25%	5%	18%	25%	15%
	3-Mar	11%	25%	3%	13%	25%	3%	18%	25%	15%
	1-Feb	10%	25%	3%	11%	25%	3%	14%	25%	3%
High Yield	10-Mar	30%	70%	10%	32%	70%	15%	36%	70%	25%
	3-Mar	26%	70%	9%	27%	70%	10%	35%	70%	20%
	1-Feb	25%	70%	6%	26%	70%	10%	28%	70%	10%

Source: Survey of 11 Hedge Funds and 1 REIT

(2) Mortgage Rates

January 1, 2008 – March 17, 2008



Source: Bloomberg and Lehman Brothers

Note: Vertical Dotted Lines Denote FOMC announcements on 3/7 and 3/11

(3) Spread between Jumbo and Conforming Mortgage Rates Remains Wide

January 1, 2007 – March 14, 2008



Source: Bloomberg

Note: Vertical Dotted Lines Denote FOMC announcements on 3/7 and 3/11

(4) Prices Across ABX Tranches Decline Further

January 1, 2007 – March 14, 2008

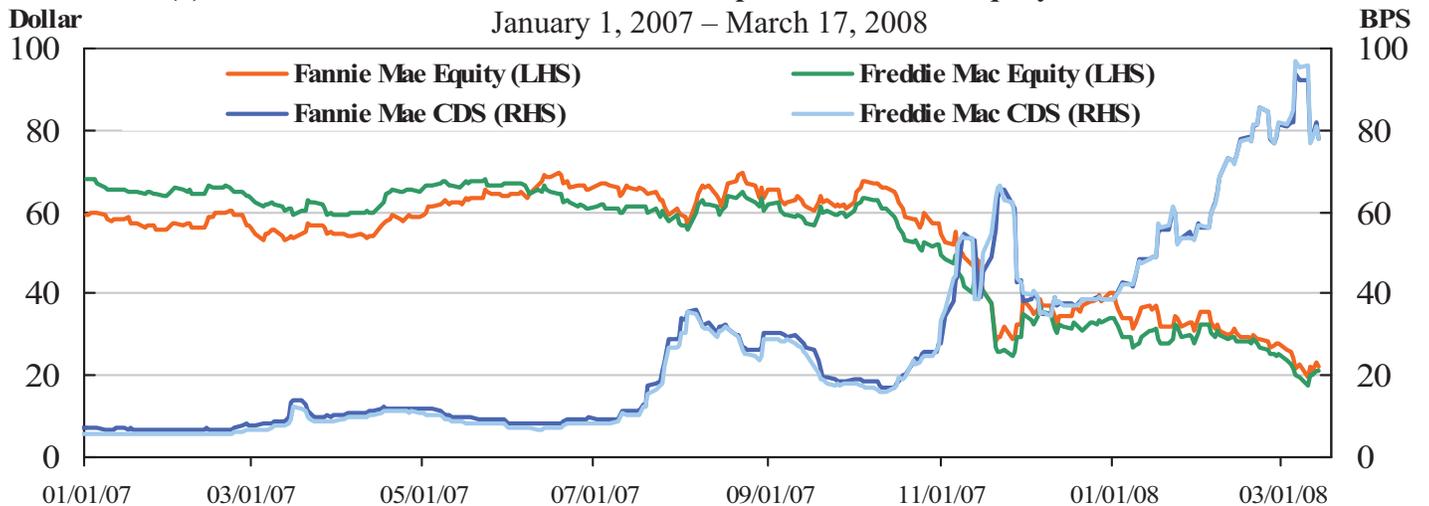


Source: JP Morgan

