APPENDIX 1

Notes and charts used by Mr. Fisher in his presentation

Summary, Manager's Notes
FOMC Meeting March 31, 1998

1. G-3 short-term, forward interest rate curves remain relatively flat.

2. Greed eclipses fear in asset markets, except in Japan.

3. The flat forward pricing of short-term interest rates reflects a "clearing price" between divergent views about the direction of the Committee's next move, not a conviction about the likelihood of steady policy.

   Q: Why hasn't a risk premium, associated with this uncertainty, been more evident in the Treasury yield curve?

   In general, expanding risk appetites have consumed it.

   In particular, reductions in Treasury supply (both actual and anticipated), combined with the flat, forward money market curve, have recently been encouraging dealers to extend duration, tending to flatten the Treasury yield curve.

4. The Desk is preparing for the heavy tax inflows of April and May to cause a sharp rise in the Treasury balance leading, once again, to the need for much larger operations than normal.

3-Month Deposit Rates

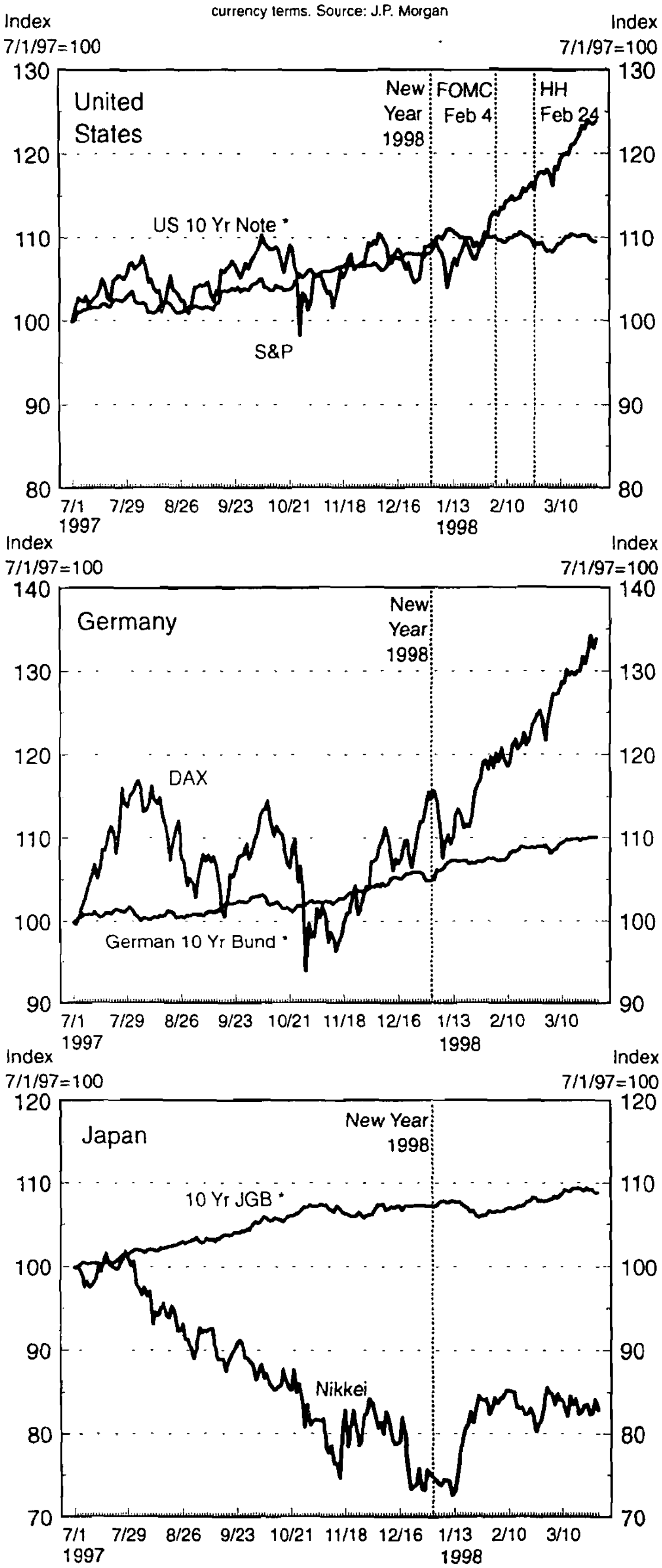
July 1, 1997 - March 27, 1998

Current Euro-deposit Rate and Rates Implied by Traded Forward Rate Agreements

Greed eclipses fear, except in Japan.

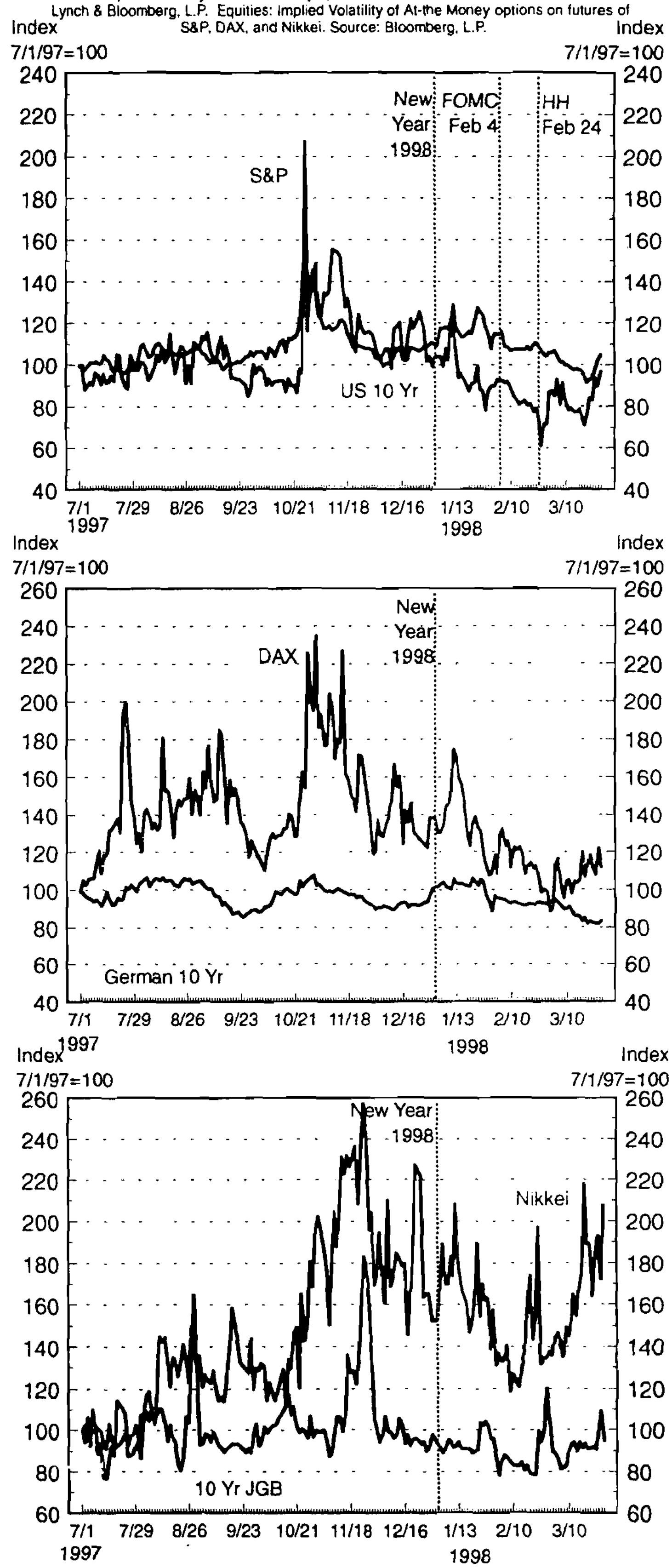
Re-Indexed G-3 Equity Indices and Total Return Bond Indices * Performance (Rebased to July 1, 1997)

