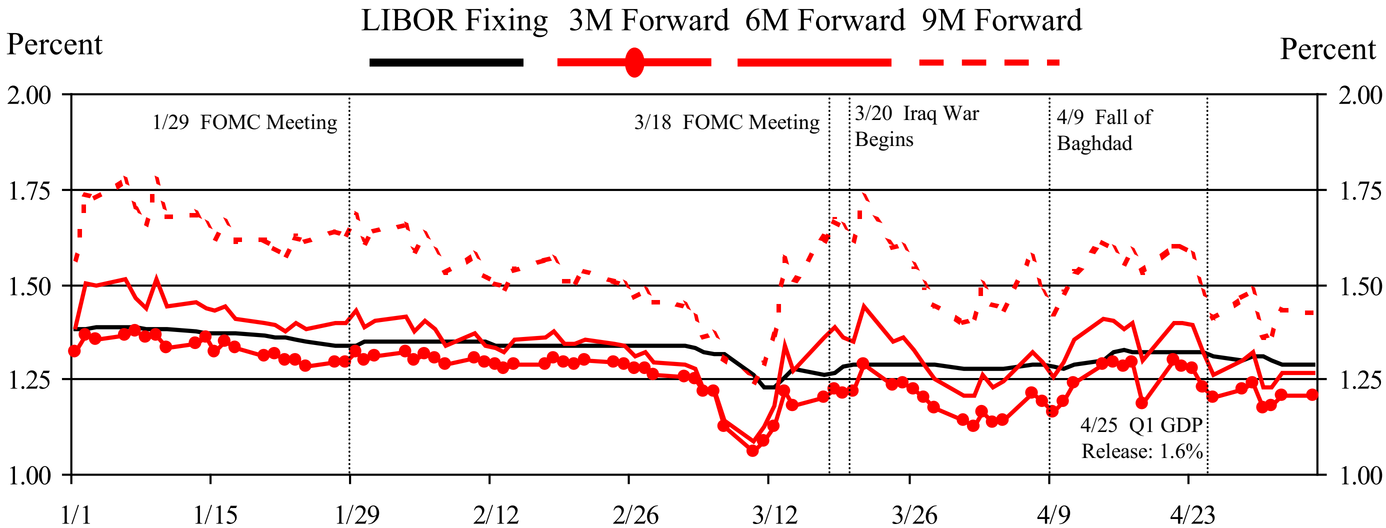
Appendix 1: Materials used by Mr. Kos

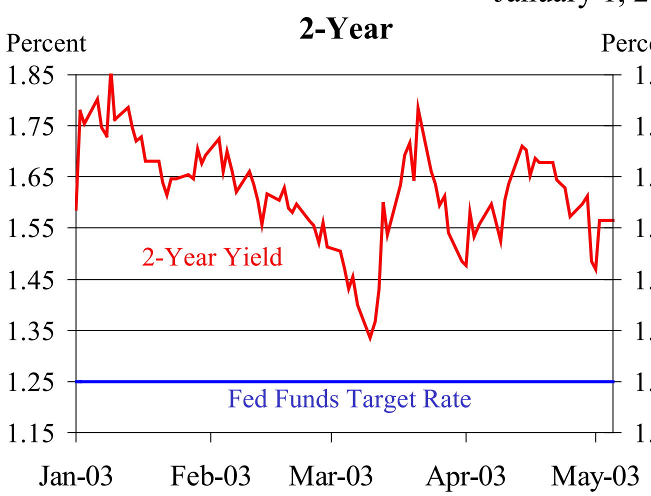
U.S. Current Deposit Rates and Rates Implied by Traded Forward Rate Agreements

