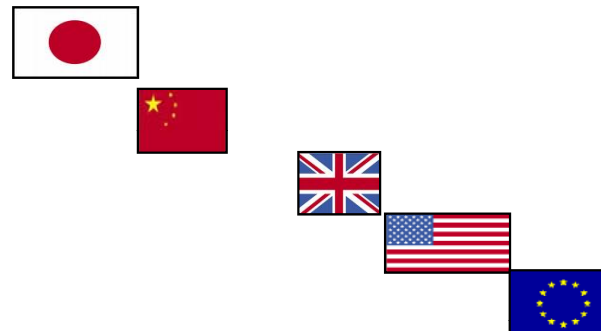


The Morning Email: Central Banks

Table of Contents

- Pg 1** The FOMC: Dates and Places
- Pg 2** The FOMC: People
- Pg 3** Top CB Expectations, Dates, and more
- Pg 4** The FOMC: Ranges
- Pg 5** PBOC
- Pg 6** BOJ
- Pg 7** The ECB : People, Objectives
- Pg 8** The ECB: Banks
- Pg 9** The ECB: Governing Council, 2009, Pictures
- Pg 10** The ECB: Statement
- Pg 11** The BOE - Dates, Rates, and Statement
- Pg 12** The BOE - How They Voted
- Pg 13** The EU: Who
- Pg 14** The EU: Map of Central Banks
- Pg 15** Indicators: Compare the EU, the US, and Japan
- Pg 16** Notes on Speeches
- Pg 17** Notes on FOMC Meetings



Recent Updates

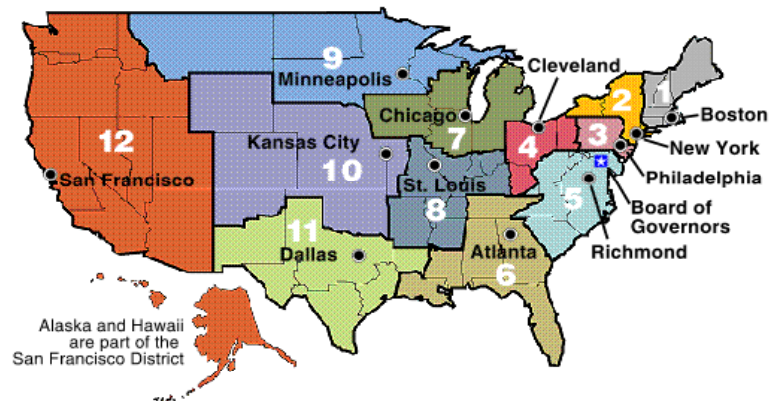
| Page | Date (dd/mm/yyyy) |
|------|-------------------|
| 3 | 4/8/2009 |
| 3 | 4/9/2009 |

If you see the color TAN on any page, then, it was updated in the last day or two.

Want something added? Let me know: jgoulding@ghco.com

Disclaimer: All information within this newsletter is meant for internal use at GH Trader's LLC, only. All information has been recorded to the best of my ability. This material is based upon information that I consider reliable, but I do not represent that it is accurate or complete.

| Meeting Dates for 2009 | | | | | |
|------------------------|-----------------|--------------------|----------------|-----------------|-------------------|
| January 27/28 | February | March 17/18 | April 28/29 | May | June 23/24 |
| July | August 11/12 | September 22/23 | October | November 3/4 | December 15/16 |



The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Federal Reserve Act of 1913 gave the Federal Reserve responsibility for setting monetary policy.

The Federal Reserve controls the three tools of monetary policy--open market operations, the discount rate, and reserve requirements.

-Source: FR

| Born ^ | 2008 Voting Members | Policy Inclination | Term Expires | Took Office | Comment |
|--------------|--|--------------------|--------------|-------------|---------|
| Dec-1953 | Ben S. Bernanke, Chairman, Board of Governors | Moderate/Dove | 1/31/2020 | 02/01/2006 | |
| Nov-1942 | Donald L. Kohn, Vice Chairman Board of Governors | Moderate/Hawk | 1/31/2016 | 08/05/2002 | |
| Jul-1952 | Elizabeth Duke, Board of Governors | No bias yet | 1/31/2012 | 08/05/2008 | |
| Jun-1962 | Randall S. Kroszner, Board of Governors | Moderate/Dove | 1/31/2008 | 03/01/2006 | |
| Nov-1952 | Daniel K. Tarullo, Board of Governors | No bias yet | 1/31/2022 | 01/28/2009 | |
| Apr-1970 | Kevin M. Warsh, Board of Governors | Moderate/Hawk | 1/31/2018 | 02/24/2006 | |
| 1953 | William Dudley, New York | No bias yet | | 01/27/2009 | |
| 01/15/1958 | Charles L. Evans, Chicago | Moderate | | 09/01/2007 | |
| 09/27/1955 | Jeffrey M. Lacker, Richmond | Moderate/Hawk | | 08/01/2004 | |
| 02/01/1947 | Dennis P. Lockhart, Atlanta | Moderate/Hawk | | 03/01/2007 | |
| 8/13/1946 | Janet L. Yellen, San Francisco | Moderate/Dove | | 06/14/2004 | |
| Born ^ | 2009 Alternate Members (Voters in 2010) | Policy Inclination | | Took Office | Comment |
| 06/06/1946 | Thomas M. Hoenig, Kansas City | Moderate | | 10/01/1991 | |
| 1960 or 1961 | Dr. James B. Bullard, St. Louis | Moderate/Hawk | | 04/01/2008 | |
| 06/03/1957 | Eric Rosengren, Boston | Moderate/Dove | | 07/23/2007 | |
| 08/04/1954 | Sandra Pianalto, Cleveland | Moderate | | 02/01/2003 | |
| Born ^ | 2010 Alternate Members (Voters in 2011) | Policy Inclination | | Took Office | Comment |
| 11/03/1944 | Dr. Gary H. Stern, Minneapolis | Hawk/Moderate | | 03/16/1985 | |
| 1950??? | Richard W. Fisher, Dallas | Hawk | | 04/04/2005 | |
| 09/19/1948 | Dr. Charles I. Plosser, Philadelphia | Hawk/Moderate | | | |