Note: Vertical Dotted Lines Denote FOMC announcements on 3/7 and 3/11

(5) Fannie Mae and Freddie Mac's CDS Spreads Rise and Equity Prices Decline

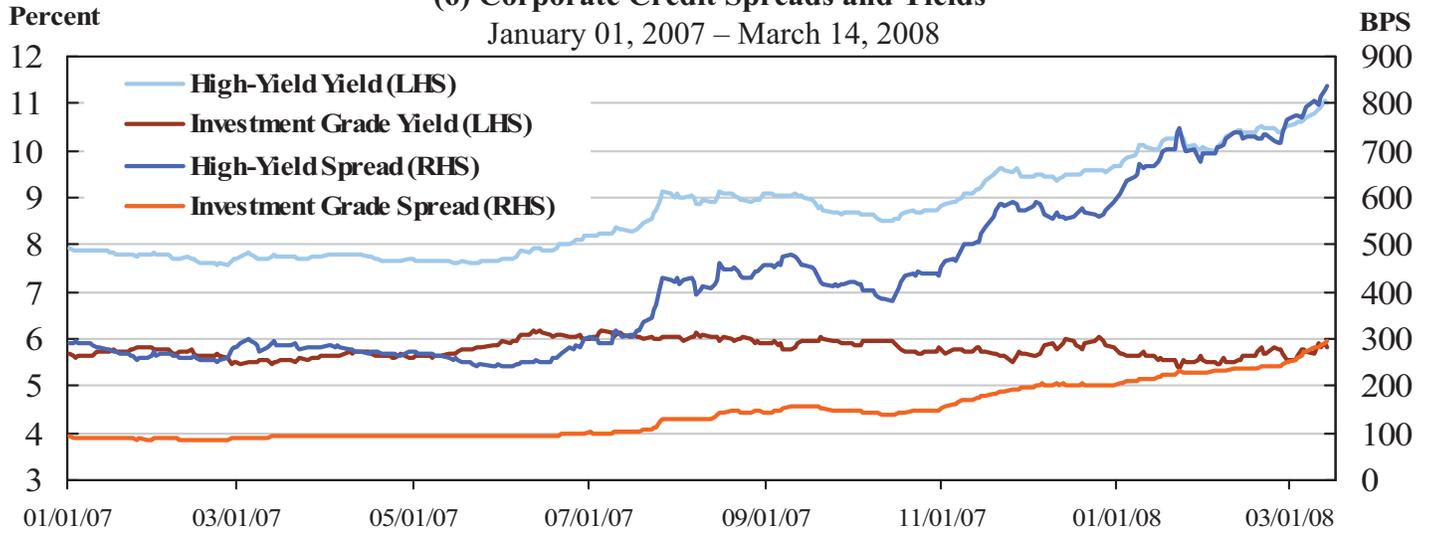
January 1, 2007 – March 17, 2008



Source: Markit and Bloomberg

(6) Corporate Credit Spreads and Yields

January 01, 2007 – March 14, 2008



Source: Bloomberg

(7) Global Credit Default Swap Spreads Widen

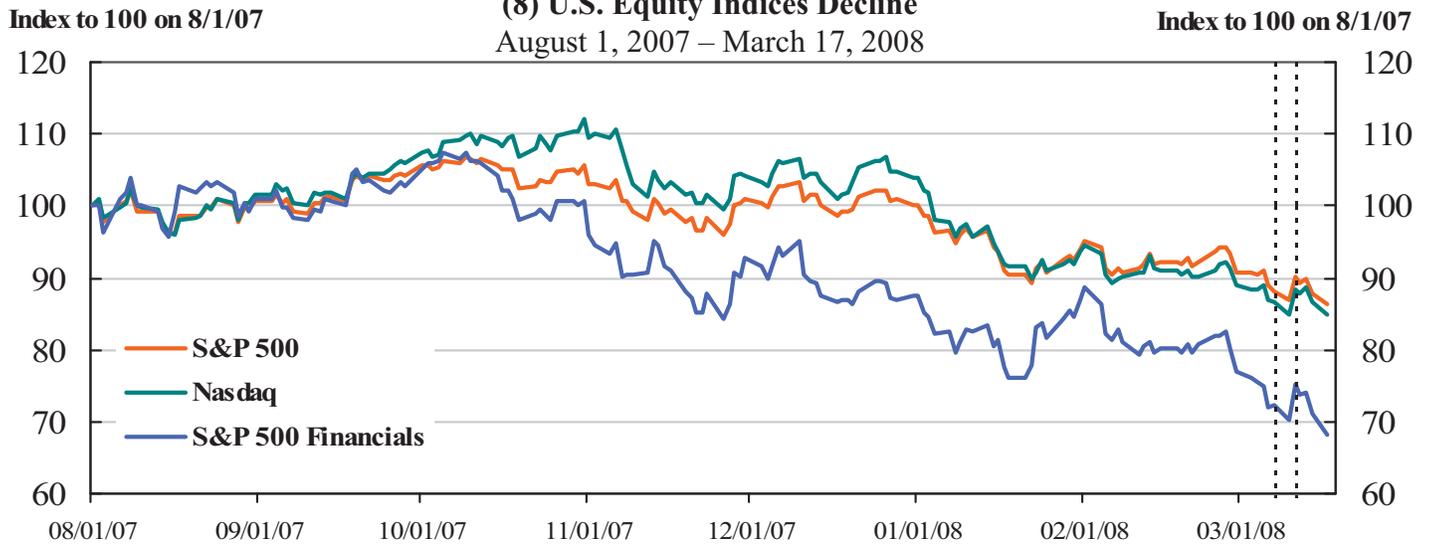
March 1, 2007 – March 14, 2008



Source: Bloomberg

(8) U.S. Equity Indices Decline

August 1, 2007 – March 17, 2008

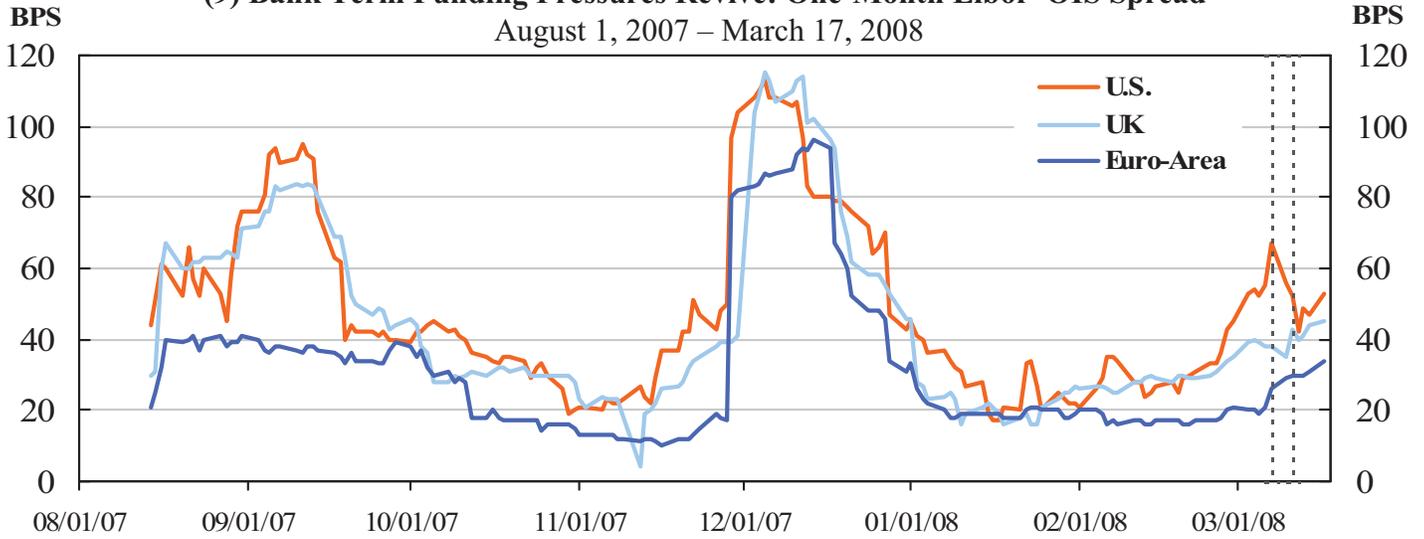


Source: Bloomberg

Note: Vertical Dotted Lines Denote FOMC announcements on 3/7 and 3/11

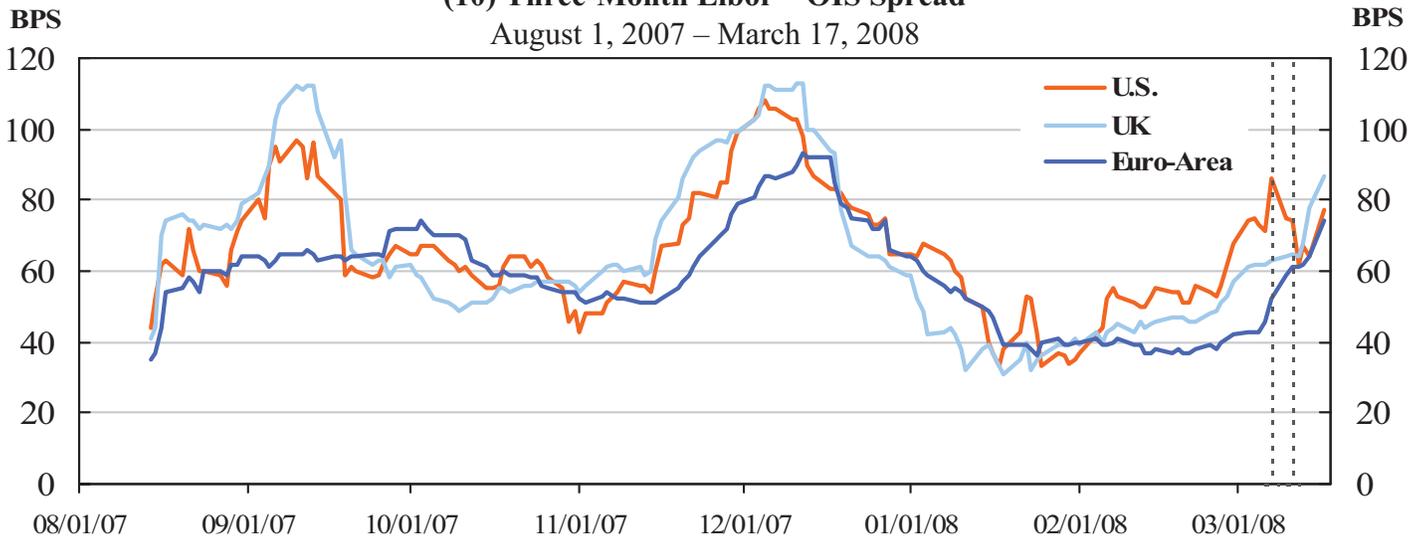
(9) Bank Term Funding Pressures Revive: One-Month Libor–OIS Spread