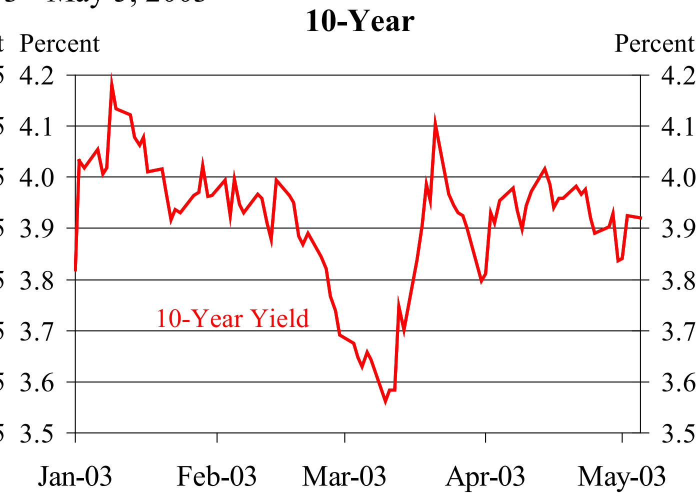
January 1, 2003 - May 5, 2003



U.S. Government Yields

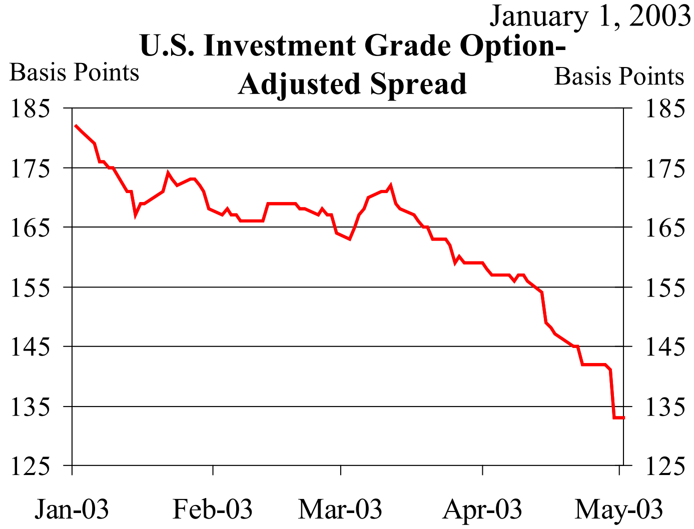
January 1, 2003 - May 5, 2003

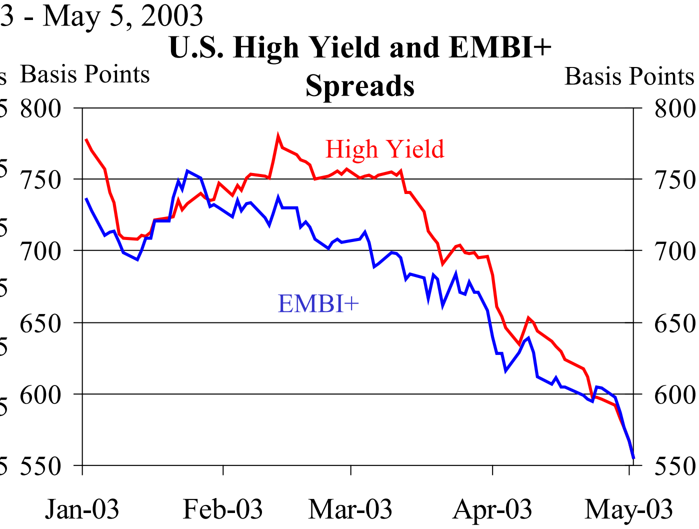




U.S. Corporate and Emerging Market Debt Spreads to U.S. Treasuries

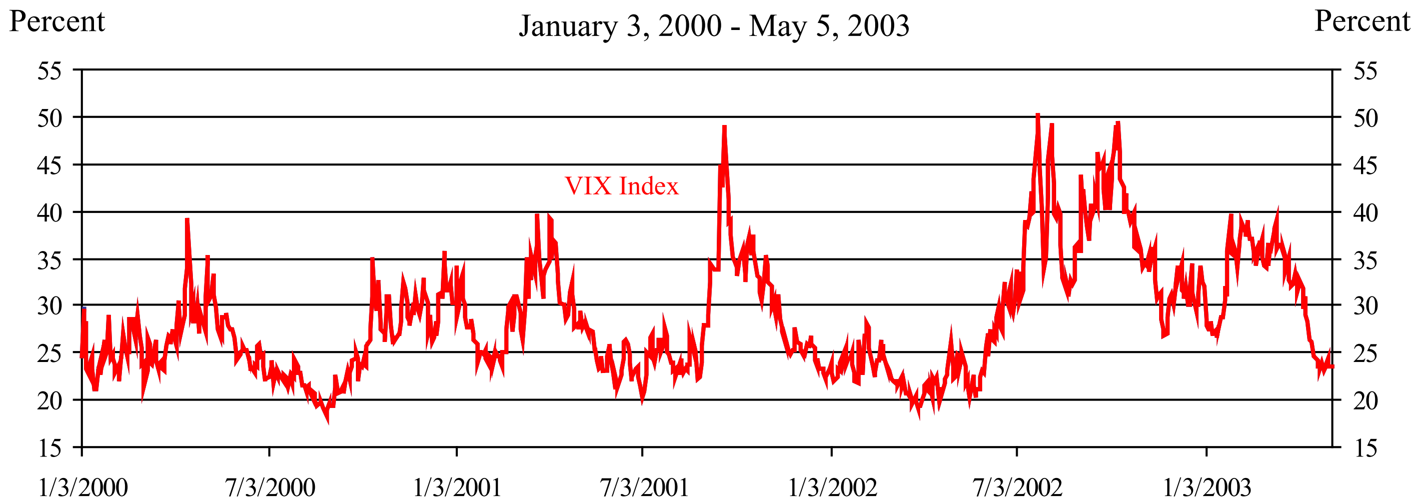
January 1, 2003 - May 5, 2003





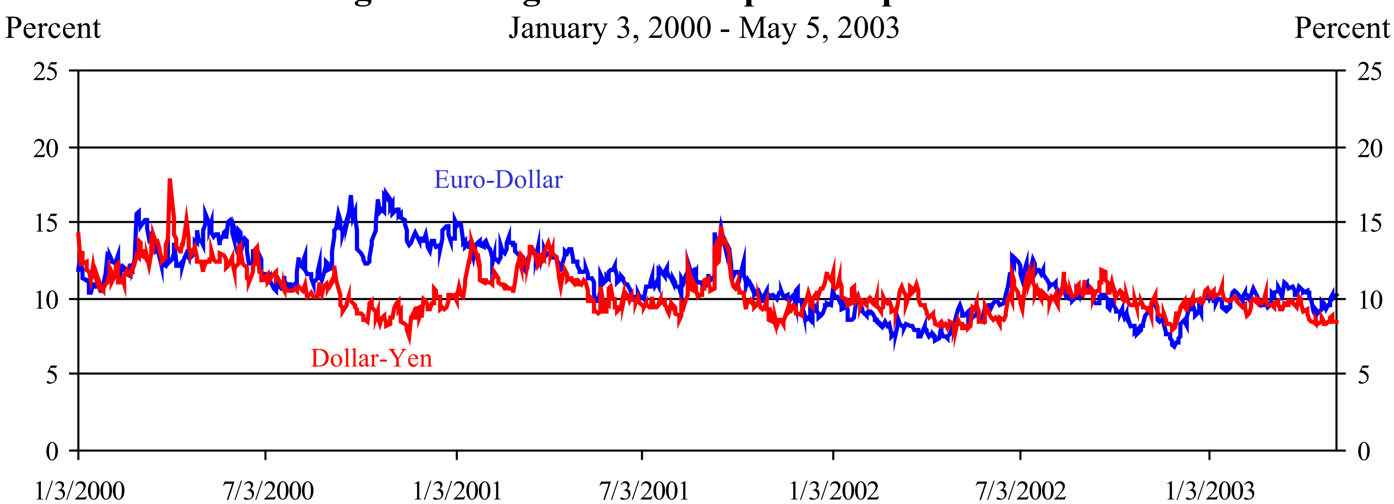
Implied Volatility on the S&P 100

January 3, 2000 - May 5, 2003



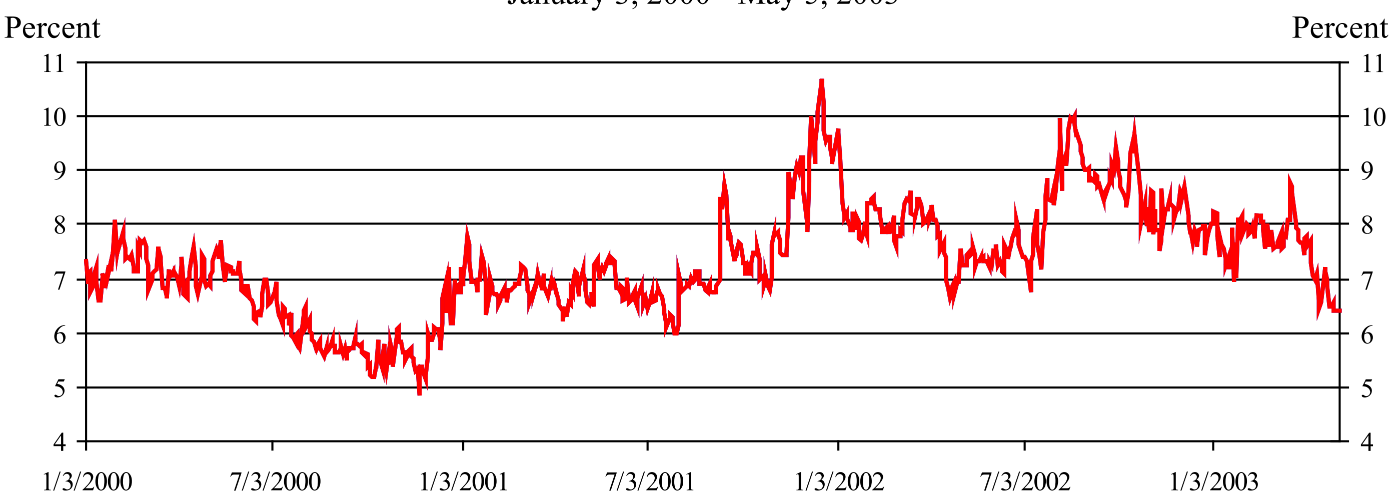
Foreign Exchange 1-Month Option Implied Volatilities

