

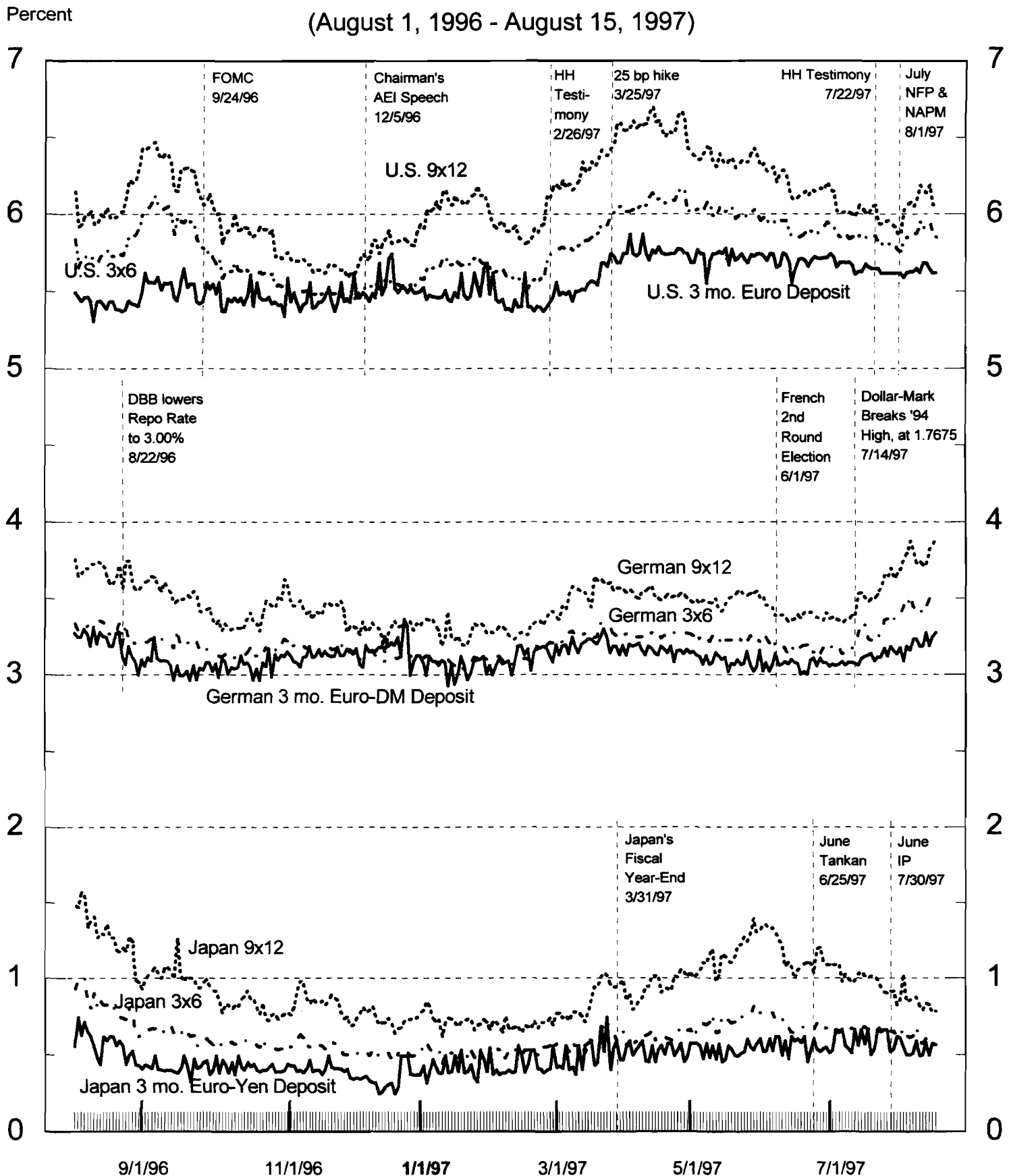
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APPENDIX 1

Charts used by Mr. Fisher in his statement.