Notes

^Reserve Bank presidents are subject to mandatory retirement upon becoming 65 years of age. However, presidents initially appointed after age 55 can, at the option of the board of directors, be permitted to serve until attaining ten years of service in the office or age 70, whichever comes first. [Source: FRB web site]

| | Rotation | | | |
|--------------------------|--------------|-----------|--------------|--|
| | 2008 | 2009 | 2010 | |
| Members | New York | New York | New York | Committee membership changes at the first regularly scheduled meeting of the year. |
| | Cleveland | Chicago | Cleveland | |
| | Philadelphia | Richmond | Boston | |
| | Dallas | Atlanta | St. Louis | |
| | Minneapolis | SF | KC | |
| Alternate Members | New York† | New York† | New York† | Committee membership changes at the first regularly scheduled meeting of the year. |
| | Chicago | Cleveland | Chicago | |
| | Richmond | Boston | Philadelphia | |
| | Atlanta | St. Louis | Dallas | |
| | SF | KC | Minneapolis | |

†For the Federal Reserve Bank of New York, the First Vice President is the alternate for the President

"QE = the purchase of longer-dated government securities financed by increasing the monetary base..."

| Central Bank | Rate (%) Benchmark | Last Rate | | Next Meeting | Market Expectations | Policy Strategy | 1 Month OIS Rates | |
|-----------------------------|-------------------------|------------|--------|--------------|---------------------|---------------------------|-------------------|-------|
| | | Change | Amount | | | | | |
| Bank of England (BOE) | 0.50 Repo Rate | 3/5/2009 | (0.50) | BOE | 5/7/2009 QE * | Price Stability | #VALUE! | BOE |
| European Central Bank (ECB) | 1.25 Refi min bid | 4/2/2009 | (0.25) | ECB | 5/7/2009 Ease Bias | Price Stability | 0.798 | ECB |
| US Federal Reserve Bank | 0 - 0.25 Fed Funds | 12/16/2008 | (0.75) | FRB | 4/29/2009 QE * | Price Stblty/Full emplmnt | #VALUE! | FRB |
| Bank of Japan (BOJ) | 0.10 O / N Call Rt | 10/31/2008 | (0.30) | BOJ | 5/22/2009 QE * | Price Stability | 0.215 | BOJ ^ |
| Bank of Canada (BOC) | 0.50 O / N Rate | 3/3/2009 | (0.50) | BOC | 4/22/2009 QE * | Price Stability / ICT | | BOC |
| Swiss National Bank (SNB) | .00 - 0.750 3-Mth Libor | 3/12/2009 | (0.25) | SNB | 6/18/2009 QE * | Price Stability | | SNB |
| Reserve Bank of Australia | 3.00 Cash Rate | 4/7/2009 | (0.25) | RBA | 5/5/2009 On Hold? | Price Stability / ICT | | RBA |
| Reserve Bank of New Zealand | 3.00 OCR | 3/12/2009 | (0.50) | RBNZ | 4/30/2009 Ease Bias | Price Stability / ICT | | RBNZ |

mm/dd/yyyy

mm/dd/yyyy

* Quantitative Easing

BOE: 10/09/2008: Changed from On hold to 'Ease Bias' after global coordinated rate cuts. **11/06/2008:** Biggest cut in 300 yr history of 150bps.; **03/05/2009 BOE cuts to .50 and states they will be buying bonds/gilts etc. QE begins.**

ECB: 10/09/2008: Changed from 'Ease Possible' after global coordinated rate cuts to 'Ease Bias'

FRB: 06/25/2008: Statement is being interpreted as On Hold by the street. The last page of this email has a more 'notes' on the FRB. **09/13/08:** No dissenters.MNI's Beckner states that there is no easing bias though. **10/29/08:** I'd say Beckner is a little out of touch after they lowered rates .50. Moving to 'Ease Bias'. **12/16/08:** 2nd CB (ex Japan) to **ZIRP**. **3/18/2008:** FRB announces QE with focus on 2-10 part of the curve.

BOC: 10/21/2008: Changed from 'Ease Possible' to Ease Bias after 10/08/2008 global coordinated cuts and 10/21/2008 .25 cut. **03/03/2009 : Cut 50bps & quantitative easing if required**

SNB: 10/09/2008: Changed from On hold to 'Ease Possible' after global coordinated rate cuts. **11/06/2008:** Cut was intermeeting and unexpected. Move to 'Ease Bias' **11/20/2008:** Surprise 100 bp cut. **12/11/08: First to ZIRP; 03/12/2009: QE begins, "09:03 03/12 "the SNB will buy foreign currency and bonds seeing a spike to Chf."**

BOJ: 02/19/2009: Plans to begin the outright purchase of corporate bonds. Will begin March to Sep '09. Up to JPY 1 trn of issues A-rated and above. Also expands Special Funds-Supplying Operations and a series of other existing credit-easing measures. This is a quantitative-easing program. **03/17/2009: BOJ will increase its monthly Rinban JGB buying operation.** **04/07/2009: BOJ expands QE to include Munis.**