January 3, 2000 - May 5, 2003



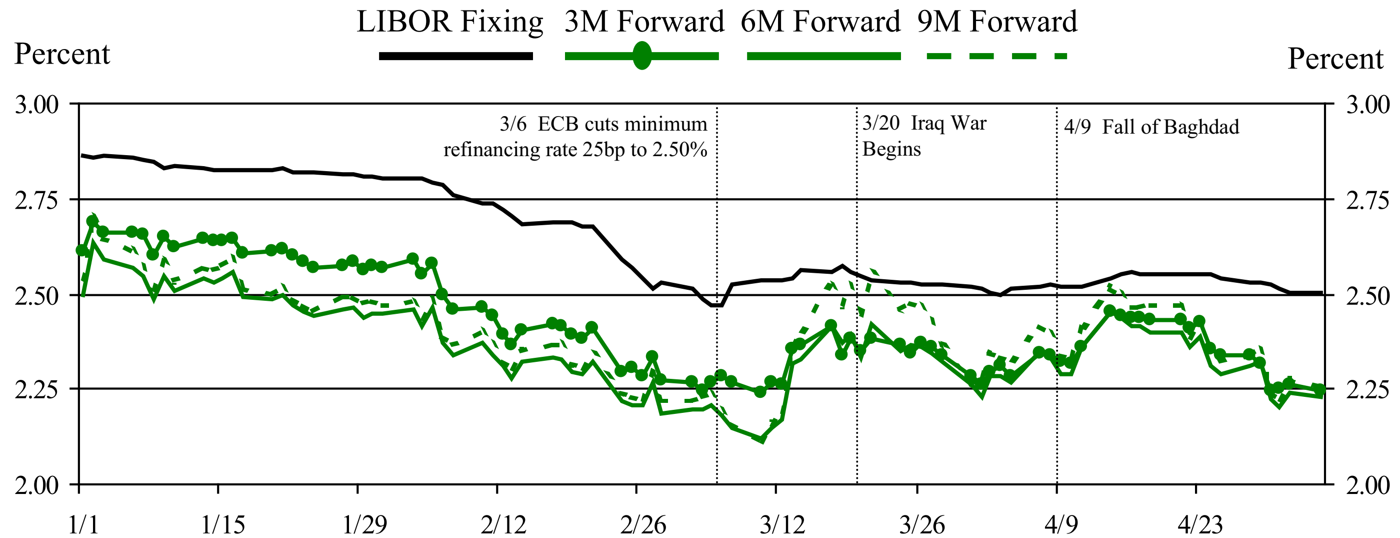
Implied Volatility on 10-Year Treasury Futures

January 3, 2000 - May 5, 2003



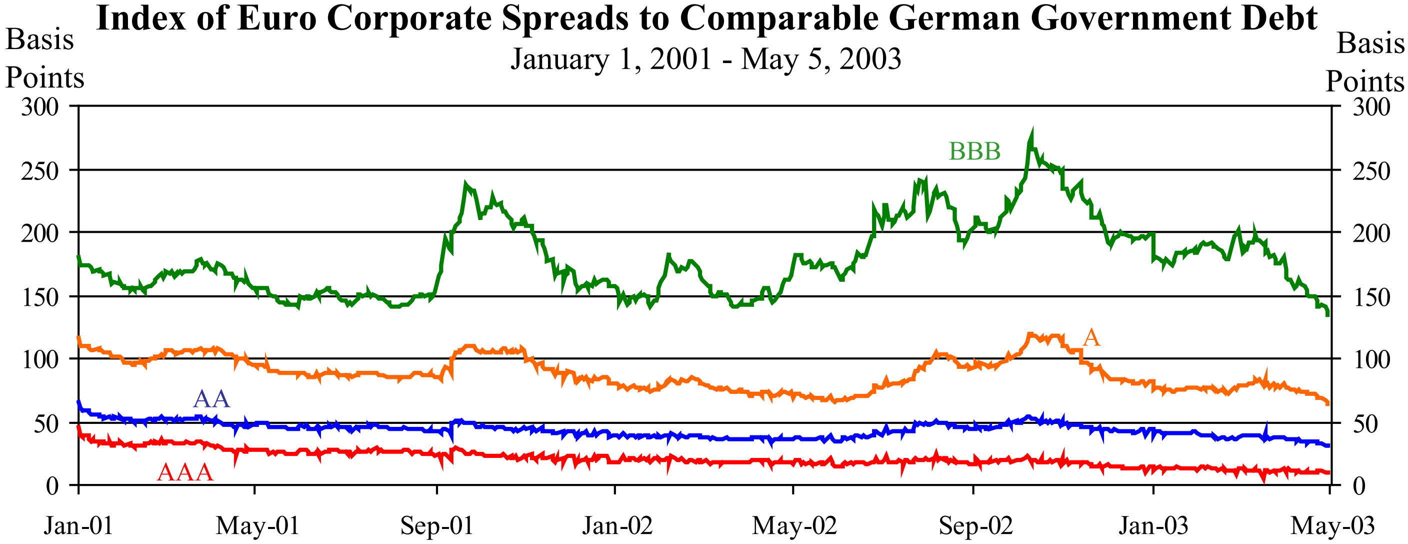
Euro-Area Current Deposit Rates and Rates Implied by Traded Forward Rate Agreements

January 1, 2003 - May 5, 2003



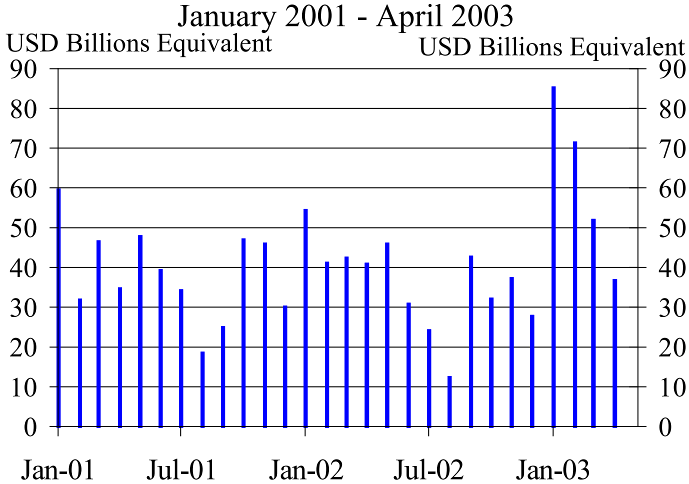
Index of Euro Corporate Spreads to Comparable German Government Debt

