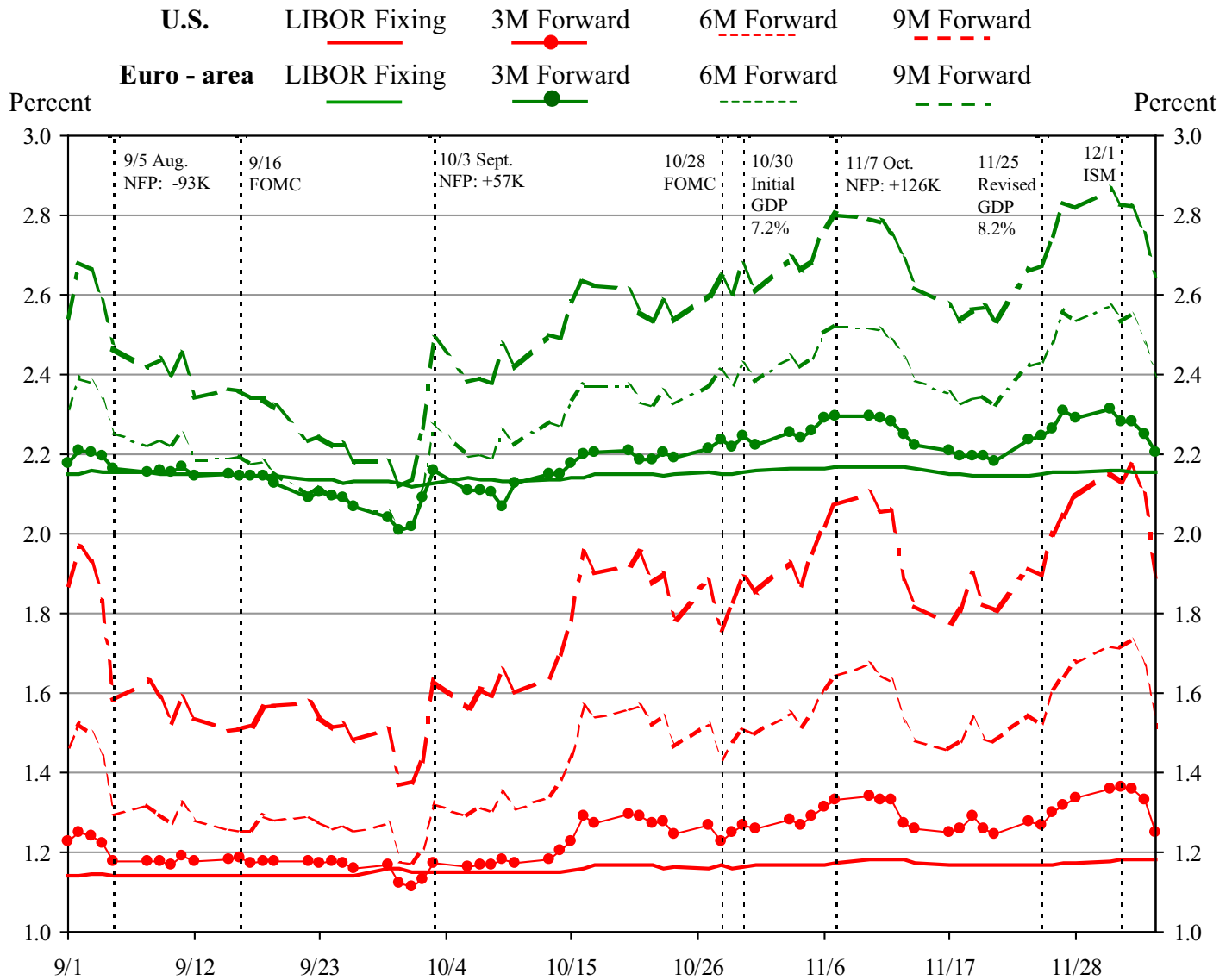


Appendix 1: Materials used by Mr. Kos

Current U.S. and Euro-area 3-Month Deposit Rates and Rates Implied by Traded Forward Rate Agreements

