

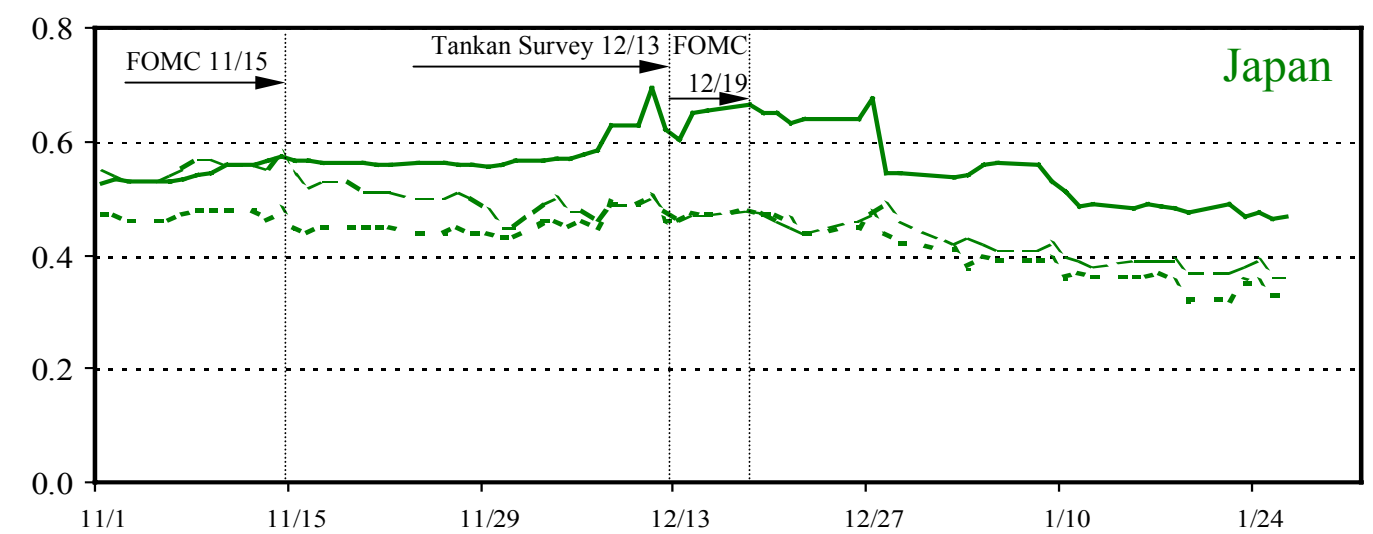
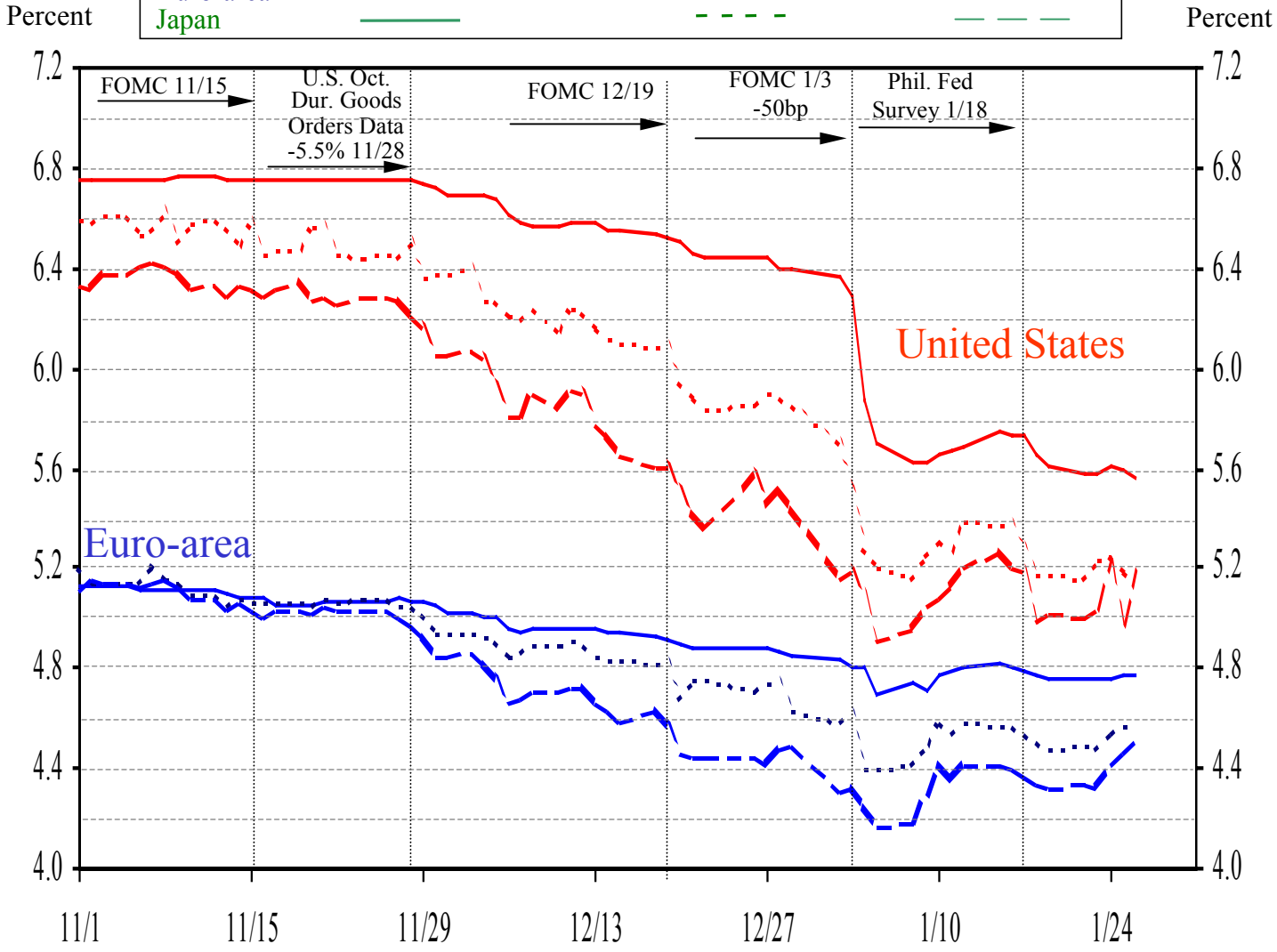
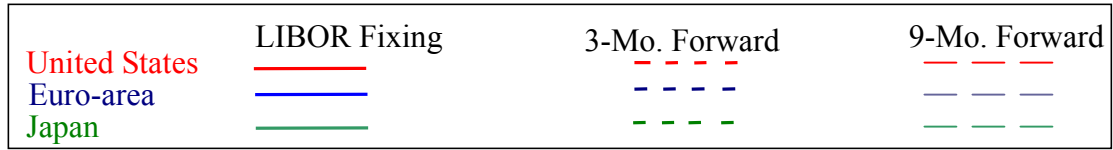
APPENDIX 1

Charts used by Mr. Fisher.

3-Month Deposit Rates

November 1, 2000 - January 26, 2001

Current Deposit Rate and Rates Implied by Traded Forward Rate Agreements

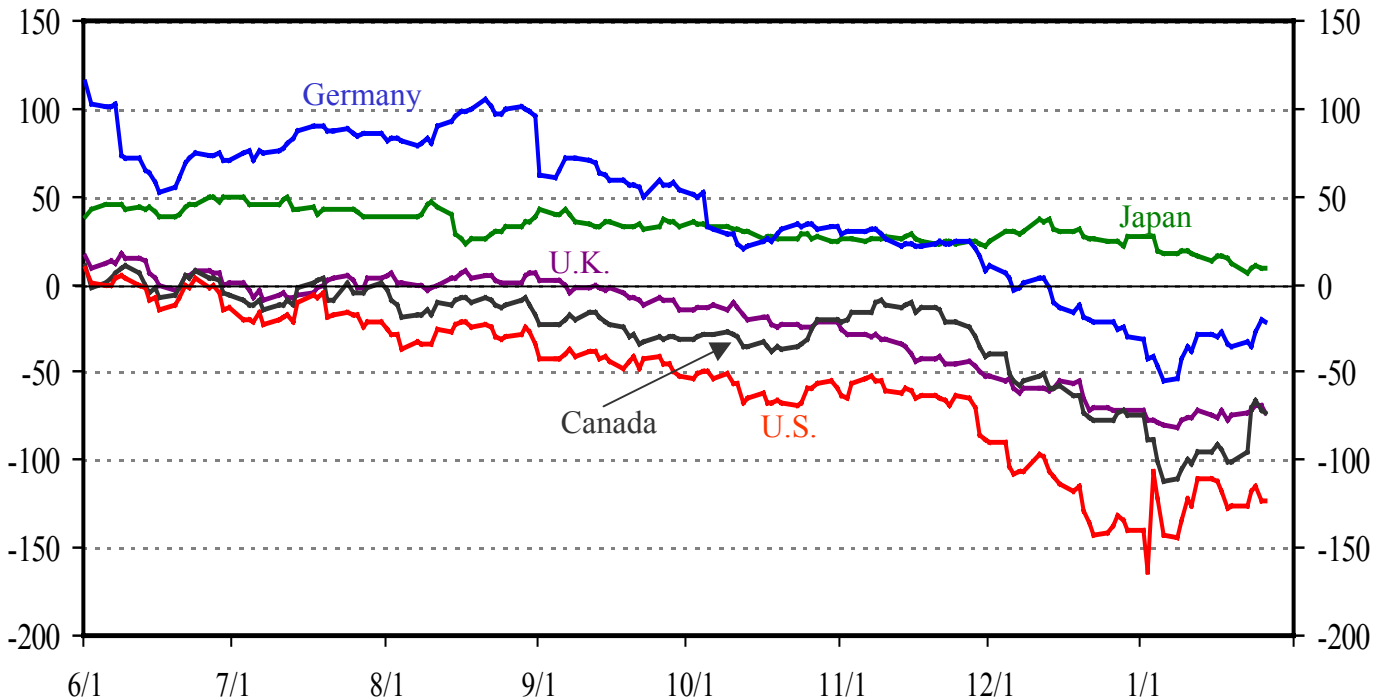


2-Year Government Yields minus Central Bank Policy Rates

June 1, 2000 - January 26, 2001

Basis Points

Basis Points

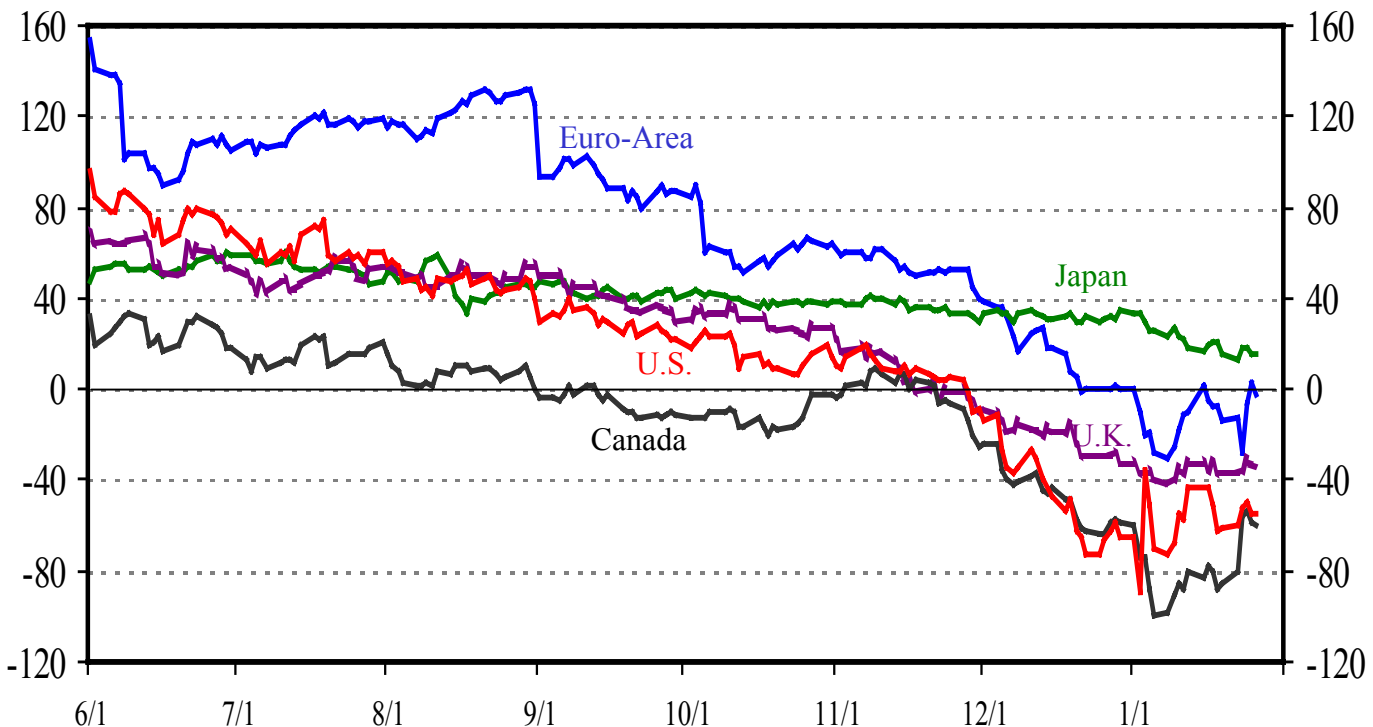


2-Year Swap Rates minus Central Bank Policy Rates

June 1, 2000 - January 26, 2001

Basis Points

Basis Points



Policy Rates:

US: Federal Funds Rate (O/N), Euro area: Main refinancing rate (2-week), Japan: Overnight Call Rate, U.K.: Base Rate (O/N repo), Canada: Overnight Target (midpoint of bank rate and discount rate)