January 1, 2001 - May 5, 2003



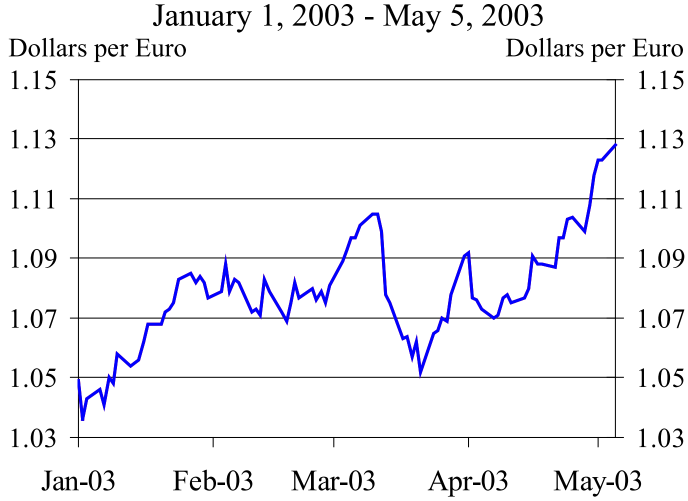
Monthly Euro-Denominated Investment Grade Corporate Issuance

January 2001 - April 2003

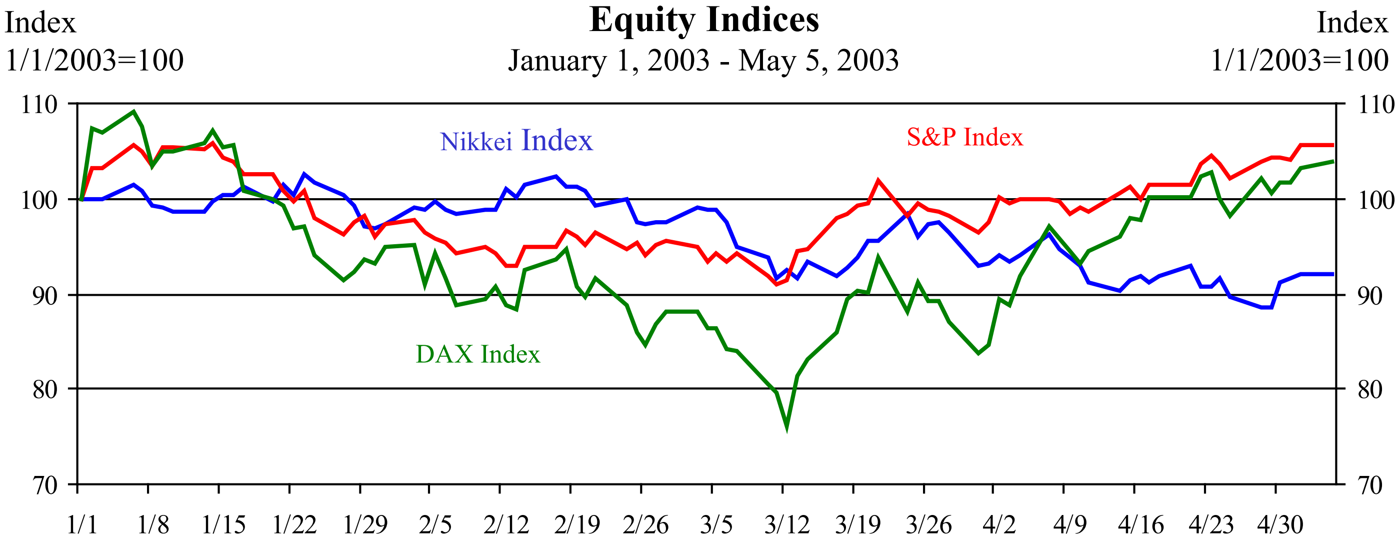


Euro-Dollar Exchange Rate

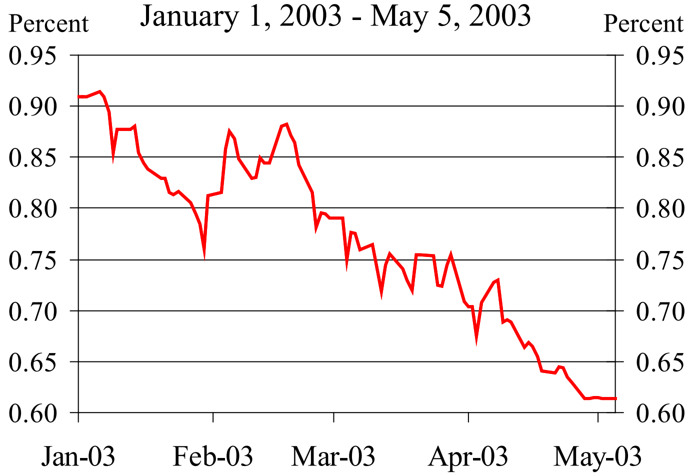
January 1, 2003 - May 5, 2003



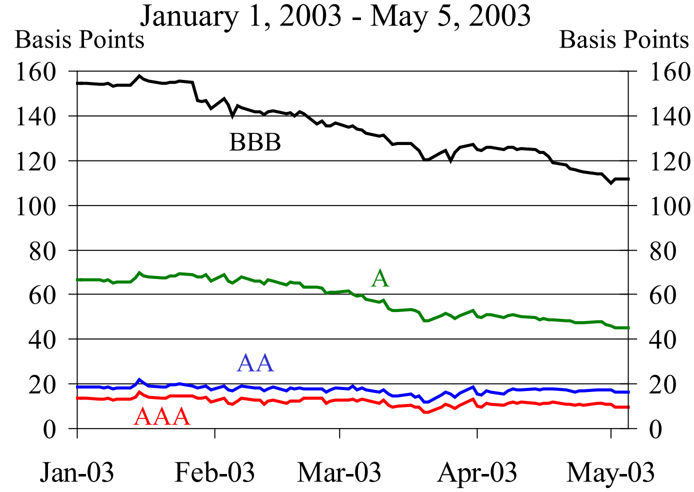
Equity Indices
January 1, 2003 - May 5, 2003