September 1, 2003 - December 5, 2003



2-Year Treasury Note Yield and Federal Funds Rate Target

July 1, 2002 - December 5, 2003

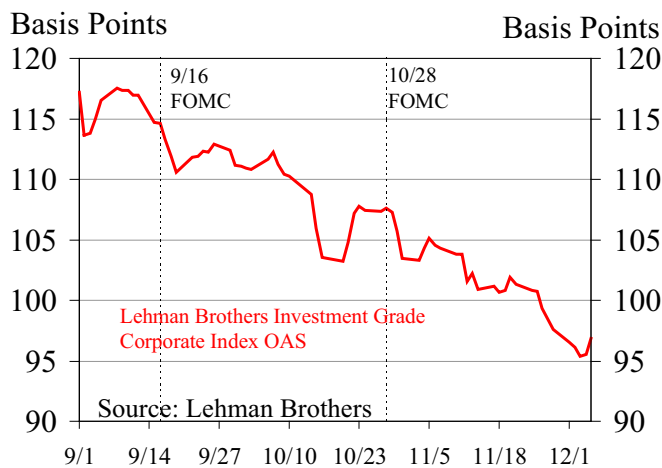


2-Year Treasury Note Yield Less Federal Funds Rate Target



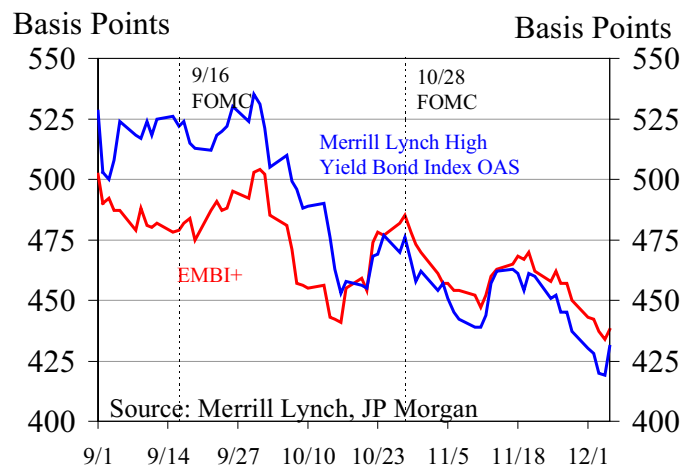
Investment Grade Corporate Debt Spread

September 1, 2003 - December 5, 2003



High Yield and EMBI+ Spreads