August 1, 2007 – March 17, 2008



(10) Three-Month Libor – OIS Spread

August 1, 2007 – March 17, 2008



(11) Federal Reserve Term Auction Facility Results

Federal Reserve Term Auction Facility:

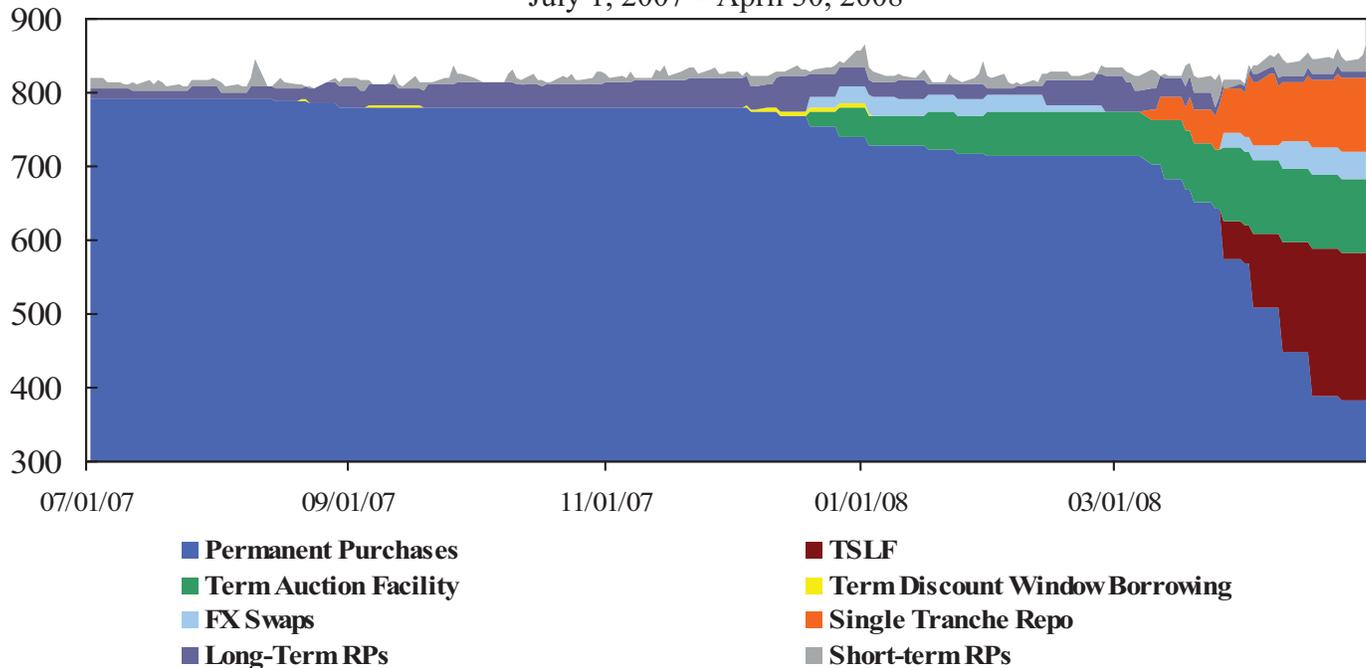
<u>Auction Settlement</u>	<u>Term</u>	<u>Amount</u>	<u>Minimum Bid Rate</u>	<u>Stop-out Rate</u>	<u>Propositions</u>	<u>Bid/Cover</u>	<u>Bidders</u>
12/20/2007	28 Days	\$20 b	4.17%	4.65%	\$61.6 b	3.08	93
12/27/2007	35 Days	\$20 b	4.15%	4.67%	\$57.7 b	2.88	73
1/17/2008	28 Days	\$30 b	3.88%	3.95%	\$55.5 b	1.85	56
1/31/2008	28 Days	\$30 b	3.10%	3.12%	\$37.5 b	1.25	52
2/14/2008	28 Days	\$30 b	2.86%	3.01%	\$58.4 b	1.95	66
2/28/2008	28 Days	\$30 b	2.81%	3.08%	\$68.0 b	2.27	72
3/13/2008	28 Days	\$50 b	2.39%	2.80%	\$92.6 b	1.85	82

Source: Federal Reserve Board

(12) Composition of Federal Reserve's Balance Sheet

July 1, 2007 – April 30, 2008

Billions of Dollars



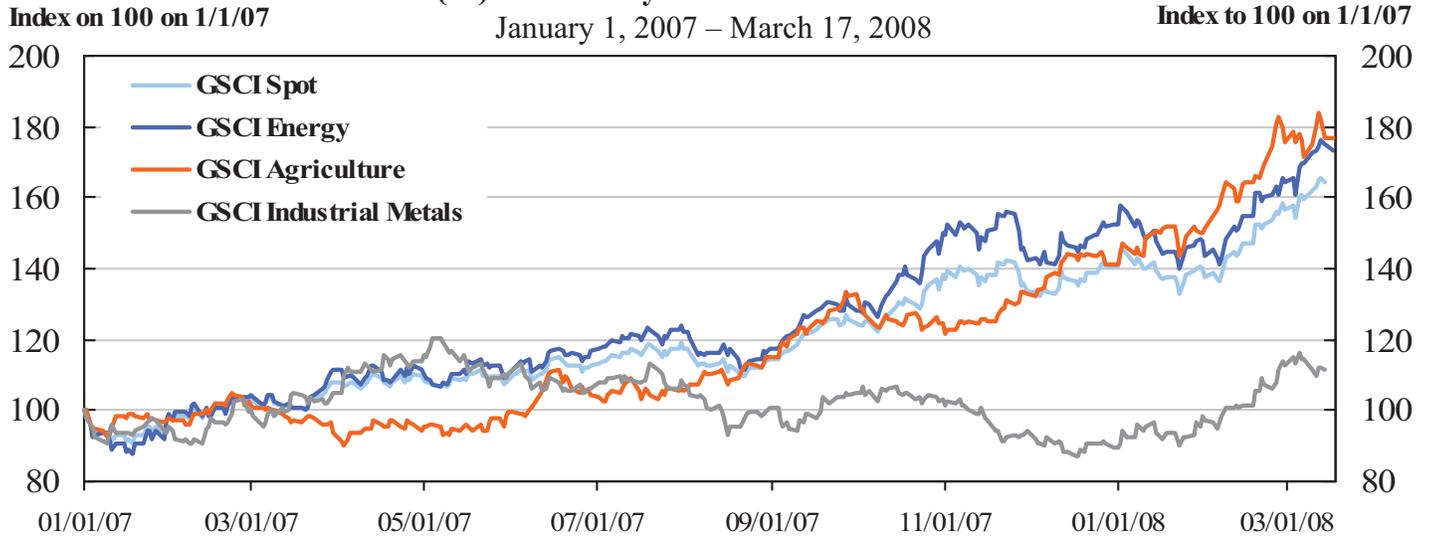
*RPs with an original maturity of at least 7 days are long-term.