RBA: 08/19/08: Represents a policy change from 08/18/08 'On Hold'. RBA minutes show an easing bias. UBS is calling for gradual ease of 100bps. **09/03/08: It appears UBS was/is correct. 10/07/08: And again! (1.00) 11/03/08: And again! (.75); 12/02/08 And again! (1.00); 02/03/09: Again (1.00); 03/03/2009: Left rates alone.**

RBNZ: 07/24/08: unexpected rate cut. Furthermore, in their statement they said: Provided that the outlook for inflation continues to improve and there is no excessive exchange rate depreciation, we would expect to lower the OCR further". Therefore, I'm moving from 'On Hold' to 'Easing Bias'. **09/11/08: (50) bp cut, 10/23/2008:(100) bp cut. 12/04/08: (150) bp cut**

Notes

^ BOJ rate is "The Deposit Rate"

Sources for "Policy Strategy" can be found at each CB's web site. The FRB's Strategy is stated in the Federal Reserve Act, and on the FRB site at the following web address:http://www.federalreserve.gov/pf/pdf/pf_2.pdf

Price Stability / ICT: means that the bank has an 'Inflation Control Target' (ITC) but they also acknowledge price stability as being part of there policy strategy.

Dates are mm/dd/yyyy

The FOMC: Ranges

Ranges for FOMC Meetings ¹
Avg Dly Rng ² Avg 15 Min Range ³

| | | |
|----|-------|-----|
| 30 | 8.02 | 6.8 |
| 10 | 9.55 | 7.9 |
| 5 | 10.77 | 8.1 |
| 2 | 11.6 | 8.7 |

Ranges for Humphrey-Hawkins Hearings ⁴
Avg Dly Rng Avg 30 Min Rng ⁵

| | | |
|----|------|-----|
| 30 | 8.1 | 4.4 |
| 10 | 9.8 | 5.5 |
| 5 | 11.4 | 6.7 |
| 2 | 11.4 | 7.5 |

Notes:

- 1) Averages Calculated since 01/31/2006
- 2) Daily range is 7am - 2pm CT
- 3) 15min range is time of release - 1:30 pm CT
- 4) Calculated since Bernanke began as Chairman
- 5) 30min range is time of release - 9:30am CT

Objective of the Monetary Policy

The objective of the monetary policy is to maintain the stability of the value of the currency and thereby promote economic growth.

Management Team of PBC

Zhou Xiaochuan Chairman, Monetary Policy Committee

Su Ning Deputy Governor

Wang Hongzhang Chief Disciplinary Officer

Hu Xiaolian Deputy Governor, and Administrator of State Administration of Foreign Exchange (SAFE)

Liu Shiyu Deputy Governor

Ma Delun Deputy Governor

Yi Gang Deputy Governor

Du Jinfu Assistant Governor

Li Dongrong Assistant Governor

Guo Qingping Assistant Governor

The PBC was established on December 1, 1948 based on the consolidation of the former Huabei Bank, Beihai Bank and Xibei Farmer Bank.

In September 1983, the State Council decided to have the PBC function as a central bank.

The Law of the People's Republic of China on the People's Bank of China passed by the Third Plenum of the Eighth National People's Congress on March 18, 1995 legally confirmed the PBC's central bank status.

In March 2003, the First Plenum of the Tenth National People's Congress approved the Decision on Reform of the Organizational Structure of the State Council, separating the supervisory responsibilities of the PBC for the banking institutions, asset management companies, trust and investment companies and other depository financial institutions. Instead, the China Banking Regulatory Commission was established to supervise the financial industry.

On December 27, 2003, the Standing Committee of the Tenth National People's Congress approved at its Sixth Meeting the amendment to the Law of the People's Republic of China on the People's Bank of China, which has strengthened the role of the PBC in the making and implementation of

Members of the Policy Board

| Position | Name | Date of appointment |
|-------------------------------|--|----------------------------|
| Governor of the Bank of Japan | Masaaki Shirakawa | Apr.09, 2008 |
| Deputy Governor of the BOJ | Mr. Hirohide Yamaguchi | Oct. 27, 2008 |
| Deputy Governor of the BOJ | Kiyohiko G. Nishimura | Mar.20, 2008 |
| Member of the Policy Board | Miyako Suda | Apr.1, 2006 |
| Member of the Policy Board | Atsushi Mizuno | Dec.3, 2004 |
| Member of the Policy Board | Tadao Noda | Jun.17, 2006 |
| Member of the Policy Board | Seiji Nakamura | Apr.5, 2007 |
| Member of the Policy Board | Hidetoshi Kamezaki | Apr.5, 2007 |

The Bank of Japan, as the central bank of Japan, decides and implements monetary policy with the aim of maintaining **price stability**.

The Bank of Japan Law states that the Bank's monetary policy should be "aimed at, through the pursuit of price stability, contributing to the sound development of the national economy."

The Bank releases its views on economic and financial developments, which form the basis of the decision on the guideline for money market operations, in "The Bank's View" in the Monthly Report of Recent Economic and Financial Developments.