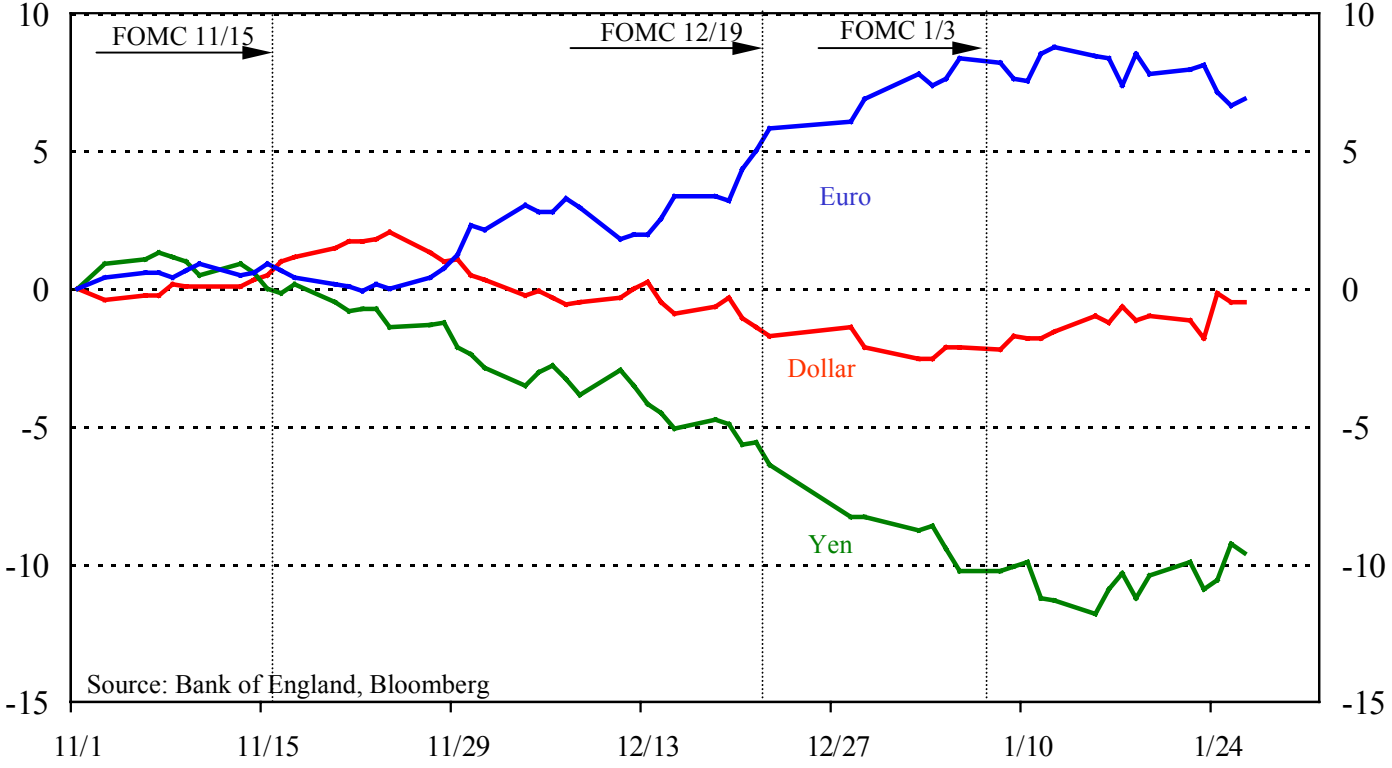
Sources: Bloomberg

G-3 Trade-Weighted Currencies

November 1, 2000 - January 26, 2001

Percent Change
from 11/1/00

Percent Change
from 11/1/00



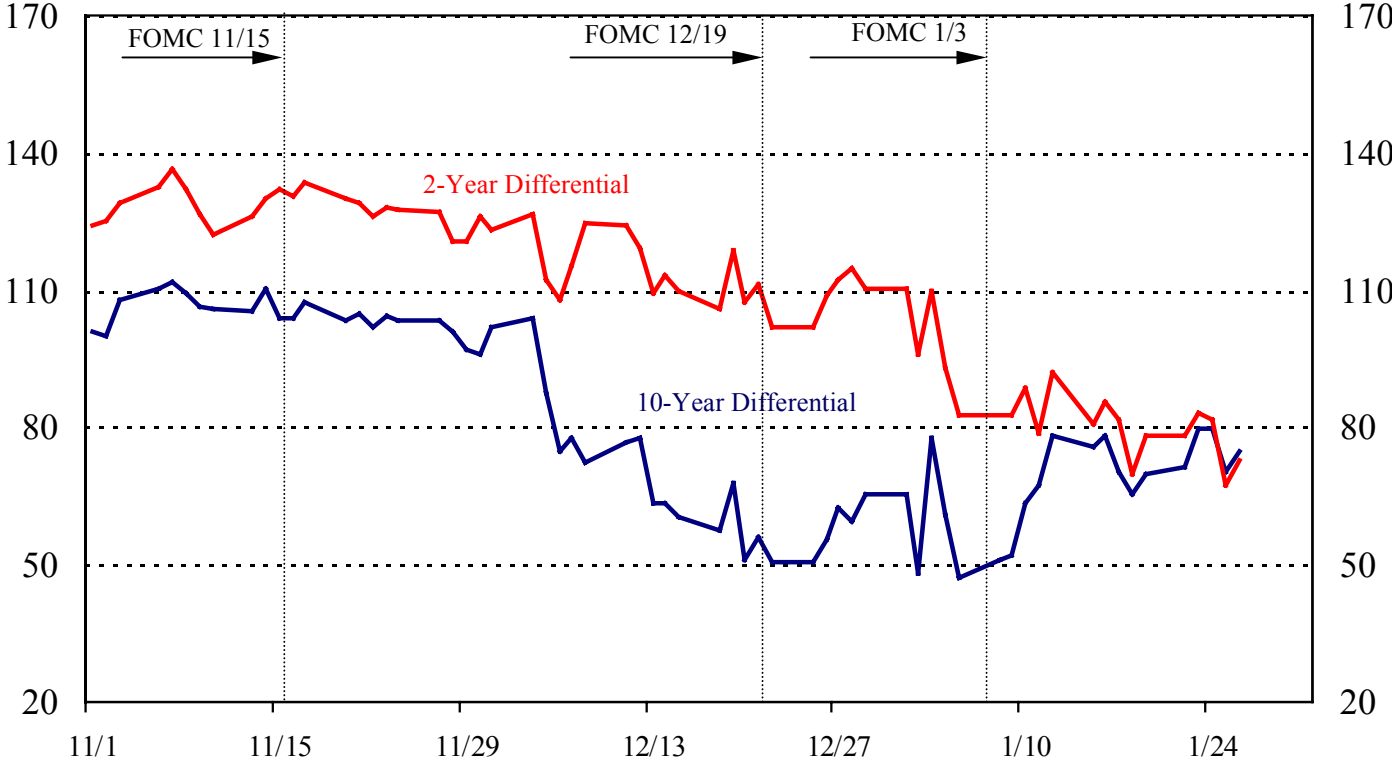
U.S. and European Swap Differentials

(U.S. rate minus European rate)

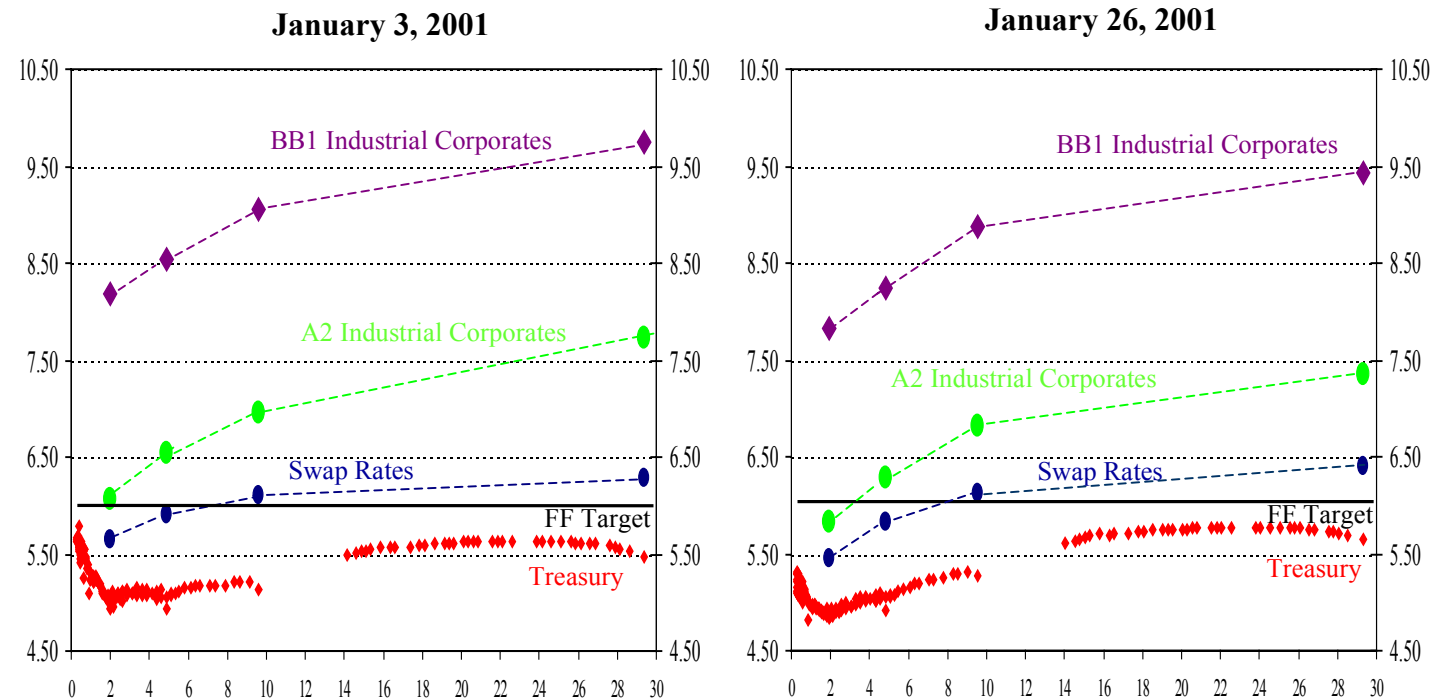
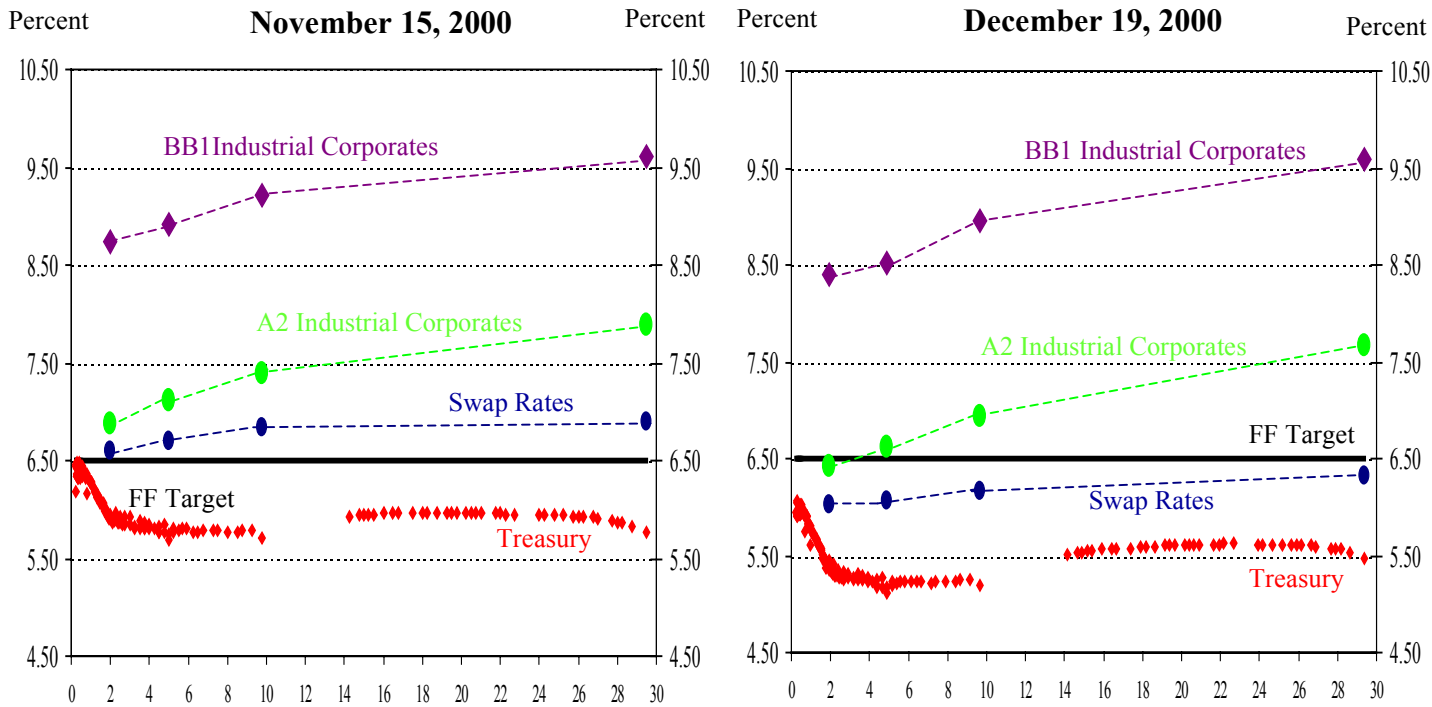
November 1, 2000 - January 26, 2001

Basis Points

Basis Points



Yield Curves

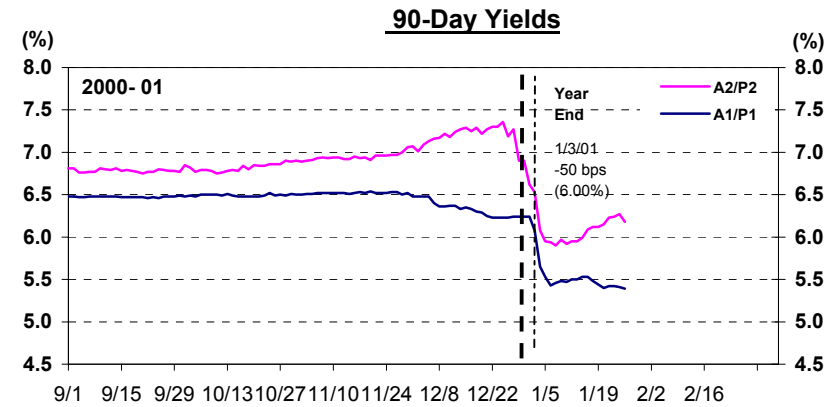
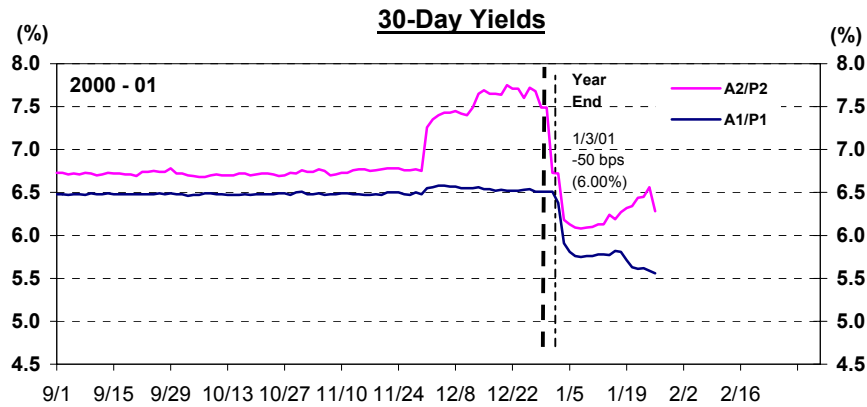
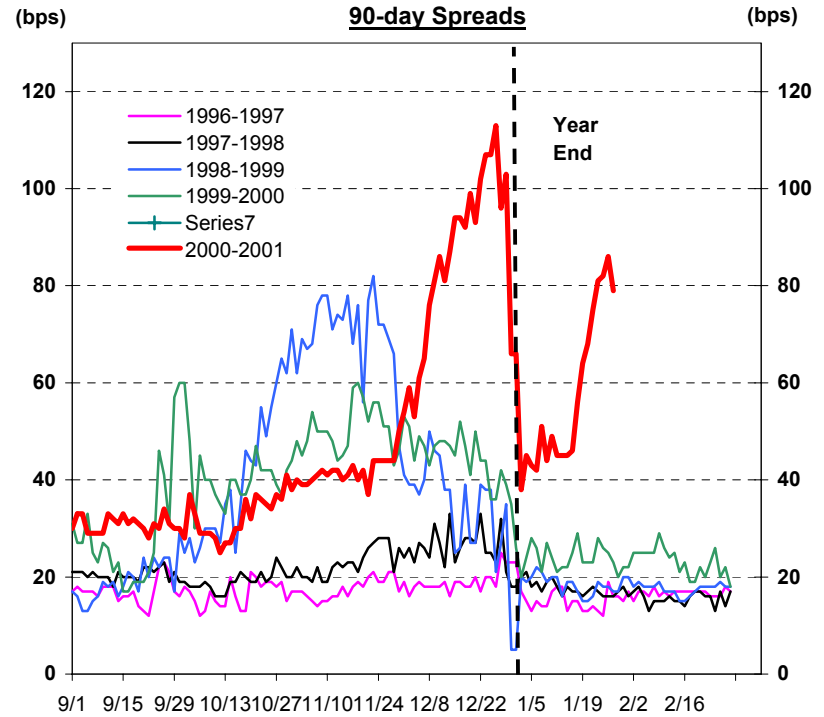
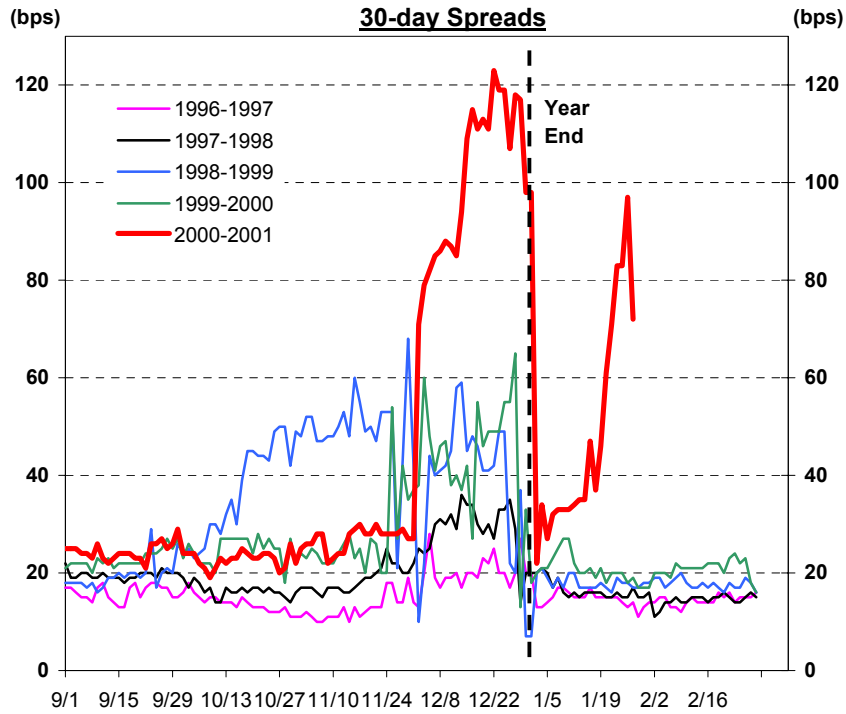


Sources: A2 Industrial Corporates: Bloomberg Industrial Corporate A2 Index
 BB1 Industrial Corporates: Bloomberg Industrial Corporate 2B1 Index
 Swap Rates: Bloomberg
 Treasury: FRBNY Price Data

Commercial Paper (A2/P2 - A1/P1)

