

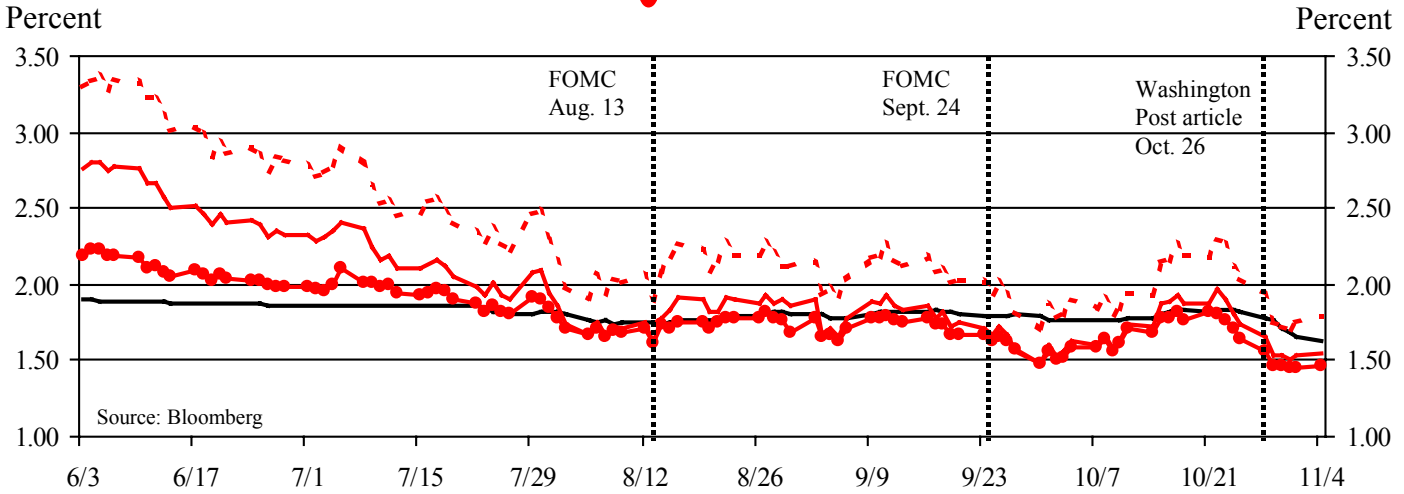
Appendix 1: Materials used by Mr. Kos

U.S. Current Deposit Rates and Rates Implied by Traded Forward Rate Agreements

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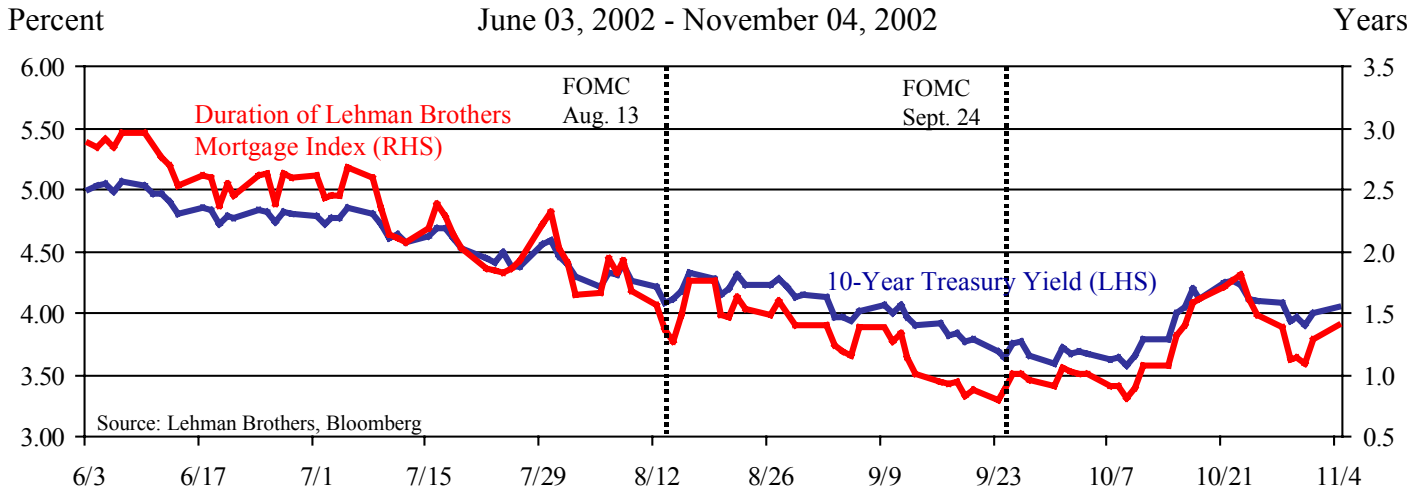
June 03, 2002 - November 04, 2002

LIBOR Fixing 3M Forward 6M Forward 9M Forward



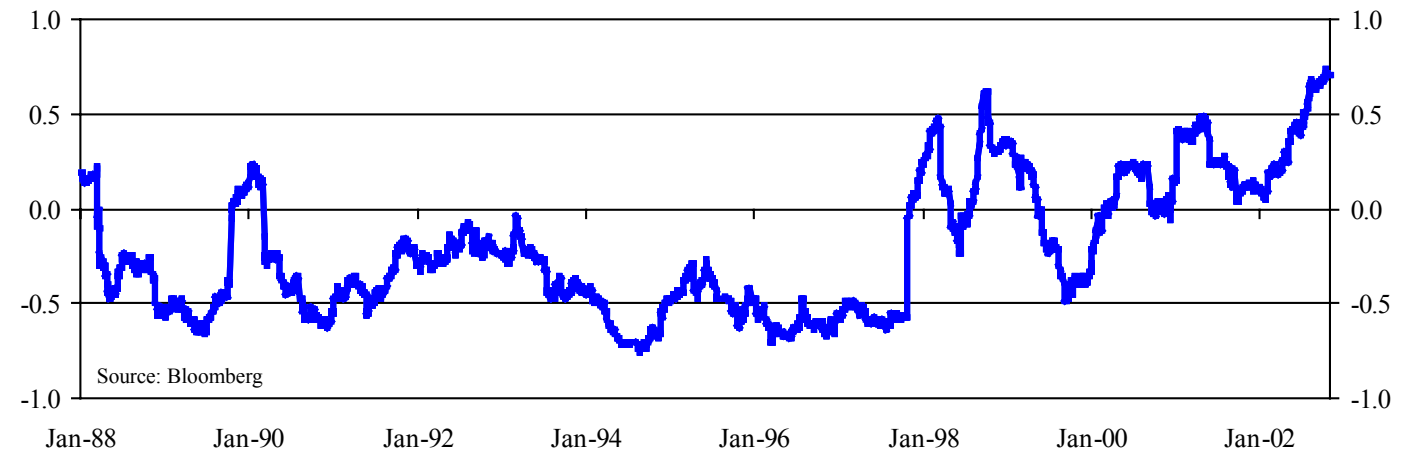
Duration of Lehman Brothers Mortgage Index and the 10-Year Treasury Yield