Bank of Japan Meetings**Date of Annmmt**

| | |
|-----------|------------|
| Jan. 2009 | 1/22/2009 |
| Feb. | 2/19/2009 |
| Mar. | 3/17/2009 |
| Apr. | 4/7/2009 |
| May | 5/22/2009 |
| June | 6/16/2009 |
| July | 7/15/2009 |
| Aug. | 8/11/2009 |
| Sep. | 9/17/2009 |
| Oct. | 10/14/2009 |
| Nov. | 11/20/2009 |
| Dec. | 12/18/2009 |

The Governing Council (21)

Jean-Claude Trichet , President of the ECB

Lucas D. Papademos, Vice-President of the ECB

Lorenzo Bini Smaghi ,Member of the Executive Board of the ECB

José Manuel González-Páramo , Member of the Executive Board of the ECB

Jürgen Stark, Member of the Executive Board of the ECB

Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB

Guy Quaden , Governor, Nationale Bank van België/Banque Nationale de Belgique

Axel A. Weber, President, Deutsche Bundesbank

John Hurley , Governor, Central Bank and Financial Services Authority of Ireland

Georgios Provopoulos , Governor, Bank of Greece

Miguel Fernández Ordóñez, Governor, Banco de España

Christian Noyer, Governor, Banque de France

Mario Draghi, Governor, Banca d'Italia

Athanasios Orphanides, Governor, Central Bank of Cyprus

Yves Mersch, Governor, Banque centrale du Luxembourg

Michael C. Bonello, Governor, Central Bank of Malta

Nout Wellink , President, De Nederlandsche Bank

Ewald Nowotny, Governor, Oesterreichische Nationalbank

Vítor Manuel Ribeiro Constâncio, Governor, Banco de Portugal

Marko Kranjec , Governor, Banka Slovenije

The Governing Council usually meets twice a month at the Eurotower in Frankfurt am Main, Germany.

At its first meeting each month, the Governing Council assesses monetary and economic developments and takes its monthly monetary policy decision. At its second meeting, the Council discusses mainly issues related to other tasks and responsibilities of the ECB and the Eurosystem.

The minutes of the meetings are not published, but the monetary policy decision is announced at a press conference held shortly after the first meeting each month. The President, assisted by the Vice-President, chairs the press conference.

EU Central Banks**EUROZONE (16):**

Austria: Oesterreichische Nationalbank

Belgium: Nationale Bank van België/Banque nationale de Belgique

Cyprus: Kentrike Trapeza tis Kyprou

Finland: Suomen Pankki/Finlands Bank

France: Banque de France

Germany: Deutsche Bundesbank

Greece: Bank of Greece

Ireland: Banc Ceannais na hÉireann / Central Bank of Ireland

Italy: Banca d'Italia

Luxembourg: Banque Centrale du Luxembourg

Malta: Central Bank of Malta

Netherlands: De Nederlandsche Bank

Portugal: Banco de Portugal

Slovenia: Banka Slovenije

Slovakia: Národná Banks Slovenska

Spain: Banco de España

NON-EUROZONE (12):

Bulgaria: Bulgarian National Bank

Czech Republic: Česká národní banka

Denmark: Danmarks Nationalbank

Estonia: Eesti Pank

Hungary: Magyar Nemzeti Bank

Latvia: Latvijas Banka

Lithuania: Lietuvos Bankas

Poland: Narodowy Bank Polski

EU Central Banks

| | |
|--|---|
| Austria, Oesterreichische Nationalbank | Ewald Nowotny, Oesterreichische Nationalbank (Austria), ECB governing council. |
| Belgium, Nationale Bank van België/Banque Nationale de Belgique | Guy Quaden, ECB Governor, Nationale Bank van België/Banque Nationale de Belgique, ECB governing council. |
| Bulgaria, Bulgarian National Bank | Ivan Iskrov |
| Czech, Republic Česká národní banka | Zdeněk Tůma |
| Cyprus, Central Bank of Cyprus | Athanasios Orphanides, ECB Governing Council Member, ECB governing council. |
| Denmark, Danmarks Nationalbank | Nils Bernstein |
| Estonia, Eesti Pank | Andres Lipstok |
| Éire/Ireland, Central Bank and Financial Services Authority of Ireland | John Hurley, ECB Governor, Central Bank and Financial Services Authority of Ireland, ECB governing council. |
| Finland, Suomen Pankki - Finlands Bank | Erkki Liikanen, ECB Governor, Suomen Pankki - Finlands Bank, ECB governing council. |
| France, Banque de France | Christian Noyer, ECB Governor, Banque de France, ECB governing council. |
| Germany, Deutsche Bundesbank | Axel A. Weber, President, Deutsche Bundesbank, ECB governing council. |
| Greece, Bank of Greece | Georgios Provopoulos, Governor, Bank of Greece, ECB governing council. |
| Hungary, Magyar Nemzeti Bank | András Simor |
| Italy, Banca d'Italia | Mario Draghi, Governor, Banca d'Italia, ECB governing council. |
| Latvia, Latvijas Banka | Ilmārs Rimšēvičs |
| Lithuania, Lietuvos bankas | Reinoldijus Šarkinas |
| Luxembourg, Banque centrale du Luxembourg | Yves Mersch, ECB Governor, Banque centrale du Luxembourg, ECB governing council. |
| Malta, Central Bank of Malta | Michael C. Bonello, ECB governing council. |
| The Netherlands, De Nederlandsche Bank | Nout Wellink, President, De Nederlandsche Bank, ECB governing council. |
| Poland, Narodowy Bank Polski | Sławomir Skrzypek |
| Portugal, Banco de Portugal | Vítor Manuel Ribeiro Constâncio, Governor, Banco de Portugal, ECB governing council. |
| Romania, Banca Națională a României | Mugur Isărescu |
| Slovakia, Národná banka Slovenska | Marko Kranjec, Governor, Banka Slovenije, ECB governing council. |
| Spain, Banco de España | Miguel Fernández Ordóñez, Governor, Banco de España, ECB governing council. |
| Sweden, Sveriges Riksbank | Stefan Ingves |
| United Kingdom, Bank of England | Mervyn King |