* U.S., Germany, and Japan 10 Yr Constant Maturity Total Return Indices, in local currency terms. Source: J.P. Morgan



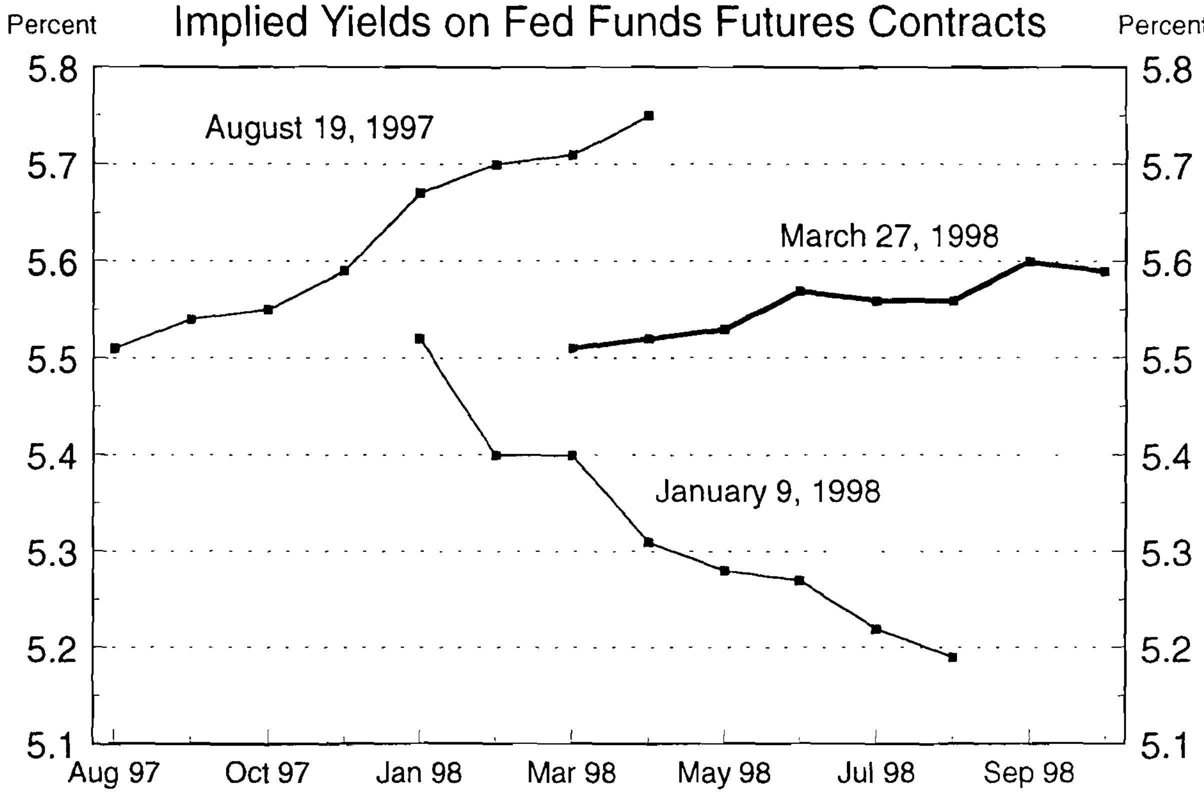
Indexed G-3 Option Implied Volatility on Equity and Bond Futures * (Rebased to July 1, 1997)

* Bonds: Implied Volatility of At-the-Money options on futures of 10 Yr bonds. Source: Merrill Lynch & Bloomberg, L.P. Equities: Implied Volatility of At-the Money options on futures of S&P, DAX, and Nikkei. Source: Bloomberg, L.P.