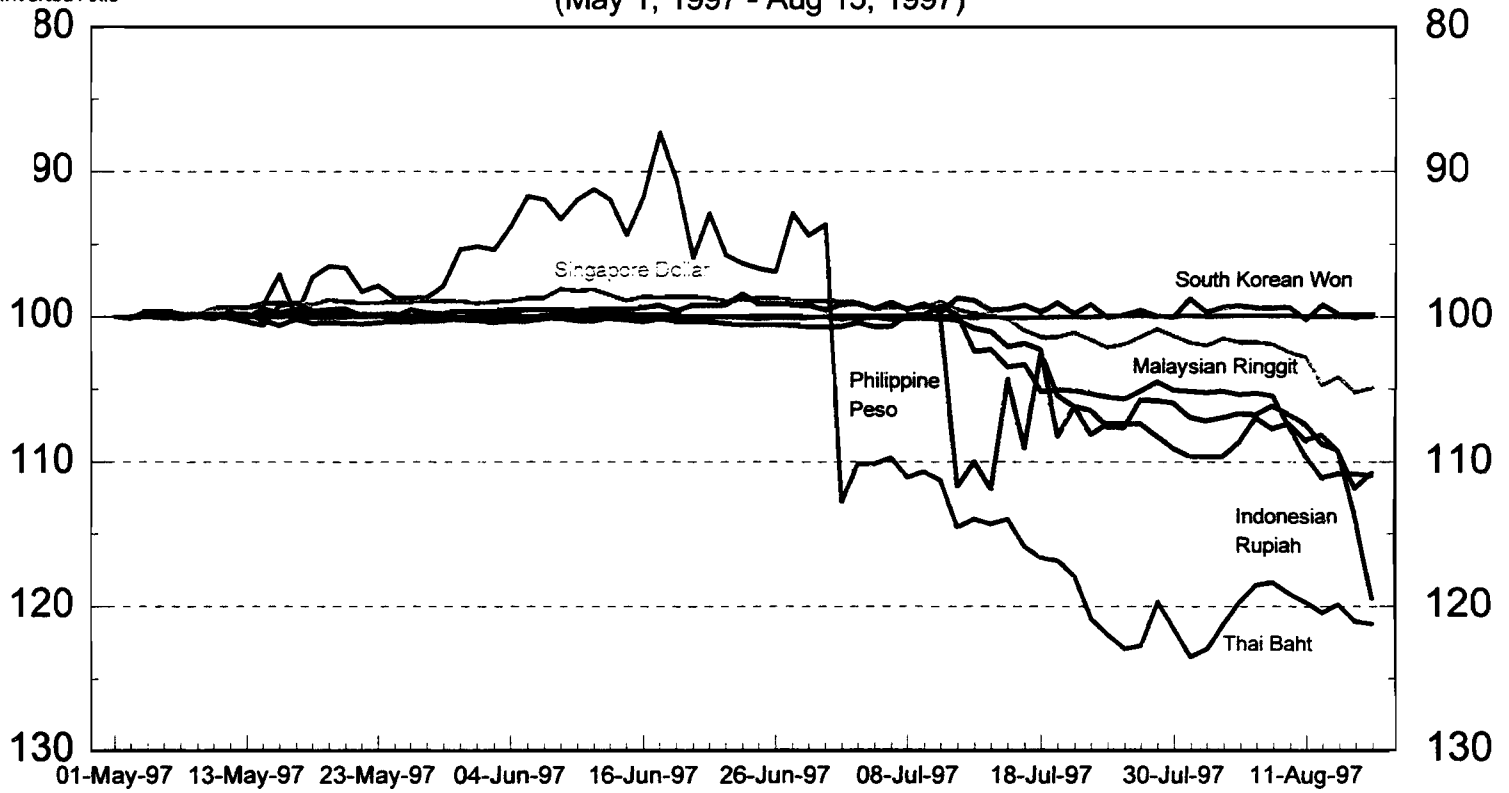
G-3 FRA and Euro-Deposit Rates

(August 1, 1996 - August 15, 1997)



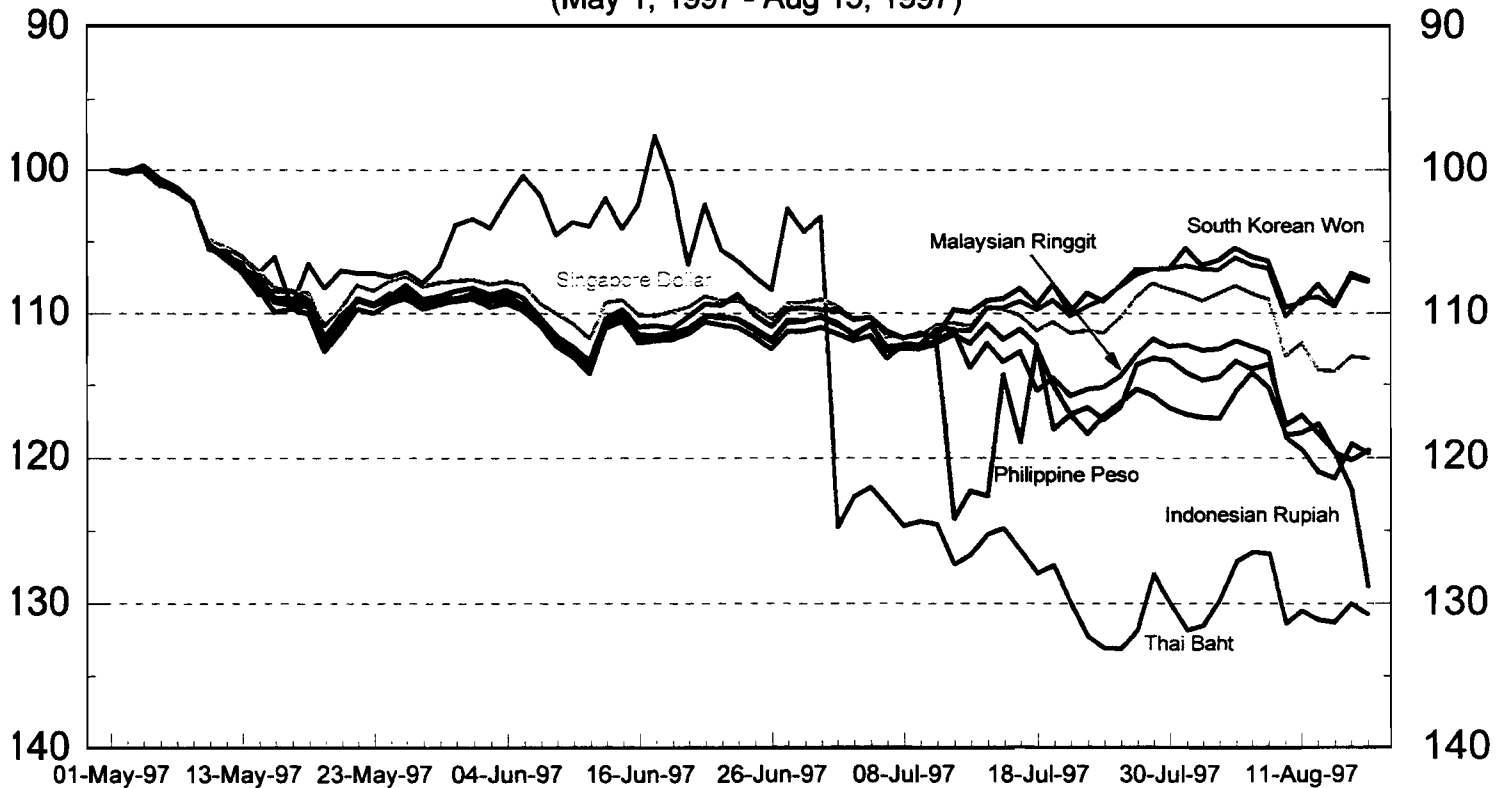
Asian Currencies Indexed Against U.S. Dollar (May 1, 1997 - Aug 15, 1997)