Note: The sum of all components equals net autonomous factors plus reserve balances

Source: Federal Reserve Bank of New York

(13) Commodity Prices Continue to Rise

January 1, 2007 – March 17, 2008

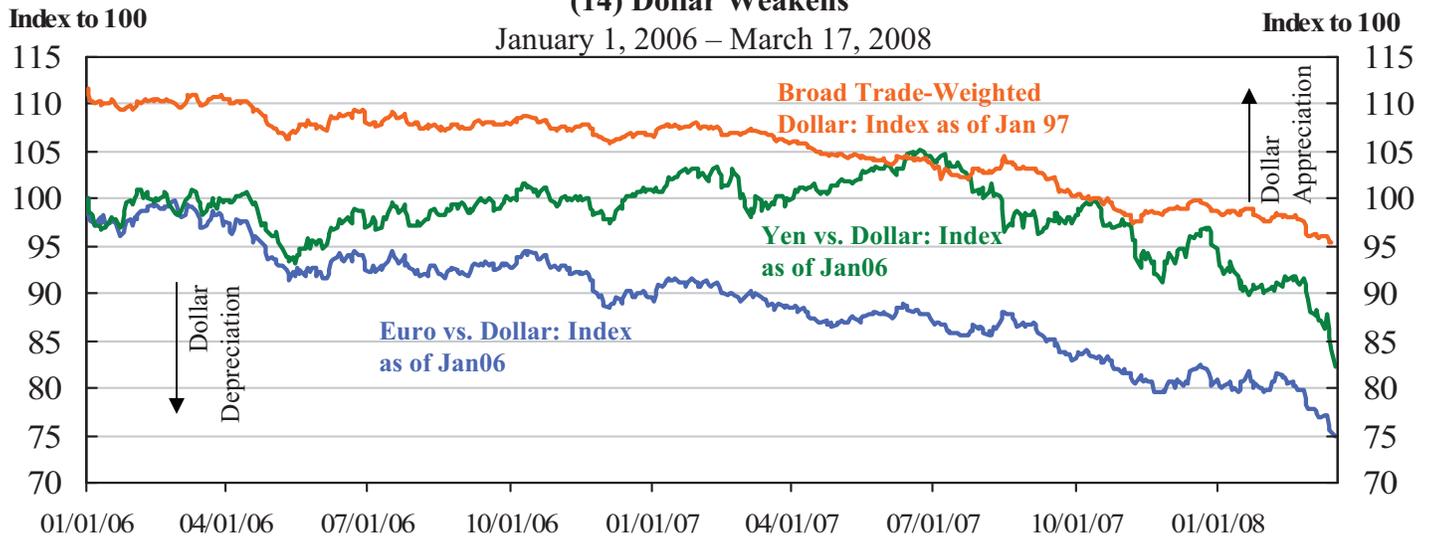


Source: Bloomberg

Note: Vertical Dotted Lines Denote FOMC announcements on 3/7 and 3/11

(14) Dollar Weakens

January 1, 2006 – March 17, 2008



Source: Bloomberg and Federal Reserve Board

Note: Vertical Dotted Lines Denote FOMC announcements on 3/7 and 3/11

(15) Chinese Yuan 12-Month Implied Appreciation

January 1, 2007 – March 17, 2008