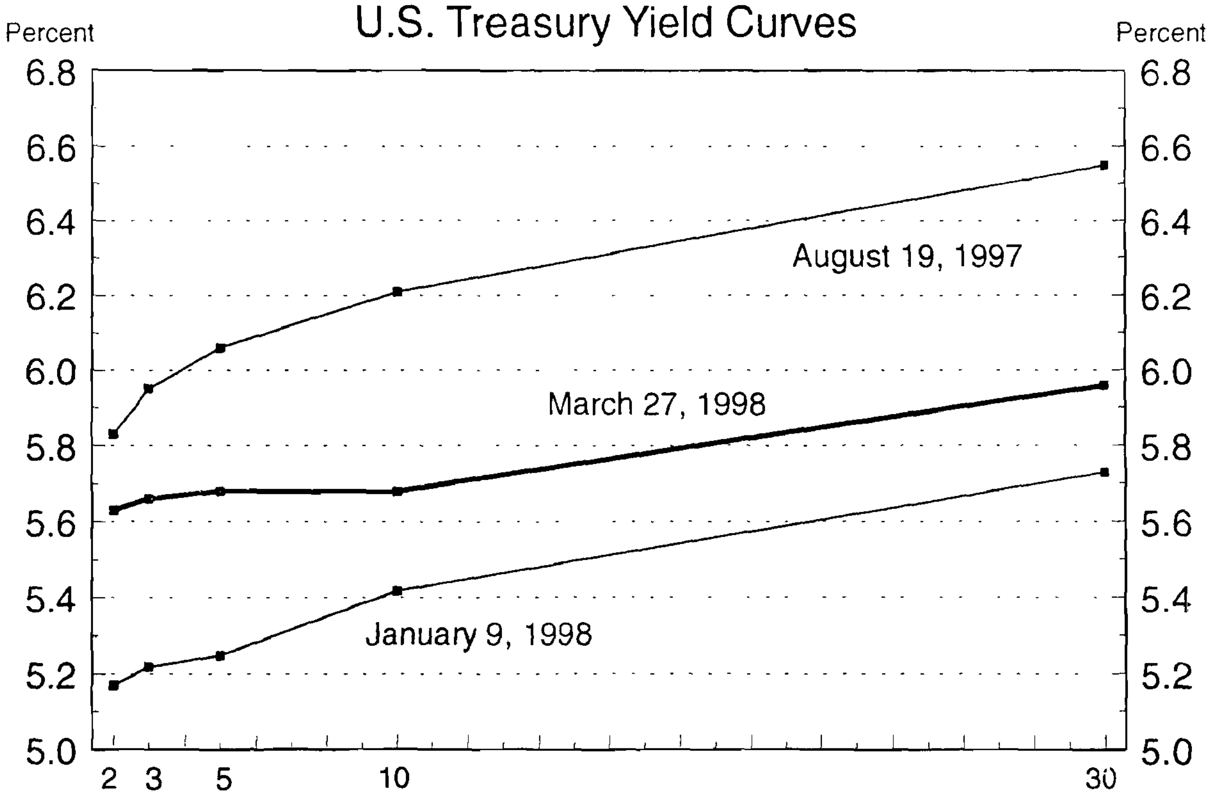


	--- OLD PARADIGM ---		--- NEW PARADIGM ---	
	Growth needs to be moderate, or slowed, to avoid a rise in inflation.		Growth can be strong, even accelerate, without a rise in inflation because of investment, productivity growth, competition and technological innovation.	
August 1997	**Pessimist**	**Optimist**	**Optimist**	**Pessimist**
View of the 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 the 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 stock and some bonds whenever possible.	Sells stocks short; buys Treasuries.
NOW				
Portfolio consistent with outlook:	Leveraged: 60% short stocks 40% short bonds	Cash, trading in & out of: 60% long stocks 40% long bonds	Leveraged: buy and hold 60% long stocks 40% long bonds	Leveraged: 60% short stocks Unleveraged: 40% long bonds
Result to date:	CRUSHED	Keeping up with the indices	Beating the indices	NEGATIVE RETURNS: losses in short stock positions overwhelm profits in long bond position