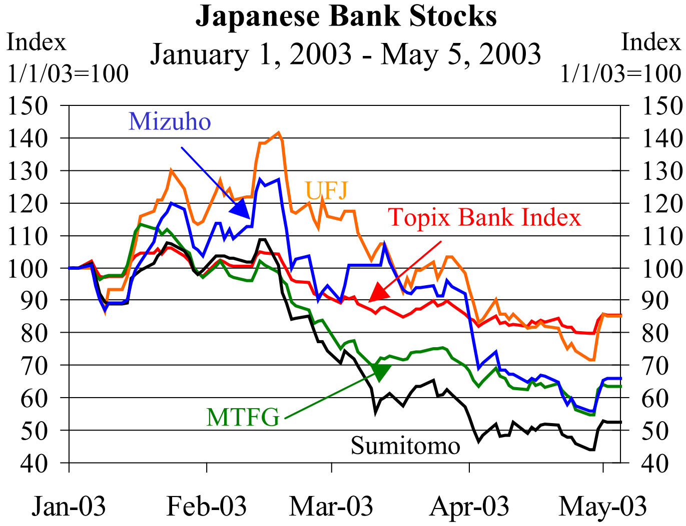
10-Year JGB Yield
January 1, 2003 - May 5, 2003



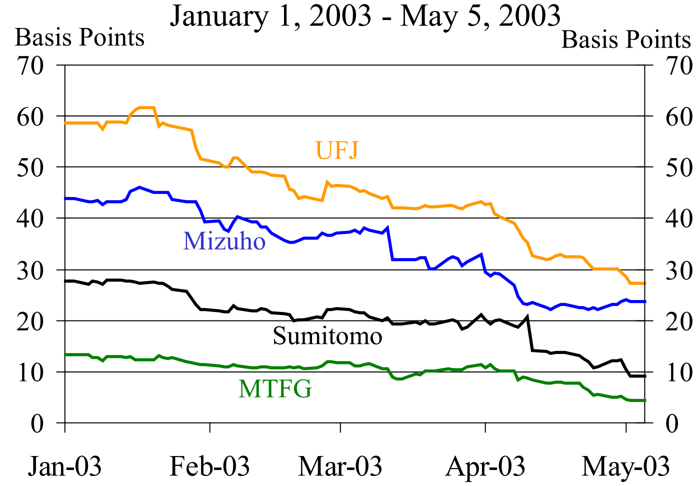
Japanese Corporate Spreads to 5-Year JGB
January 1, 2003 - May 5, 2003



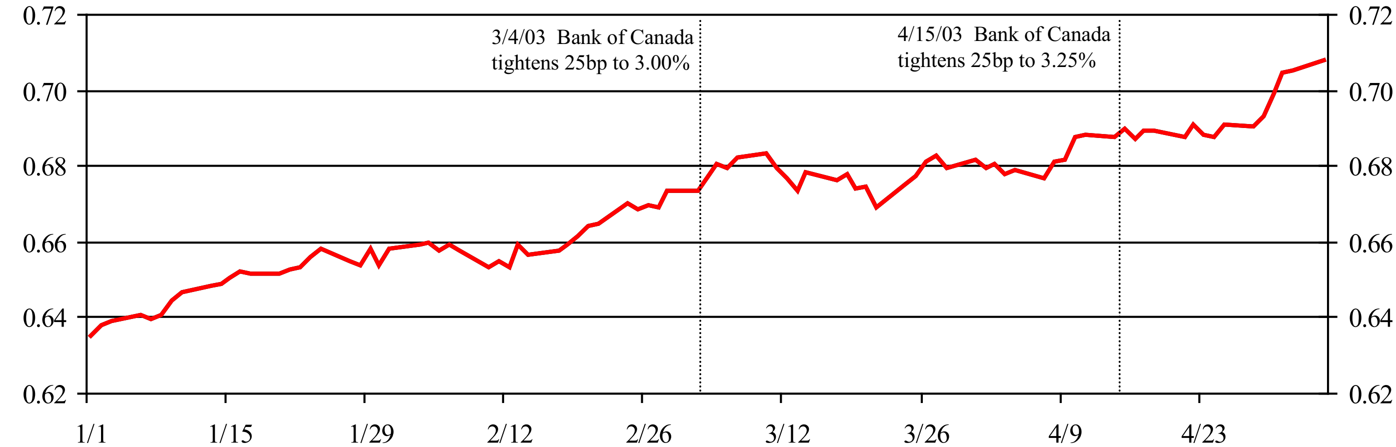
Japanese Bank Stocks
January 1, 2003 - May 5, 2003



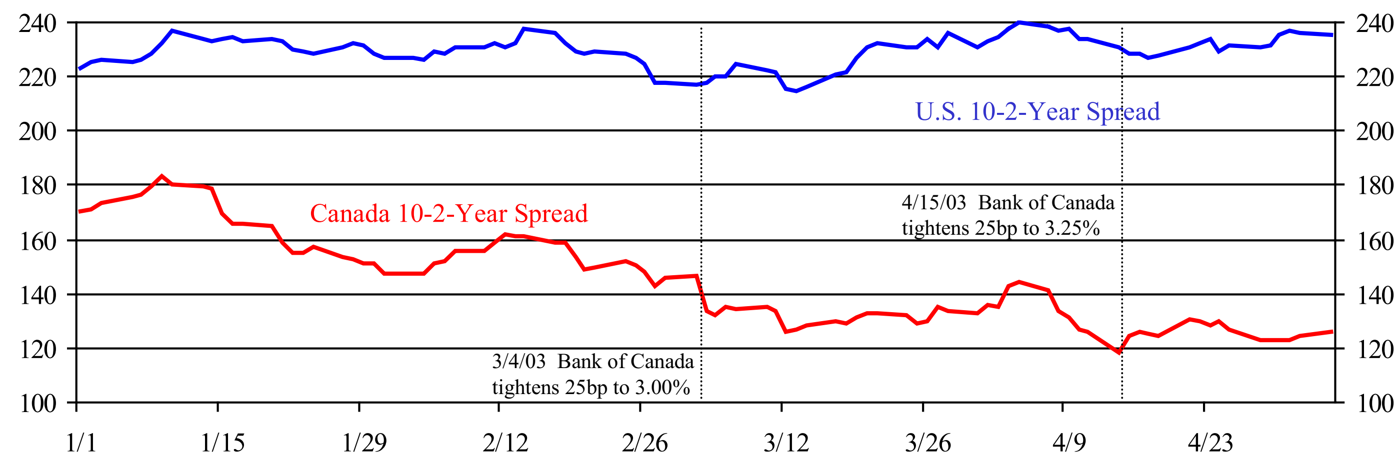
Japanese Bank Debt Spreads to 5-Year JGB
January 1, 2003 - May 5, 2003