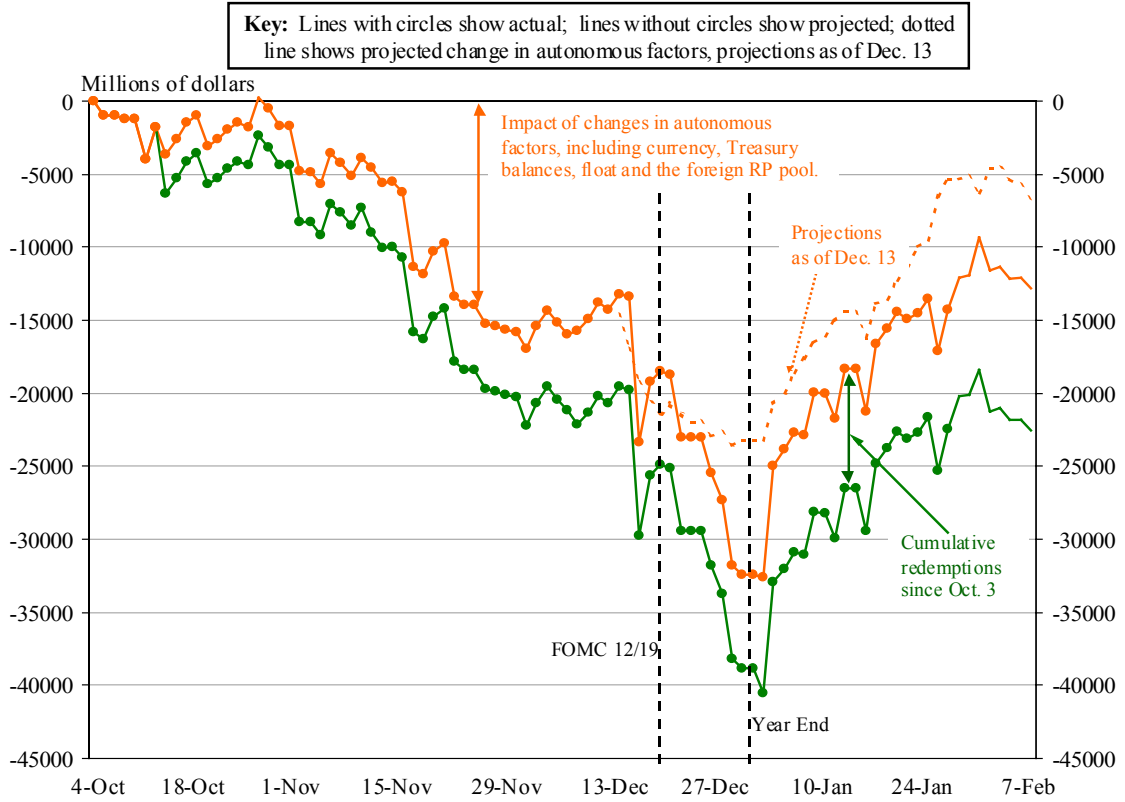
Spreads and Yields

September through February,
1996 - 2001

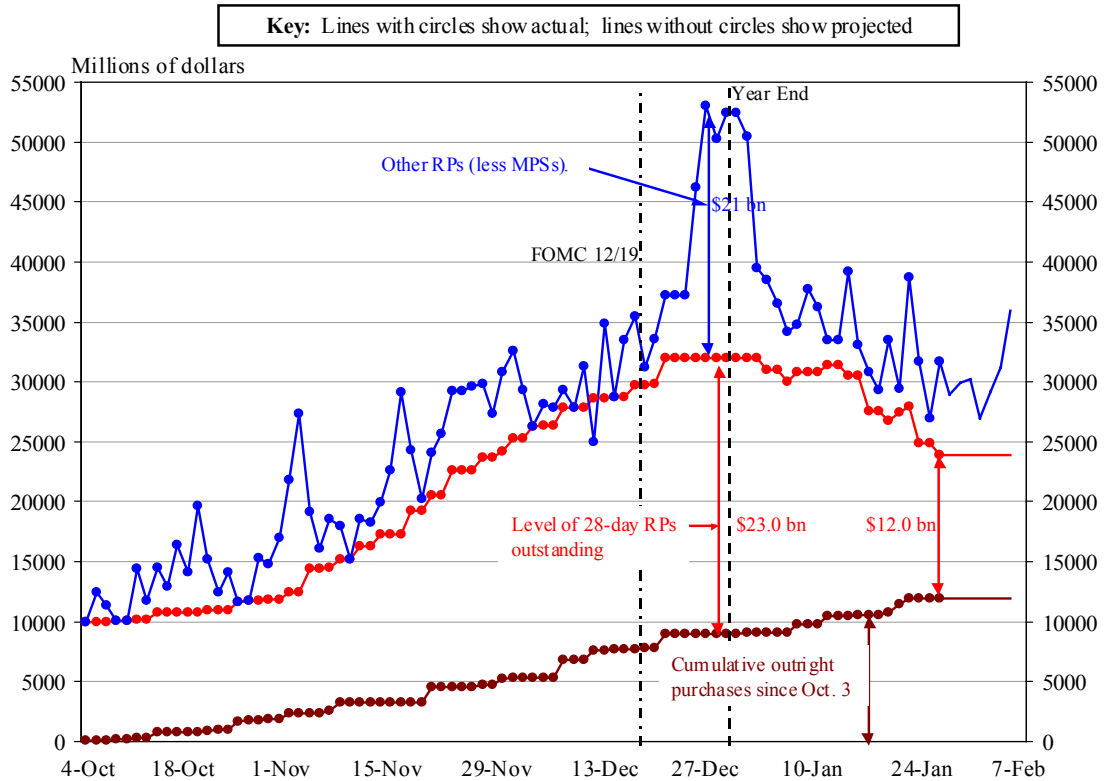


Source: Bloomberg compiled index Year
 2001 Data as of January 26

Cumulative changes in net autonomous factors and redemptions from Oct. 3



Actual and projected open market operations from Oct. 3



Extended Reserve Outlook

Impact of Changes in Factors, Redemptions, and RPs on Reserves
from maintenance period ended January 24 to period ended June 27

net impact of forecast Factors movements	-\$6 billion
impact of anticipated Redemptions	<u>-\$10 billion</u>
Total impact of factors and redemptions	-\$16 billion

Level of RPs in January 24 period

long-term RPs \$19 billion
short-term RPs \$4 billion

Case A:

impact of reducing long-term RPs to zero	<u>-\$19 billion</u>
total decline in reserves from RPs, factors, redemptions	-\$35 billion

Case B:

impact of reducing long-term RPs to \$10 billion	<u>-\$9 billion</u>
total decline in reserves from RPs, factors, redemptions	-\$25 billion

Notes: movements in factors also include impact of changes in requirements on reserve needs in addition to changes in operating factors such as currency and Treasury balance.

APPENDIX 2

“Staff Presentation on the Economic Outlook.”

STRICTLY CONFIDENTIAL (FR) CLASS II-FOMC

Material for

*Staff Presentation on the
Economic Outlook*

January 30, 2001

Chart 1

Forecast Summary

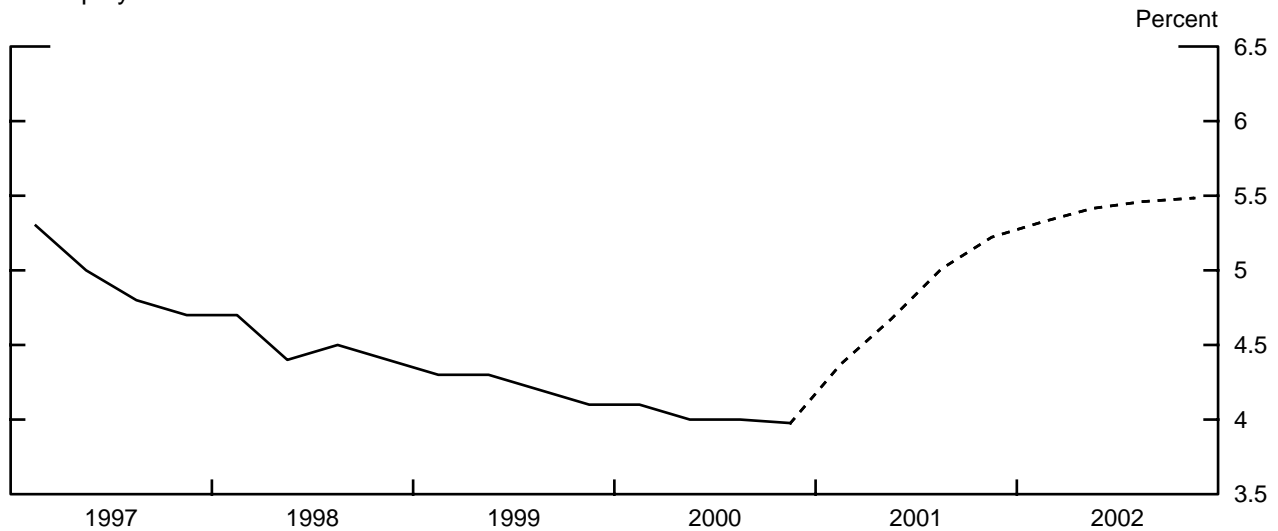
Growth in Real GDP and Selected Components

Percent change, AR*

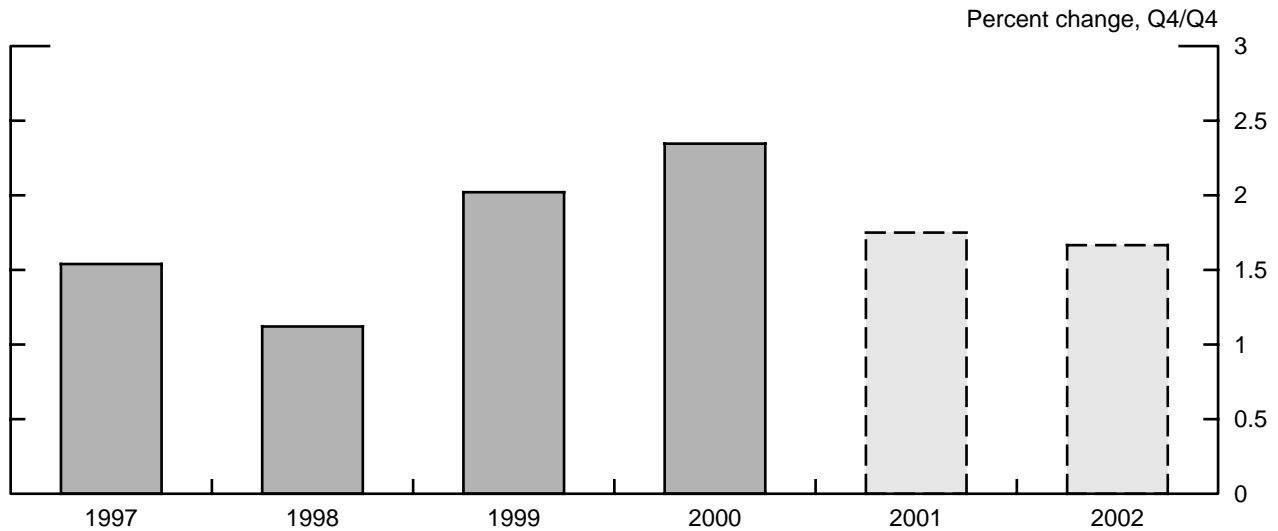
	2000	2001		2002
		H1	H2	
1. Real GDP	3.7	.4	3.1	3.8
2. Private domestic final purchases	5.1	1.4	2.6	3.7
3. PCE	4.5	1.2	2.0	2.8
4. Equipment and software	10.3	1.2	6.3	10.9
Memo:				
Contribution of inventory investment				
5. (percentage points)	.0	-1.3	.3	.2

*Years are Q4/Q4; half years are Q2/Q4 or Q4/Q2.

Unemployment Rate

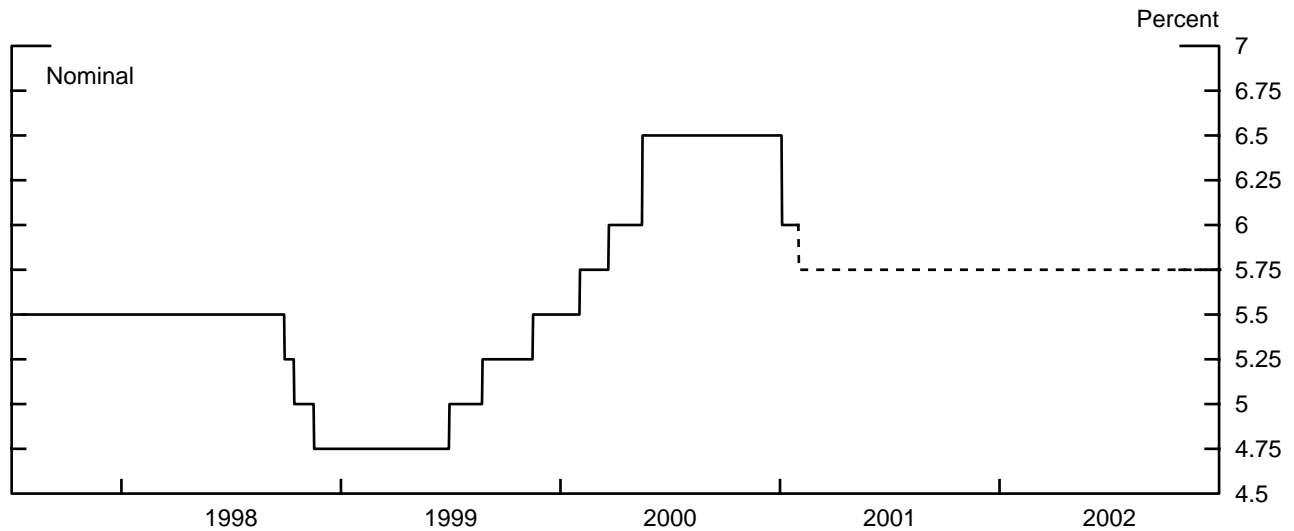


PCE Prices



Key Background Factors

Federal Funds Rate

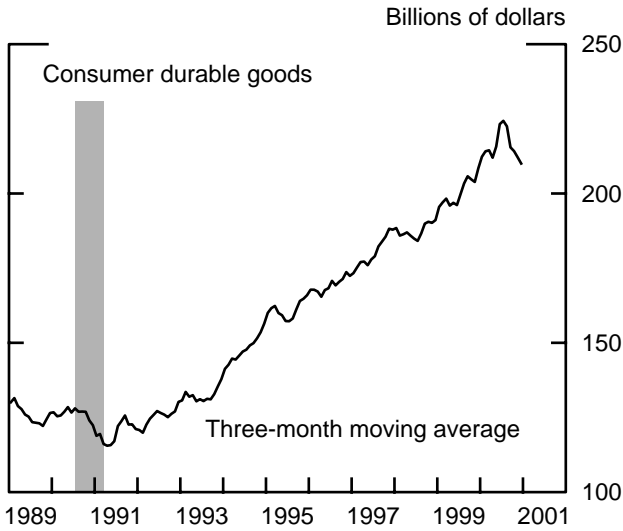


Other factors:

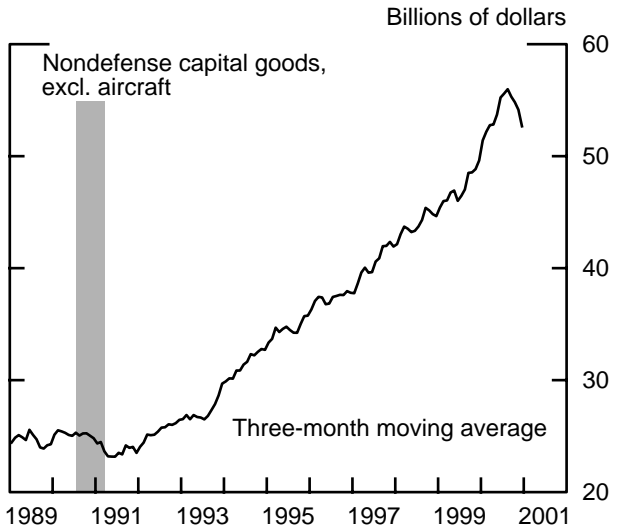
- **Stock market** falls in the near term, and then is flat through the end of the projection period. This implies a falling wealth-income ratio.
- **Long-term corporate interest rates** remain near current levels throughout the projection period. Consequently, risk spreads on corporate bonds will remain elevated.
- **The foreign exchange value of the dollar** declines moderately in real terms over the projection period.
- **Fiscal policy** will be stimulative next year. We assume a package of tax cuts worth \$50 billion in the next fiscal year as well as further increases in discretionary spending.
- **Prices of oil and natural gas** are expected to recede over the next two years, consistent with quotes in futures markets.

