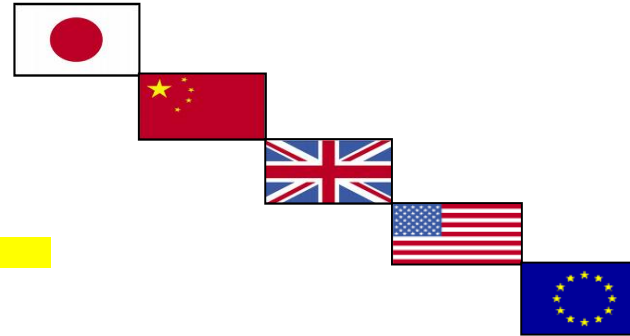


## The Morning Email: Central Banks

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### Recent Updates

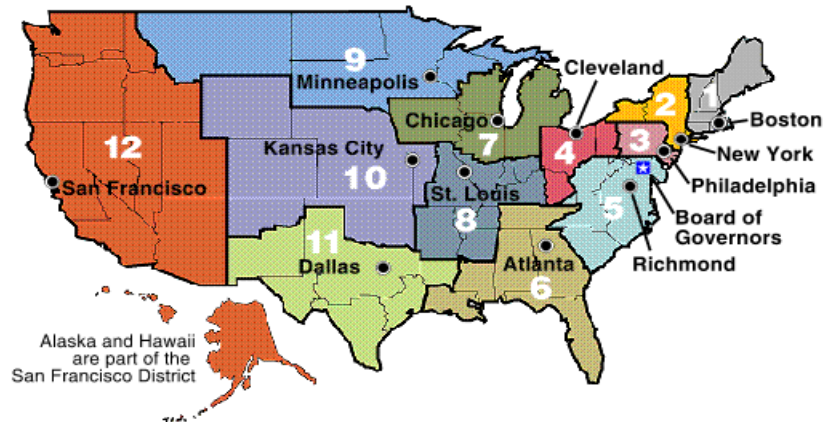
| Page     | Date (dd/mm/yyyy) |
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| 3, 9, 12 | 2/1/2009          |

If you see orange on any page, then, it was updated in the last day or two or it's a new item to the email.

Want something added? Let me know: [jgoulding@ghco.com](mailto: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<br>27/28       | February     | March<br>17     | April<br>28/29 | May             | June<br>23/24  |
| July                   | August<br>11 | September<br>22 | October        | November<br>3/4 | December<br>15 |



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  |         |
| Jan-1951     | Vacant, Board of Governors                       | Moderate/Dove      | 1/31/2014    |             |         |
| Apr-1970     | Kevin M. Warsh, Board of Governors               | Moderate/Hawk      | 1/31/2018    | 02/24/2006  |         |
| 06/06/1952   | Christine M. Cumming, New York                   | No bias yet        |              | 12/01/2008  |         |
| 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         |  |
| <b>Members</b>           | 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           |  |
| <b>Alternate Members</b> | New York†    | New York† | New York†    |  |
|                          | 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

| Central Bank                | Rate (%) Benchmark     | Last Rate  |        | Next Meeting | Market Expectations | Policy Strategy | 1 Month                         |       |       |
|-----------------------------|------------------------|------------|--------|--------------|---------------------|-----------------|---------------------------------|-------|-------|
|                             |                        | Change     | Amount |              |                     |                 | OIS Rates                       |       |       |
| Bank of England (BOE)       | 2.00 Repo Rate         | 12/4/2008  | (1.00) | BOE          | 1/8/2008            | Ease Bias       | Price Stability                 | 1.286 | BOE   |
| European Central Bank (ECB) | 2.50 Refi (min bid)    | 12/4/2008  | (0.75) | ECB          | 1/15/2008           | Ease Bias       | Price Stability                 | 1.989 | ECB   |
| US Federal Reserve Bank     | 0 - 0.25 Fed Funds     | 12/16/2008 | (0.75) | FRB          | 1/28/2009           | Ease Bias       | Price Stability/Full employment | 0.174 | FRB   |
| Bank of Japan (BOJ)         | 0.30 O / N Call Rate   | 10/31/2008 | (0.30) | BOJ          | 1/22/2009           | On Hold         | Price Stability                 | 0.450 | BOJ ^ |
| Bank of Canada (BOC)        | 1.50 O / N Rate        | 12/9/2008  | (0.75) | BOC          | 1/20/2009           | Ease Bias       | Price Stability / ICT           |       | BOC   |
| Swiss National Bank (SNB)   | .00 - 1.00 3-Mth Libor | 11/20/2006 | (0.50) | SNB          | 3/12/2009           | Ease Bias       | Price Stability                 |       | SNB   |
| Reserve Bank of Australia   | 4.25 Cash Rate         | 11/3/2008  | (1.00) | RBA          | 2/3/2009            | Ease Bias       | Price Stability / ICT           |       | RBA   |
| Reserve Bank of New Zealand | 5.00 OCR               | 12/4/2008  | (1.50) | RBNZ         | 1/29/2008           | Ease Bias       | Price Stability / ICT           |       | RBNZ  |