June 03, 2002 - November 04, 2002



S&P 500 Price and 10-Year Note Yield Changes

100-Day Rolling Correlation

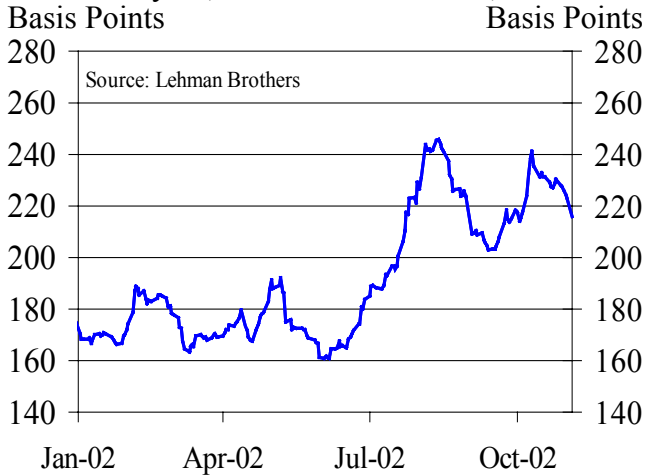


November 6, 2002

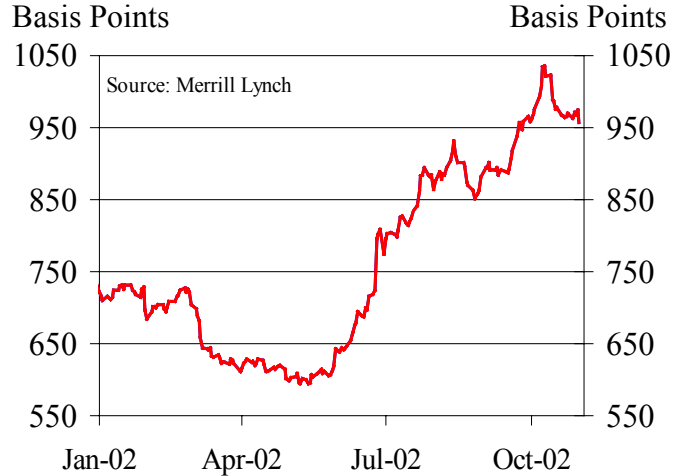
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Corporate Credit Spreads to U.S. Treasuries

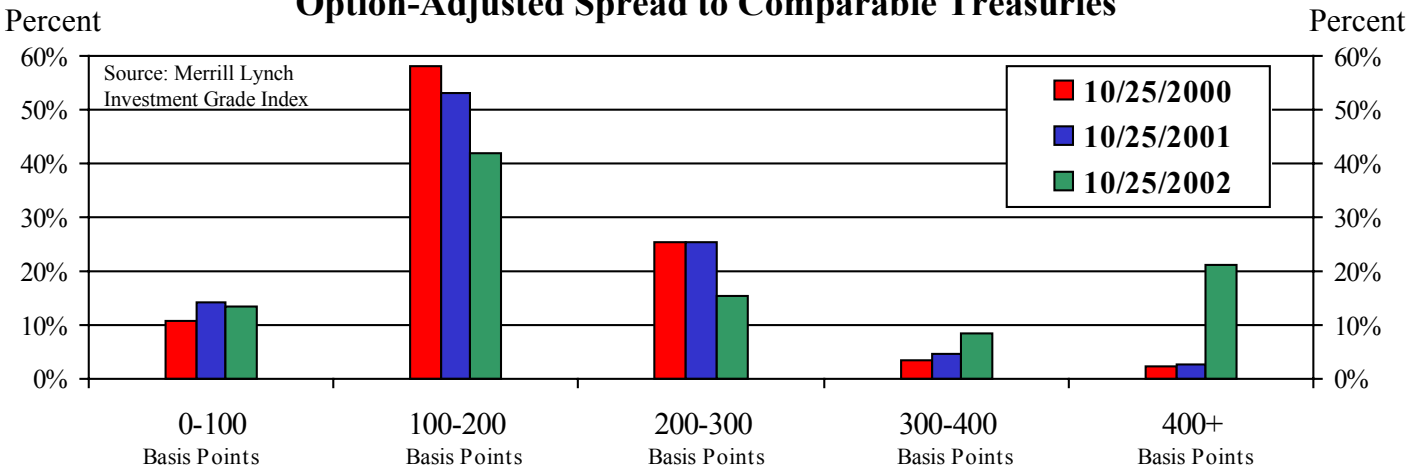
U.S. Investment Grade Option-Adjusted Spread
January 02, 2002 - November 04, 2002



U.S. High Yield Spread to 10-Year Treasury
January 02, 2002 - November 04, 2002

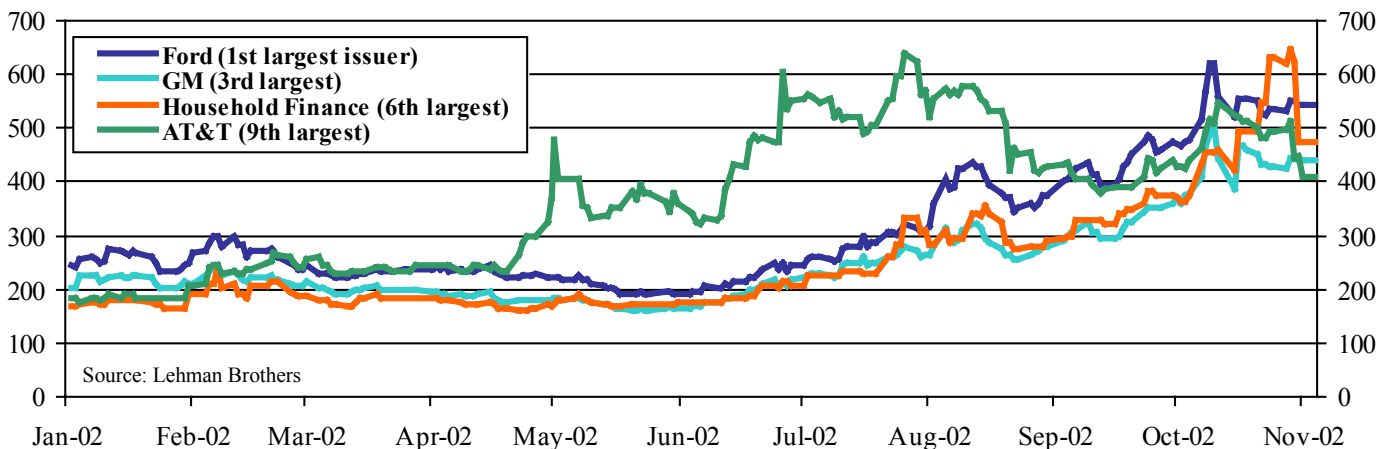


Percent of Investment Grade Debt Outstanding Categorized by Option-Adjusted Spread to Comparable Treasuries