Selected High Frequency Activity Indicators

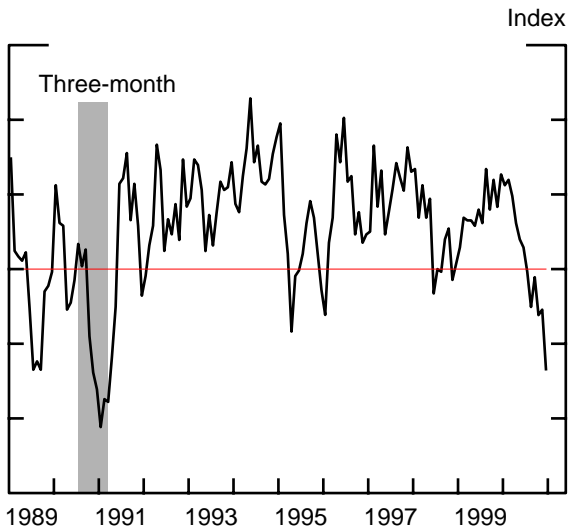
New Orders



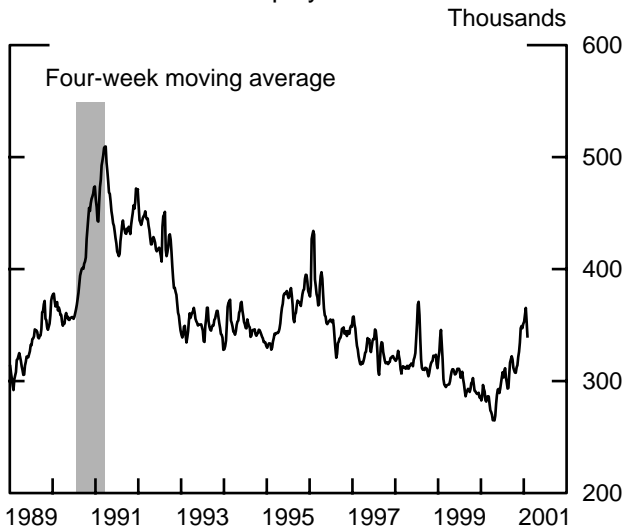
New Orders



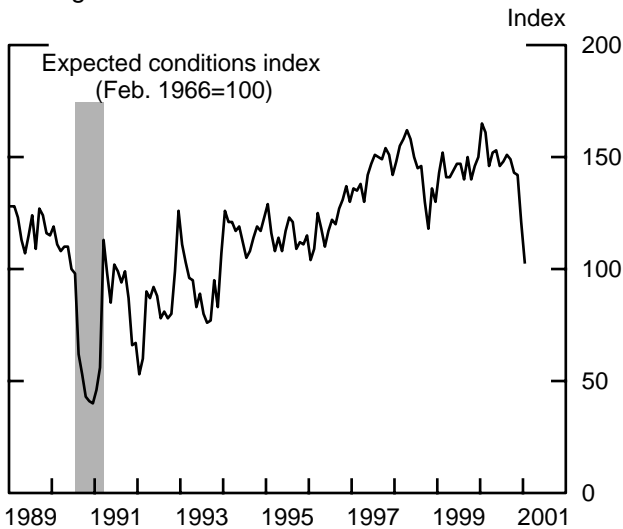
IP Diffusion Index



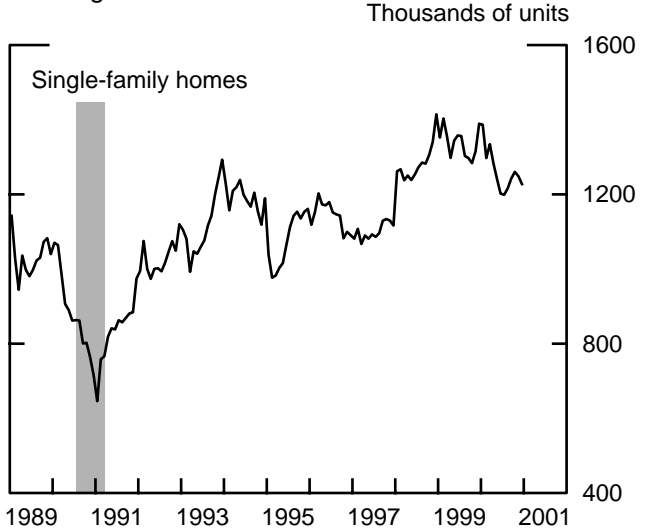
Initial claims for Unemployment Insurance



Michigan Index of Consumer Sentiment



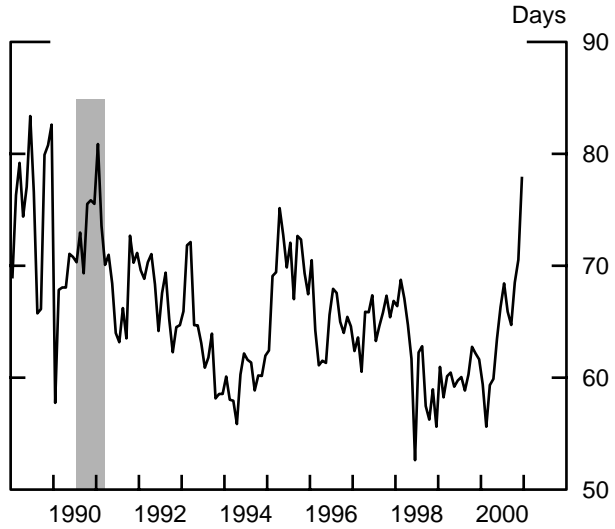
Building Permits*



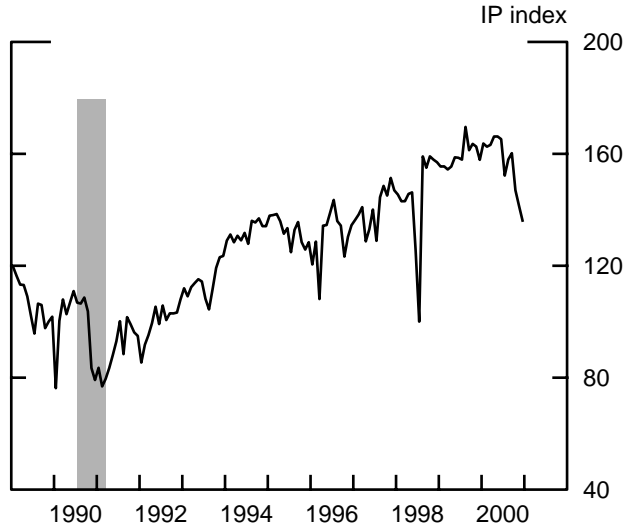
*Adjusted for non-permit issuing places.

Inventories and Production

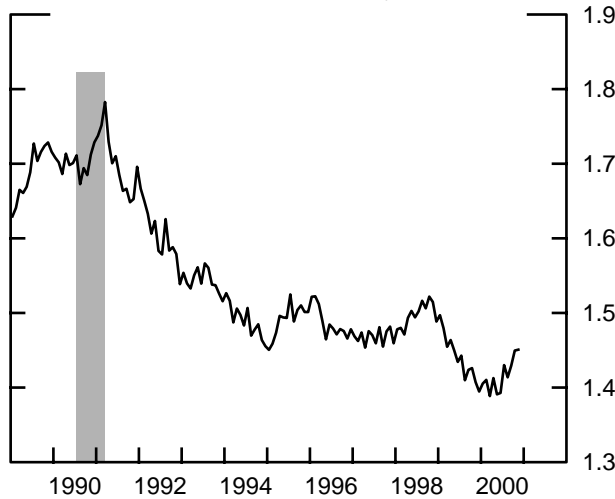
Days' Supply of Light Motor Vehicles



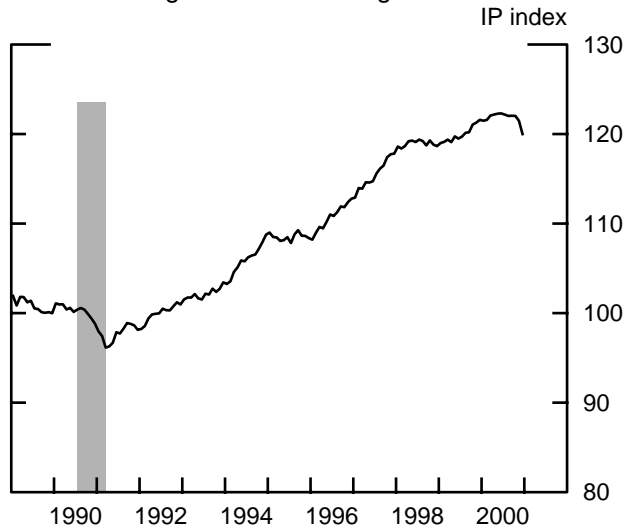
Motor Vehicles



Manufacturing Excl. MV and High Tech
Inventory-shipments ratio



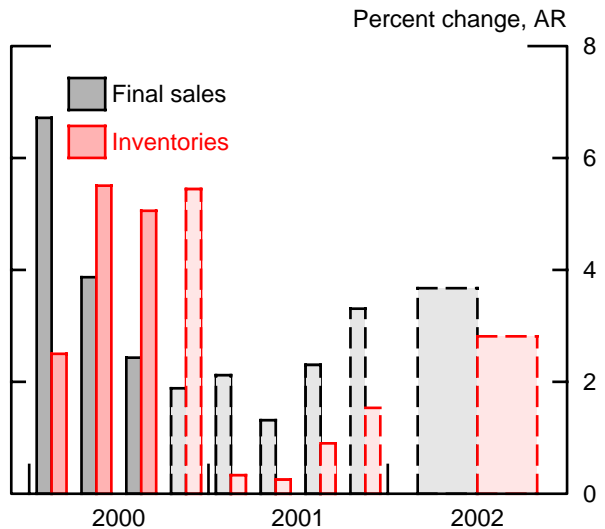
Manufacturing Excl. MV and High Tech



Real GDP

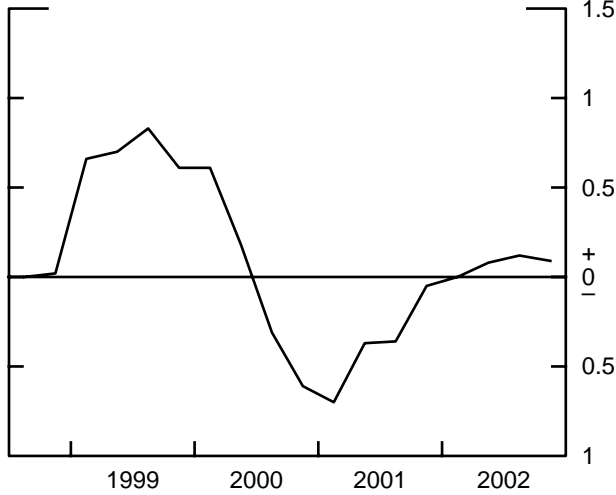
	Percent change, AR			
	2000		2001	
	Q4	Q1	Q2	H2
1. Real GDP	2.0	-0.5	1.3	3.1
Contribution of:				
2. Manuf. sector	-0.5	-1.7	0.2	0.8
3. Other	2.5	1.2	1.1	2.3

Final Sales and Inventories



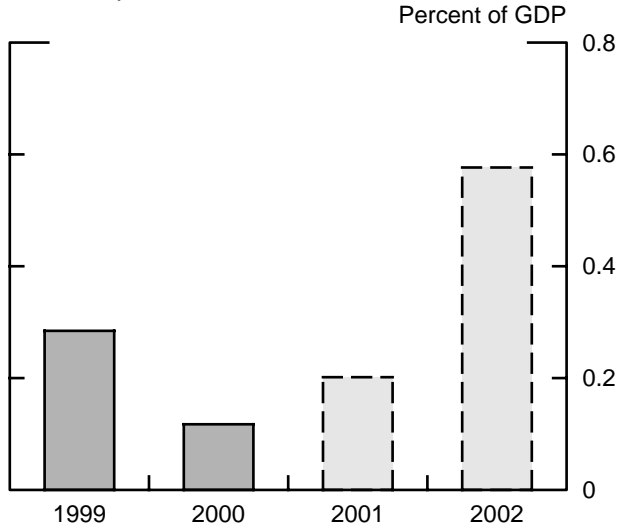
The Longer-Run Fundamentals

Effects of Changes in the Real Funds Rate on GDP Growth* Percentage points



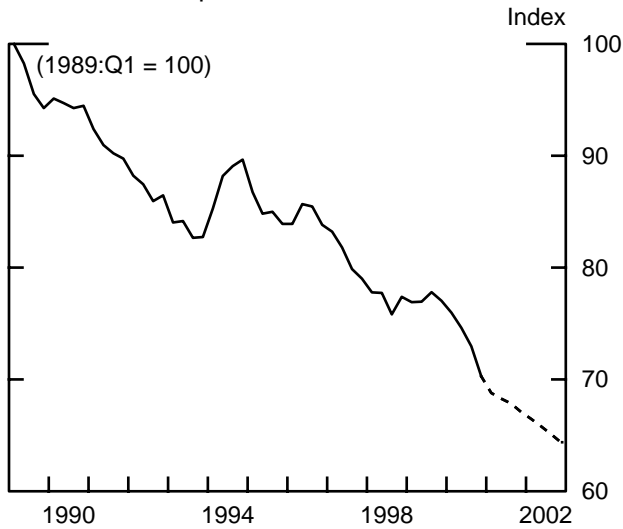
*Relative to unchanged real funds rate after 1998:Q3.

Fiscal Impetus*

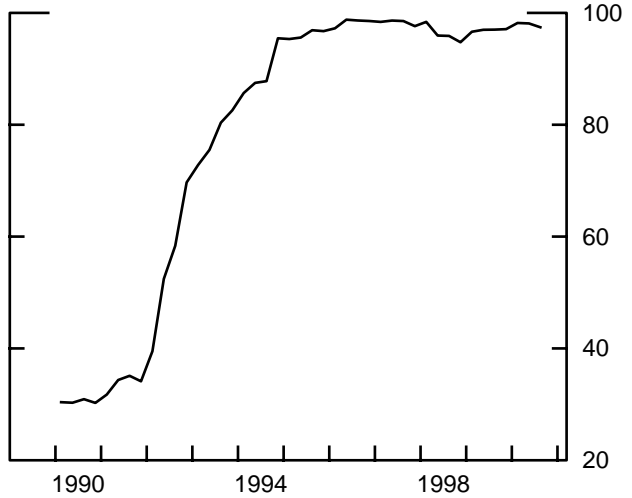


*Fiscal Impetus is an indicator of the change in discretionary fiscal policy.

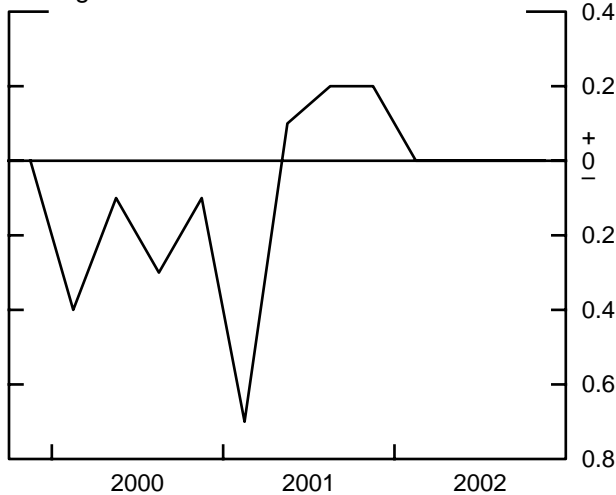
User Cost of Capital



Share of Banking Industry Assets at Well-Capitalized Banks

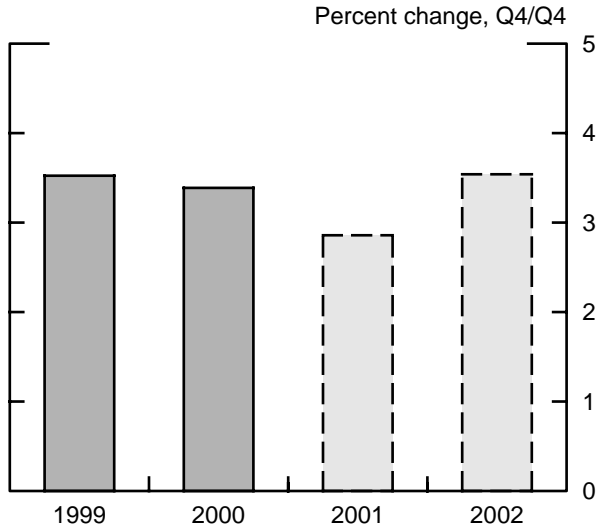


Direct Effects of Oil and Natural Gas Price Changes on PCE Growth* Percentage points



*Relative to unchanged energy prices after 1999:Q4.