mm/dd/yyyy

mm/dd/yyyy

**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.

**BOC: 10/21/2008:** Changed from 'Ease Possible' to Ease Bias after 10/08/2008 global coordinated cuts and 10/21/2008 .25 cut.

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

**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**

**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**

**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)**

**BOJ: 04/30/2008:** most analyst remove tightening bias. **10/31/08:** Keeping them on hold even after ease. How far can they go? Not far.

**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](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

**Ranges for FOMC Meetings <sup>1</sup>**

|    | <b>Avg Dly Rng <sup>2</sup></b> | <b>Avg 15 Min Range <sup>3</sup></b> |
|----|---------------------------------|--------------------------------------|
| 30 | 6.4                             | 5.3                                  |
| 10 | 7.8                             | 6.0                                  |
| 5  | 9.9                             | 7.0                                  |
| 2  | 11.6                            | 8.6                                  |

**Ranges for Humphrey-Hawkins Hearings <sup>4</sup>**

|    | <b>Avg Dly Rng</b> | <b>Avg 30 Min Rng <sup>5</sup></b> |
|----|--------------------|------------------------------------|
| 30 | 7.7                | 4.2                                |
| 10 | 9.1                | 5.4                                |
| 5  | 11.1               | 7.1                                |
| 2  | 12.1               | 8.4                                |

## 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

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 monetary policy, in safeguarding the overall financial stability and in the provision of financial services.

**Members of the Policy Board**

| <b>Position</b>                      | <b>Name</b>                           | <b>Date of appointment</b> |
|--------------------------------------|---------------------------------------|----------------------------|
| Governor of the Bank of Japan        | <a href="#">Masaaki Shirakawa</a>     | Apr.09, 2008               |
| Deputy Governor of the Bank of Japan | Vacant                                |                            |
| Deputy Governor of the Bank of Japan | <a href="#">Kiyohiko G. Nishimura</a> | Mar.20, 2008               |
| Member of the Policy Board           | <a href="#">Miyako Suda</a>           | Apr.1, 2006                |
| Member of the Policy Board           | <a href="#">Atsushi Mizuno</a>        | Dec.3, 2004                |
| Member of the Policy Board           | <a href="#">Tadao Noda</a>            | Jun.17, 2006               |
| Member of the Policy Board           | <a href="#">Seiji Nakamura</a>        | Apr.5, 2007                |
| Member of the Policy Board           | <a href="#">Hidetoshi Kamezaki</a>    | 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 Anncmnt**

|           |            |
|-----------|------------|
| 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

**Ivan Šramko**, Governor, Národná banka Slovenska

**Erkki Liikanen** , Governor, Suomen Pankki - Finlands Bank

**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.

**The primary objective of the ECB's monetary policy is to maintain price stability. The ECB aims at inflation rates of below, but close to, 2% over the medium term.**

**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

Romania: National Bank of Romania

Slovakia: Národná banka Slovenska

Sweden: Sveriges Riksbank

United Kingdom: Bank of England

**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   | Stawomir Skrzypek   |
| Portugal, Banco de Portugal  | Vitor 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

Source: ecb.int

Jim Goulding, jgoulding@ghco.com

The Morning Email: Central Banks



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

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**Introductory statement**

**Jean-Claude Trichet, President of the ECB,  
Lucas Papademos, Vice President of the ECB  
Brussels, 4 December 2008**

Ladies and gentlemen, the Vice-President and I are very pleased to welcome you to our press conference here in Brussels. I would like to thank Governor Quaden for his kind hospitality and to express our special gratitude to his staff for the excellent organisation of the meeting of the Governing Council.