Select Large Corporate Bond Issuers: 10-Year Spreads to Treasuries

January 02, 2002 - November 04, 2002

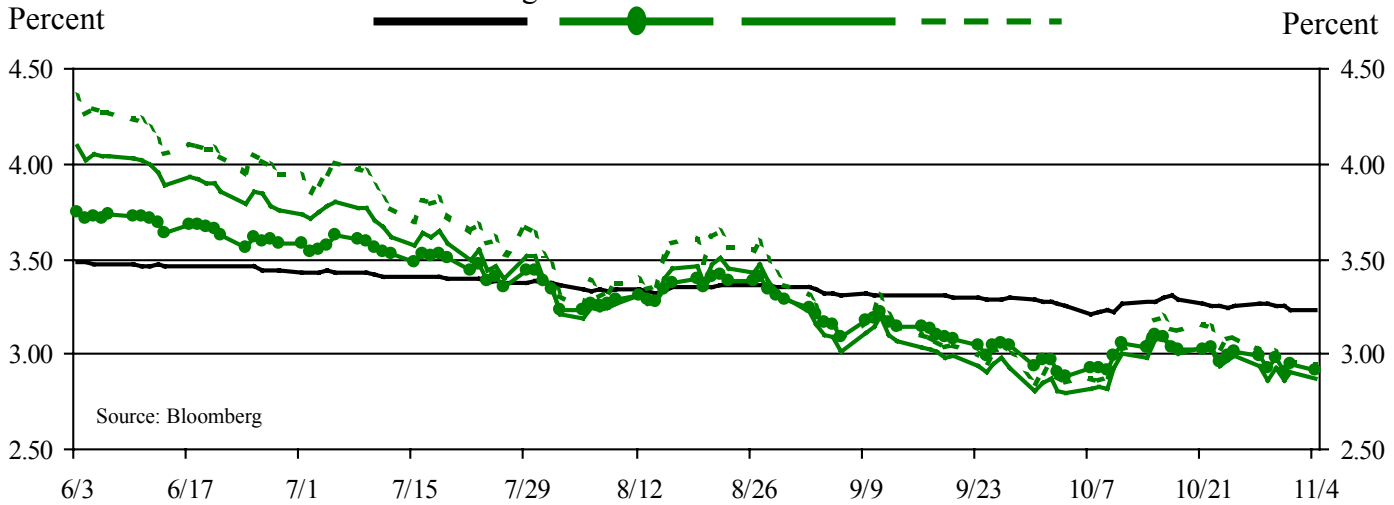


November 6, 2002 **Euro-Area Current Deposit Rates and Rates Implied by Traded Forward Rate Agreements** 115 of 122