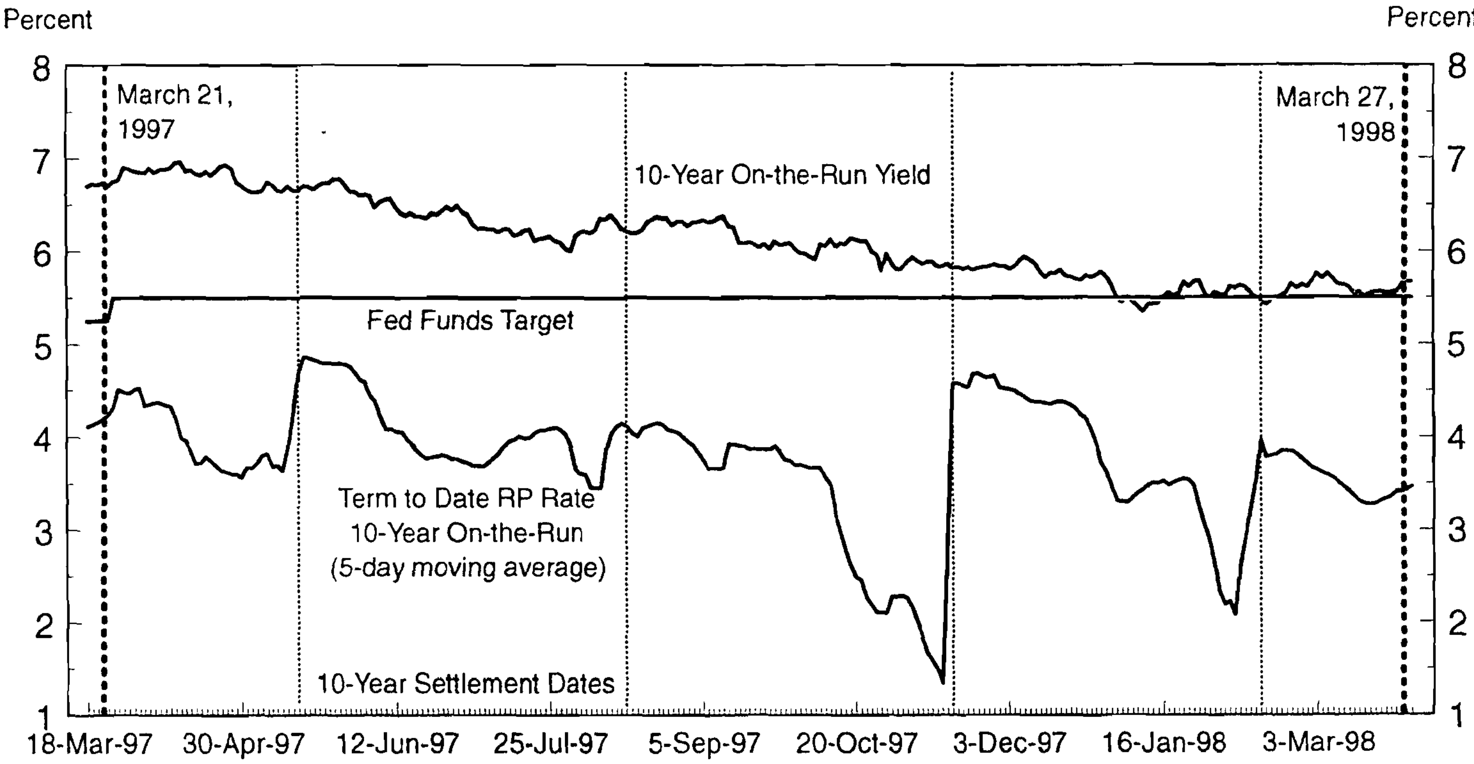
Implied Yields on Fed Funds Futures Contracts