Board Members

Jean-Claude Trichet, President of the ECB, came from Banque de France, BIS, and World Bank
 Lucas D. Papademos, Vice-President of the ECB, came from Bank of Greece
 Lorenzo Bini Smaghi, Member of the Executive Board of the ECB, came from Banca d'Italia
 José Manuel González-Páramo, Member of the Executive Board of the ECB, came from Banco de España
 Jürgen Stark, Member of the Executive Board of the ECB, came from Deutsche Bundesbank
 Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB, came from Oesterreichische Nationalbank

Notes :

Represented on the Governing Council

Represented on the General Council



Photo: Martin Joppen

Governing Council of the European Central Bank, 2009

Front row (left to right): John Hurley, Michael C. Bonello, Gertrude Tumpel-Gugerell, Jean-Claude Trichet, Lucas D. Papademos, Miguel Fernández Ordóñez, Yves Mersch

Middle row (left to right): Christian Noyer, Marko Kranjec, Vítor Manuel Ribeiro Constâncio, George A. Provopoulos, Erkki Liikanen, Ewald Nowotny

Back row (left to right): Ivan Šramko, José Manuel González-Páramo, Axel A. Weber, Nout Wellink, Guy Quaden, Lorenzo Bini Smaghi, Jürgen Stark

Note: Mario Draghi and Athanasios Orphanides were not available when the photograph was taken.

Board Members

Jean-Claude Trichet , President of the ECB, came from Banque de France, BIS, and World Bank

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Gertrude Tumpel-Gugerell, Member of the Executive Board of the ECB, came from Oesterreichische Nationalbank

Introductory statement

**Jean-Claude Trichet, President of the ECB,
Lucas Papademos, Vice President of the ECB
Frankfurt am Main, 2 April 2009**

Ladies and gentlemen, the Vice-President and I are very pleased to welcome you to today's press conference. We will now report on the outcome of today's meeting of the Governing Council.

On the basis of its regular economic and monetary analyses, the Governing Council decided to reduce the key ECB interest rates by a further 25 basis points. This decision brings the total reduction in the interest rate on the main refinancing operations of the Eurosystem since 8 October 2008 to 300 basis points.

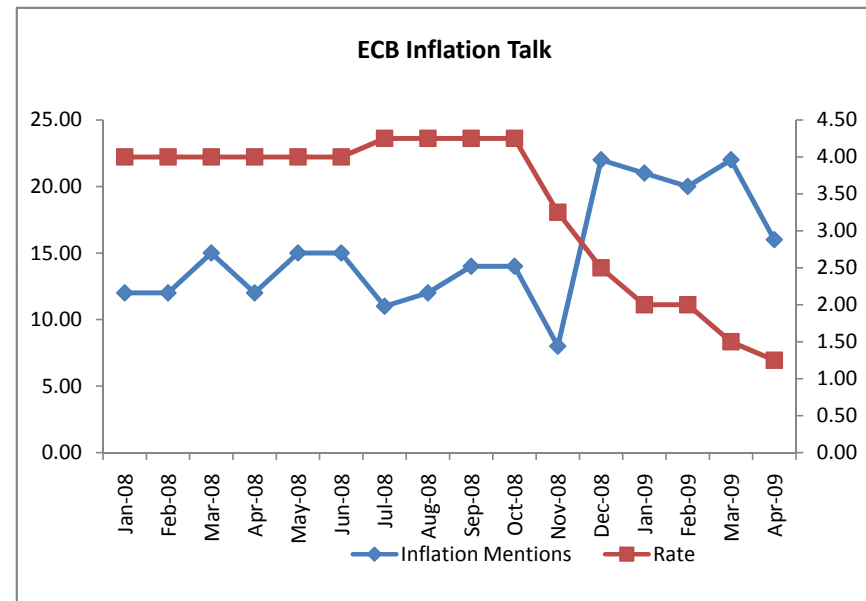
Today's decision takes into account the expectation that price pressures will remain subdued, reflecting the substantial past fall in commodity prices and the marked weakening of economic activity in the euro area and globally. The latest economic data and survey information confirm that the world economy, including the euro area, is undergoing a severe downturn. Both global and euro area demand are likely to remain very weak over 2009, before gradually recovering in the course of 2010. Available indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates at levels below, but close to, 2% over the medium term. A cross-check with the outcome of the monetary analysis confirms that inflationary pressure has been diminishing. After today's decision we expect price stability to be maintained over the medium term, thereby supporting the purchasing power of euro area households. The Governing Council will continue to ensure a firm anchoring of medium-term inflation expectations. Such anchoring is indispensable to supporting sustainable growth and employment and contributes to financial stability. Accordingly, we will continue to monitor very closely all developments over the period ahead.

[...] [SOURCE: The ECB]

Inflation Talk

Number of times the word inflation was mentioned in the full statement vs Rates

| Date | Inflation Mentions | Rate |
|----------|--------------------|----------------------------------|
| Jan-2008 | 12.00 | 4.00 |
| Feb-2008 | 12.00 | 4.00 |
| Mar-2008 | 15.00 | 4.00 |
| Apr-2008 | 12.00 | 4.00 |
| May-2008 | 15.00 | 4.00 |
| Jun-2008 | 15.00 | 4.00 |
| Jul-2008 | 11.00 | 4.25 |
| Aug-2008 | 12.00 | 4.25 |
| Sep-2008 | 14.00 | 4.25 |
| Oct-2008 | 14.00 | 4.25 |
| Nov-2008 | 8.00 | 3.25 (Cut .50 ~ 10/09 and 11/06) |
| Dec-2008 | 22.00 | 2.50 |
| Jan-2009 | 21.00 | 2.00 |
| Feb-2009 | 20.00 | 2.00 |
| Mar-2009 | 22.00 | 1.50 |
| Apr-2009 | 16.00 | 1.25 |



*Most comments about inflation in Dec 08 were in regards to the LACK-OF inflation. Same for January...most comments about inflation were about the LACK-OF inflation.