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

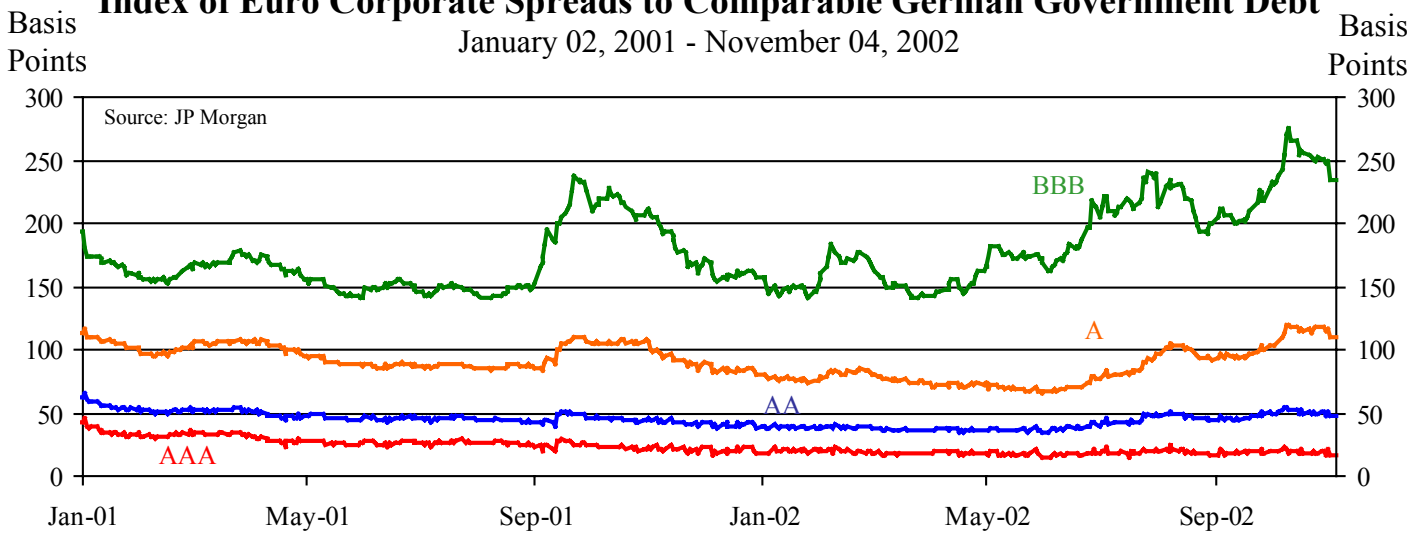
June 03, 2002 - November 04, 2002

LIBOR Fixing 3M Forward 6M Forward 9M Forward



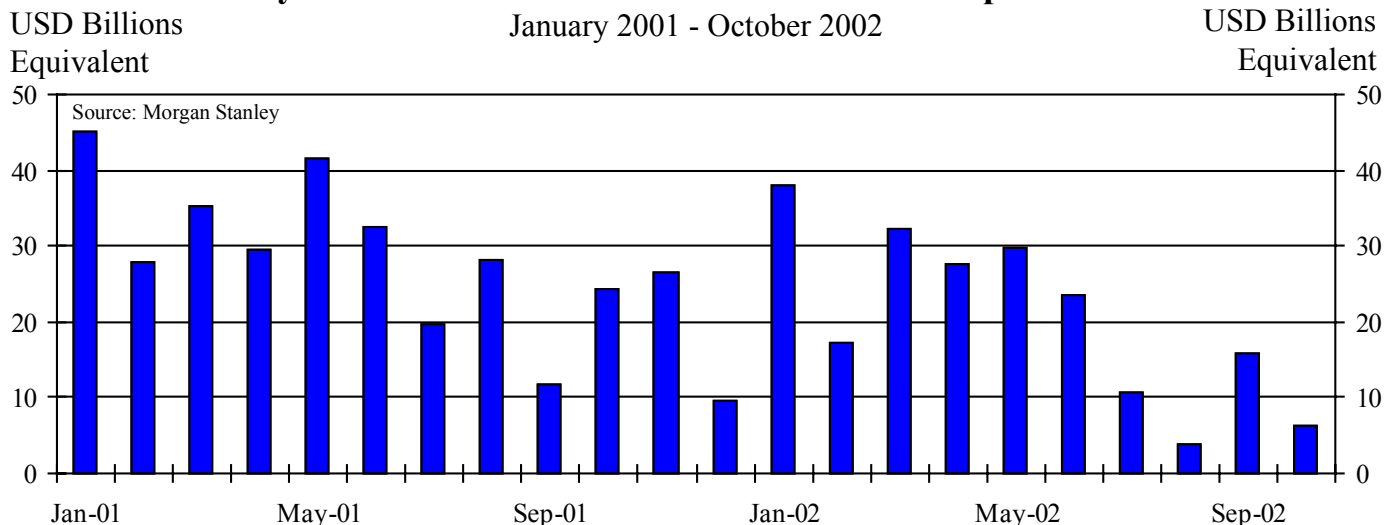
Index of Euro Corporate Spreads to Comparable German Government Debt

January 02, 2001 - November 04, 2002



Monthly Euro-Denominated Investment Grade Corporate Issuance

January 2001 - October 2002



November 6, 2002

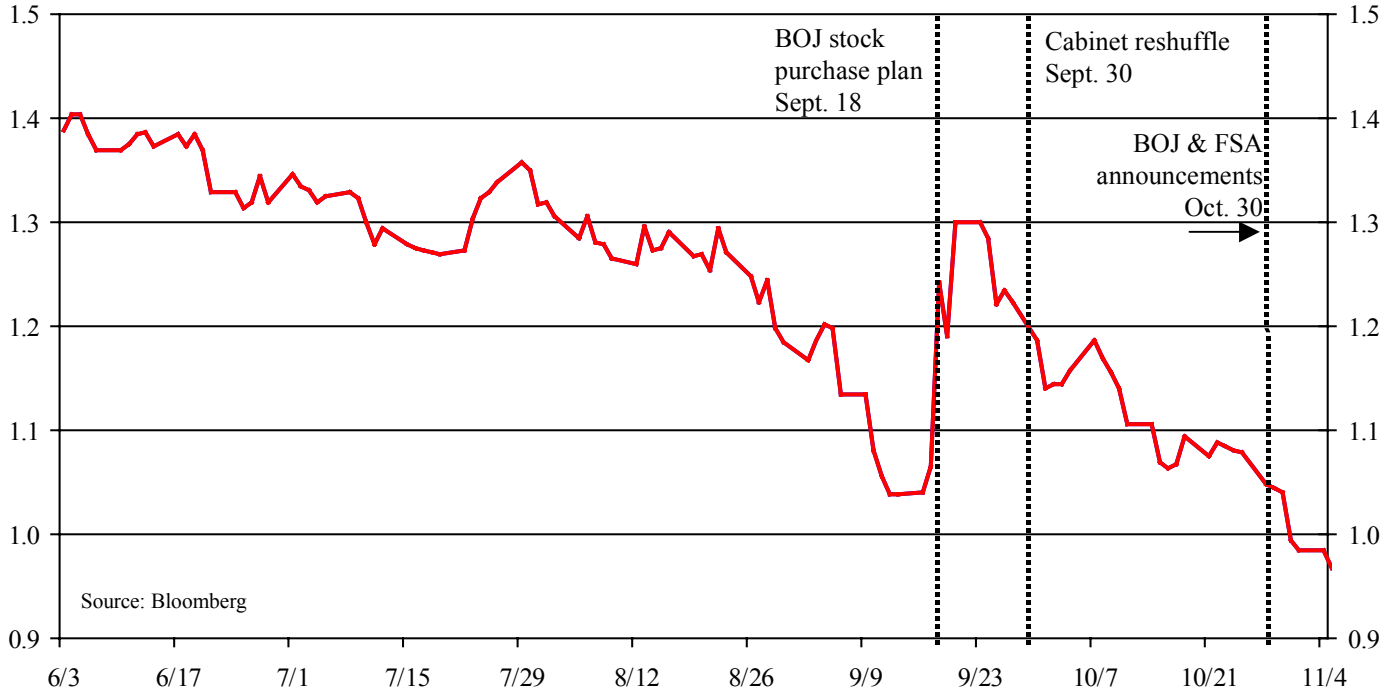
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Japanese Government 10-Year Benchmark Yield