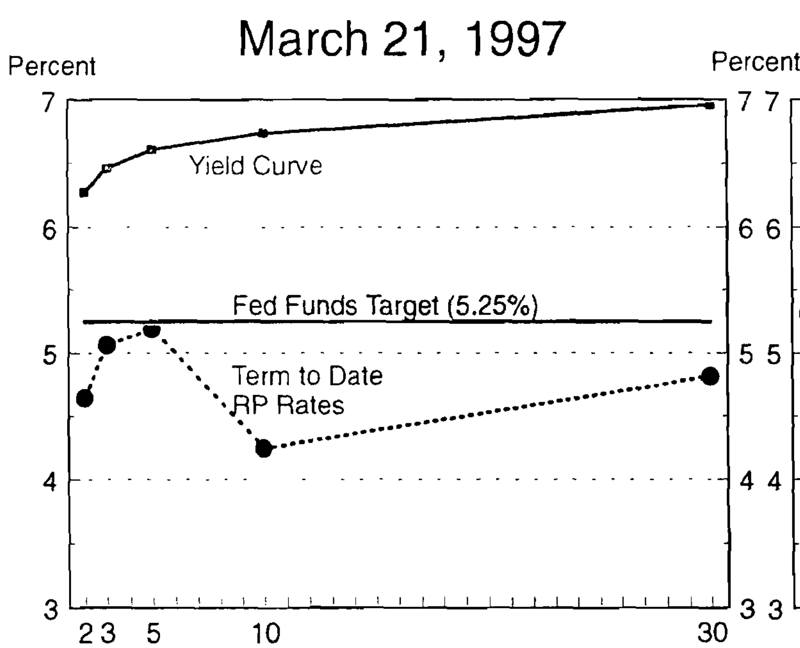


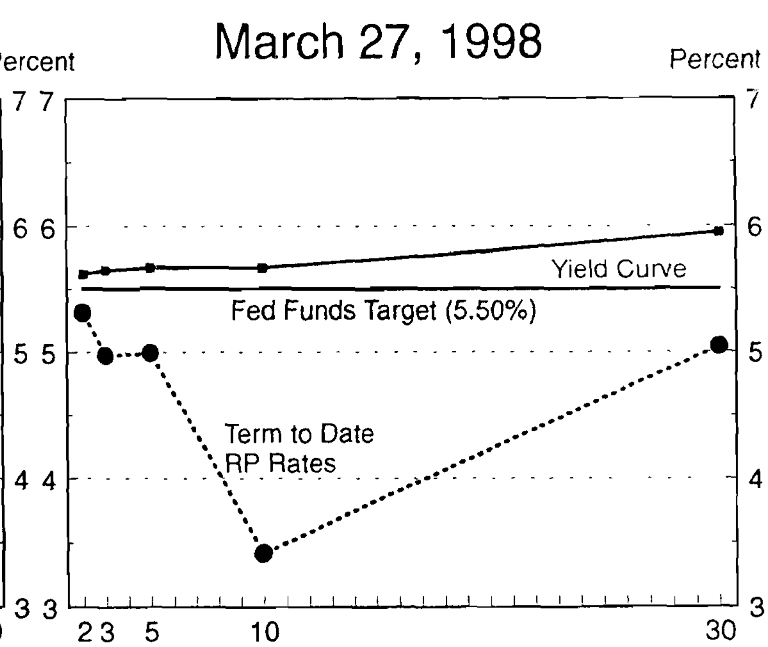
U.S. Treasury Yield Curves



Positive Carry of On-the-Run Treasuries







Positive Carry in Basis Points

	2 Year	3 Year	5 Year	10 Year	30 Year
3/21/97	164	140	142	250	215
3/27/98	31	68	68	226	91

Forecast and Actual Federal Budget Receipts

1997

January - March	Forecast ($Billions)	Percent Error*
Treasury as of Oct 96	338.5	3.0%
Board as of Dec 96	333.0	4.6%
FRBNY as of Dec 96	333.0	4.6%
Actual	349.1	