5/1/97=100
Inverted Axis

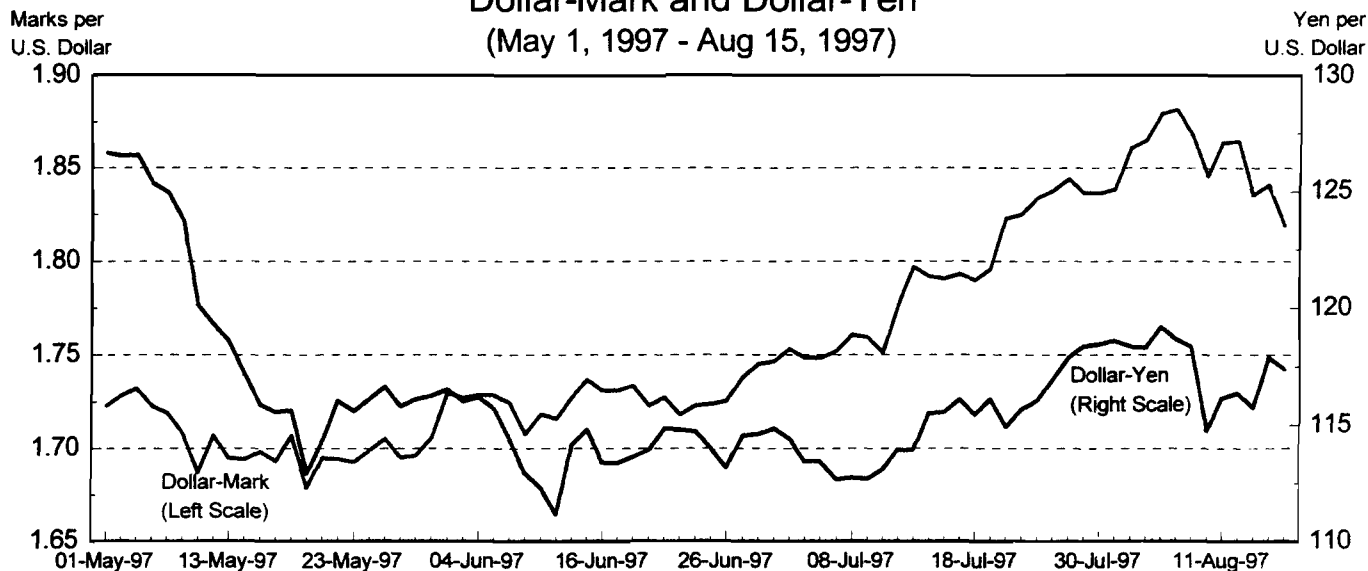


Asian Currencies Indexed Against Japanese Yen (May 1, 1997 - Aug 15, 1997)