June 03, 2002 - November 05, 2002

Percent

Percent



Japanese Bank Stocks

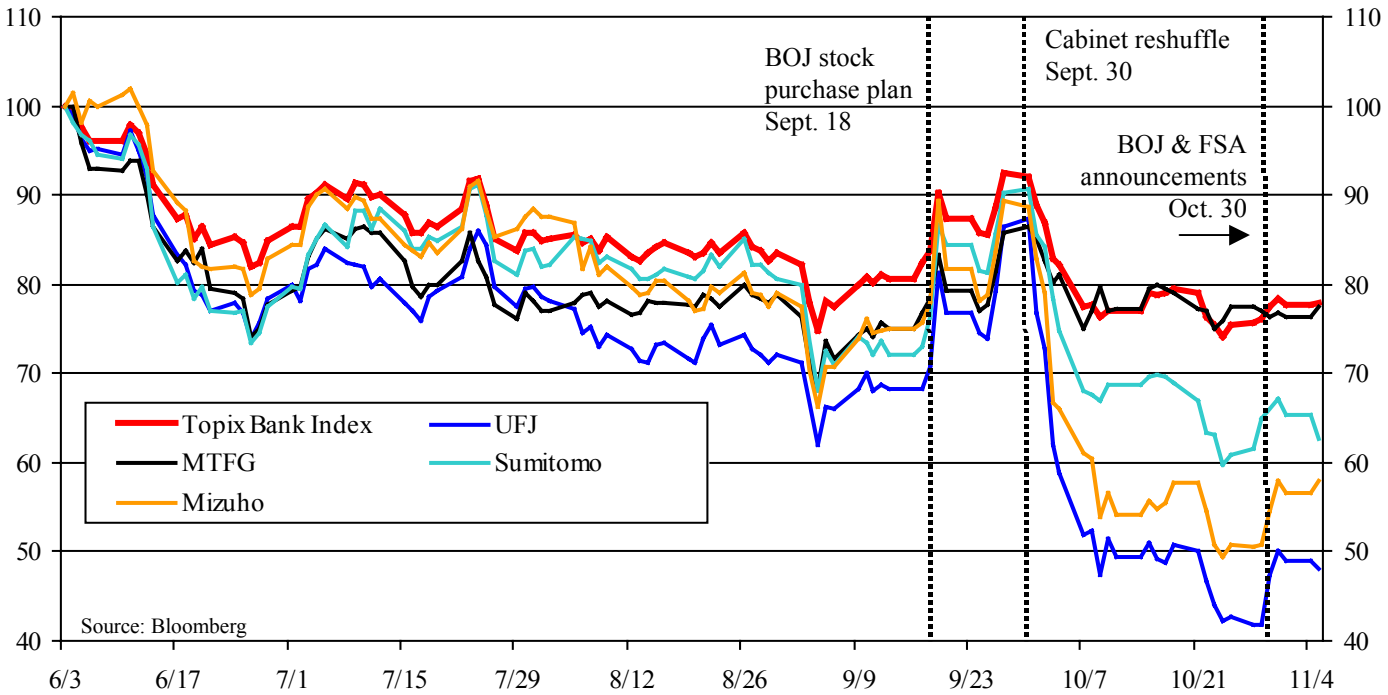
June 03, 2002 - November 05, 2002

Index

Index

6/3/02=100

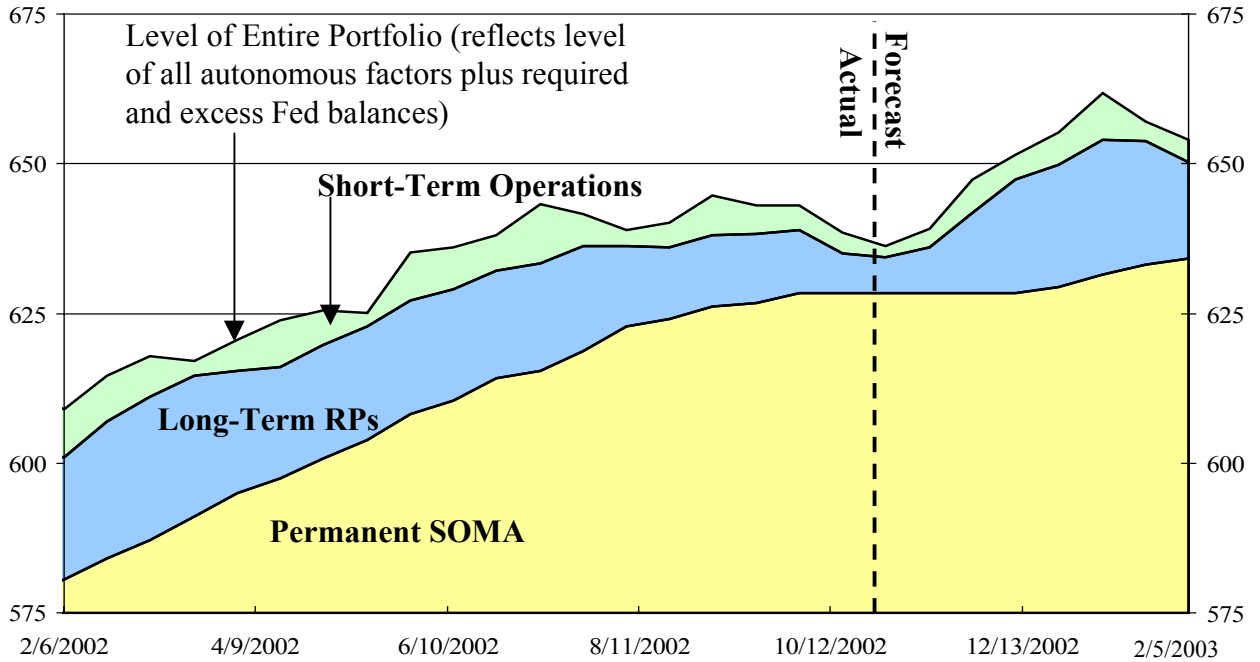
6/3/02=100



November 6, 2002

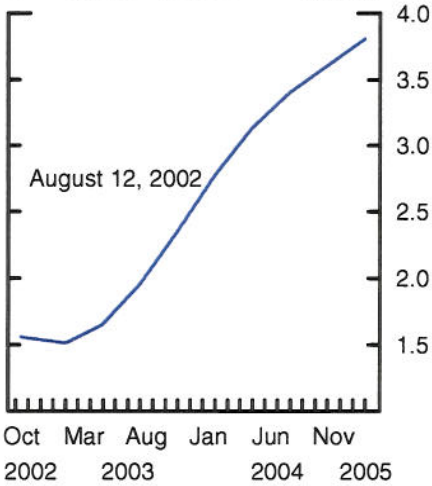
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**Total Domestic Portfolio: Permanent SOMA Holdings, Long-Term RPs,
and Short Term Operations (RPs less Matched Sale-Purchase Agreements)**
Maintenance Period Averages, Billions of Dollars
February 2002 to February 2003