Source: Reuters

(16) TIPS Implied Average Rate of Inflation: 5-10 Year Horizon

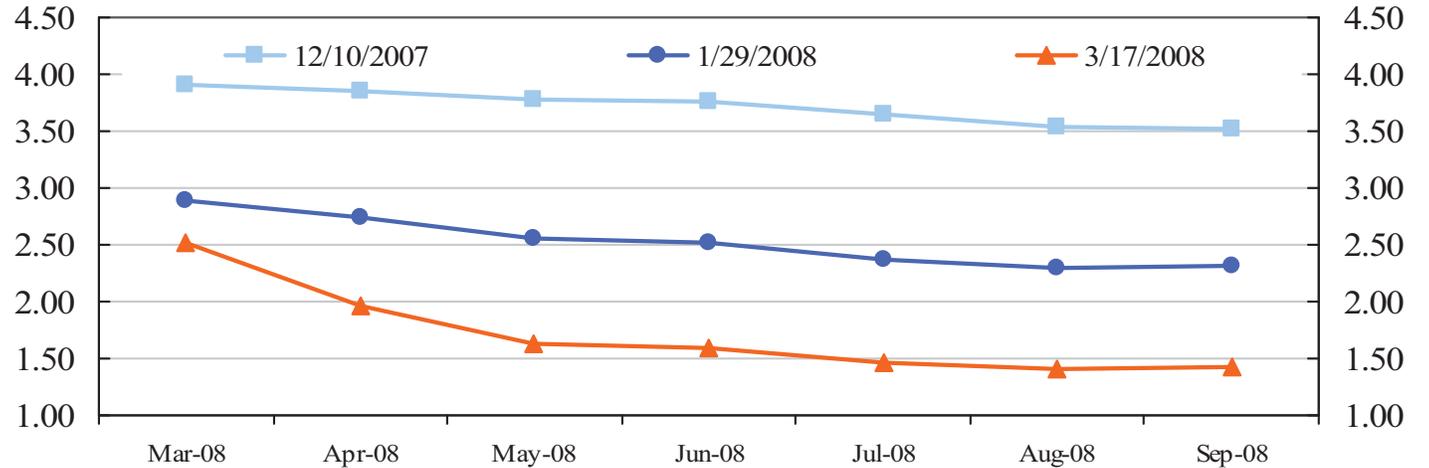
August 1, 2007 – March 14, 2008



Source: Federal Reserve Board and Barclays Capital

Note: Vertical Dotted Lines Denote FOMC announcements on 3/7 and 3/11

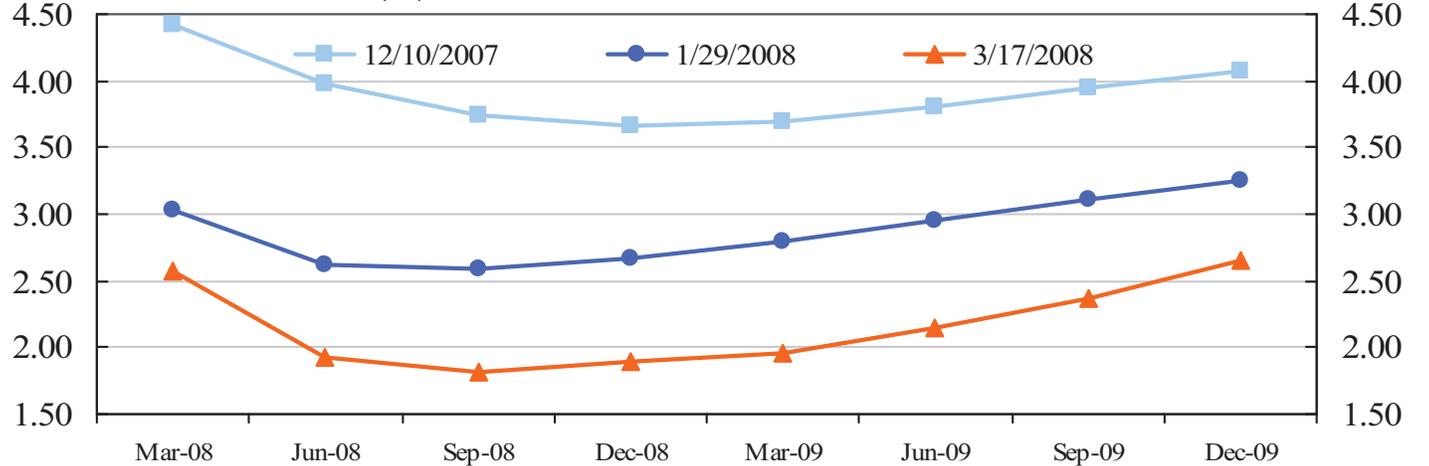
(17) Fed Funds Futures Curve Shifts Down



Source: Bloomberg

Fed Funds Futures Contracts

(18) Eurodollar Futures Curve Also Shifts Lower

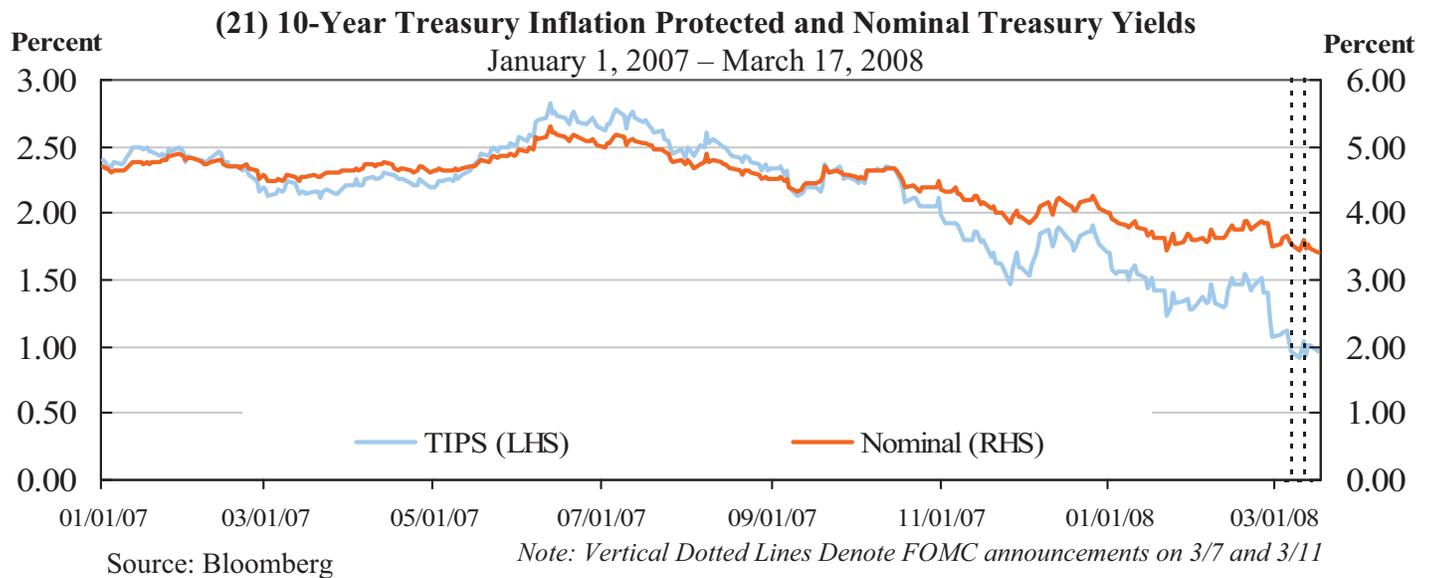
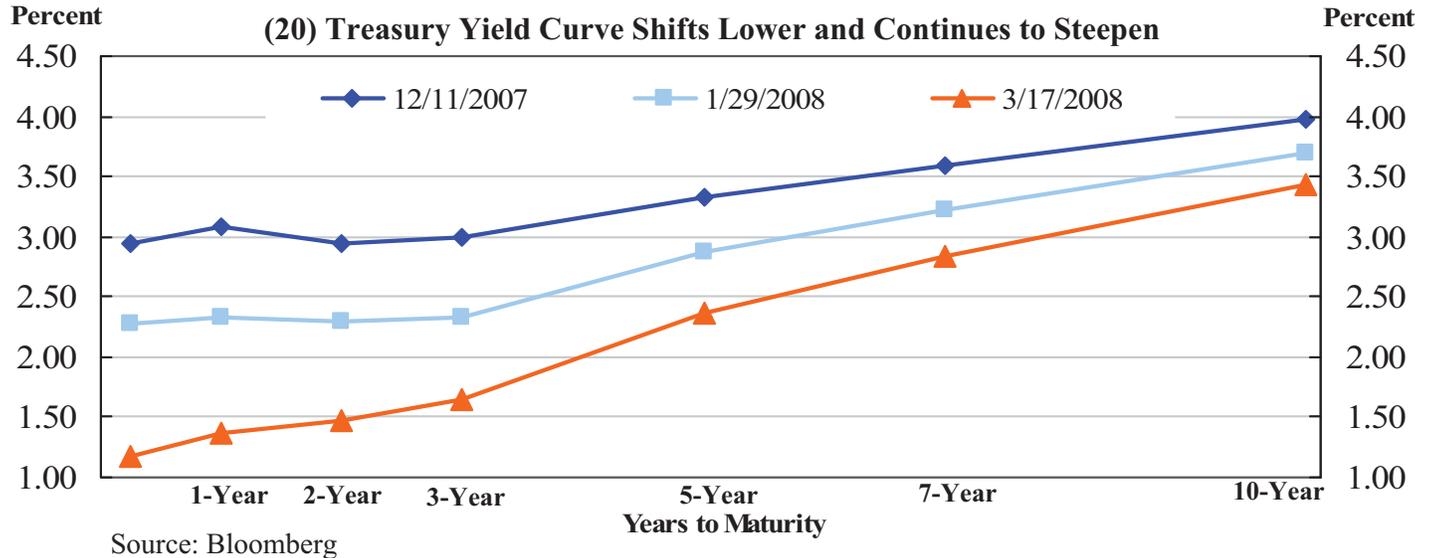
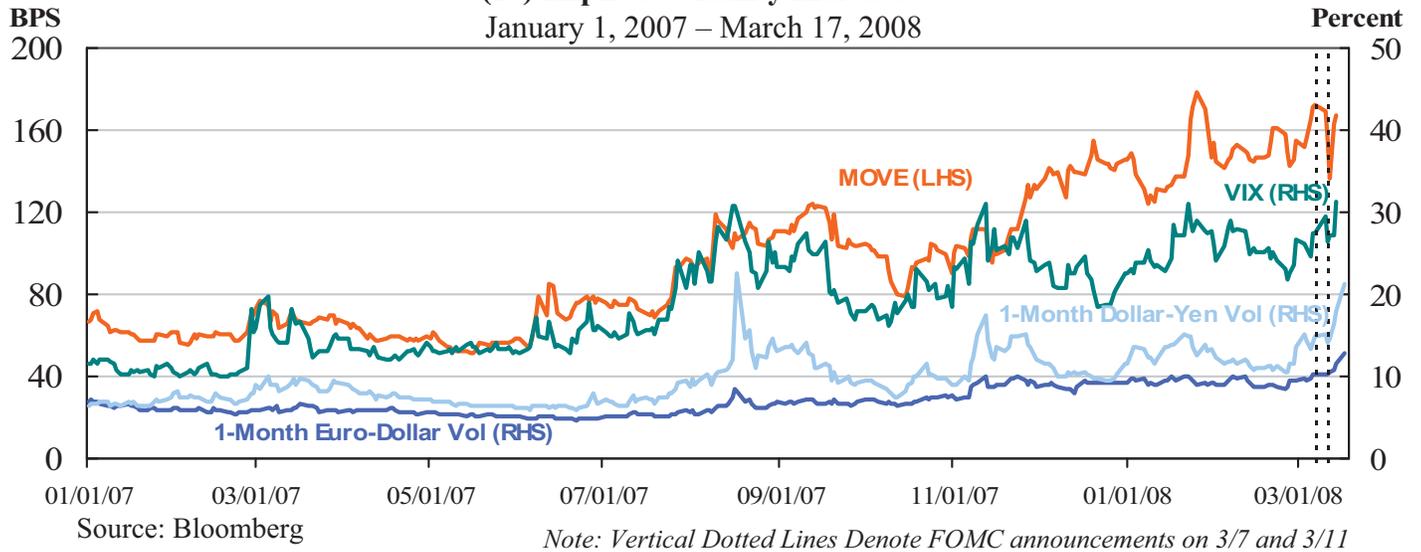