Real Personal Income Growth



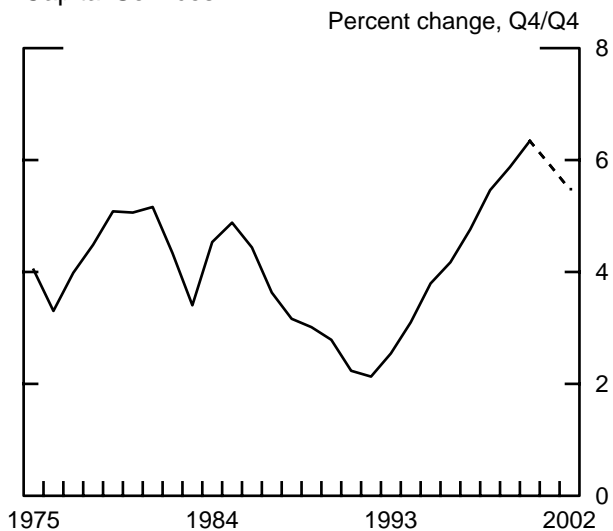
Labor Productivity

Supply-Side Components of Potential GDP

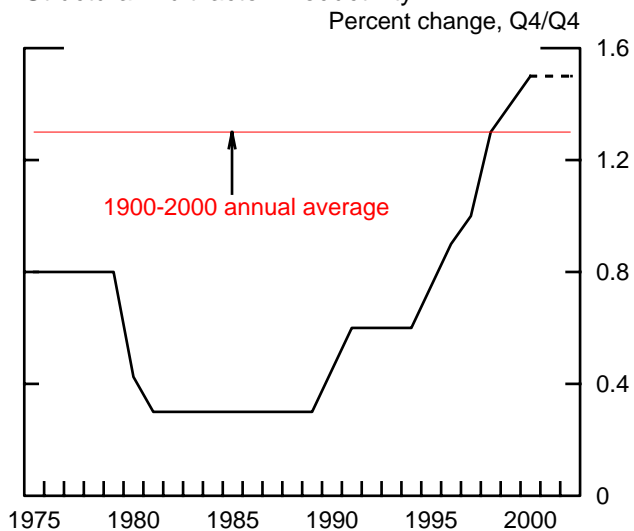
Percent change, Q4/Q4

	1973–95	1996–99	2000	2001	2002
1. Potential GDP	2.9	3.9	4.4	4.2	4.1
2. Labor input	1.6	1.2	1.1	1.1	1.1
3. Labor productivity	1.4	2.7	3.3	3.1	3.0
4. Capital deepening	.7	1.2	1.5	1.3	1.2
5. Labor quality	.3	.3	.3	.3	.3
6. Multifactor productivity	.4	1.2	1.5	1.5	1.5

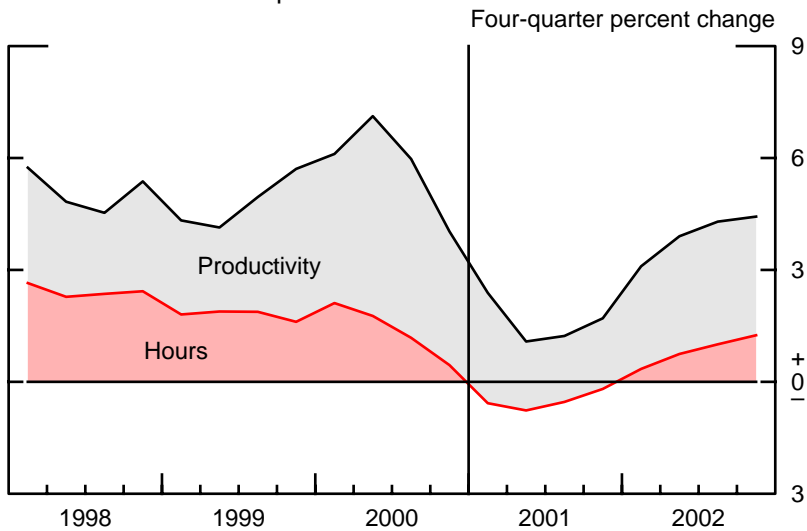
Capital Services



Structural Multifactor Productivity



Nonfarm Business Output



NFB Productivity

Percent change, AR*	
1999	4.1
2000	3.5
2001 H1	.7
H2	3.1
2002	3.1

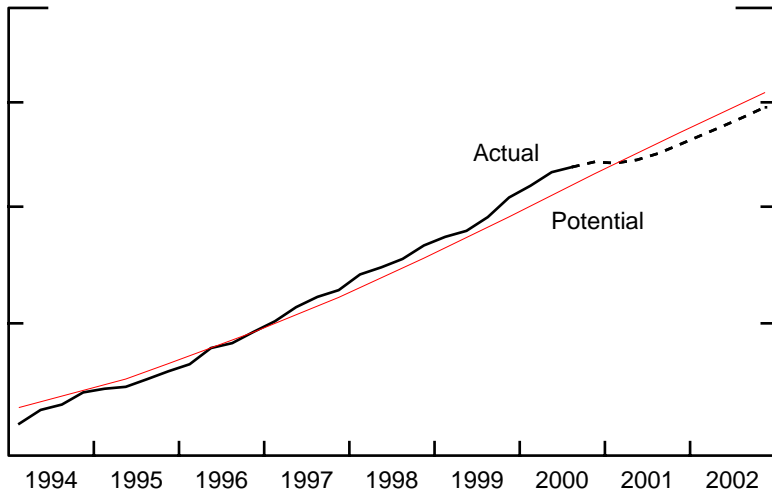
*Years are Q4/Q4; half years are Q2/Q4 or Q4/Q2.

Chart 7

Inflation Indicators

GDP Gap

Billions of chained (1996) dollars, ratio scale



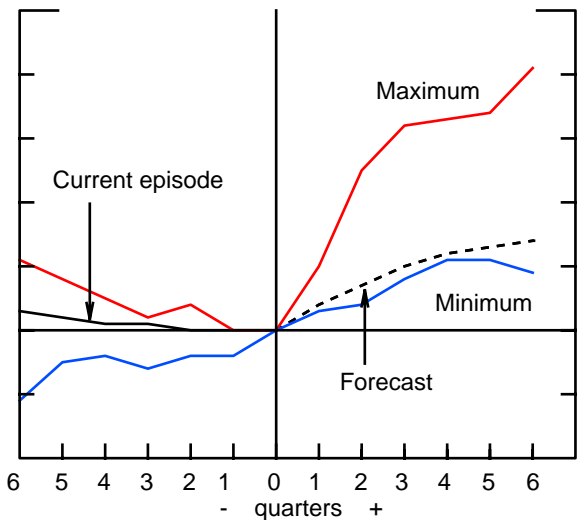
Unemployment Rate

Percent

Q4	1999	2000	2001	2002
	4.1	4.0	5.2	5.5

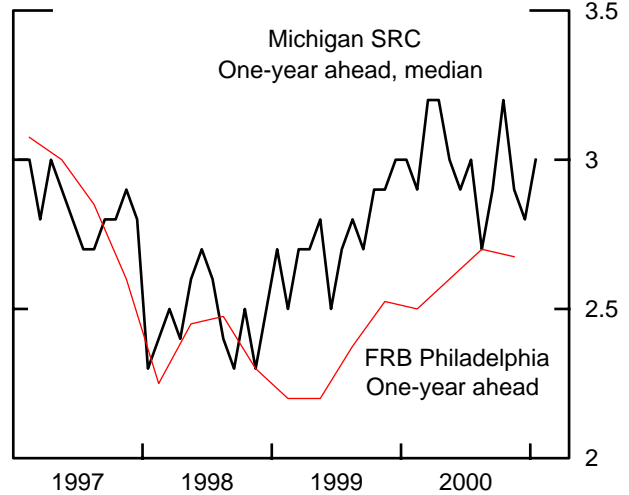
Unemployment Rate

Percent



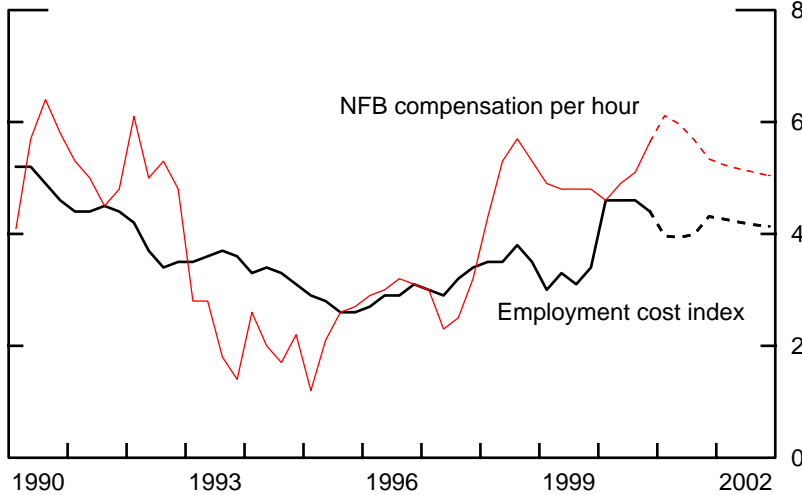
Inflation Expectations

Percent



Labor Compensation

Four-quarter percent change



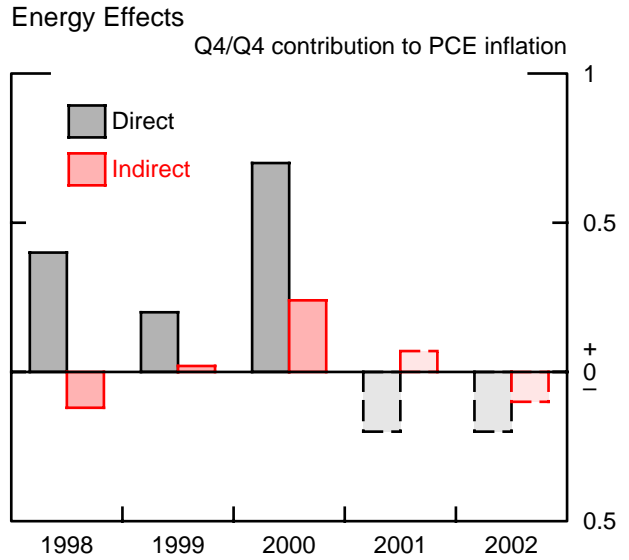
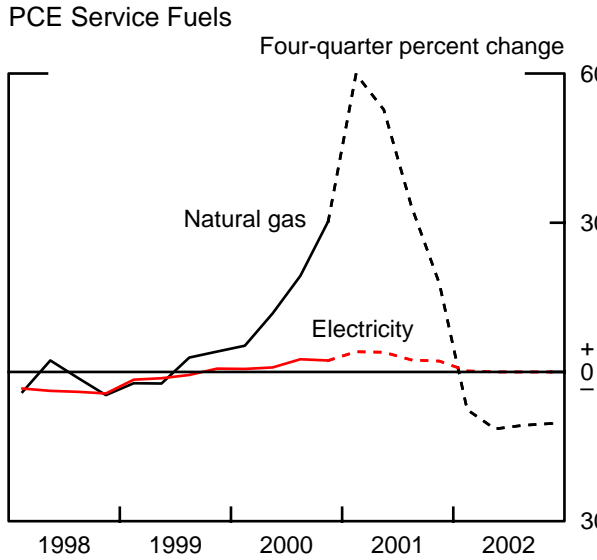
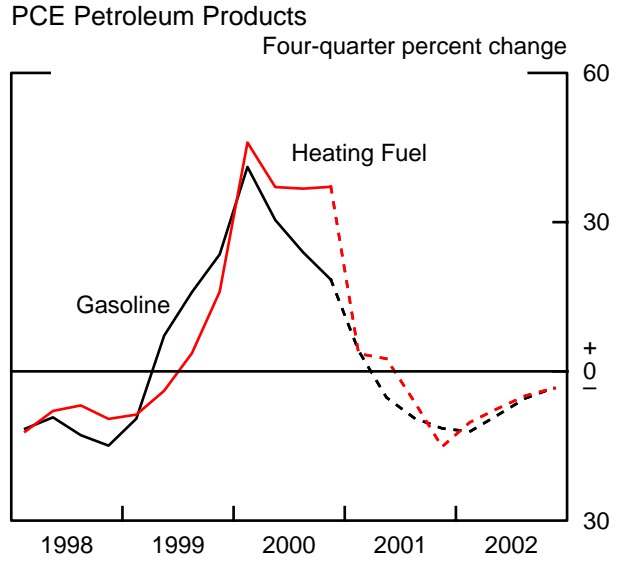
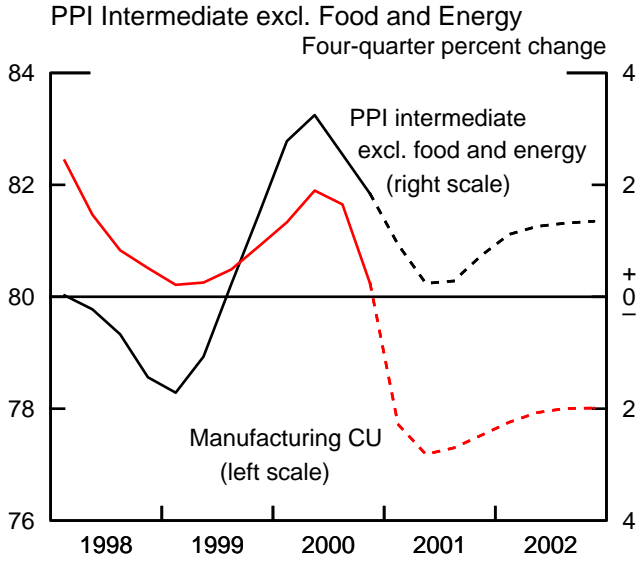
Unit Labor Costs*

Percent change, Q4/Q4

	Actual	Trend
1999	.8	1.5
2000	2.0	2.3
2001	3.4	2.2
2002	1.9	2.0

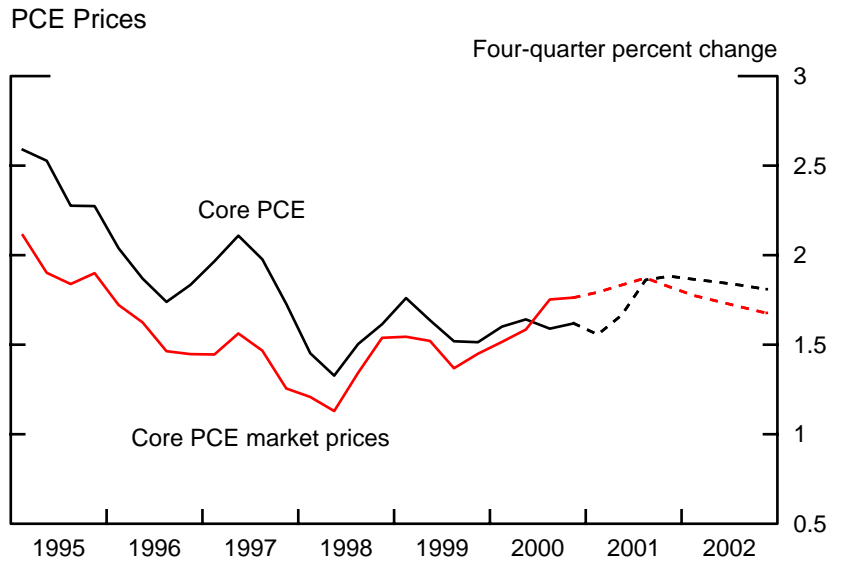
*Nonfarm business sector.