Current Bank Rate 0.5 %
Next due: 09 Apr 2009

Current Inflation 3.0%
Next due: 24 Mch 2009

Inflation Target 2.0%
Next due: 13 May 2009

| Schedule for 2009 | | |
|-------------------|-------------|------------------|
| MPC Decision | MPC Minutes | Inflation Report |
| 7 & 8 January | 21-Jan | |
| 4 & 5 February | 18-Feb | 11-Feb |
| 4 & 5 March | 18-Mar | |
| 8 & 9 April | 22-Apr | |
| 6 & 7 May | 20-May | 13-May |
| 8 & 9 June | 18-Jun | |
| 8 & 9 July | 22-Jul | |
| 5 & 6 August | 19-Aug | 12-Aug |
| 9 & 10 September | 23-Sep | |
| 7 & 8 October | 22-Oct | |
| 4 & 5 November | 18-Nov | 11-Nov |
| 9 & 10 December | 23-Dec | |

News Release

Bank of England Reduces Bank Rate by 0.5 Percentage Points to 0.5% and Announces £75 Billion Asset Purchase Programme

5 March 2009

The Bank of England's Monetary Policy Committee today voted to reduce the official Bank Rate paid on commercial bank reserves by 0.5 percentage points to 0.5%, and to undertake a programme of asset purchases of £75 billion financed by the issuance of central bank reserves.

World activity continued to weaken, reflecting both depressed confidence and the persistent problems in international credit markets. In the United Kingdom, output dropped sharply in the fourth quarter of 2008. That reflected lower consumer spending, a further fall in business investment and a rapid run-down in stocks, in part offset by stronger net exports as the past depreciation of sterling began to take effect. Business surveys continue to point to a similar rate of contraction in the early part of this year. Unemployment has risen markedly. Credit conditions faced by companies and households remain tight.

CPI inflation declined to 3.0% in January. The depreciation of sterling is adding to imported cost pressures, but pay pressures continue to wane. Inflation is likely to fall below the 2% target by the second half of the year, reflecting diminishing contributions from retail energy and food prices and the impact of the temporary reduction in Value Added Tax.

[Cont.]

At its March meeting, the Committee noted that the February *Inflation Report* had implied a substantial risk of undershooting the 2% CPI inflation target in the medium term and that a further easing in monetary policy was likely to be needed. Data released since the finalisation of the *Report* had not materially altered that prospect. Accordingly, the Committee concluded that a further easing in the stance of monetary policy was warranted. But the Committee also noted that a very low level of Bank Rate could have counter-productive effects on the operation of some financial markets and on the lending capacity of the banking system. On balance, the Committee decided to reduce Bank Rate by 0.5 percentage points, to 0.5%.

The Committee judged that this reduction in Bank Rate would by itself still leave a substantial risk of undershooting the 2% CPI inflation target in the medium term. Accordingly, the Committee also resolved to undertake further monetary actions, with the aim of boosting the supply of money and credit and thus raising the rate of growth of nominal spending to a level consistent with meeting the inflation target in the medium term.

To that end, and noting the recent exchange of letters between the Governor and the Chancellor of the Exchequer concerning the use of the Asset Purchase Facility for monetary policy purposes, the Committee agreed that the Bank should, in the first instance, finance £75 billion of asset purchases by the issuance of central bank reserves. The Committee recognised that it might take up to three months to carry out this programme of purchases. Part of that sum would finance the Bank of England's programme of private sector asset purchases through the Asset Purchase Facility, intended to improve the functioning of corporate credit markets. But in order to meet the Committee's objective of total purchases of £75 billion, the Bank would also buy medium- and long-maturity conventional gilts in the secondary market. It is likely that the majority of the overall purchases by value over the next three months will be of gilts.

At its future meetings, the Committee will monitor the effectiveness of this purchase programme in boosting the supply of money and credit and in due course raising the rate of growth of nominal spending, adjusting the speed and scale of purchases as appropriate.

The minutes of the meeting will be published at 9.30am on Wednesday 18 March.

. [Source: BOE]

VOTING BY THE MONETARY POLICY COMMITTEE - 1997 TO PRESENT DATE

| | Voted to Increase | Voted to Reduce | Voted to Maintain | Meetings Attended |
|--------------------|-------------------|-----------------|-------------------|-------------------|
| Mervyn King | 30 | 22 | 90 | 142 |
| Paul Tucker | 13 | 9 | 59 | 81 |
| Charles Bean | 8 | 21 | 73 | 102 |
| Kate Barker | 11 | 19 | 64 | 94 |
| Sir John Gieve | 6 | 10 | 21 | 37 |
| David Blanchflower | 1 | 18 | 14 | 33 |
| Tim Besley | 10 | 7 | 13 | 30 |
| Andrew Sentance | 8 | 7 | 14 | 29 |
| Spener Dale | 0 | 5 | 3 | 8 |
| Totals | 87 | 118 | 351 | 556 |