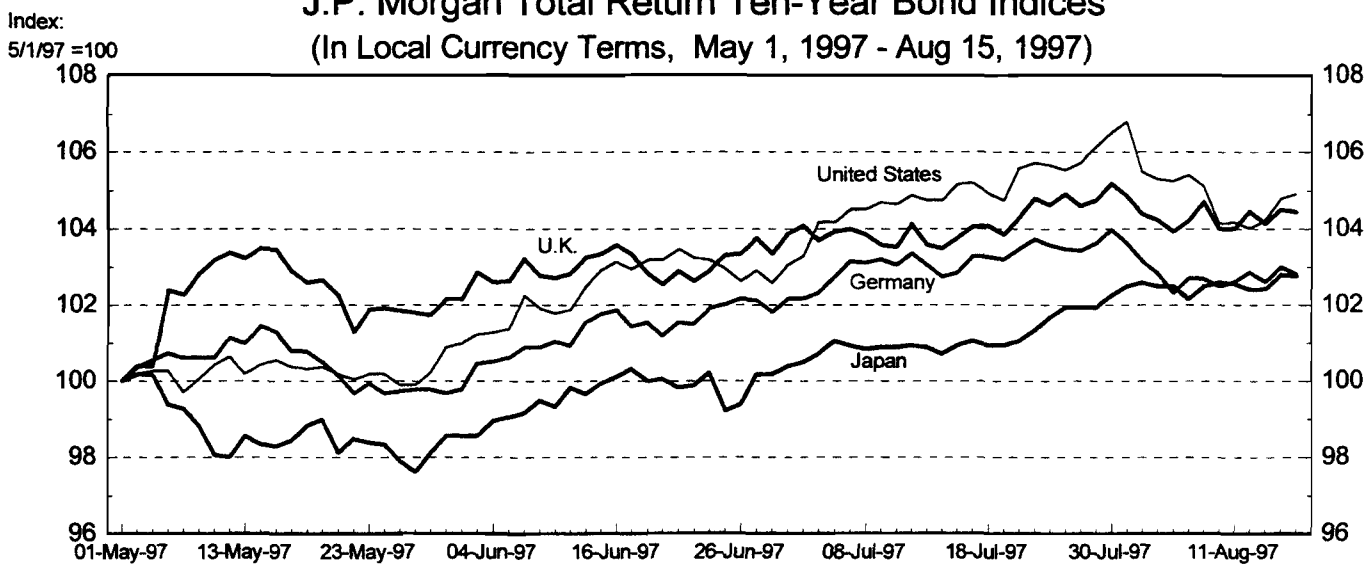
5/1=100
Inverted Axis



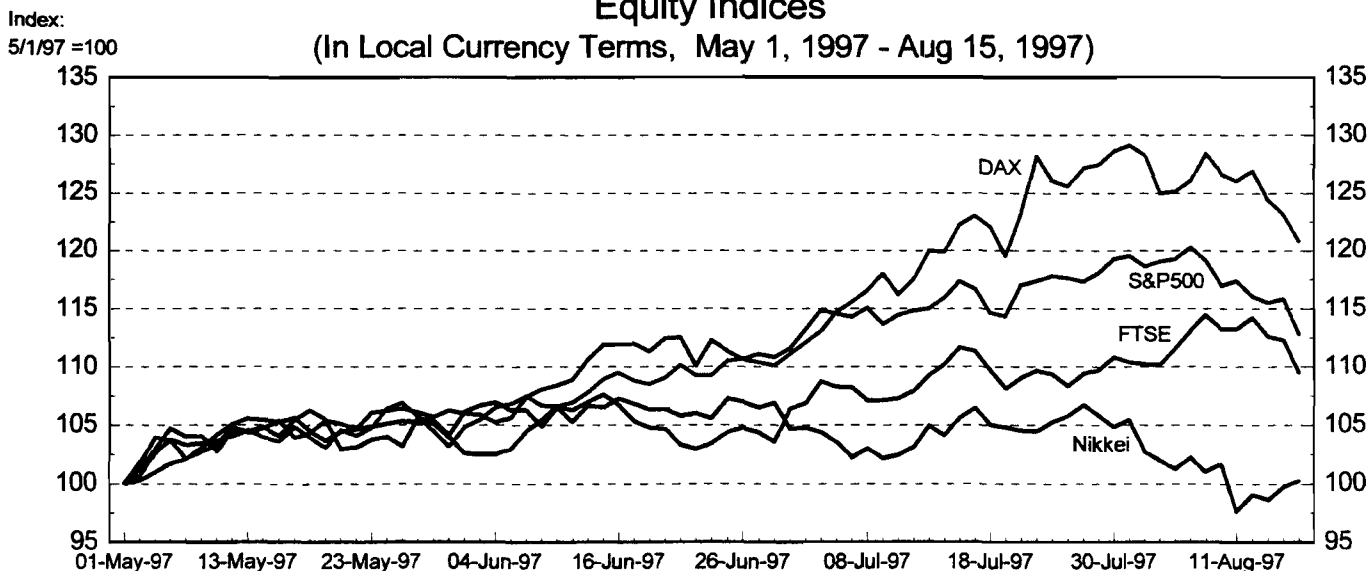
Dollar-Mark and Dollar-Yen (May 1, 1997 - Aug 15, 1997)



J.P. Morgan Total Return Ten-Year Bond Indices (In Local Currency Terms, May 1, 1997 - Aug 15, 1997)



Equity Indices (In Local Currency Terms, May 1, 1997 - Aug 15, 1997)



--- OLD PARADIGM ---

--- NEW PARADIGM ---

Growth needs to be moderate, or slowed, to avoid a pick up in inflation.

As a result of investment, productivity, competition, etc., growth can be strong, and even accelerate, without causing inflation to rise.

Pessimist

Optimist

Optimist

Pessimist

Current view of economy:

INFLATION is about to break out! It's hiding in the lags.

Inflation is probably coming; but how soon is hard to tell.

It's a new era: productivity growth is taming inflation.

DEFLATION is here! There's no pricing power. Global capacity glut looms ahead.

View of Fed:

Behind the curve; providing too much liquidity.

Doing a good job; maybe they can pull this off for a few more quarters.

Doing a great job! Greenspan is a genius! Maybe they can pull this off forever.

Way too tight; only making the deflation worse.

Response to low inflation and strong activity: (e.g., 8/13 PPI and Retail Sales)

Sells stocks short; sells bonds short at low yields.

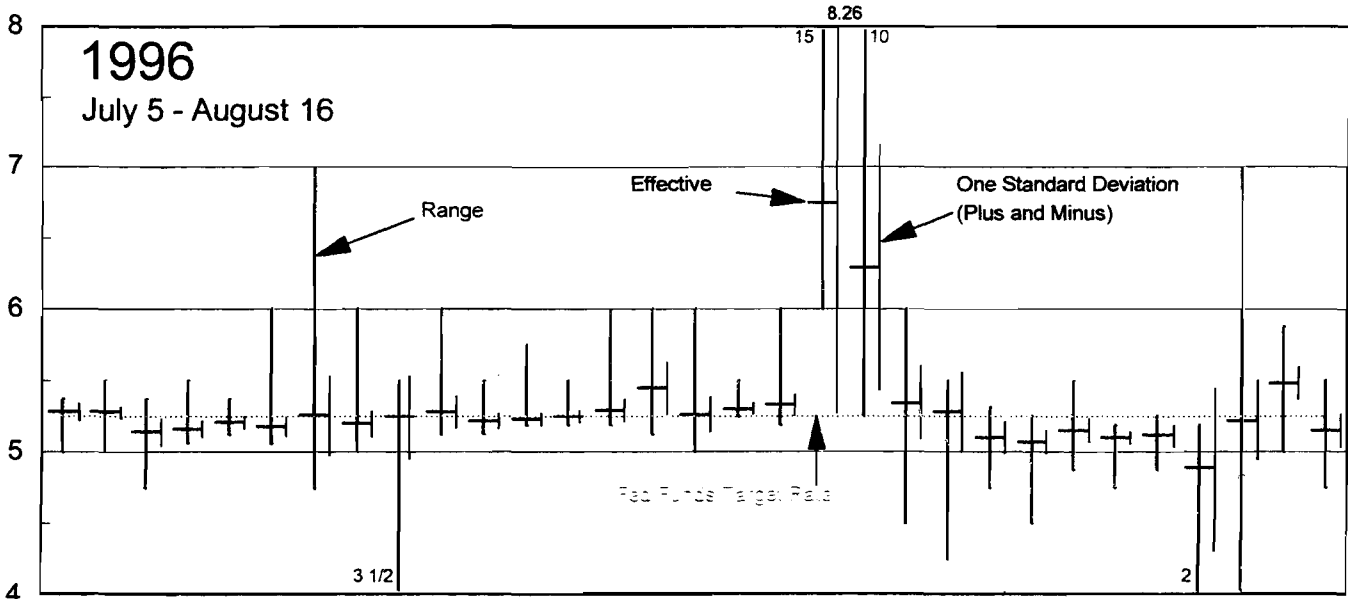
Buys stocks and bonds on dips; sells them on rallies.