September 1, 2003 - December 5, 2003



Average Yield on Merrill Lynch High Yield Bond Index

January 1, 1990 - December 5, 2003

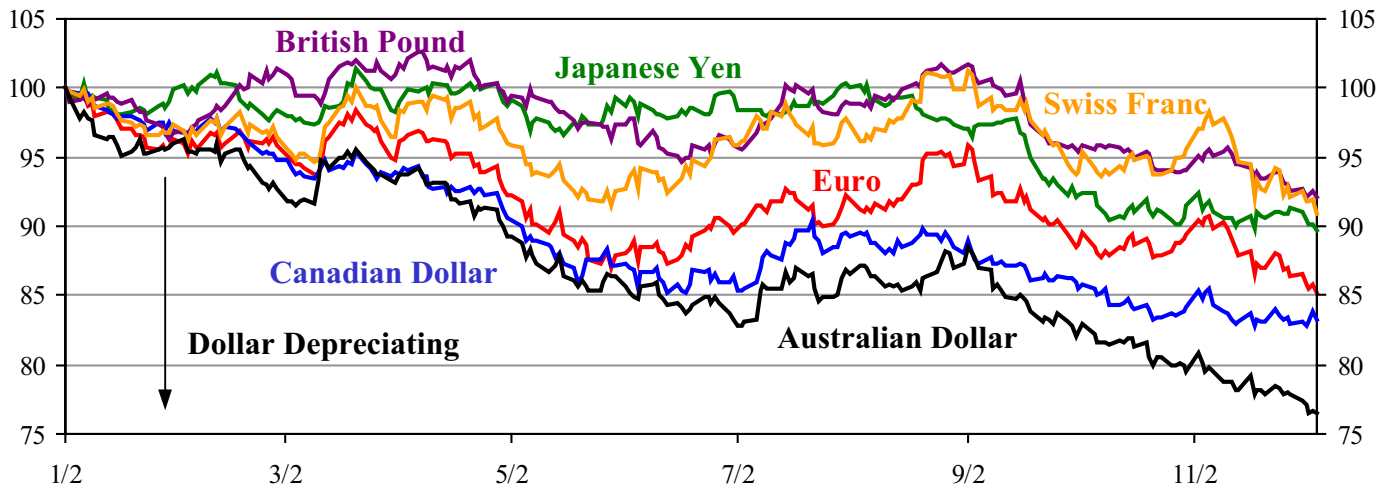


Select Foreign Currencies Versus U.S. Dollar

January 1, 2003 - December 5, 2003

Index: 100 = 1/1/03

Index: 100 = 1/1/03



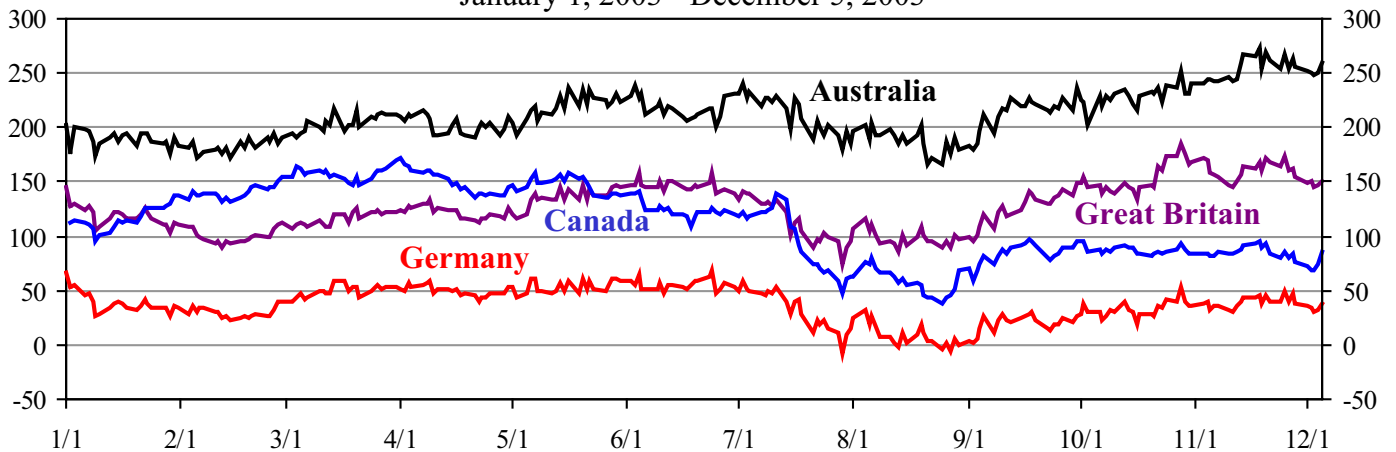
Interest Rate Differentials:

Select 5-Year Government Spreads to U.S. Treasuries

January 1, 2003 - December 5, 2003

Basis Points

Basis Points

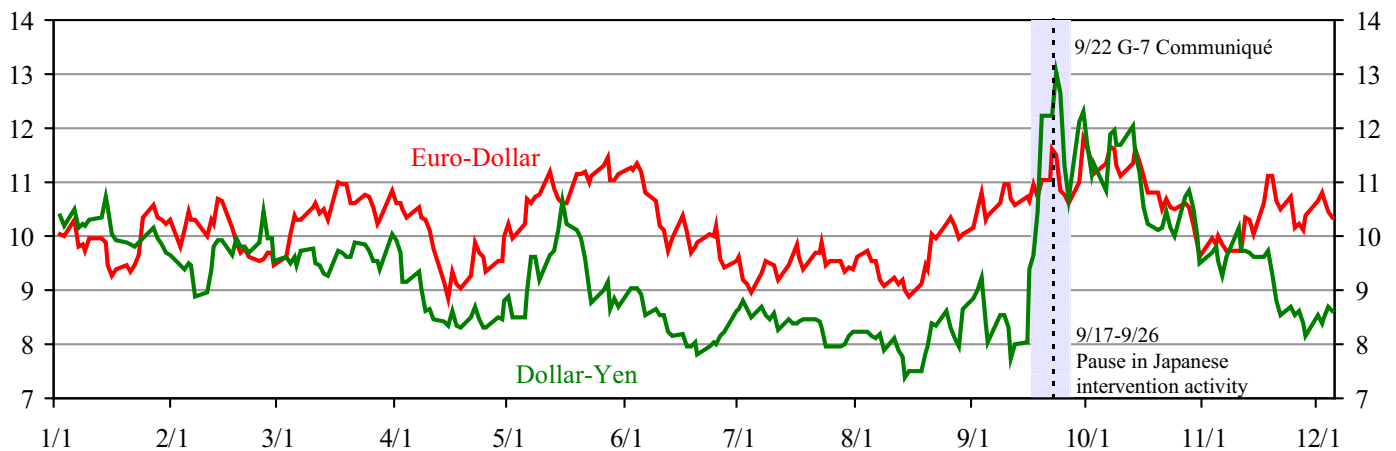


Euro-Dollar and Dollar-Yen 1-Month Option Implied Volatility

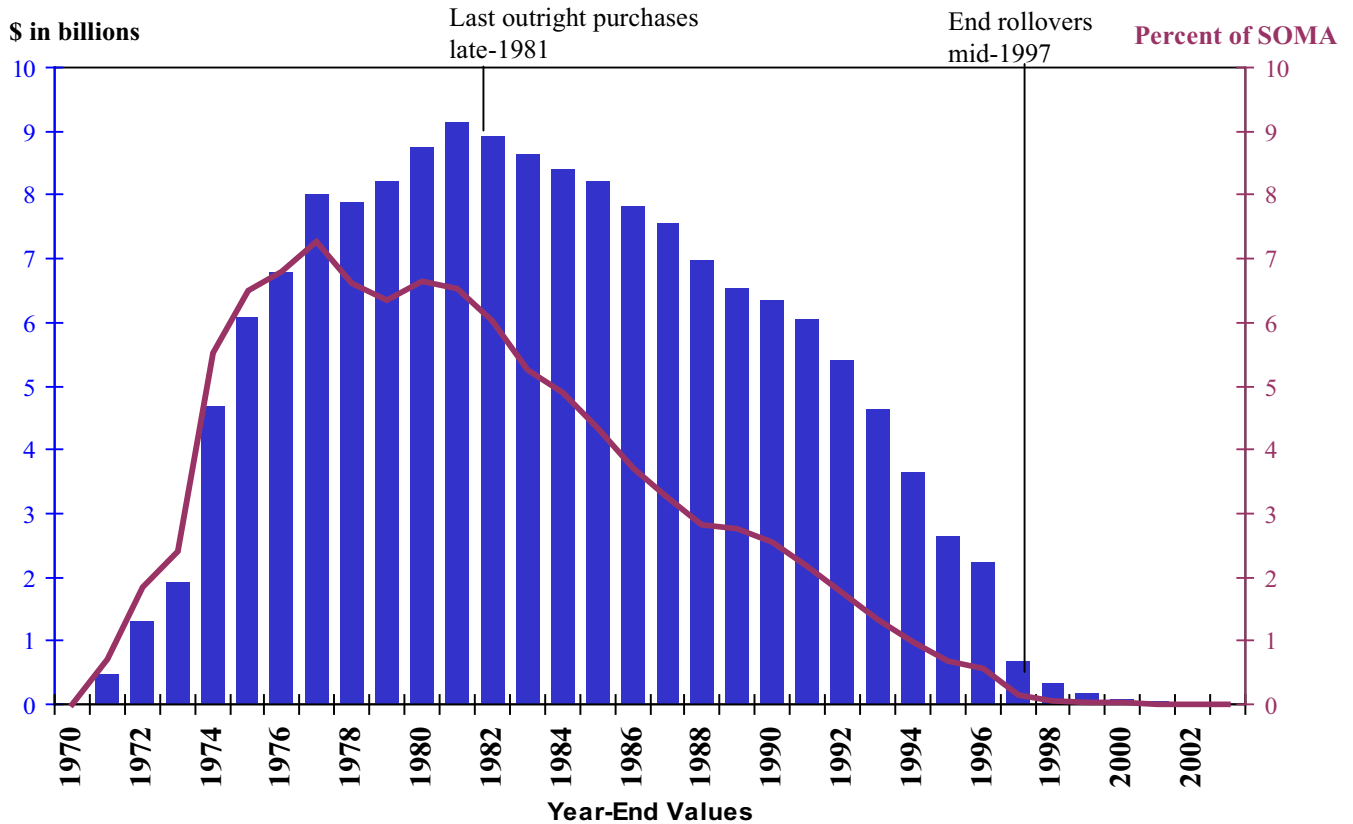