April - June	Forecast ($Billions)	Percent Error*
Treasury as of Feb 97	443.3	10.7%
Board as of Mar 97	460.0	7.3%
FRBNY as of Mar 97	452.0	8.9%
Actual	496.4	

1998

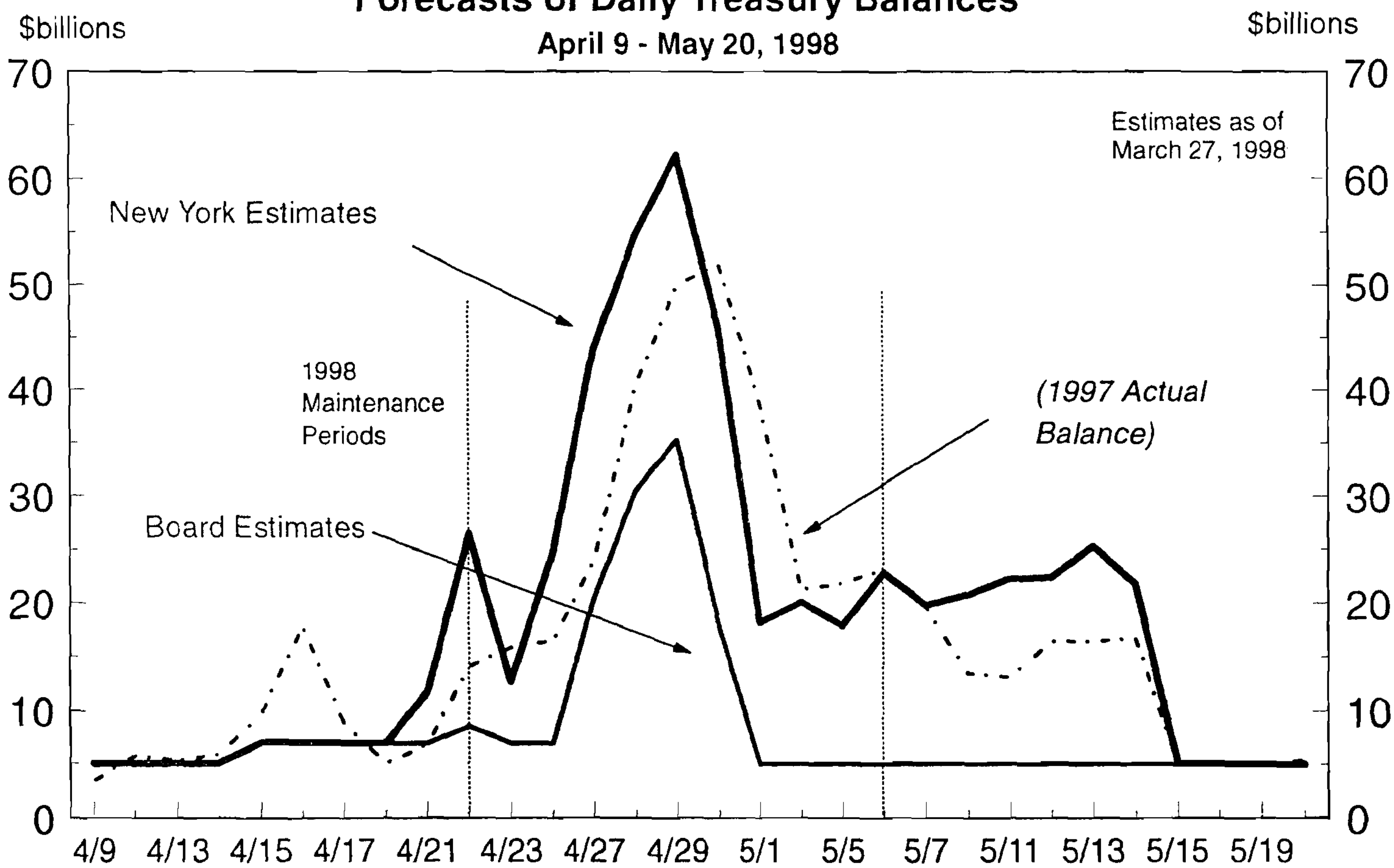
January - March	Forecast ($Billions)	Percent Error*
Treasury as of Oct 97	376.0	0.3%
Board as of Dec 97	369.0	2.2%
FRBNY as of Dec 97	366.7	2.8%
Preliminary Actual	377.2	