We will now report on the outcome of today's meeting, which was also attended by Mrs Lagarde, President of the ECOFIN Council, and Commissioner Almunia.

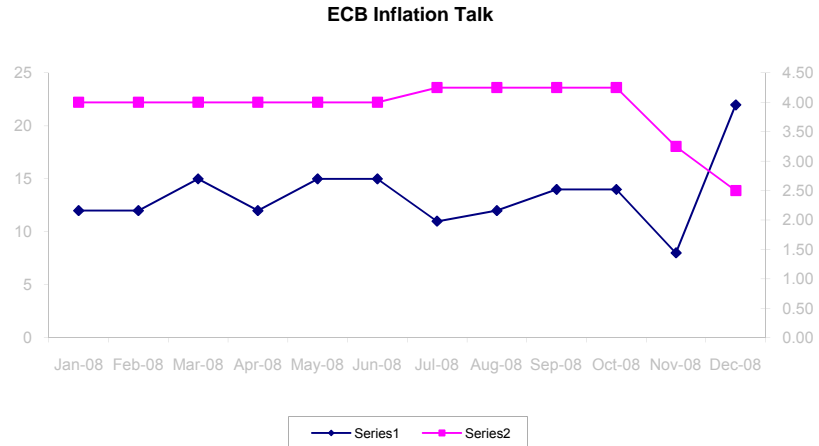
On the basis of its regular economic and monetary analyses, the Governing Council decided to reduce the key ECB interest rates by a further 75 basis points. This step follows the two 50-basis point reductions in the key ECB interest rates announced on 8 October and 6 November 2008. Overall, since our last meeting, the evidence that inflationary pressures are diminishing further has increased and, looking forward, inflation rates are expected to be in line with price stability over the policy-relevant horizon, supporting the purchasing power of incomes and savings. The decline in inflation rates is due mainly to the fall in commodity prices and the significant slowdown in economic activity. Largely related to the effects of the intensification and broadening of the financial turmoil, both global demand and euro area demand are likely to be dampened for a protracted period of time. At the same time, while the underlying pace of monetary expansion has remained strong, it has continued to decelerate further. All in all, the level of uncertainty remains exceptionally high. The Governing Council will continue to keep inflation expectations firmly anchored in line with its medium-term objective. In so doing, it supports 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

| <u>Date</u> | <u>Inflation Mentions</u> | <u>Rate</u>                      |
|-------------|---------------------------|----------------------------------|
| Jan-2008    | 12                        | 4.00                             |
| Feb-2008    | 12                        | 4.00                             |
| Mar-2008    | 15                        | 4.00                             |
| Apr-2008    | 12                        | 4.00                             |
| May-2008    | 15                        | 4.00                             |
| Jun-2008    | 15                        | 4.00                             |
| Jul-2008    | 11                        | 4.25                             |
| Aug-2008    | 12                        | 4.25                             |
| Sep-2008    | 14                        | 4.25                             |
| Oct-2008    | 14                        | 4.25                             |
| Nov-2008    | 8                         | 3.25 (Cut .50 ~ 10/09 and 11/06) |
| Dec-2008    | 22                        | 2.50                             |



\*Most comments about inflation in Dec 08 where in regards to the LACK-OF inflation.

Current Bank Rate 2.0 %  
Next due: 08 Jan 2009

Current Inflation 4.5%  
Next due: 20 Jan 2009

Inflation Target 2.0%  
Next due: 11 Feb 2009

**Schedule for 2009**

| <b>MPC Decision</b> | <b>Minutes</b> | <b>Report</b> |
|---------------------|----------------|---------------|
| 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 1.0 Percentage Points to 2.0%  
4 December 2008**

The Bank of England's Monetary Policy Committee today voted to reduce the official Bank Rate paid on commercial bank reserves by 1.0 percentage points to 2.0%.