Inflation Projection



PCE Prices

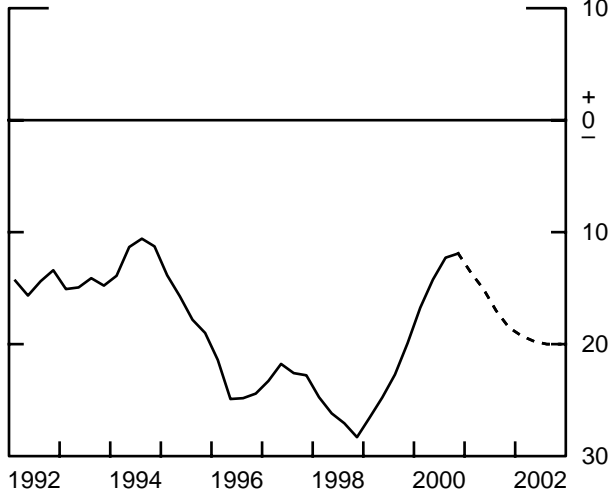
Percent change, Q4/Q4		
	Total PCE	Total CPI
1999	2.0	2.6
2000	2.3	3.4
2001	1.8	2.3
2002	1.7	2.0



Productivity Risks

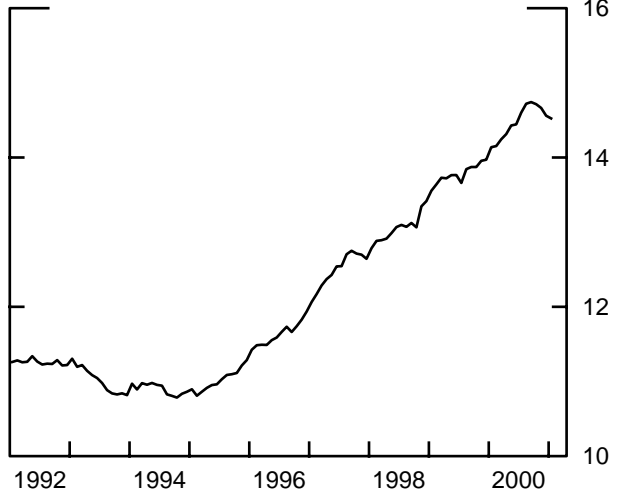
E&S Computer Prices

Four-quarter percent change



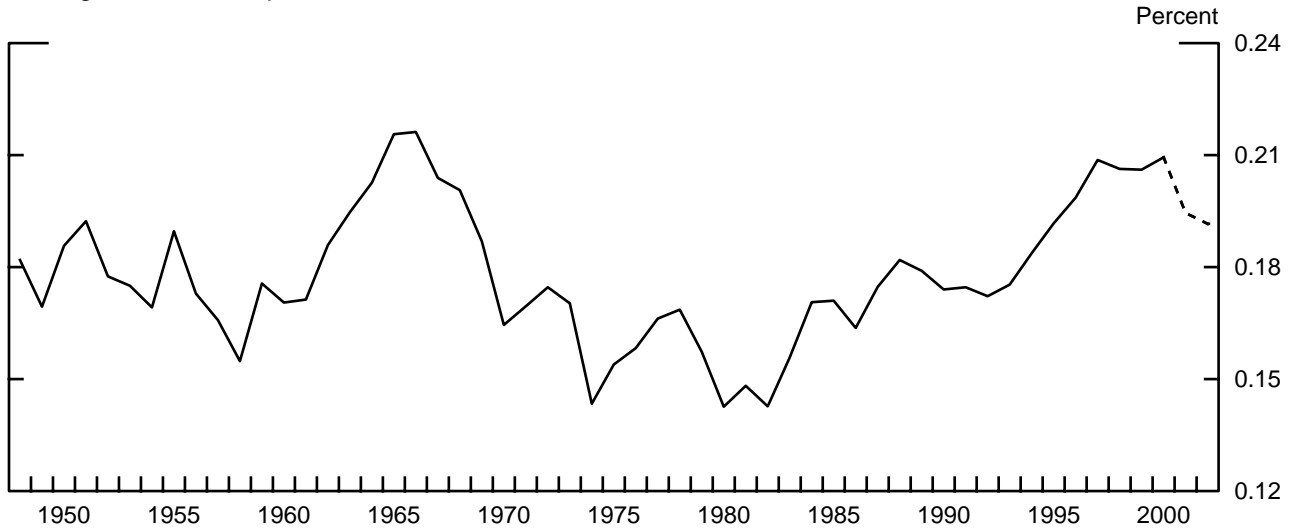
Long-term Earnings Expectations

Percent change, AR



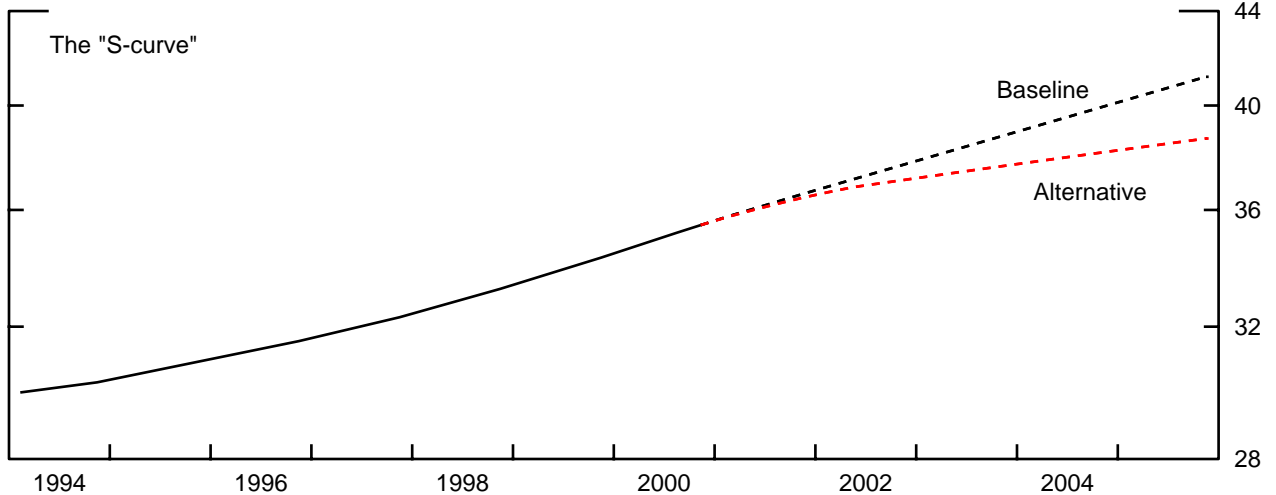
Source: IBES.

Average Return to Capital



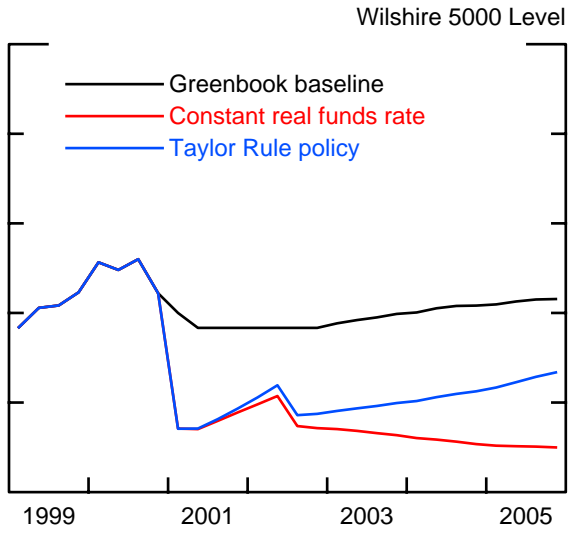
Structural Labor Productivity

Dollars per hour, ratio scale

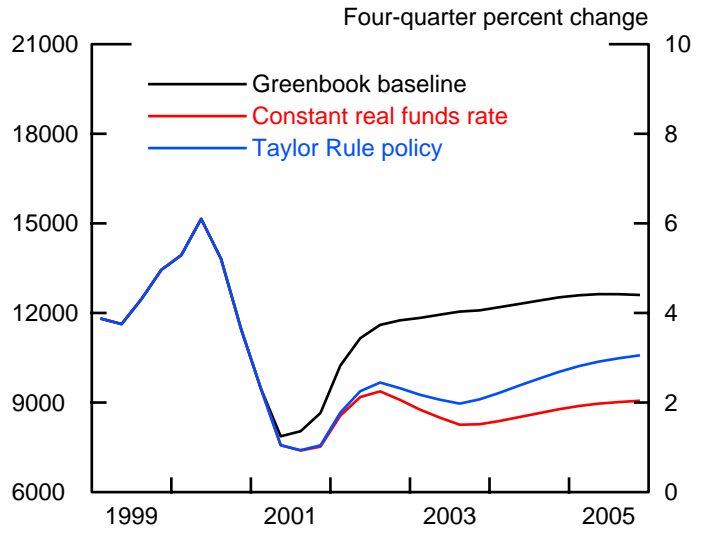


A Productivity Disappointment

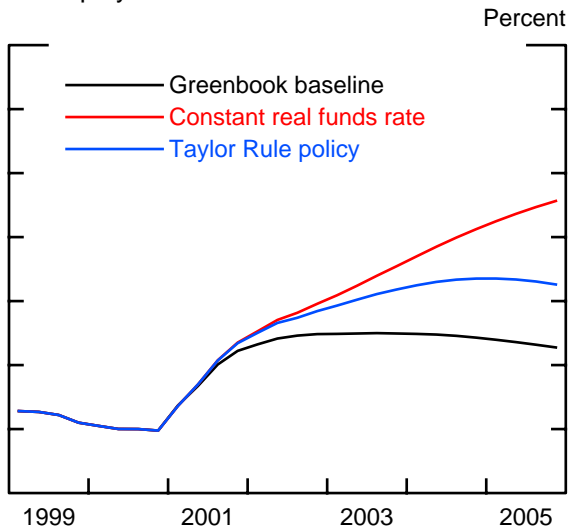
Stock Market



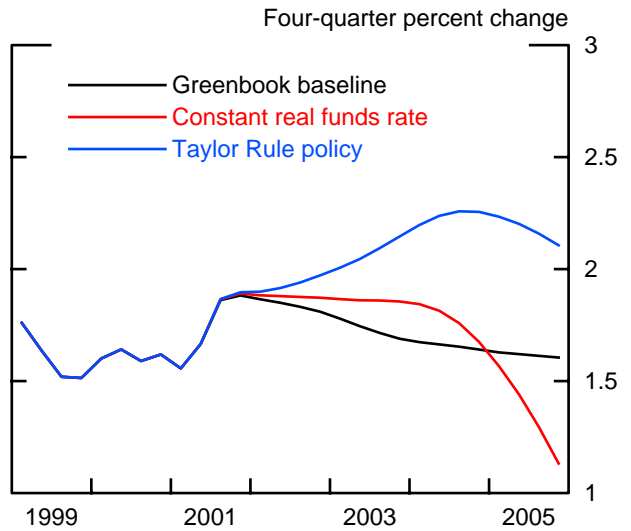
Real GDP



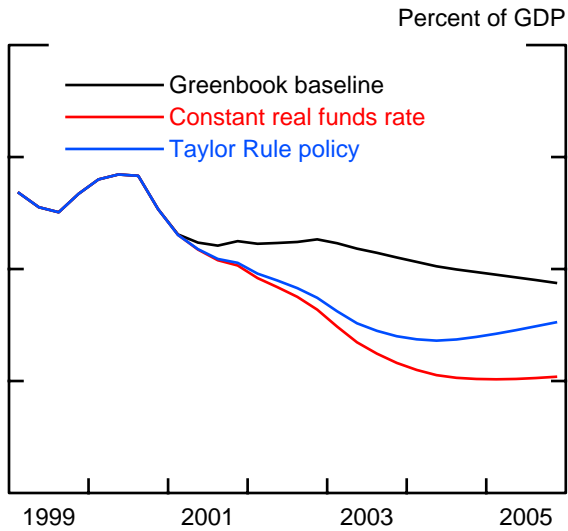
Unemployment Rate



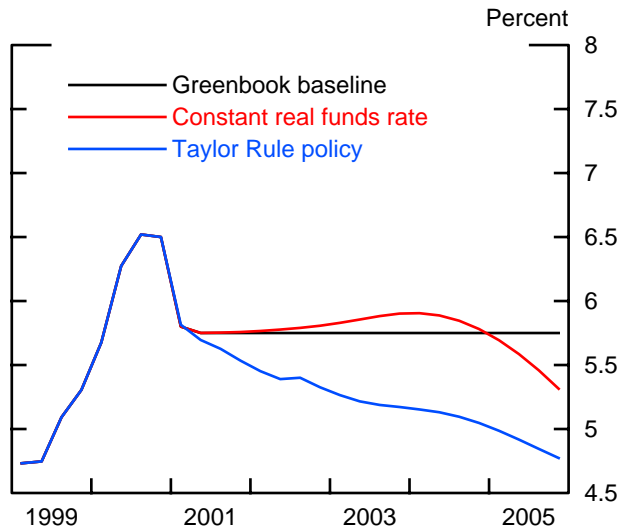
Core PCE



Profit share

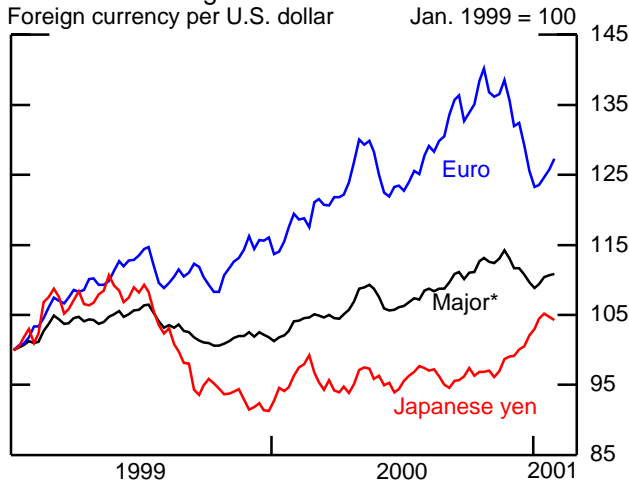


Nominal Federal Funds Rate



Exchange Rates and Interest Rates

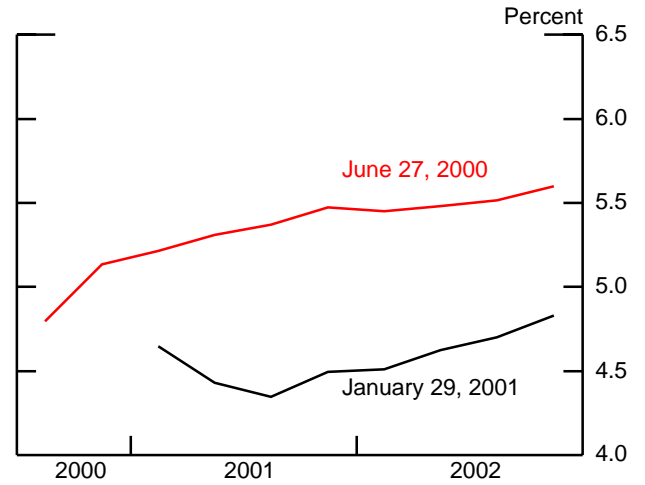
Nominal Exchange Rates
Foreign currency per U.S. dollar



*Trade weighted-average dollar against major international currencies.

Interest Rate Futures

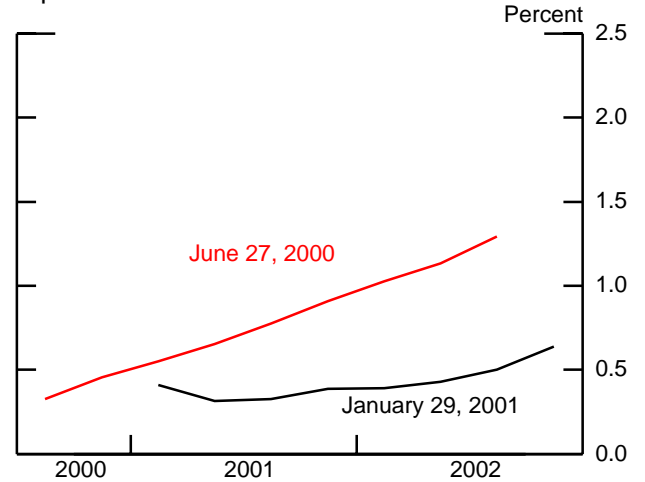
Euro Area



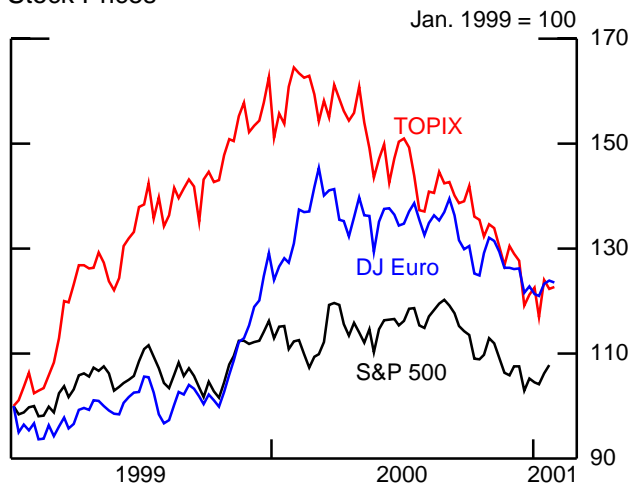
Interest Rates

	Level 1/29/01	Change 6/27/00 to 1/29/01
Three-Month		
1. Euro	4.79	0.23
2. Japan	0.42	0.34
3. United States	5.46	-1.28
Ten-Year		
1. Germany	4.84	-0.41
2. Japan	1.45	-0.29
3. United States	5.30	-0.80