Buys loads of stocks and some bonds whenever possible.

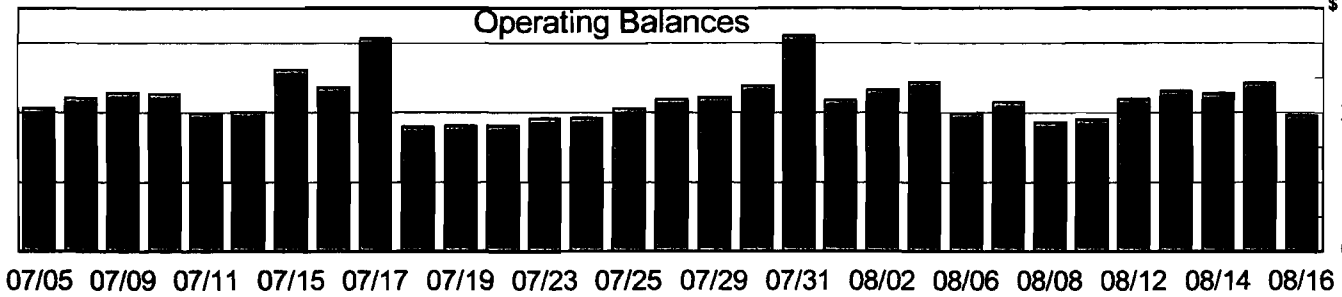
Sells stocks short; buys Treasuries.