In the United Kingdom, business surveys have weakened further and suggest that the downturn has gathered pace. Consumer spending and business investment have stalled, while residential investment has continued to fall. Activity indicators in the rest of the world have also weakened, though the further depreciation in sterling should moderate the impact of weaker global growth on the United Kingdom. And a number of fiscal measures to boost near-term demand are in train, both in the United Kingdom and overseas. Despite the actions taken to raise bank capital, ease funding and improve liquidity, conditions in money and credit markets remain extremely difficult. The Committee noted that it was unlikely that a normal volume of lending would be restored without further measures.

CPI inflation decreased to 4.5% in October. Cost pressures have also eased. Commodity prices continued to fall back. Pay growth remained subdued. And measures of inflation expectations fell back sharply. CPI inflation is likely to continue to drop back as the contributions from retail energy and food prices decline. The direct effect of the temporary reduction in Value Added Tax will also lower CPI inflation through much of next year, with a corresponding increase in inflation in 2010.

In the November Inflation Report, the Committee's projection for inflation showed a substantial risk of undershooting the 2% CPI inflation target in the medium term. The subsequent decline in market interest rates and the further depreciation in sterling have raised the profile for inflation since then. But the weaker outlook for activity in the near term and the further falls in commodity prices have lowered that profile. Although the temporary reduction in Value Added Tax will lead to some volatility in inflation over the next two years, the new fiscal plans are unlikely to have a significant effect on inflation beyond that horizon.

At its December meeting, the Committee judged that, at the existing level of Bank Rate and looking through the volatility in inflation associated with the movements in Value Added Tax, there remained a substantial risk of undershooting the 2% CPI inflation target in the medium term. Accordingly, the Committee determined that a further reduction in Bank Rate of 1.0 percentage points to 2.0% was necessary in order to meet the target in the medium term.

The minutes of the meeting will be published at 9.30am on Wednesday 17 December.

[Source: BOE]

## VOTING BY THE MONETARY POLICY COMMITTEE - 1997 TO PRESENT DATE

|                    | Voted to<br>Increase | Voted to<br>Reduce | Voted to<br>Maintain | Meetings<br>Attended |
|--------------------|----------------------|--------------------|----------------------|----------------------|
| Mervyn King        | 30                   | 20                 | 90                   | <b>140</b>           |
| Paul Tucker        | 13                   | 7                  | 59                   | <b>79</b>            |
| Charles Bean       | 8                    | 19                 | 73                   | <b>100</b>           |
| Kate Barker        | 11                   | 17                 | 64                   | <b>92</b>            |
| Sir John Gieve     | 6                    | 8                  | 21                   | <b>35</b>            |
| David Blanchflower | 1                    | 16                 | 14                   | <b>31</b>            |
| Tim Besley         | 10                   | 5                  | 13                   | <b>28</b>            |
| Andrew Sentance    | 8                    | 5                  | 14                   | <b>27</b>            |
| Spener Dale        | 0                    | 3                  | 3                    | <b>6</b>             |
| <b>Totals</b>      | <b>87</b>            | <b>100</b>         | <b>351</b>           | <b>538</b>           |

538 Sum Check

## MONETARY

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

## VOTING BY THE MONETARY POLICY COMMITTEE - 2008

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

| 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

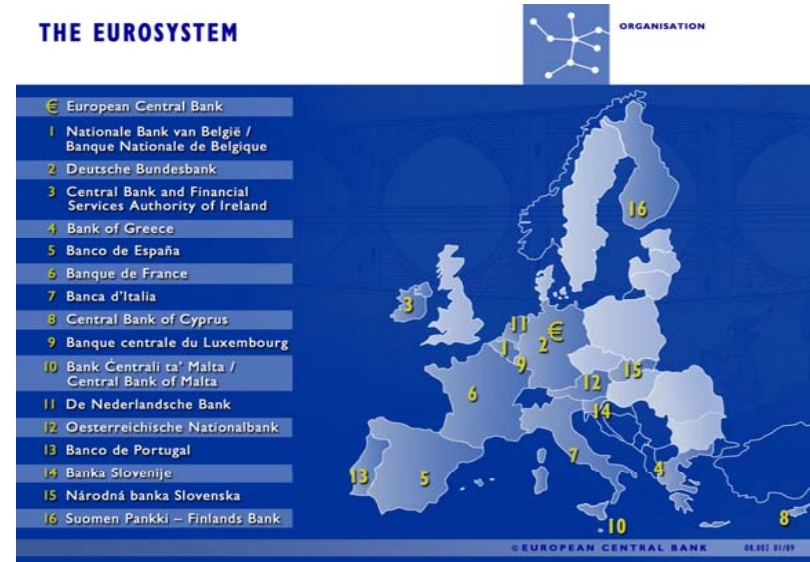
**16 Member States of the European Union use the euro as their currency**

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.