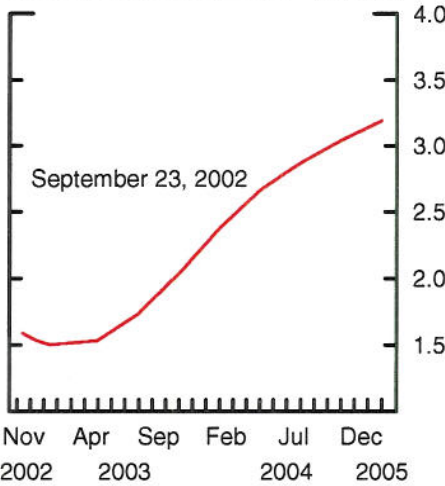


Appendix 2: Materials used by Mr. Reinhart

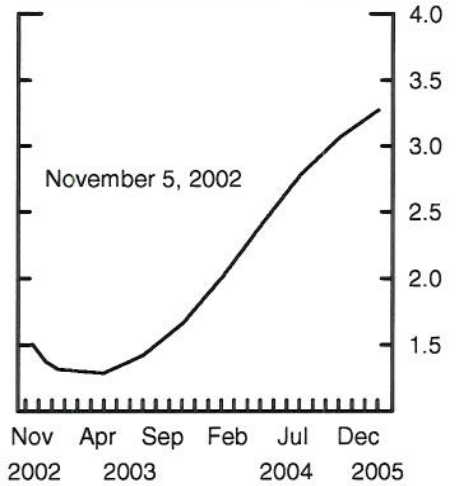
Expected Federal Funds Rates on August 12, 2002 Percent



Expected Federal Funds Rates on September 23, 2002 Percent

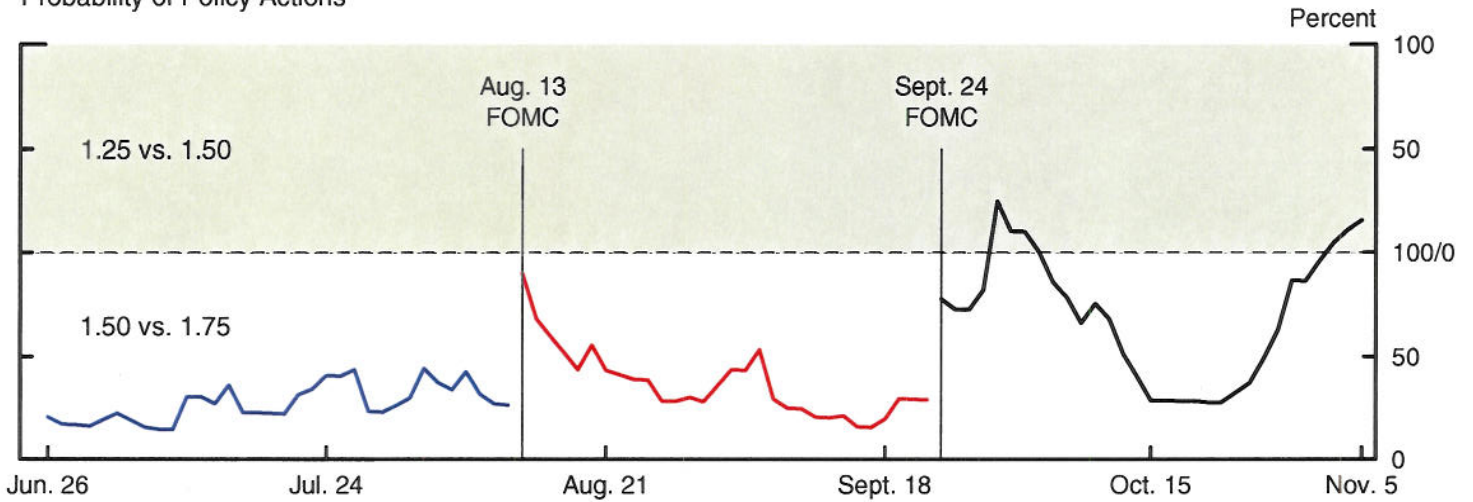


Expected Federal Funds Rates on November 5, 2002 Percent



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

Probability of Policy Actions*

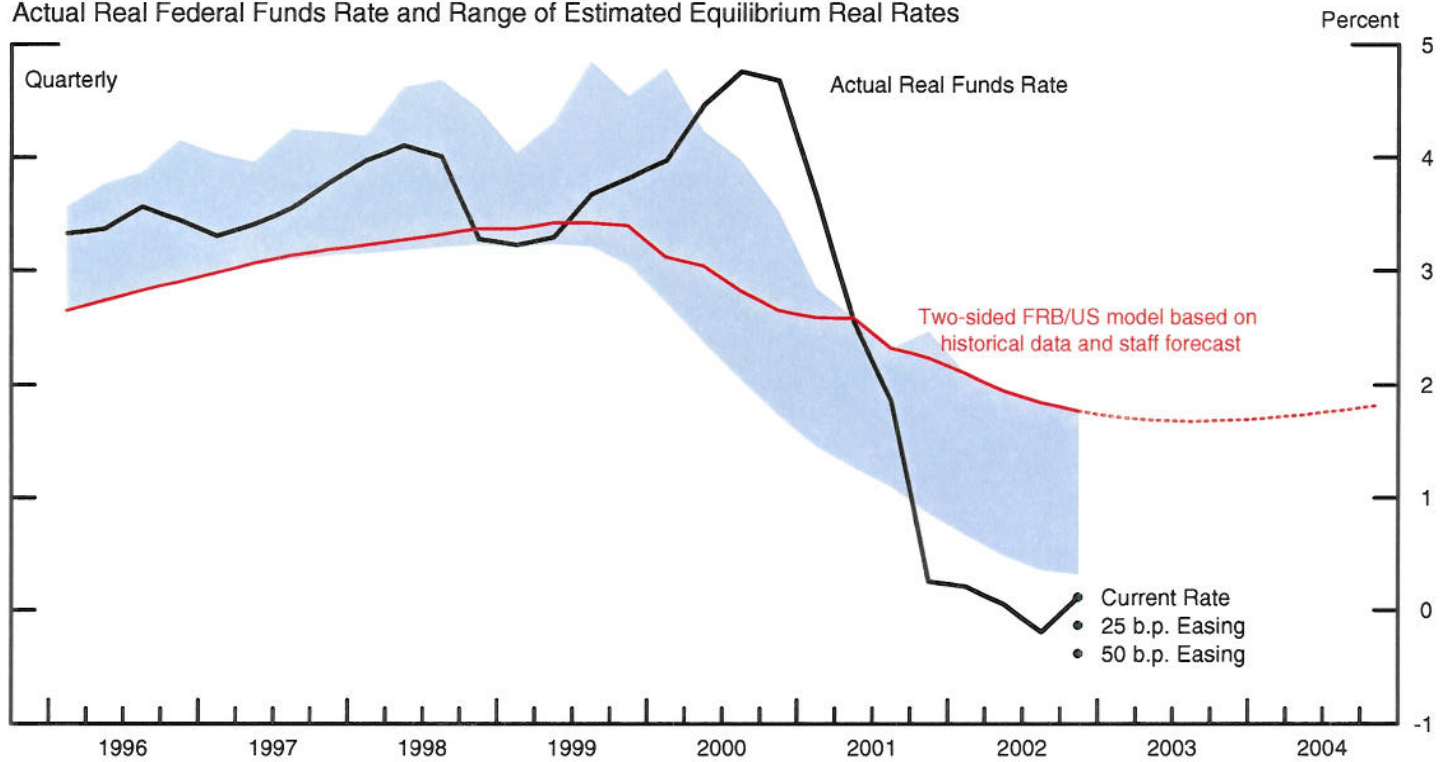


*Based on near-term federal funds futures contract.