April - June	Forecast ($Billions)
Treasury as of Mar 98	525.6
Board as of Mar 98	516.0
FRBNY as of Mar 98	547.6

*Percent error = ((Actual-Forecast)/Actual)*100

Forecasts of Daily Treasury Balances

April 9 - May 20, 1998

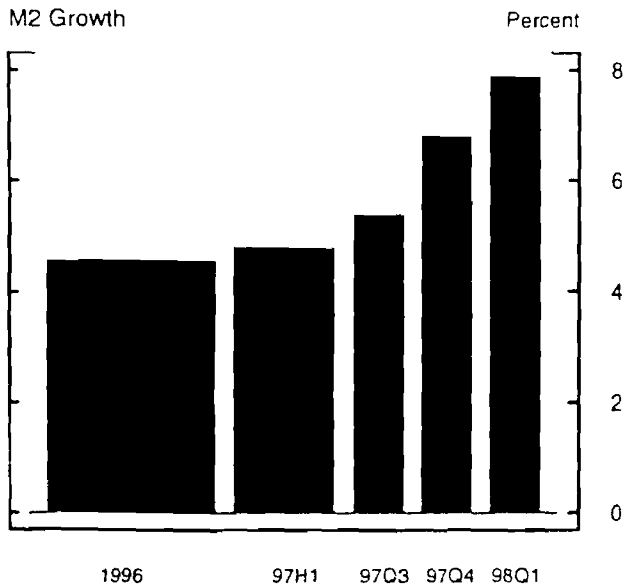


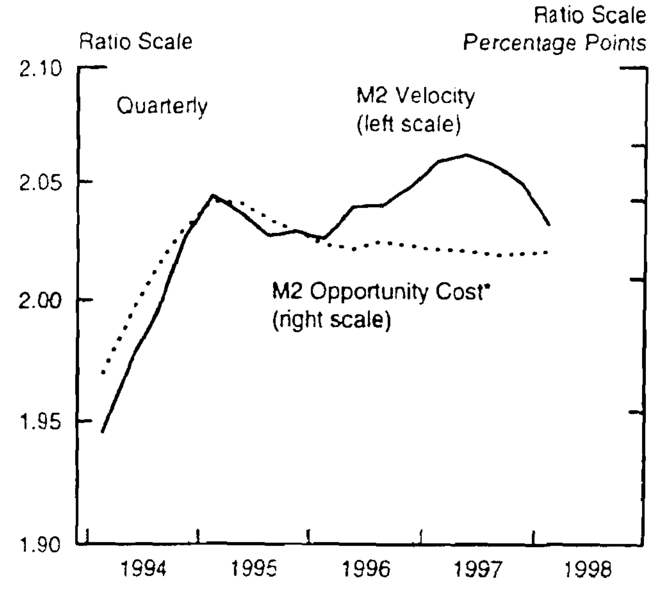
JB,VJC 3/27/98

APPENDIX 2

Chart used by Mr. Kohn in his presentation

M2





* Two-quarter moving average.

Possible Reasons for Velocity Decline

- Special factors
- Flat yield curve
- Asset portfolio rebalancing
- Income or spending scale variable
- Noise in the relationship