Federal Funds Rate And Operating Balances

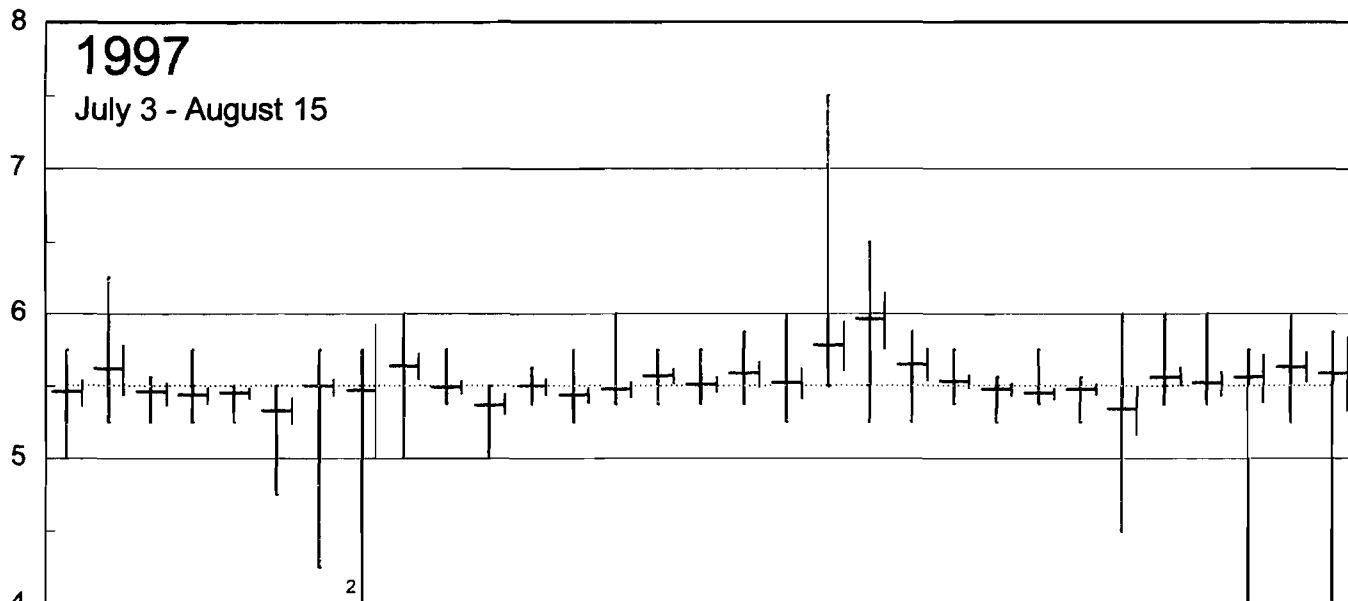
Percent



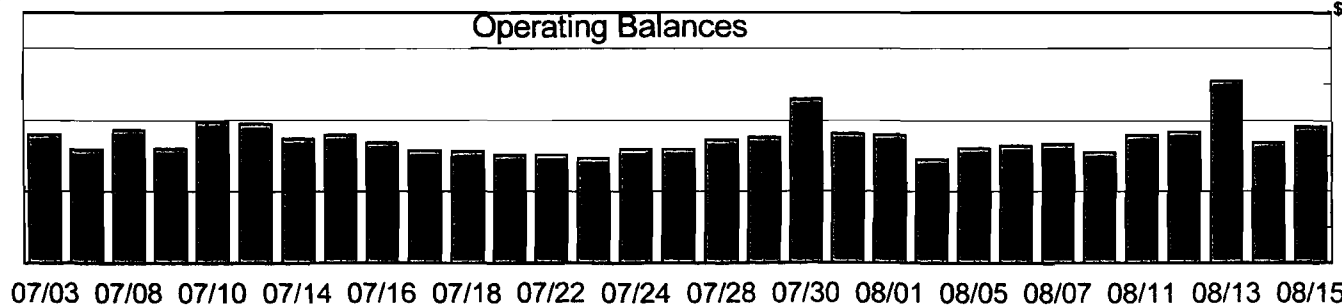
\$'s, billions



Percent



\$'s, billions

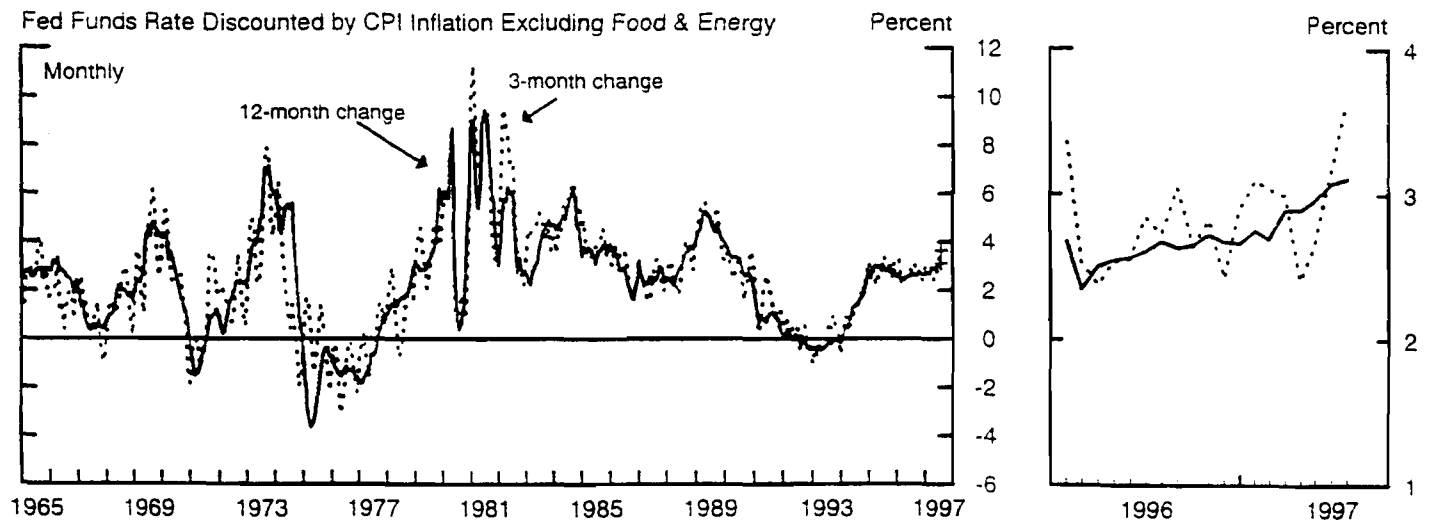
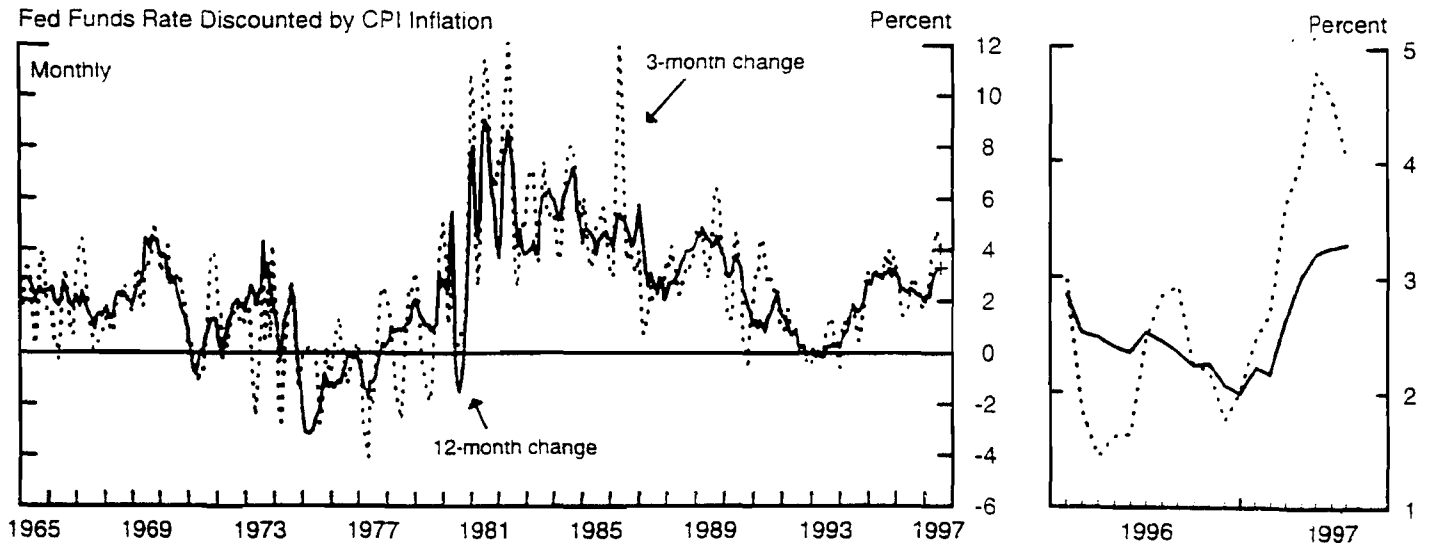


8/19/97

APPENDIX 2

Charts used by Mr. Kohn in his statement.