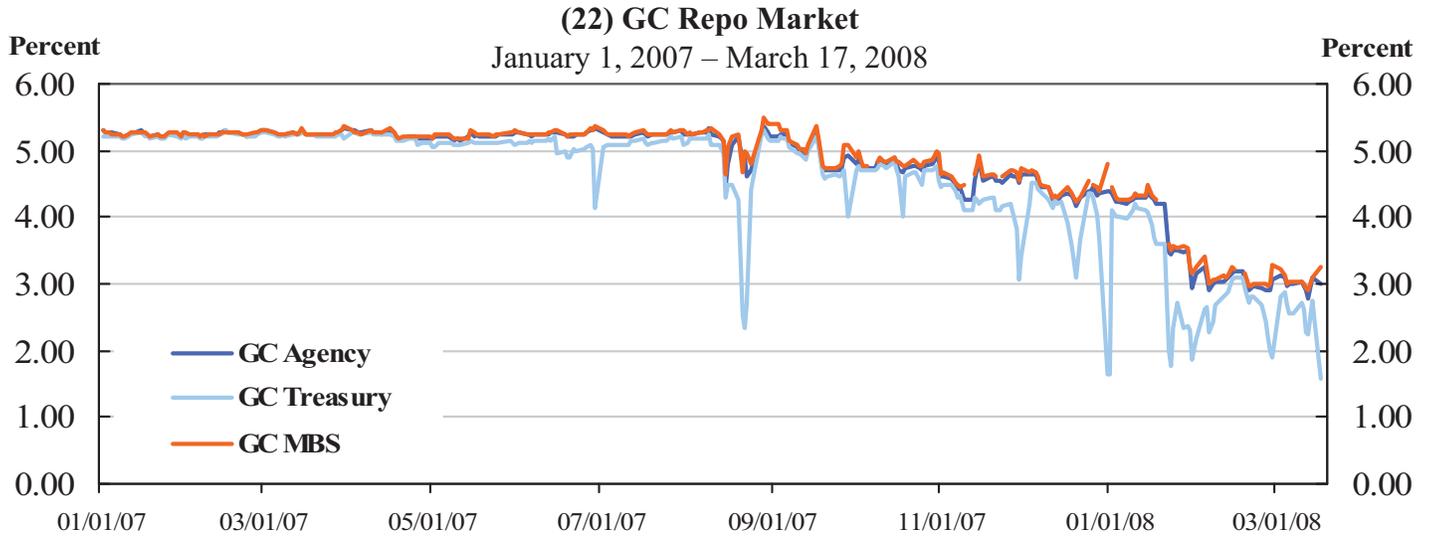
Source: Bloomberg

Eurodollar Futures Contracts

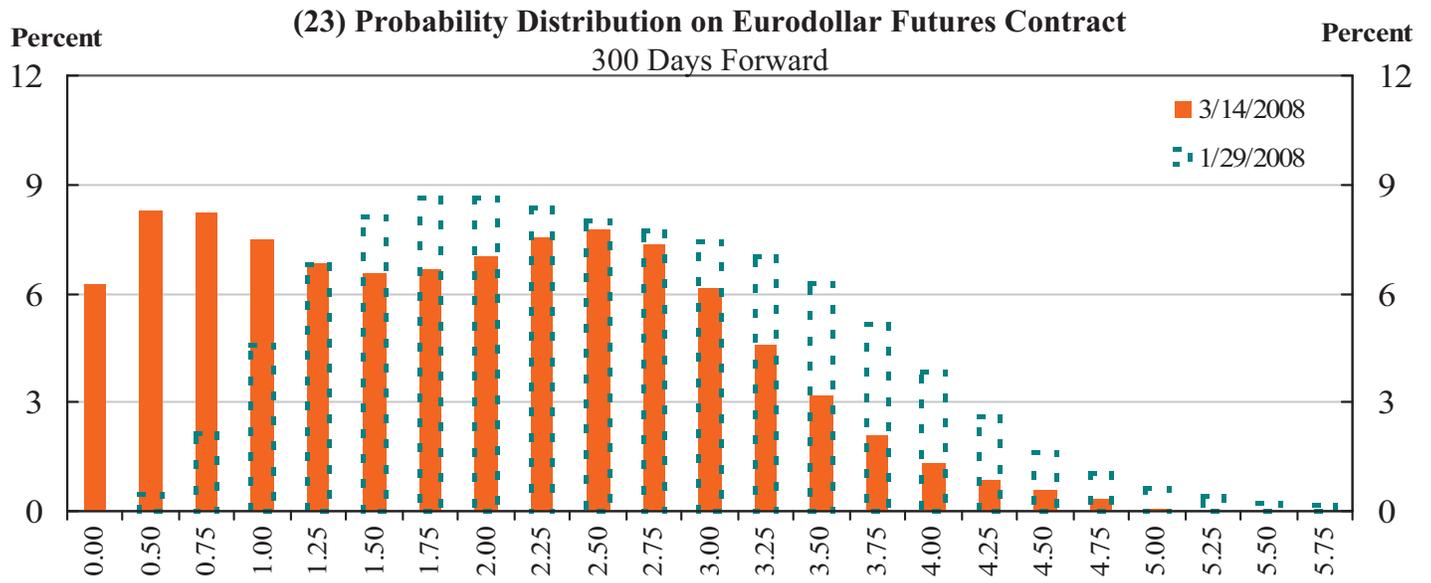
APPENDIX: Reference Exhibits

(19) Implied Volatility Increases
January 1, 2007 – March 17, 2008

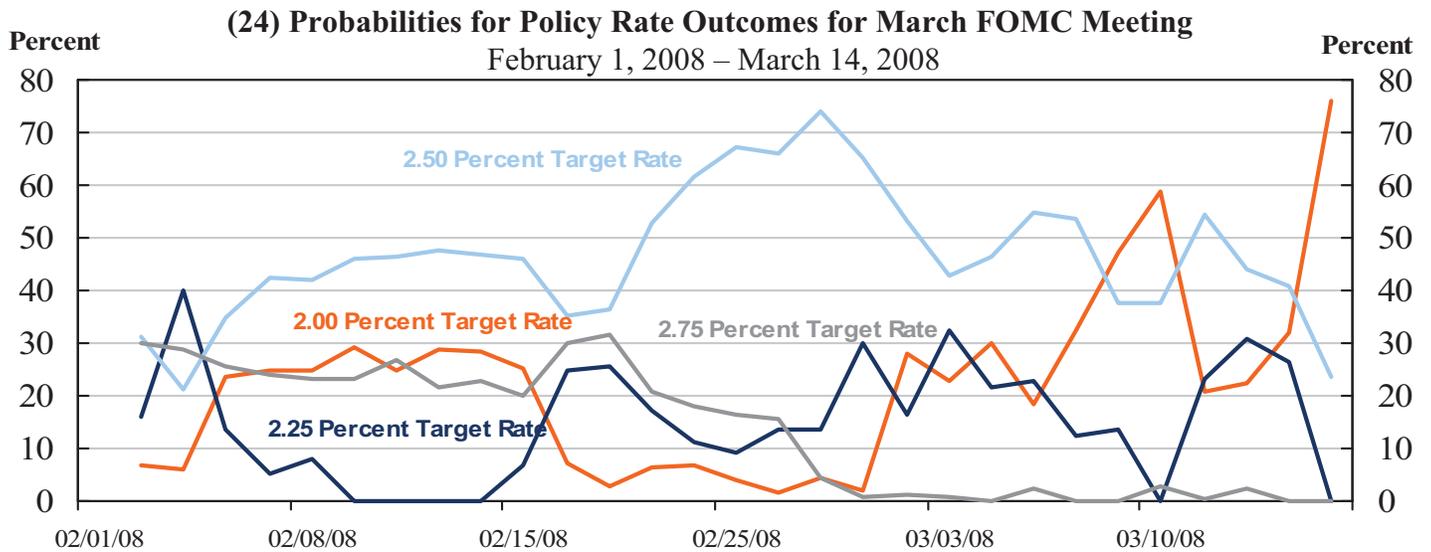




Source: Federal Reserve Bank of New York

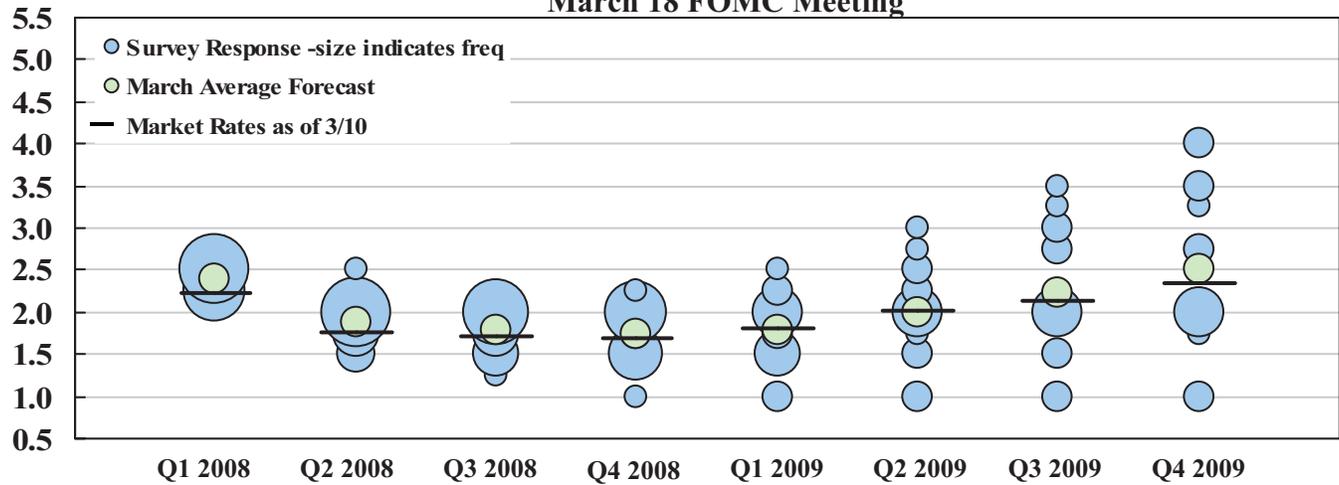


Source: CME Options



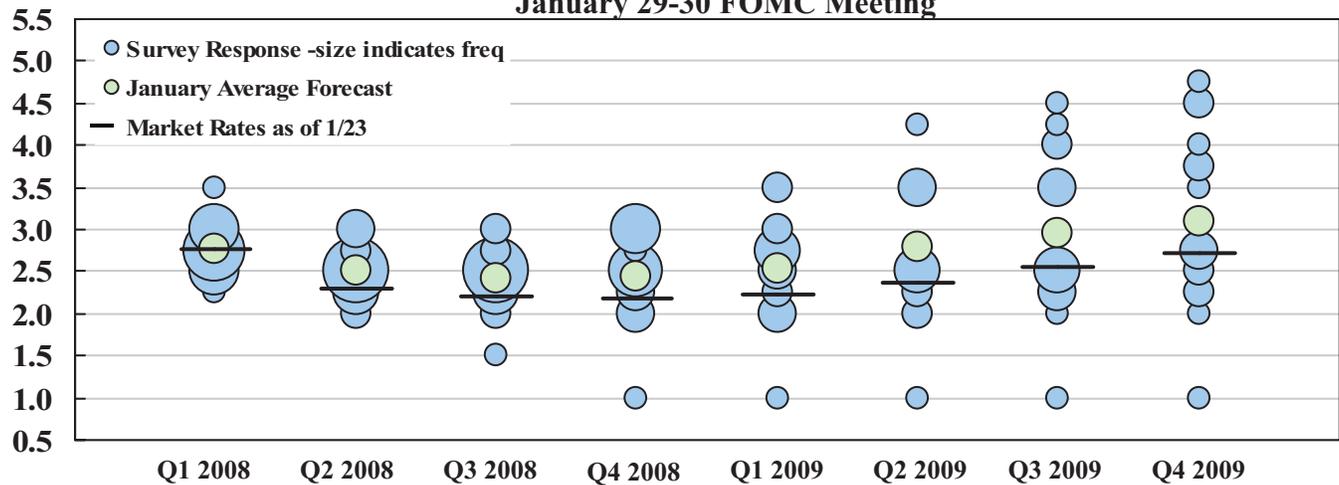
Source: Cleveland Fed

(25) Distribution of Expected Policy Target Among Primary Dealers Prior to March 18 FOMC Meeting



Source: Dealer Policy Survey

(26) Distribution of Expected Policy Target Among Primary Dealers Prior to January 29-30 FOMC Meeting



Source: Dealer Policy Survey

Appendix 2: Materials used by Mr. Madigan

Class I FOMC – Restricted Controlled (FR)

*Material for
FOMC Briefing on Monetary Policy Alternatives*

Brian Madigan
March 18, 2008

Table 1: Alternative Language for the March 18, 2008 FOMC Announcement

March 18, 2008

	Alternative A	Alternative B	Alternative C	Alternative D
Policy Decision	1. The Federal Open Market Committee decided today to lower its target for the federal funds rate <u>75</u> basis points to <u>2-1/4</u> percent.	The Federal Open Market Committee decided today to lower its target for the federal funds rate 50 basis points to <u>2-1/2</u> percent.	The Federal Open Market Committee decided today to lower its target for the federal funds rate <u>25</u> basis points to <u>2-3/4</u> percent.	The Federal Open Market Committee decided today to <u>keep</u> its target for the federal funds rate <u>at 3</u> percent.
Rationale	2. <u>Recent information indicates that the outlook for economic activity has weakened further and that downside risks persist. Growth in consumer spending has slowed and labor markets have softened.</u> Financial markets remain under considerable stress, <u>and the tightening of credit conditions and the deepening of the housing contraction are likely to continue to weigh on economic growth over the next few quarters.