MMS Survey
(Number of Respondents)

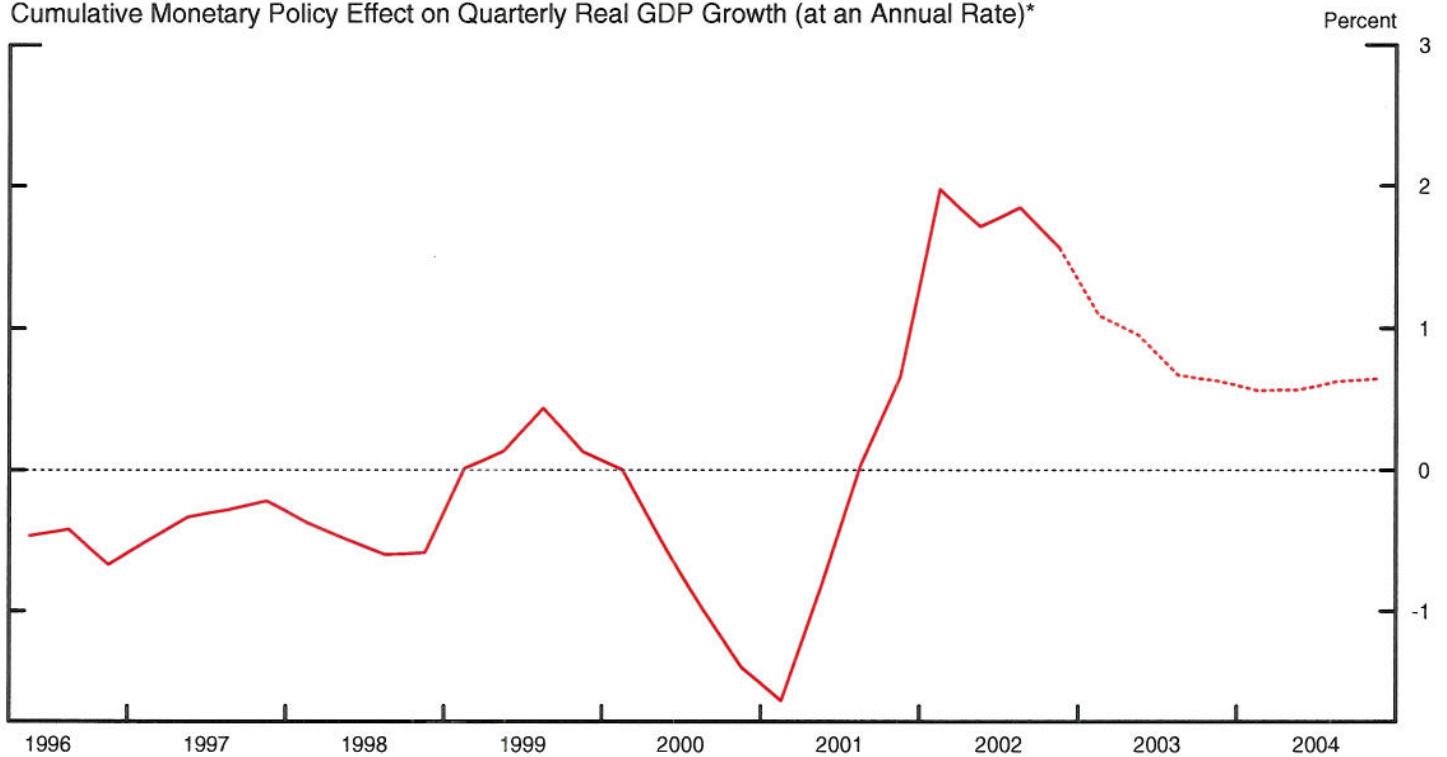
	November Meeting		December Meeting		January Meeting	
	Weakness	Neutral	Weakness	Neutral	Weakness	Neutral
Target 1.75	11	0	8	0	7	1
1.50	15	0	11	0	9	1
1.25	10	0	16	0	15	1
1.00	0	0	1	0	2	0