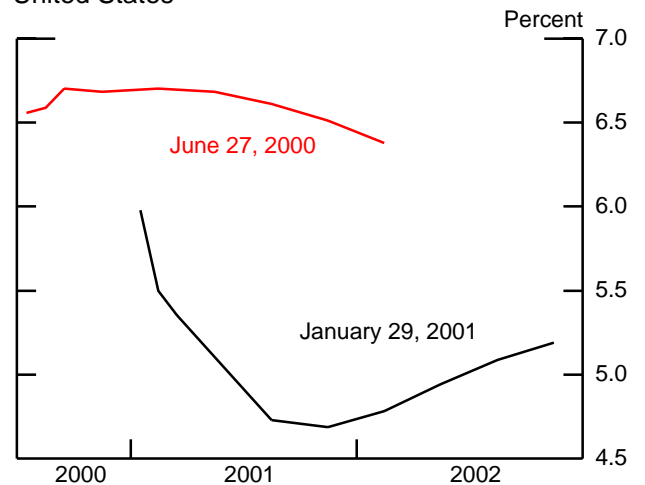
Japan



Stock Prices



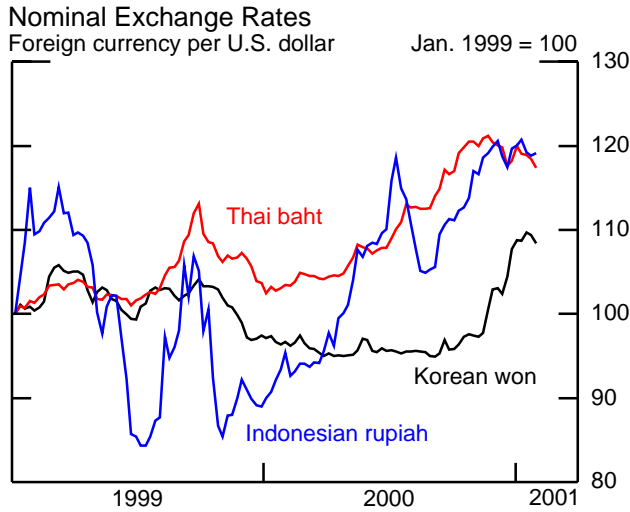
United States



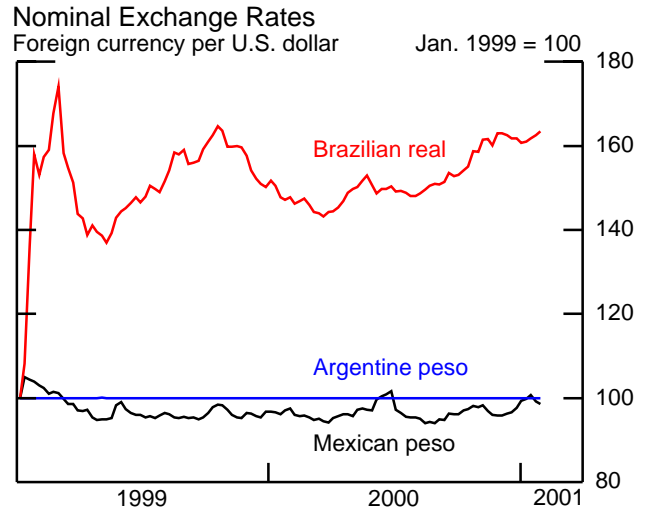
Financial Indicators: Emerging Market Countries

(Weekly data)

Asia



Latin America



Interest Rates and Spreads

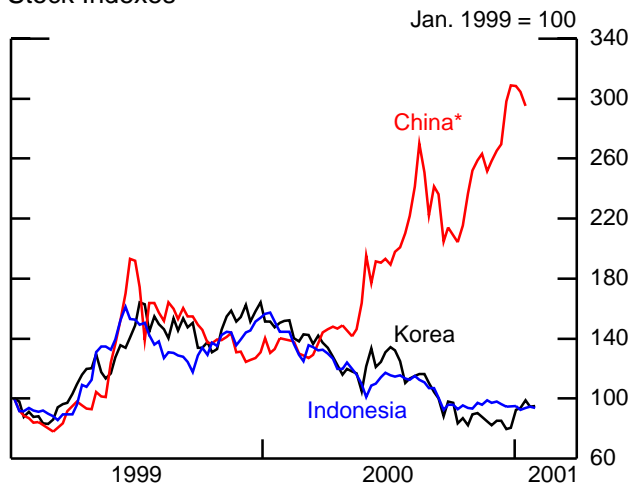
	Level 1/29/01	Change 6/27/00 to 1/29/01
One-Month Domestic		
1. Korea*	5.50	-0.50
2. Thailand	3.00	-0.50
3. Indonesia	14.91	3.08
Offshore-Dollar Bond Spreads		
4. Korea	2.23	0.23
5. Indonesia	7.41	1.08
6. China	1.31	-0.05

* One-week maturity.

Interest Rates and Spreads

	Level 1/29/01	Change 6/27/00 to 1/29/01
One-Month Domestic		
1. Mexico	17.75	0.75
2. Brazil	14.85	-3.40
3. Argentina	7.75	0.00
Brady Bond Yield Spreads		
4. Mexico	3.98	-1.01
5. Brazil	8.15	-0.70
6. Argentina	8.73	-0.21

Stock Indexes



*Shanghai B-share (foreigners only) stock price index.

Stock Indexes

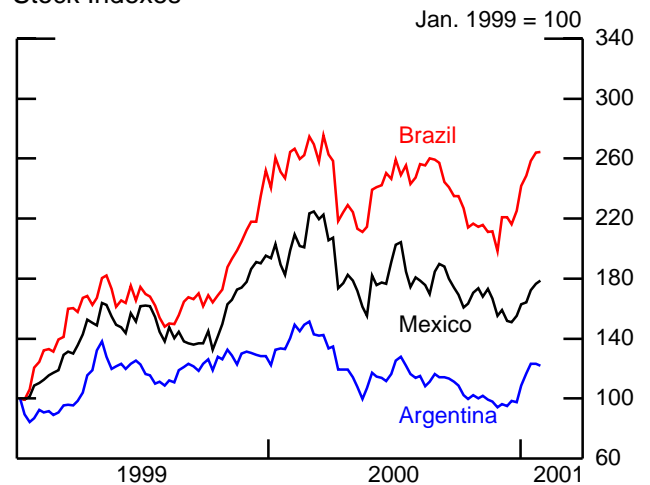
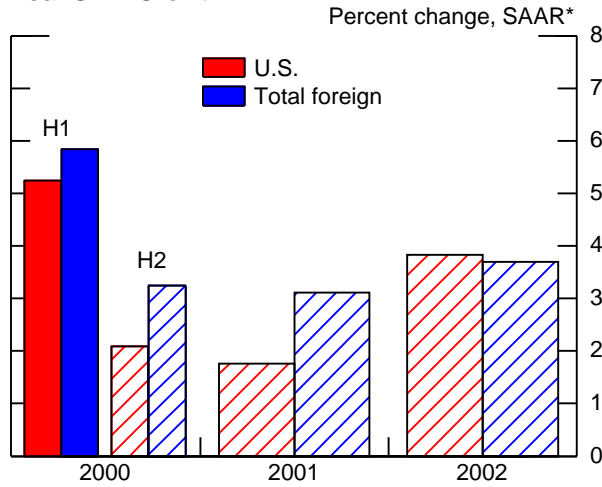


Chart 13

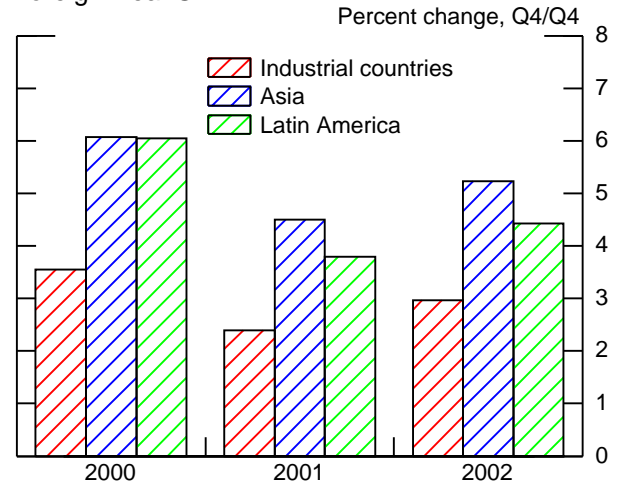
Summary of Foreign Outlook

Real GDP Growth



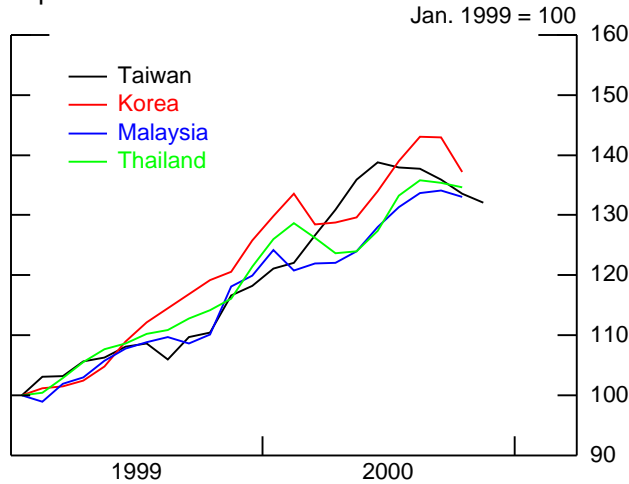
*Years are Q4/Q4; half years are Q2/Q4 or Q4/Q2.

Foreign Real GDP*



*U.S. nonagricultural export weights.

Exports



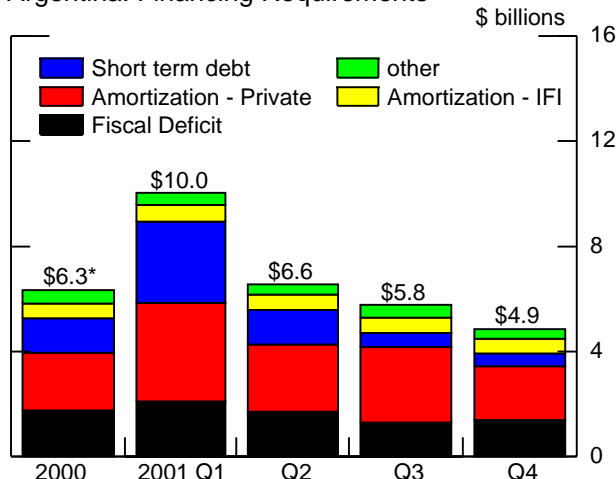
Real GDP Growth
Percent, SAAR*

	2000		2001	2002
	H1	H2		
1. Developing Asia**	8.5	3.7	4.5	5.2
<i>of which:</i>				
2. China	5.6	9.2	7.4	7.7
3. Korea	5.9	5.7	3.0	4.7
4. Malaysia	11.2	0.6	5.3	5.1
5. Thailand	4.3	-0.4	6.0	5.0

*Years are Q4/Q4; half years are Q2/Q4 or Q4/Q2.

**U.S. nonagricultural export weights.

Argentina: Financing Requirements



Source: Argentine Ministry of Economy; Deutsche Bank.
*2000 quarterly average.

Real GDP Growth
Percent, SAAR*

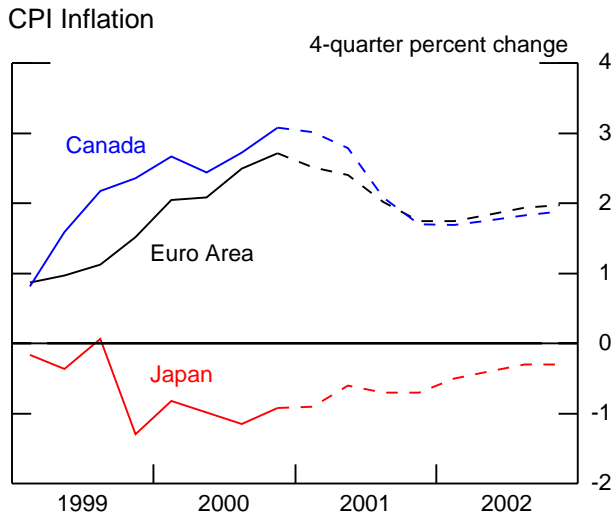
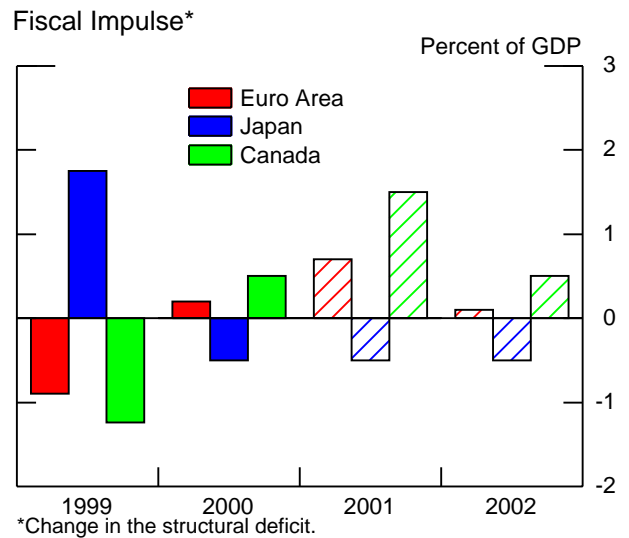
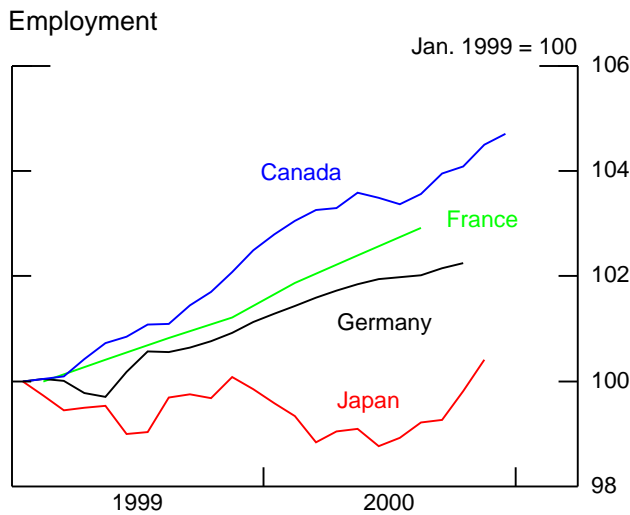
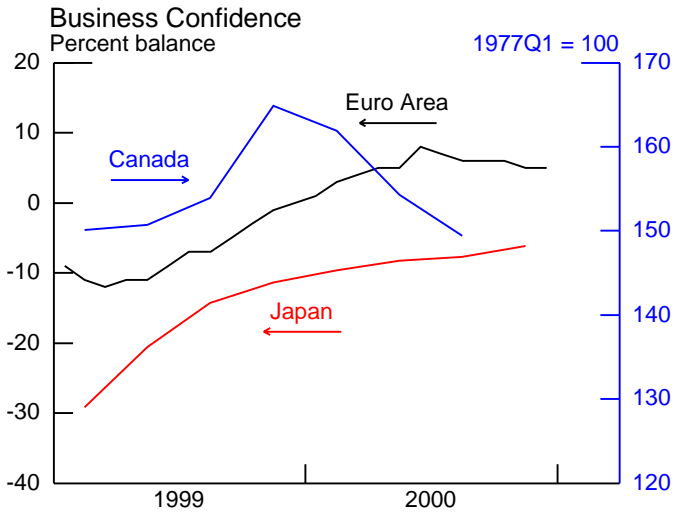
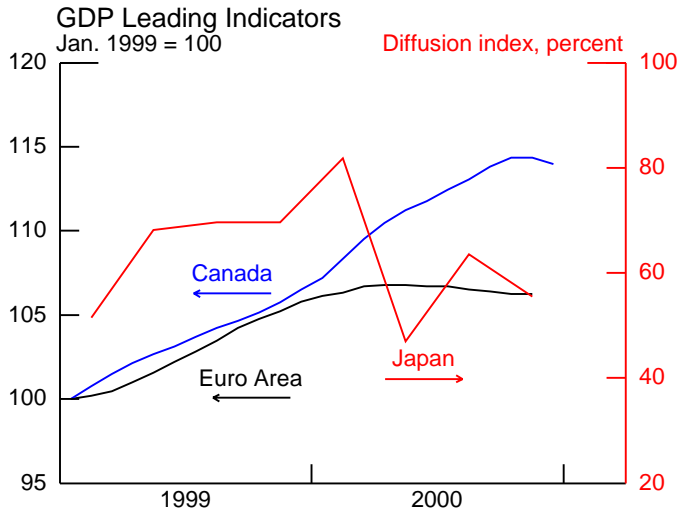
	2000		2001	2002
	H1	H2		
1. Latin America**	7.7	4.4	3.8	4.4
<i>of which:</i>				
2. Mexico	9.2	5.1	4.0	4.7
3. Brazil	3.9	3.9	3.3	4.0
4. Argentina	-1.6	-3.5	1.9	3.3

*Years are Q4/Q4; half years are Q2/Q4 or Q4/Q2.

**U.S. nonagricultural export weights.

Chart 14

Industrial Country Outlook



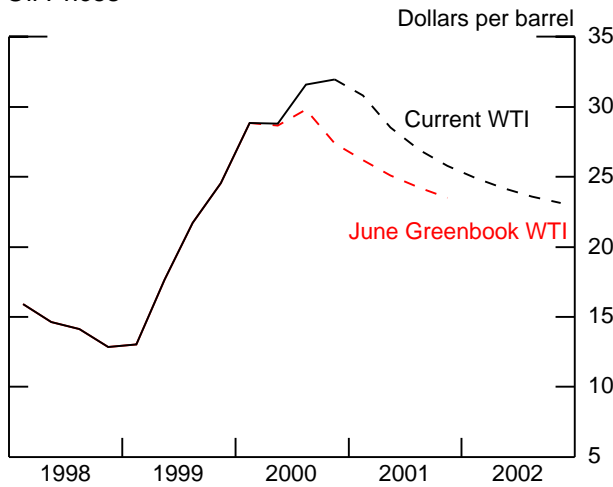
Real GDP Growth
Percent change, SAAR*

	2000		2001	2002
	H1	H2		
1. Indust. countries**	4.5	2.6	2.4	3.0
2. Euro Area	3.4	2.2	2.8	3.0
3. Japan	5.4	-1.2	0.9	1.2
4. Canada	5.0	3.9	2.3	3.4
5. United Kingdom	2.9	3.0	2.5	2.5

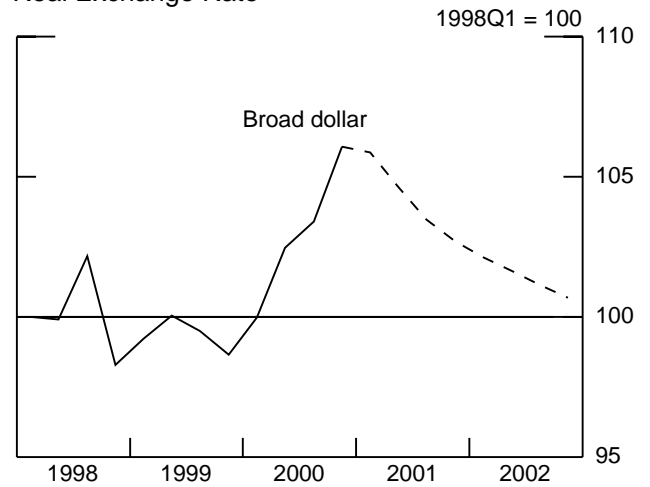
*Years are Q4/Q4; half years are either Q2/Q4 or Q4/Q2.
**U.S. nonagricultural export weights.