</u>	<u>Recent information indicates that the outlook for economic activity has weakened further and that downside risks persist. Growth in consumer spending has slowed and labor markets have softened.</u> Financial markets remain under considerable stress, <u>and the tightening of credit conditions and the deepening of the housing contraction are likely to continue to weigh on economic growth over the next few quarters.</u>	<u>Growth in consumer spending has slowed and labor markets have softened.</u> Financial markets remain under considerable stress, <u>and the tightening of credit conditions and the deepening of the housing contraction are likely to continue to weigh on economic growth.</u> <u>Recent policy actions</u> should help to promote moderate growth over time, <u>but</u> downside risks to growth remain.	<u>Growth in consumer spending has slowed,</u> labor markets <u>have softened,</u> <u>and</u> financial markets remain under considerable stress. <u>Although</u> downside risks to growth remain, <u>recent policy actions</u> should help to promote moderate growth over time.
	3. <u>Inflation has been elevated, and some measures indicators of inflation expectations have risen.</u> The Committee expects inflation to moderate in coming quarters, <u>reflecting a projected leveling-out of energy and other commodity prices and an easing of pressures on resource utilization. Still, uncertainty about the inflation outlook has increased.</u> It will be necessary to continue to monitor inflation developments carefully.	<u>Inflation has been elevated, and some measures indicators of inflation expectations have risen.</u> The Committee expects inflation to moderate in coming quarters, <u>reflecting a projected leveling-out of energy and other commodity prices and an easing of pressures on resource utilization. Still, uncertainty about the inflation outlook has increased.</u> It will be necessary to continue to monitor inflation developments carefully.	<u>Inflation has been elevated, and upward pressure on inflation could result from several factors, including further increases in energy, commodity, and other import prices.