January 1, 2003 - December 5, 2003

Percent

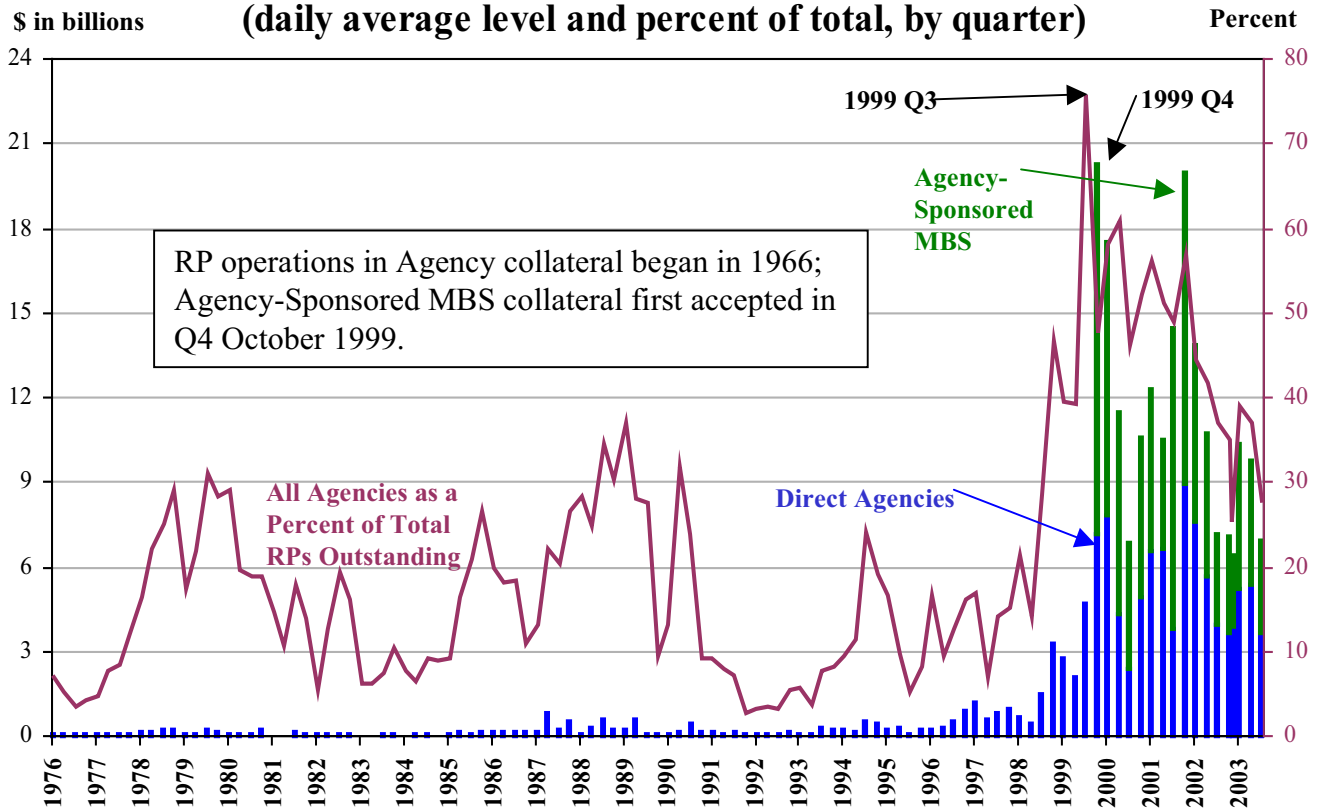
Percent



The History of SOMA Holdings of Federal Agency Securities



Agency and MBS Collateral on Outstanding RPs (daily average level and percent of total, by quarter)