External Outlook

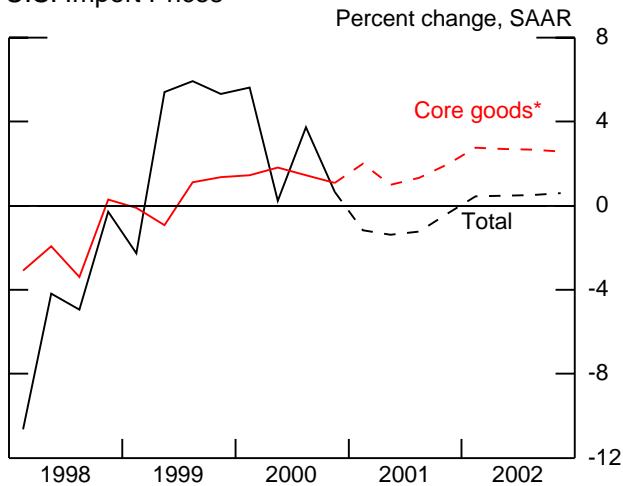
Oil Prices



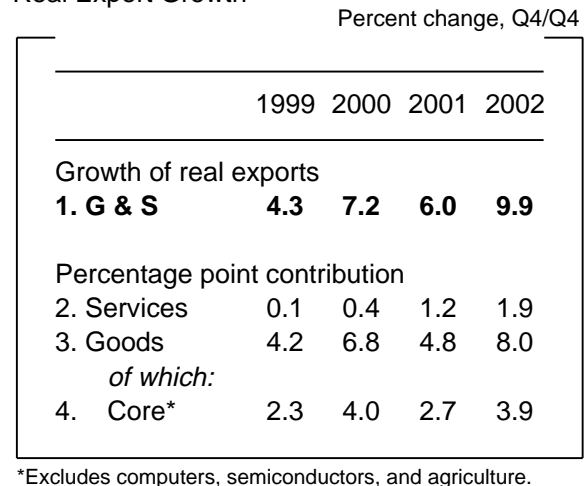
Real Exchange Rate



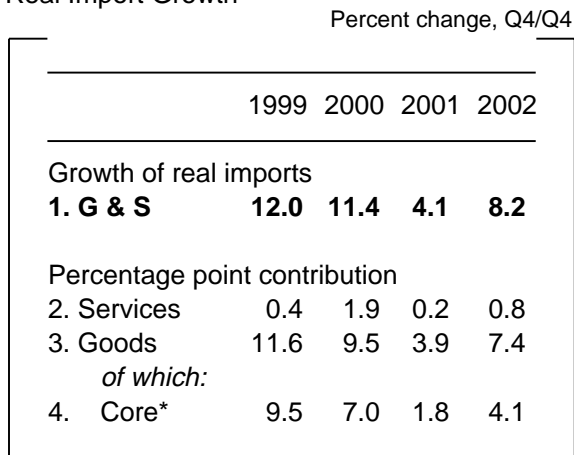
U.S. Import Prices



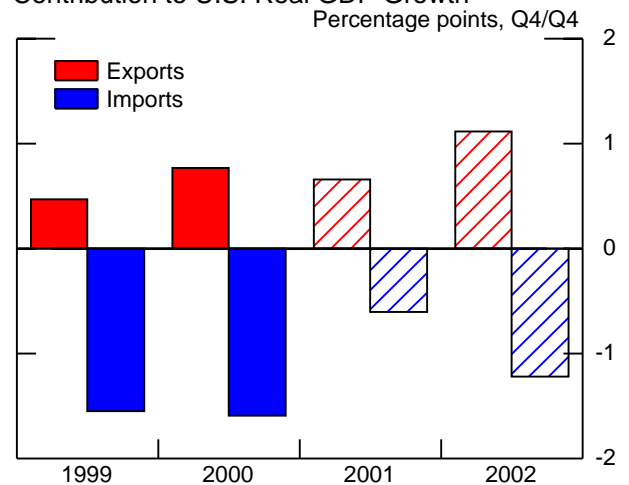
Real Export Growth



Real Import Growth



Contribution to U.S. Real GDP Growth



ECONOMIC PROJECTIONS FOR 2001

	FOMC		
	Range	Central Tendency	Staff
	-----Percentage change, Q4 to Q4-----		
Nominal GDP July 2000	3½ to 5¼ (5 to 6¼)	4 to 5 (5½ to 6)	3.8
Real GDP July 2000	2 to 3¼ (2½ to 4)	2 to 2½ (3¼ to 3¾)	1.8
PCE Prices July 2000	1¾ to 2½ (1¾ to 3)	1¾ to 2¼ (2 to 2½)	1.8
	-----Average level, Q4, percent-----		
Unemployment rate July 2000	4¼ to 5 (4 to 4½)	About 4½ (4 to 4½)	5.2

Central tendencies calculated by dropping high and low three from ranges.

APPENDIX 3

“Material for Staff Presentation on Monetary Policy Alternatives.”

STRICTLY CONFIDENTIAL (FR) CLASS II-FOMC

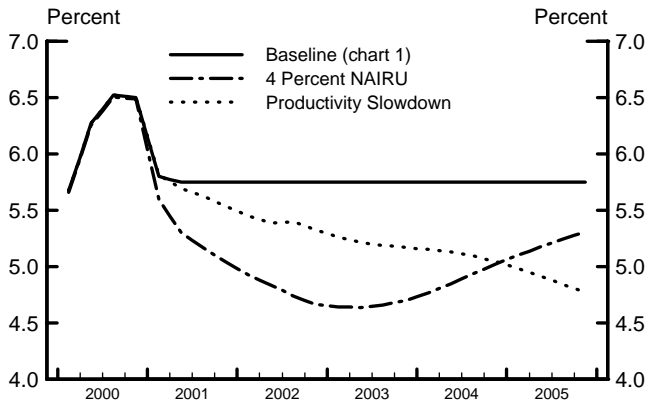
Material for

Staff Presentation on Monetary Policy Alternatives

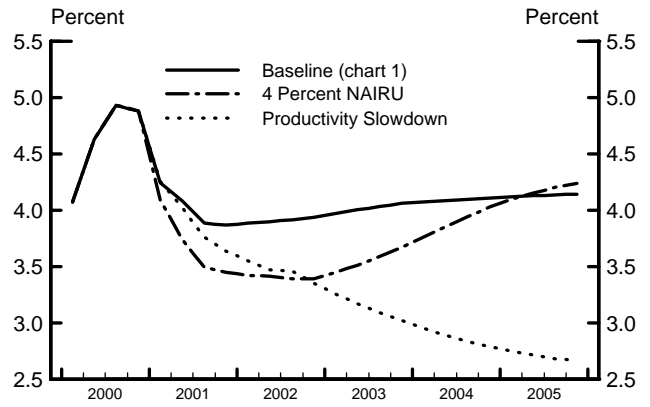
January 31, 2001

Chart 4 Alternative Supply-Side Scenarios

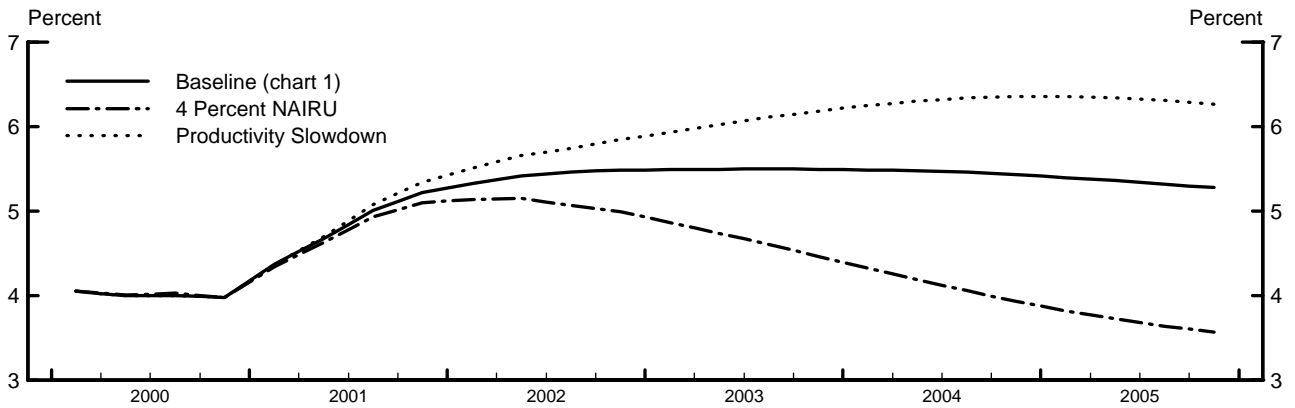
Nominal Federal Funds Rate



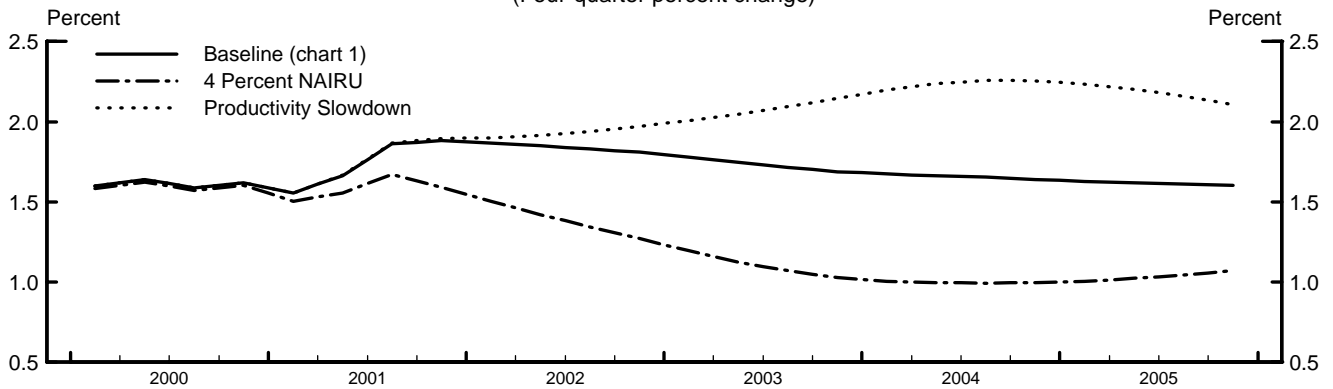
Real Federal Funds Rate¹



Civilian Unemployment Rate



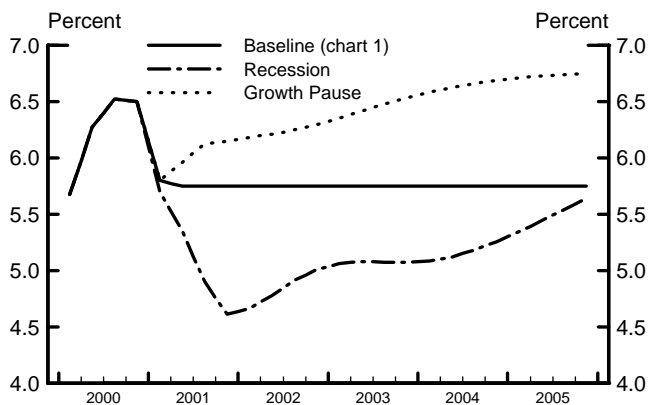
PCE Inflation (ex. food and energy) (Four-quarter percent change)



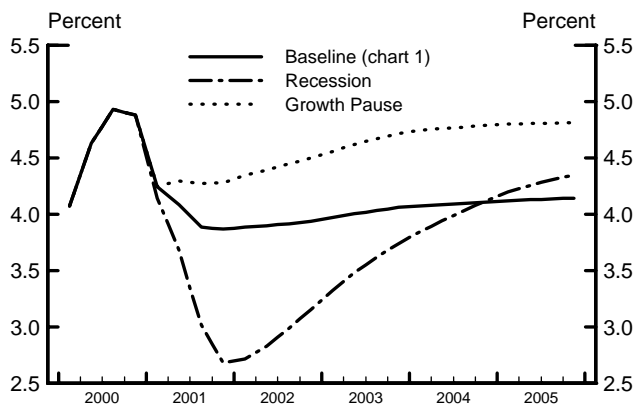
1. The real federal funds rate is calculated as the quarterly nominal funds rate minus the four-quarter percent change in the PCE chain-weight price index excluding food and energy.

Chart 5 Alternative Demand-Side Scenarios

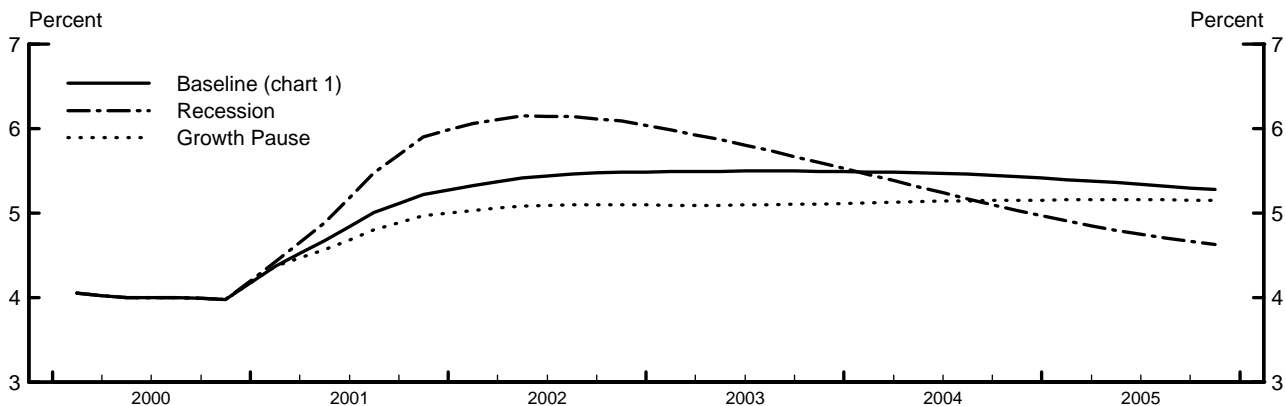
Nominal Federal Funds Rate



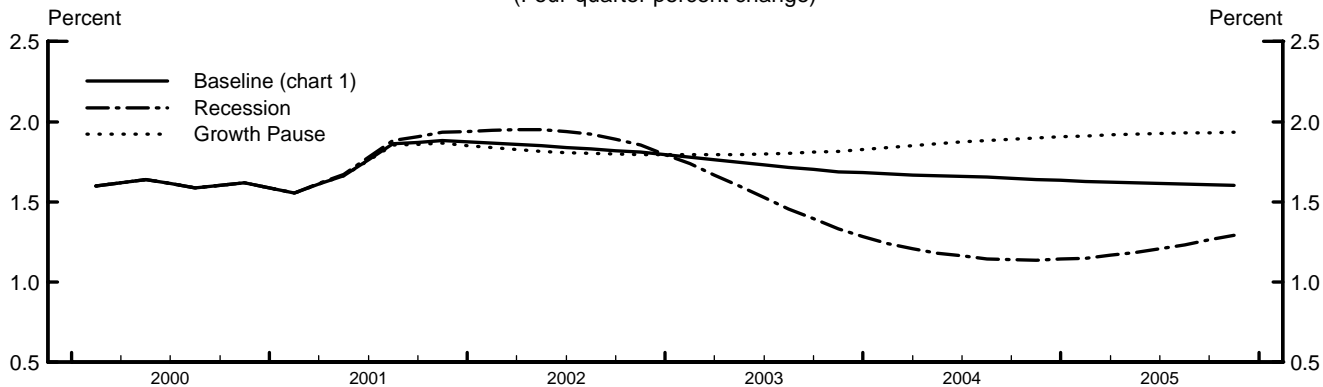
Real Federal Funds Rate¹



Civilian Unemployment Rate



PCE Inflation (ex. food and energy) (Four-quarter percent change)



1. The real federal funds rate is calculated as the quarterly nominal funds rate minus the four-quarter percent change in the PCE chain-weight price index excluding food and energy.