Chart 10
Real Federal Funds Rate
 (Using the Actual CPI-Measured Inflation Rate)

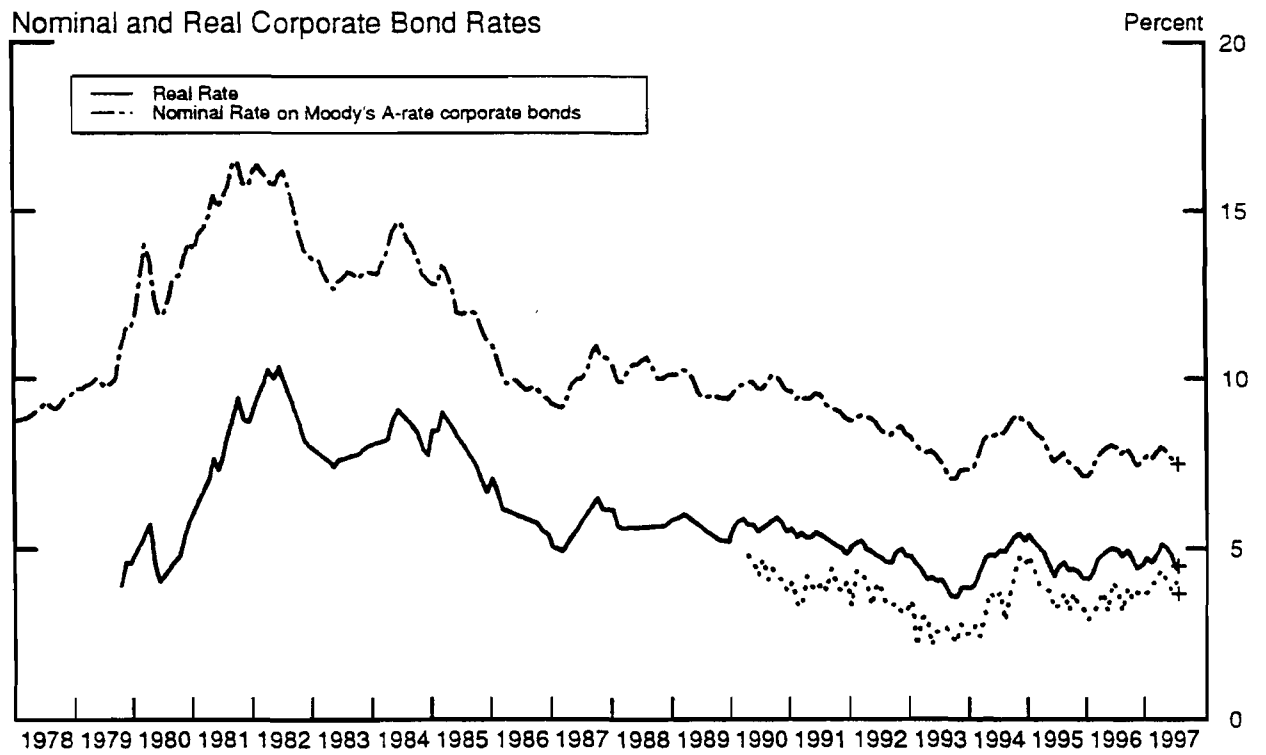
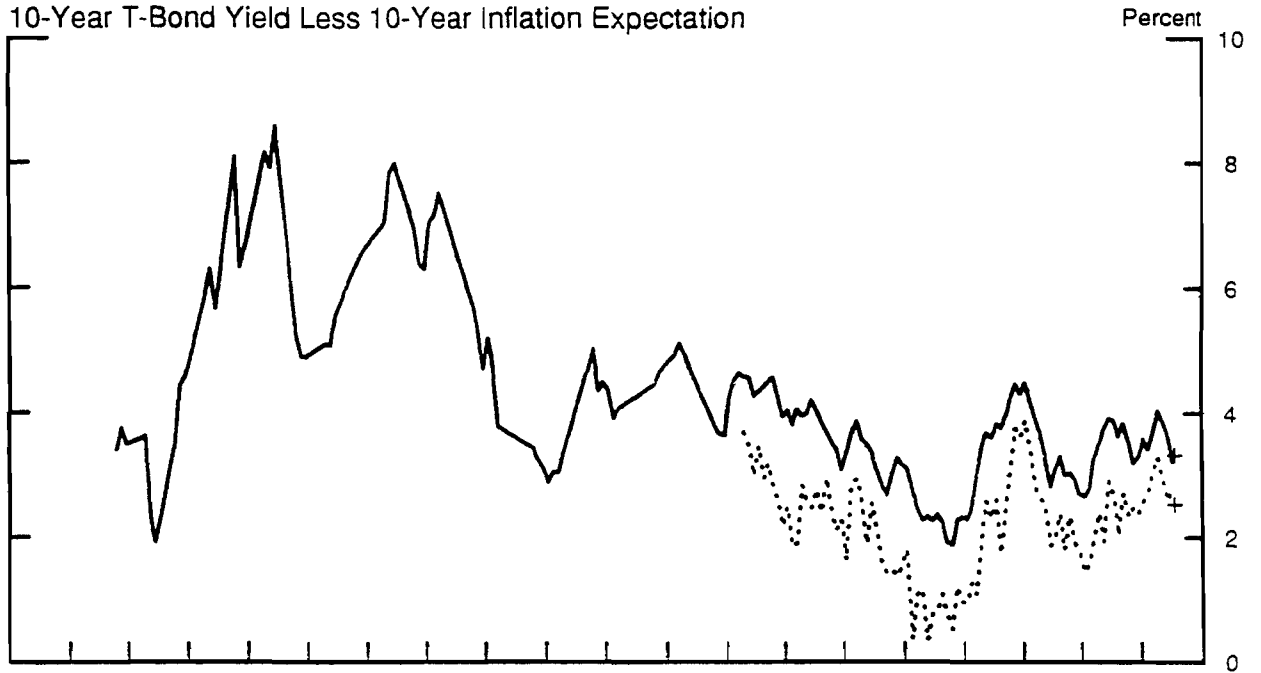