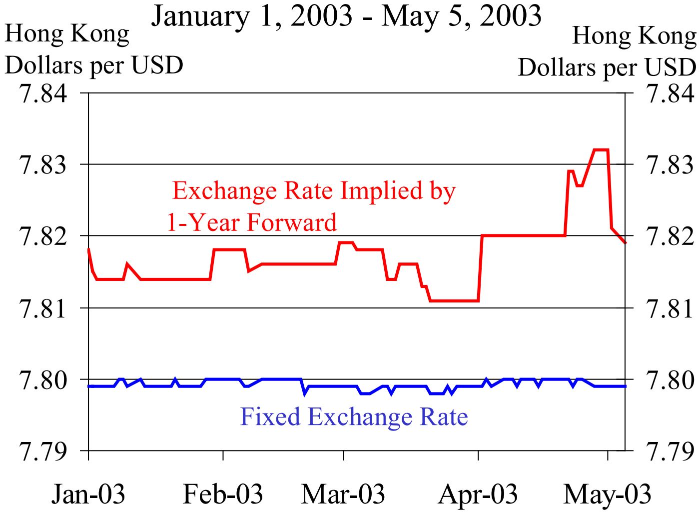
Canadian Dollar Exchange Rate
January 1, 2002 - May 5, 2003



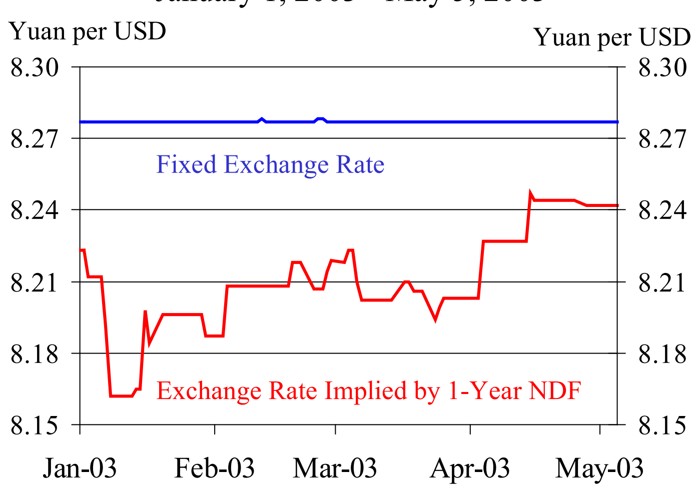
U.S. and Canadian 10-2-Year Spreads
January 1, 2003 - May 5, 2003



Hong Kong Current and Forward Exchange Rates
January 1, 2003 - May 5, 2003



Chinese Current and Forward Exchange Rates
January 1, 2003 - May 5, 2003

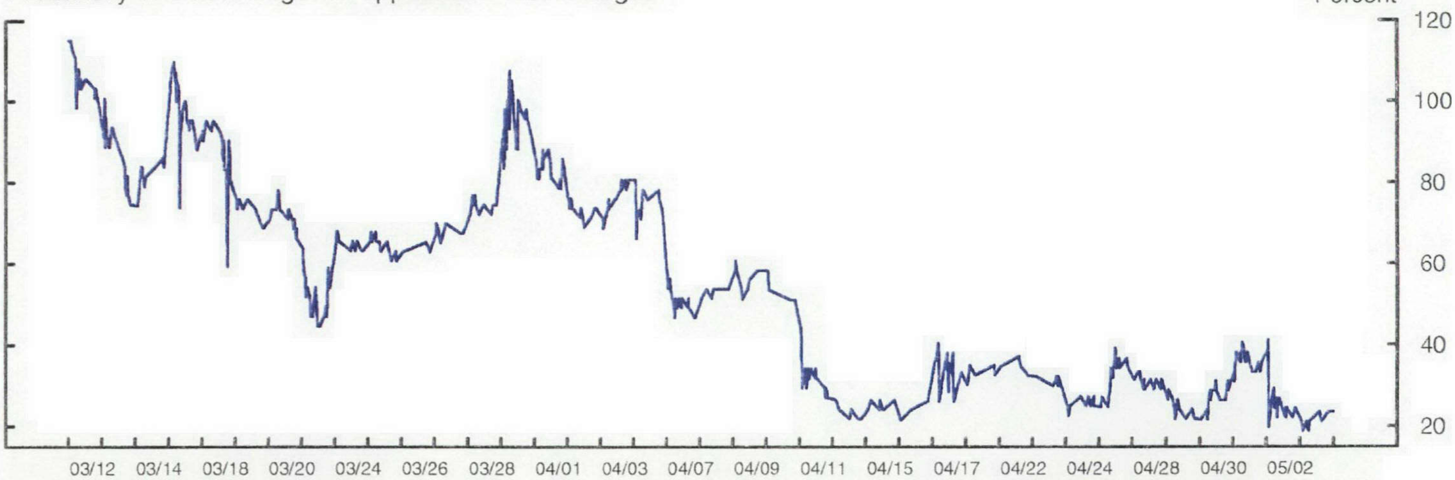


Appendix 2: Materials used by Mr. Reinhart

Exhibit 1

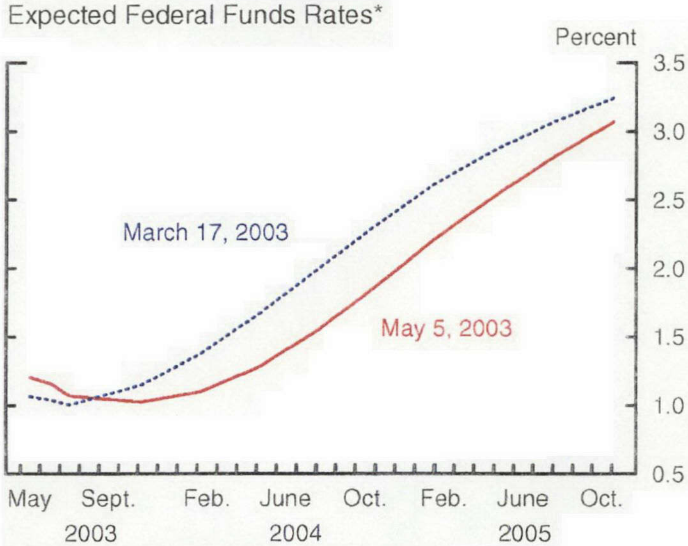
Policy Expectations

Probability of 1.00% target as opposed to 1.25% target*



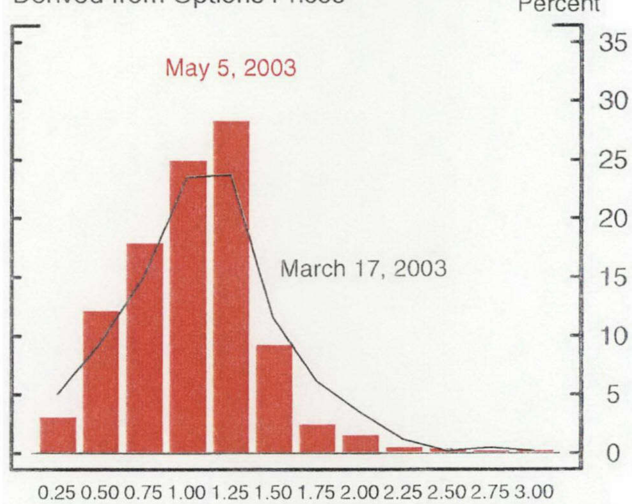
*Represents the probability that the target funds rate will be 1.00% following the May 6 FOMC meeting. Calculation based on May 2003 federal funds futures contract. Five minute intervals.