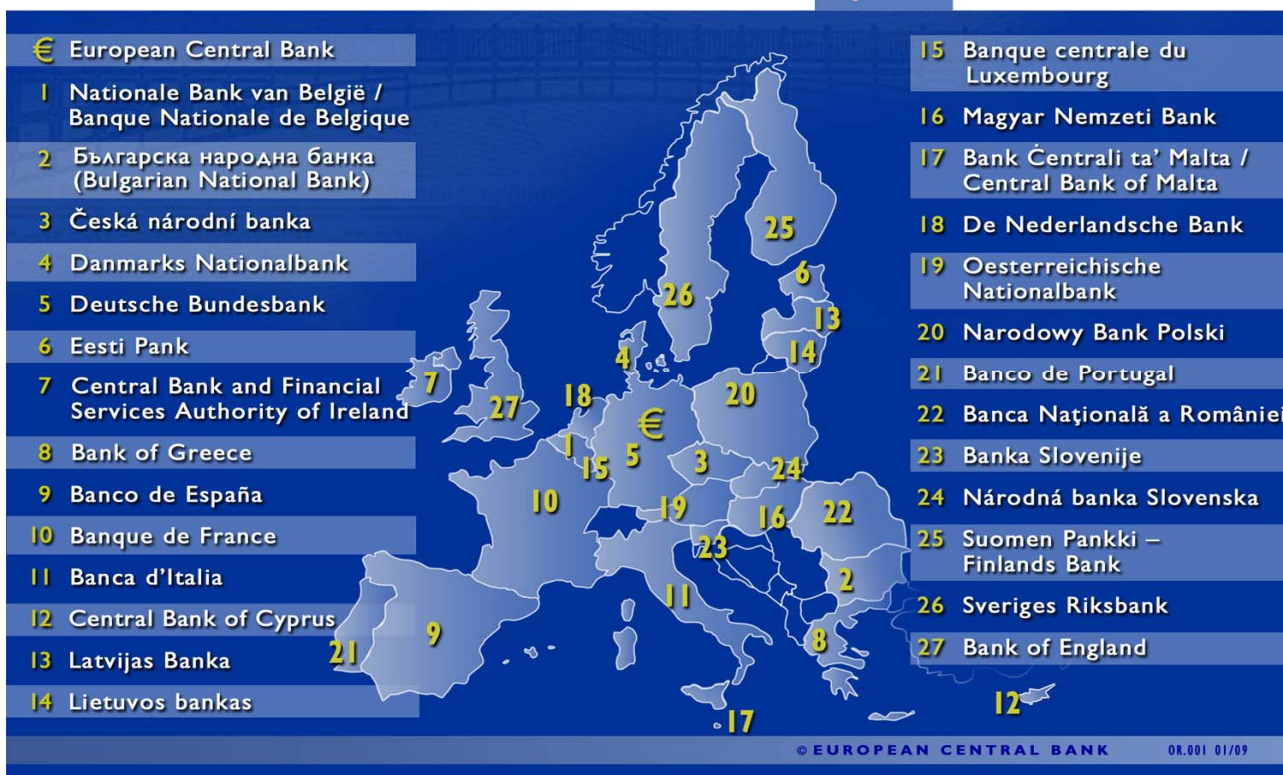
Among the non-euro area countries, Poland has by far the largest number of MFIs (722), representing 7% of the MFI sector in the EU. Since 1999 there have been substantial increases in the MFI sectors of Slovakia (36%), Latvia (33%), Sweden (31%) and Romania (26%), while the size of these sectors in the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

[SOURCE: The ECB]

# THE EUROPEAN SYSTEM OF CENTRAL BANKS (ESCB)



ORGANISATION



## 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>

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**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 swtching 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.



























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