556 Sum Check

VOTING BY THE MONETARY POLICY COMMITTEE - 2009

| | Voted to Increase | Voted to Reduce | Voted to Maintain | Meetings Attended |
|---------------------------------|-------------------|-----------------|-------------------|-------------------|
| Mervyn King, Governor | 0 | 2 | 0 | 2 |
| Paul Tucker | 0 | 2 | 0 | 2 |
| Charles Bean, Deputy Governor | 0 | 2 | 0 | 2 |
| Kate Barker | 0 | 2 | 0 | 2 |
| Sir John Gieve, Deputy Governor | 0 | 2 | 0 | 2 |
| David Blanchflower | 0 | 2 | 0 | 2 |
| Tim Besley | 0 | 2 | 0 | 2 |
| Andrew Sentance | 0 | 2 | 0 | 2 |
| Spencer Dale | 0 | 2 | 0 | 2 |

RET 01/03/09

VOTING BY THE MONETARY POLICY COMMITTEE - 2008

| | Voted to Increase | Voted to Reduce | Voted to Maintain | Meetings Attended | Comment | Comment |
|-----------------------|-------------------|-----------------|-------------------|-------------------|-------------------------|--------------|
| Mervyn King, Governor | 0 | 5 | 7 | 12 | | |
| Rachel Lomax | 0 | 2 | 4 | 6 | RET | Dep Governor |
| Paul Tucker | 0 | 5 | 7 | 12 | | |
| Charles Bean | 0 | 5 | 7 | 12 | | Dep Governor |
| Kate Barker | 0 | 5 | 7 | 12 | | |
| Sir John Gieve | 0 | 6 | 6 | 12 | | Dep Governor |
| David Blanchflower | 0 | 12 | 0 | 12 | Will Retire in May 2009 | |
| Tim Besley | 2 | 4 | 6 | 12 | | |
| Andrew Sentance | 0 | 4 | 8 | 12 | | |
| Spencer Dale | 0 | 3 | 3 | 6 | | |

Interest Rates in 2008

Increased 0 times
Reduced 5 times
Maintained 7 times

Lomax retires, 30 June 2008
Bean takes over Deputy Governor, 01 July 2008
Spencer Dale joins MPC, 01 July 2008
Paul Fisher replaces tucker 01 March 2009
*Fisher, currently head of BoE's FX division.
David Miles to take over from Blanchflower from June 1, 2009.

16 Member States of the European Union use the euro as their currency

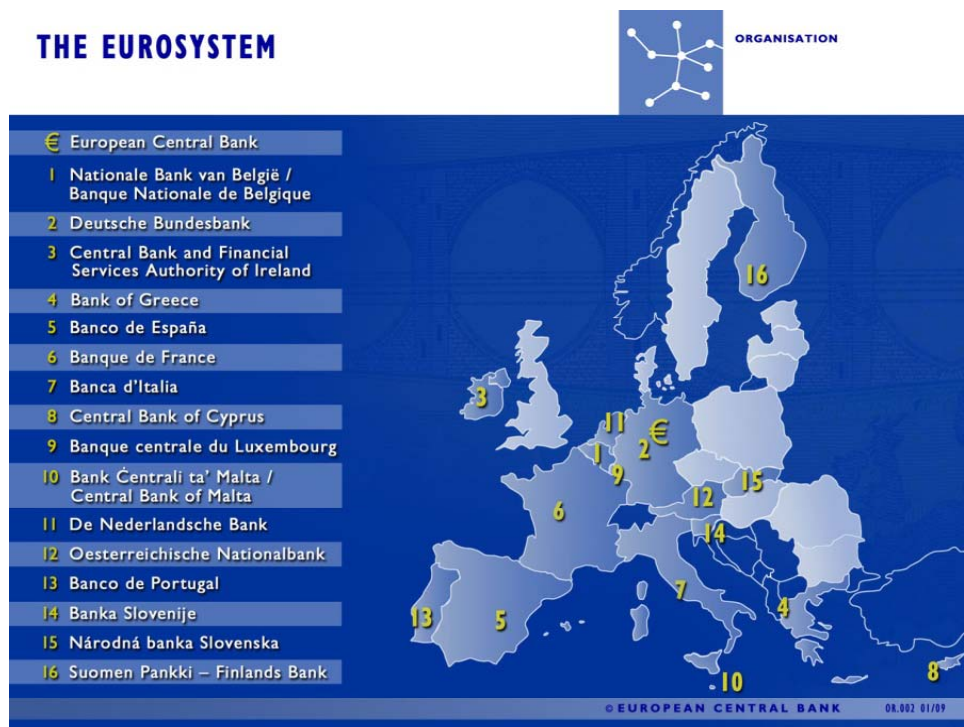
Belgium
Germany
Ireland
Greece
Spain
France
Italy
Cyprus
Luxembourg
Malta
The Netherlands
Austria
Portugal
Slovenia
Slovakia
Finland

Non-participants

Bulgaria, Czech Republic, Denmark, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Sweden and the United Kingdom are EU Member States but do not currently use the single European currency.

[SOURCE: The ECB. Last updated January 02, 2009]

THE EUROSISTEM



Country breakdown

On 1 January 2008 two countries accounted for 44% (3,483) of all MFIs [monetary financial institutions] in the euro area: Germany (26.6%) and France (17.6%). Italy and Austria each accounted for about 10% of the euro area total. Over the last nine years (1999-2008), the following developments in the national MFI sectors of euro area countries have been particularly noteworthy: a considerable increase of 236 units (246%) in Ireland and large decreases in the Netherlands, Spain and Germany (by 48%, 41% and 36% respectively). Since joining the EU on 1 May 2004, the MFI sectors in Malta and Slovenia have increased significantly, namely by 65% and 11% respectively. By contrast, the number of MFIs in Cyprus has decreased by 47% during the same period.