Expected Federal Funds Rates*



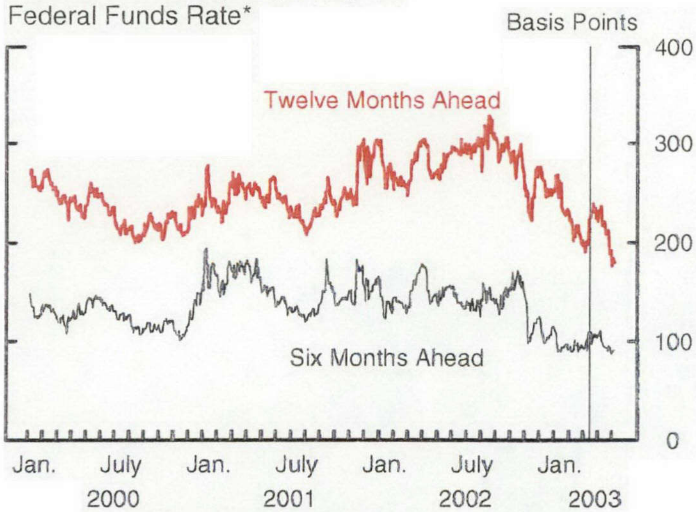
*Estimates from federal funds and eurodollar futures

Implied Distribution of the Federal Funds Rate Derived from Options Prices*



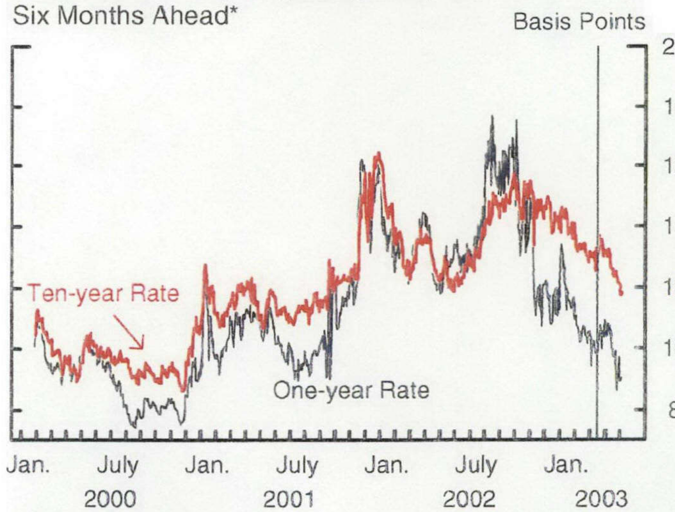
*Calculated from 150-day constant maturity eurodollar options.

Market Uncertainty Regarding the Federal Funds Rate*



*Width of 90 percent confidence interval computed from futures rates and implied volatility.

Market Uncertainty Regarding Swap Rates Six Months Ahead*



*Width of 90 percent confidence interval computed from swap rates and implied volatility.

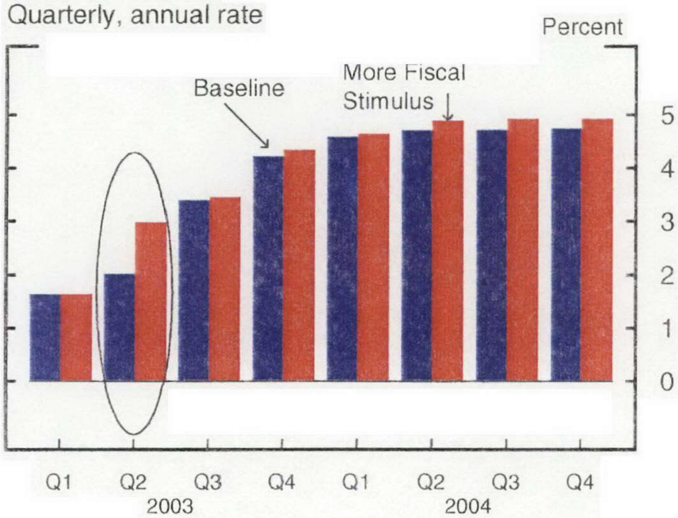
Note: Solid vertical lines indicate March 17, 2003.

Exhibit 2

The Case for Holding Policy Unchanged

- The staff forecast is likely and, over the period policy action would take effect, acceptable.
- Economic slack may be worked down sooner and disinflation less likely than in the staff forecast.
- Financial market participants might react adversely to action.