Period Averages of Monthly Real Fed Funds Rate

	Real rate using:			
	CPI		CPI exc. food & energy	
	3-month change	12-month change	3-month change	12-month change
Entire Sample	2.49	2.37	2.53	2.44
1979-97	3.50	3.27	3.26	3.06
1987-97	2.35	2.29	2.21	2.11
July 1997	4.04	3.30	3.64	3.11

Chart 5

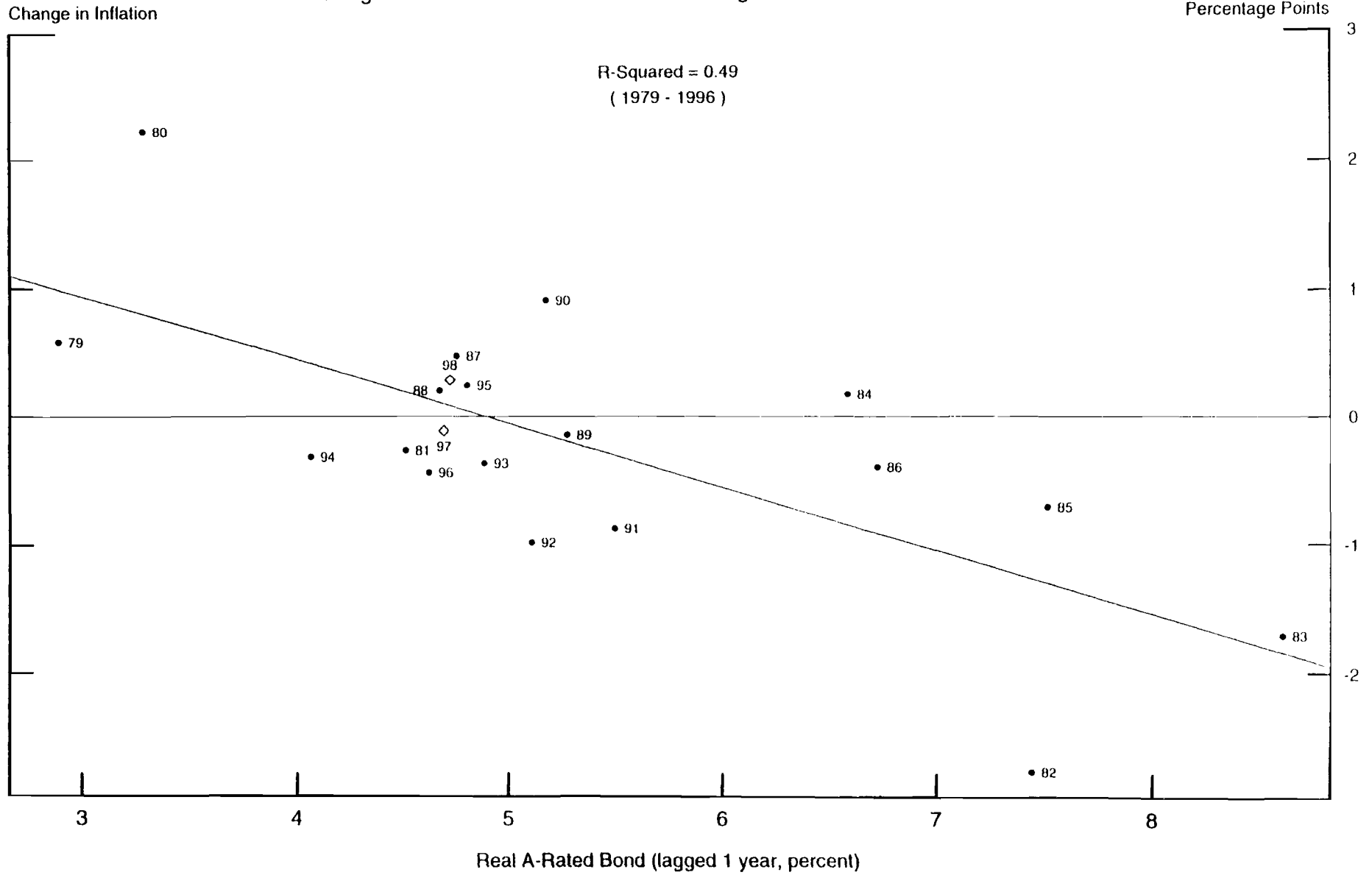
Long-Term Real Interest Rates*



* For real rates, the solid line measures 10-year inflation expectations by the Blue Chip survey until April 1991 and the Philadelphia Federal Reserve Bank survey thereafter. Dotted line uses Michigan 5 to 10 year inflation expectation.
+ Denotes most recent weekly value.

Chart 13

Changes in Core CPI Inflation and 1 Year Lag of Real A-Rated Bond Yield*



*Annual average nominal A-rated bond yield deflated by Hoey/Philadelphia Fed survey measure of long-run inflation expectations. Points for 1997 and 1998 are based on the Greenbook forecast.