Among the non-euro area countries, Poland has by far the largest number of MFIs (722), representing 7% of the MFI sector in the EU. Since 1999 there have been substantial increases in the MFI sectors of Slovakia (36%), Latvia (33%), Sweden (31%) and Romania (26%), while the size of these sectors in the United Kingdom and the Czech Republic has shrunk by 24% and 15%, respectively.

[SOURCE: The ECB]



The European System of Central Banks

- 1) the European Central Bank (ECB) and
 - 2) the national central banks (NCBs) of all 27 EU Member States
- [source: the ecb]

Table 2 Overview of the comparability of selected indicators

| Euro area headline indicators | To be compared with | Assessment | |
|--|--|--|--|
| | | United States | Japan |
| HICP | CPI excluding imputed rents | Comparable (product coverage similar to HICP definition) | Comparable (product coverage similar to HICP definition) |
| GDP | Headline | Almost comparable (nominal GDP: slight deviations for the treatment of software expenditure, shadow economy, military expenditure, FISIM; GDP volume change: slight deviations for the treatment of quality changes, non-market sectors output and the choice of index number) | Comparable |
| Consumption | Headline | Comparable | Comparable |
| Investment | Headline adjusted (US) | More comparable (after adjustment for the treatment of military weapons but no adjustment for the treatment of software capitalisation) | Comparable |
| Unit labour costs | Headline adjusted (US) | Comparable (after adjustments for volume changes of GDP; expansion of the non-farm business to the whole economy and use of persons employed instead of number of hours worked for employment definition) | Information not available |
| Labour cost index | None | Not comparable (different definition: euro area indicator refers to changes in costs of labour per hour using recent industry and country weights whereas US indicator describes changes in employer costs for a fixed basket of labour eliminating compositional changes) | Information not available |
| Unemployment | Headline | Almost comparable (unemployment statistics derived from a household survey in line with ILO guidelines but differences in the sample period, target population, treatment of temporary lay-offs and age limit definition) | Almost comparable (unemployment statistics derived from a household survey in line with ILO guidelines but differences in the sample period, target population and age limit definition) |
| Employment: | Labour force survey employment (US) Headline (Japan) | More comparable (employment definition based on persons employed but no adjustment for the treatment of the shadow economy) | Almost comparable (but no adjustment for the treatment of the shadow economy) |
| Bank credit | Headline adjusted (US) | Comparable (after adjustment for the banking sector coverage) | Not comparable (no possible adjustment) |
| Debt security | None | Not comparable (different valuation, sector and instrument coverage) | Information not available |
| MFI interest rates to households for house purchases | None | Not comparable (different definition, banking sector coverage and calculation methods) | Not comparable (different definition). |
| Households' indebtedness | Headline adjusted (US) Headline (Japan) | More comparable (after adjustment of the households' gross disposable income but no adjustment for the exclusion in households of sole proprietorships and most partnerships without independent legal status) | Comparable |

Source: ECB

<http://www.ecb.int/pub/pdf/mobu/mb200504en.pdf>

Page 65

2007**09/20/2007**

Lockhart's first speech indicates he's a moderate/hawk

10/23/2007

Northern Trust says Chicago Fed Pres Evans is dovish

[A note from Jim: I'll move Evans from a Hawk to a Moderate. I'm not convinced someone under Moskow's tutelage is a Dove.]

10/31/2007

Move Hoening to Moderate from Dove after dissent.

12/11/2007

Move Rosengren to a Moderate/Dove for his dissent for a 50bp discount rate cut compared to the 25 bp cut the rest voted for. He was a Moderate/Hawk.

2008**02/29/2008**

More dovish comments from Rosengren. (Comments took place at the Monetary Policy Forum titled 'Leveraged Losses: Lessons from a Mortgage Market Meltdown' in New York)

09/29/2008

Mishkin, gives dovish comments at the Monetary Policy Forum titled 'Leveraged Losses: Lessons from a Mortgage Market Meltdown' in New York. I'll place him in the moderate/dove camp.

06/06/2008: St. Louis Fed President James Bullard "policy is appropriately calibrated at this time but financial mkts are better and thus policy can begin to address pressing inflationary concerns during the remainder of the yr."

"U.S. economy will be able to post stronger growth in the second half of this year despite the ongoing financial crisis and the drag from the housing sector... such growth is likely to make the inflation outlook a more pressing concern for the Fed in the second half of this year."

"breakdown in inflation expectations has not occurred yet, to be sure, but the risk is real and could happen over a very short horizon."

I'll begin Bullard as Moderate Hawk after this speech. Also, his predecessor was moderate/hawk

2008 (cont)**06/11/2008**

Bullard

"what is new here is relative price trends in food and energy that may plausibly be expected to persist for some time. If it were just a matter of the food and energy components being volatile, I think a theoretical case could be made that these prices contain too much noise and so should be ignored... With relative price trends, the ad hoc approach to this question is becoming increasingly untenable."

"likelihood of a measurable contraction in growth this yr has lessened. These conditions complicate the infl outlook, in which significant econ slack had been seen as helping to keep inflation in check."

09/03/2008

Bullard give hawkish speech stating that lowering rates no wouldn't help. He said this the day before the House votes on the Bail out bill and the financial system is on the brink of collapse. I'm switching him from Moderate/Dove to Moderate/Hawk.

04/30/2008

Removal of key statements. The street is interpreting as pause mode. Therefore, I'll move from 'Easing Bias' to 'Pause' (On Hold).

Even after the morning news articles, on May 1st, from Ip and Beckner, I'll stick with On Hold (Pause) until the June meeting.

06/25/2008

Statement is being interpreted as On Hold by the street.