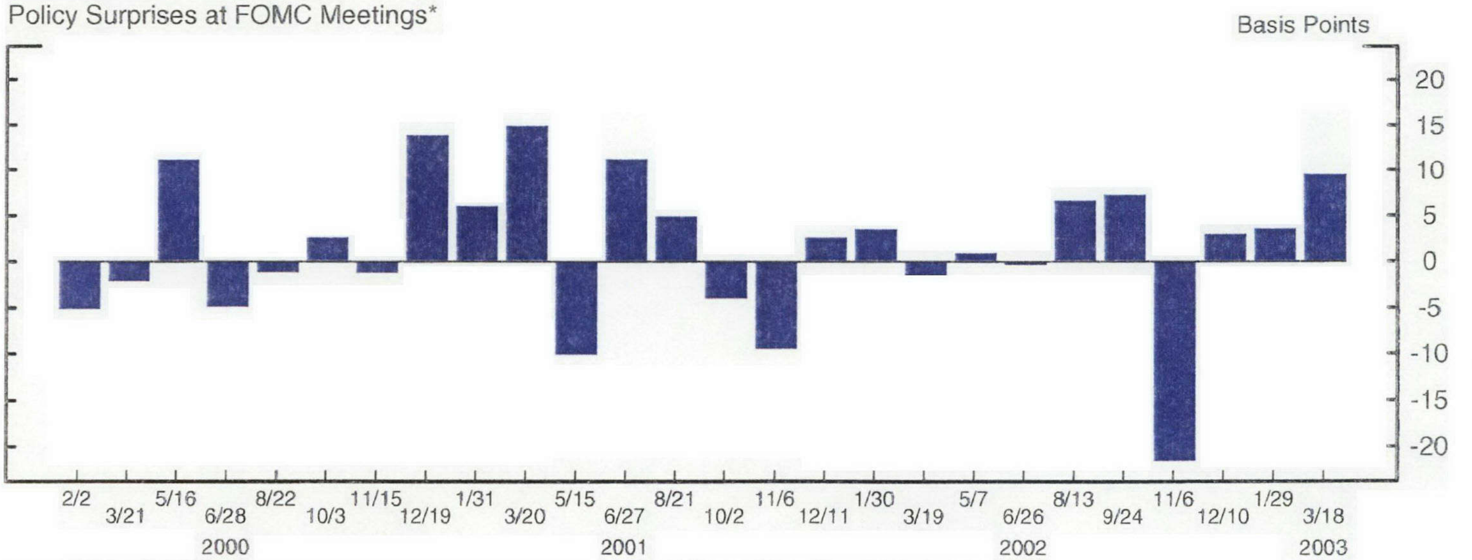
Real GDP Growth
Quarterly, annual rate



Change in Selected Financial Quotes
Since March 12

Ten-year Treasury Yield (bps)	26
Wilshire 5000 (pct)	16
Ten-Year BBB (bps)	-24
Five-year High Yield (bps)	144

Policy Surprises at FOMC Meetings*



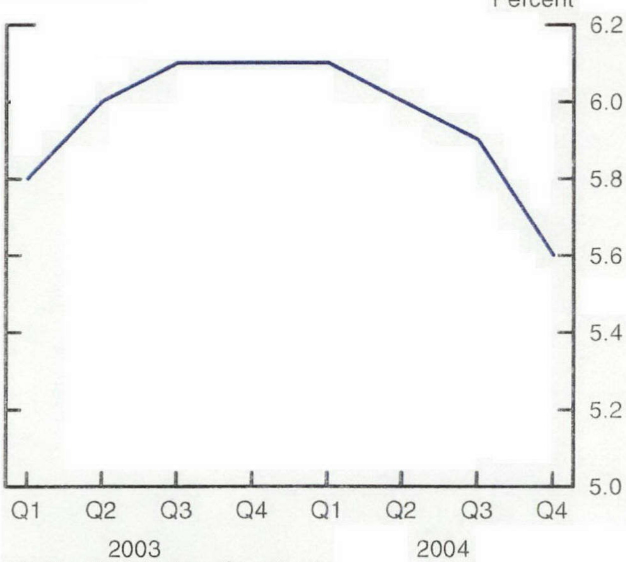
*Actual intended rates after the meeting less the expected rate inferred from futures quotes.

Exhibit 3

The Case for Easing Policy

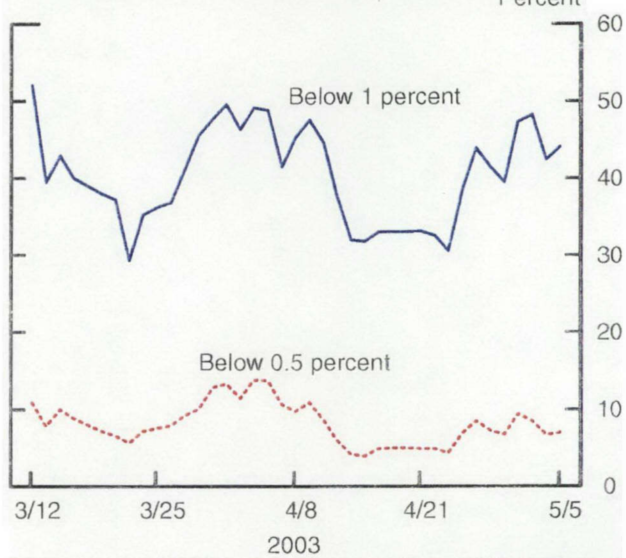
- Resources are underused over the projection period.
- Downside risks to demand are more likely or more costly.
- Inflation may fall further from its already low level.

Unemployment Rate*



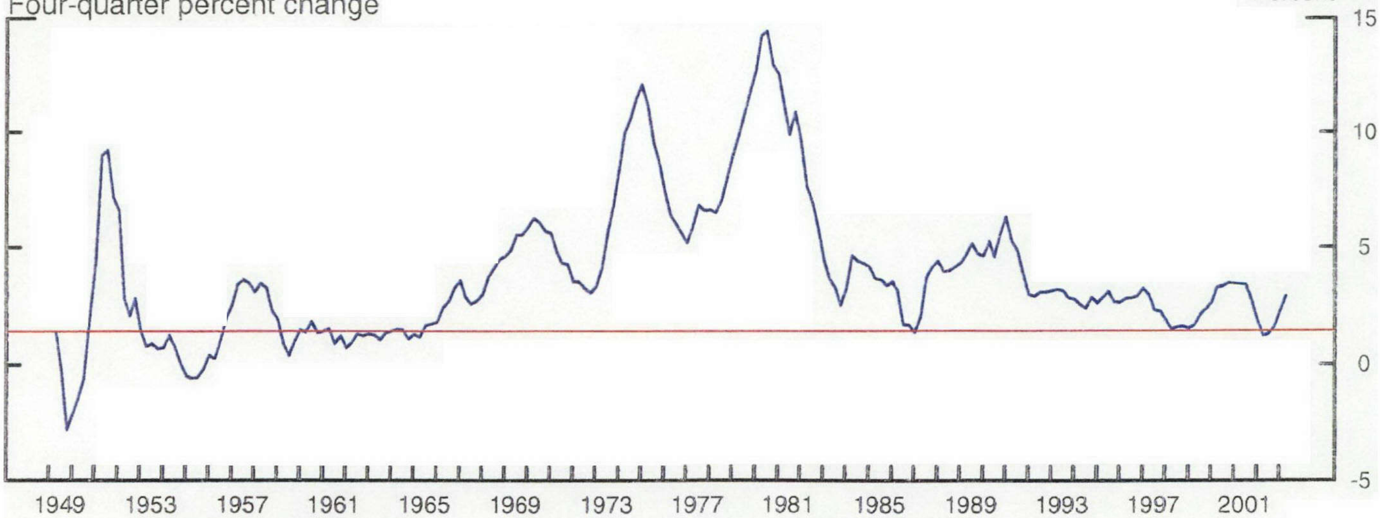
*Staff projections from Greenbook.

Probability of Federal Funds Rate below 1 percent and 0.5 percent by the fall*



*Calculated from 150-day constant maturity eurodollar options.

CPI Inflation
Four-quarter percent change



Note. Horizontal line drawn at 1.4 percent.

Exhibit 4

The Balance of Risks Assessment

FRBNY Survey of Primary Dealers*

Risks balanced	11
Risks toward weakness	5
No risk assessment	6

*Conducted on April 28-29.

Three Options

1. Reinstate the balance-of-risks language
2. Abandon the balance-of-risks language.
3. Augment the assessment of risks.