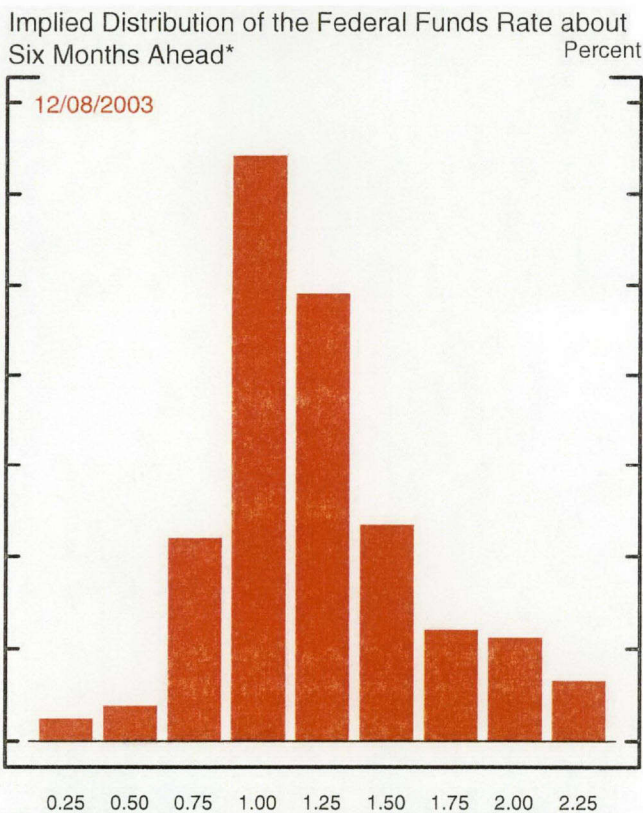
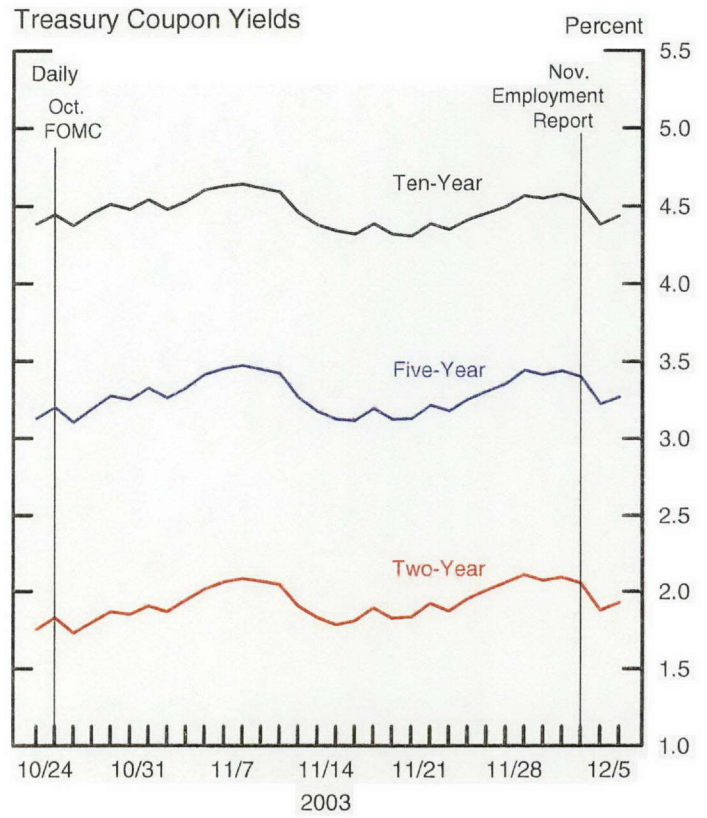
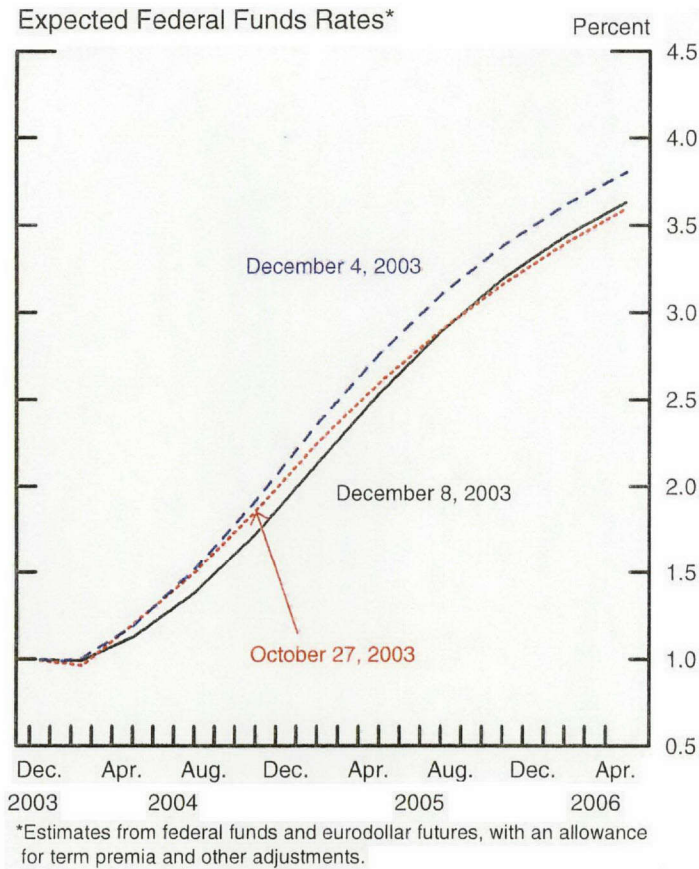


Appendix 2: Materials used by Mr. Madigan

Material for
Briefing on Monetary Policy Alternatives
December 9, 2003

STRICTLY CONFIDENTIAL (FR)
CLASS I FOMC

Exhibit 1 Market Developments



*Based on the distribution of the three-month eurodollar rate five months ahead (adjusted for a risk premium) as implied by options on eurodollar futures contracts.

Expectations for the Upcoming FOMC Statement (FRBNY Survey of Primary Dealers)

- 12 of 22 dealers expect the **considerable period** phrase to be dropped.
- 5 of 22 dealers expect the FOMC to alter the **individual risk assessments**.
 - 3 expect balanced inflation risks
 - 2 expect upside growth risks
- 5 of 22 dealers expect the FOMC to shift its **overall risk assessment** to balance.

**Exhibit 2
Policy Choices**

Policy Alternatives in the Bluebook

- Unchanged stance of policy.
- Ease policy 25 basis points.
- No discussion of tightening.