Actual Real Federal Funds Rate and Range of Estimated Equilibrium Real Rates



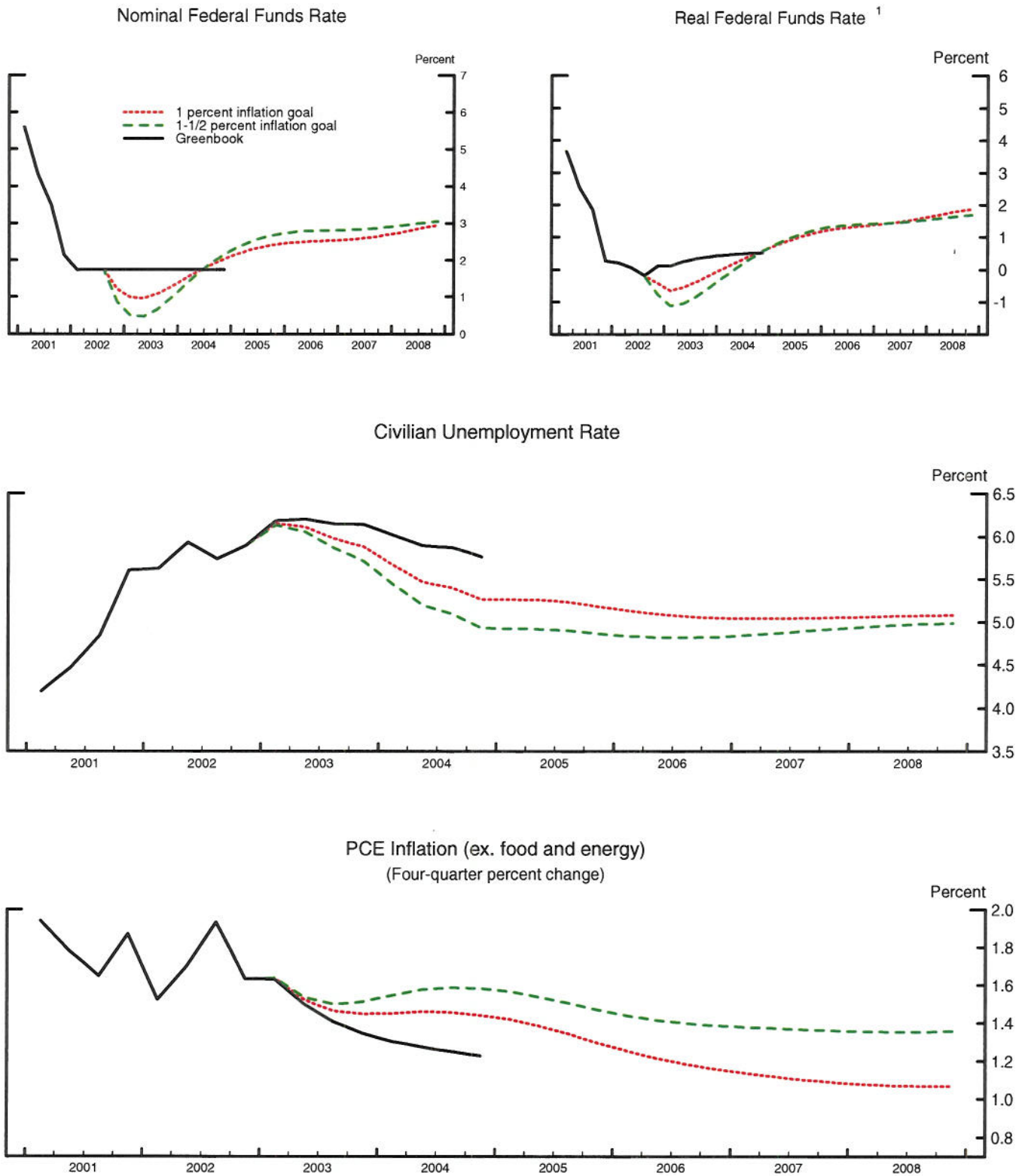
Note: The shaded range represents the maximum and the minimum values each quarter of six estimates of the equilibrium real federal funds rate based on a statistical filter and the FRB/US model. Real federal funds rates employ four-quarter lagged core PCE inflation as a proxy for inflation expectations, with the staff projection used for 2002Q3 - 2002Q4.

Cumulative Monetary Policy Effect on Quarterly Real GDP Growth (at an Annual Rate)*



*From two-sided FRB/US model based on historical data and staff forecast.

Exhibit 3
(Chart 7 from Bluebook)



The perfect foresight simulations extend the key assumptions of the staff outlook (other than the path for monetary policy) through 2008:

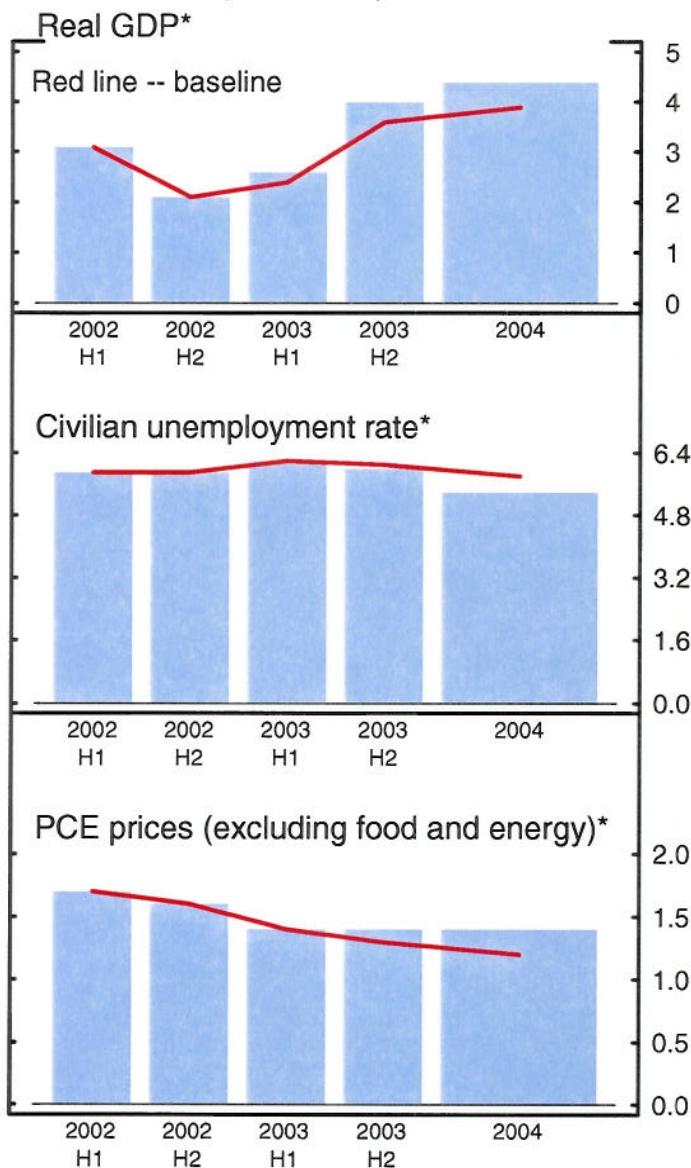
- potential output grows at about 3-1/2 percent per year
- the relative price of oil stabilizes at its 2005 level
- the exchange value of dollar measured in real terms falls at a 3 percent clip
- modest growth in federal expenditures allows an improvement in the federal budget balance

1. The real federal funds rate is calculated as the quarterly average nominal funds rate minus the four-quarter lagged core PCE inflation rate as a proxy for inflation expectations.

Balance-of-Risks Statement

- "The new language is designed to express the Committee's sense of risks to the attainment of its long-run goals of stable prices and sustainable economic growth."
- "Although 'the foreseeable future' is intended to convey a length of time extending beyond the next FOMC meeting, this concept is necessarily elastic, given that the relevant horizon may depend on economic conditions."

--Lower Funds Rate Path Scenario--
(Blue bars)



The Committee might retain unbalanced risks if:

- In the near term resource slack is expected to build.
- Uncertainty surrounding the forecast might seem to weigh particularly heavily on the down side.

The Committee might switch to balanced risks if:

- Aggregate demand is expected to expand considerably faster than aggregate supply in the second half of 2003 and 2004.
- Action today may better balance the odds of future action.

*Percent change, annual rate, from end of preceding period, except civilian unemployment rate which is average for the final quarter of the period.