</u> <u>Although</u> the Committee expects inflation to moderate in coming quarters, <u>the upside risks to the outlook for inflation have increased.</u> <u>The Committee will</u> continue to monitor inflation developments carefully.	<u>Inflation has been elevated, and upward pressure on inflation could result from several factors, including further increases in energy, commodity, and other import prices.</u> <u>Although</u> the Committee expects inflation to moderate in coming quarters, <u>the upside risks to the outlook for inflation have increased.</u> <u>The Committee will</u> continue to monitor inflation developments carefully.
Assessment of Risk	4. Today's policy action, combined with those taken earlier, <u>including measures to foster market liquidity,</u> should help to promote moderate growth over time and to mitigate the risks to economic activity. However, <u>the Committee judges that the downside risks to growth remain outweigh the upside risks to inflation.</u> The Committee will act in a timely manner as needed to <u>promote sustainable economic growth and price stability.</u>	Today's policy action, combined with those taken earlier, should help to promote moderate growth over time and to mitigate the risks to economic activity. However, downside risks to growth remain. The Committee will continue to assess the effects of financial and other developments on economic prospects and will act in a timely manner as needed to address those risks.	<u>The Committee judges that the risks to growth outweigh the risks to inflation, particularly in light of stresses in financial markets.</u> The Committee will continue to assess the effects of financial and other developments on economic prospects and will act in a timely manner as needed to address <u>the evolving</u> risks.	The Committee will continue to assess the effects of financial and other developments on economic prospects and will act in a timely manner as needed to <u>promote price stability and sustainable economic growth.</u>