Options for Revisions to Rationale Paragraph

- Update language.
 - Output "expanding briskly" instead of "firming."
 - Labor markets "improving modestly" instead of "stabilizing."
- Other changes.

Alternative Assessments of Balance of Risks

Risks to Inflation

		Unwelcome Fall	Balanced
Risks to Sustainable Economic Growth	Balanced	Low inflation predominant concern	Balanced
	Weighted to the Upside	Low inflation predominant concern -or- Balanced	Balanced -or- Unsustainably rapid growth predominant concern

Possible variations: (1) Qualify any assessments.
(2) Omit the overall balance.

Options for "Considerable Period" Language

- Retain: "In these circumstances, the Committee believes that policy accommodation can be maintained for a considerable period."
- Substitute "for a while" for "a considerable period."
- Explain: "With inflation quite low and resource use slack,..."
- Recast in terms of "patience."
- Recast conditionally: "Policy accommodation can be maintained for the considerable period that..."
- Drop.

Appendix 3: Materials used by Mr. Ferguson

Status Report from the Working Group on Communications

1. The Working Group has reduced the many proposed alternatives for the risk assessment into three basic types
 - that differ according to their specificity, discussion of levels and changes of output and inflation, and length of the time horizon.
2. Reserve Bank and Board staff will stress test the alternatives
 - under six scenarios that include likely near-term course of economy and episodes that have proven challenging.
3. Board staff will prepare memos on expediting the release of the minutes and enhancing the role of the economic forecasts of the governors and Reserve Bank presidents, which the Committee may consider as a substitute or complement to the proposed risk assessments.
4. This material will be sent to the Committee in advance of the January meeting.

Proposal A

The Committee believes that, for the foreseeable future, the risks to inflation relative to the Committee's long-run goal of price stability are [weighted toward the downside / balanced / weighted toward the upside]; the risks to real economic activity relative to the long-run goal of sustainable economic growth are [weighted toward the downside / balanced / weighted toward the upside]; and, taken together,

- the risks to its objectives are roughly in balance.
- the risk of inflation becoming undesirably [high / low] is the predominant concern.
- the risk of [unsustainable / weak] real economic activity is the predominant concern.

This version

- merges levels and changes
- alludes to benchmarks in the overall risk assessment
- uses the "elastic" notion of the foreseeable future

Proposal B

The incoming data over the intermeeting period suggests that output is expanding briskly but that resource slack remains considerable and inflation well contained.

The probability of economic growth running above its long-run sustainable pace is below / about equal to / above that of it falling short over the next few quarters.

Over the same period, the probability of inflation rising is below / about equal to / above that of it declining. In light of this assessment and against the backdrop of its long-run goals of price stability and maximum employment, the Committee judges that the risk(s)

- of [increasing pressure on resources / decreasing pressure on resources] / (*and*) / [inflation running undesirably high / inflation running undesirably low] is (are) the more pressing concern(s)
- the risks to both of its long-run goals are balanced

for the foreseeable future.

This version

- is explicit about levels (in the first paragraph) and changes (in the second paragraph)
- alludes to benchmarks in the overall risk assessment
- uses a more specific time frame

Proposal C

The incoming data over the intermeeting period suggests that output is expanding briskly but that resource slack remains considerable and inflation well contained.

The Committee anticipates that the stance of its policy, if maintained, should foster a working down of resource slack over the next two years and containment of inflation around its already low level.

Going forward, the Committee's assessment of the risks to this outlook are such that its forecast of economic growth for the next two years is [more / equally / less] likely to be increased than decreased over the next few months. Over the same period, the Committee's longer-term outlook for inflation is [more / equally / less] likely to be increased than decreased. Against the backdrop of its goals of maximum sustainable economic growth and price stability, the Committee views the risks to its outlook [for economic activity / for inflation to be the predominant concern] / [as balanced].

This version

- is explicit about levels and changes
- alludes to benchmarks in the first paragraph
- uses two time spans (the longer forecast period and the shorter period over which that outlook might change)
- emphasizes the Committee's forecast of the economy