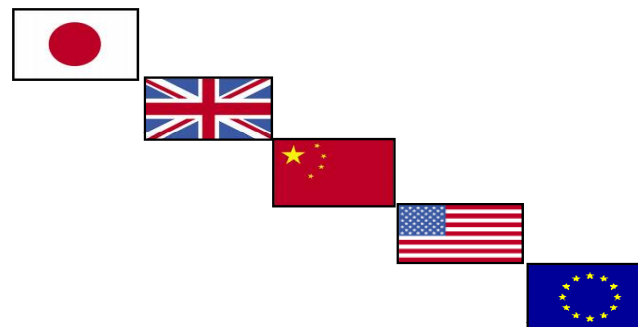


## The Morning Email: Central Banks

### Table of Contents

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



### Recent Updates

Page	Date (dd/mm/yyyy)
5/7/2009	3, 10, 11

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](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 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 Govs	Moderate/Dove	1/31/2020	02/01/2006	
Nov-1942	Donald L. Kohn, Vice Chairman Board of Govs	Moderate/Hawk	1/31/2016	08/05/2002	
Jul-1952	Elizabeth Duke, Board of Govs	No bias yet	1/31/2012	08/05/2008	
Jun-1962	Randall S. Kroszner, Board of Govs	Moderate/Dove	1/31/2008	03/01/2006	
Nov-1952	Daniel K. Tarullo, Board of Govs	No bias yet	1/31/2022	01/28/2009	
Apr-1970	Kevin M. Warsh, Board of Govs	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	
<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†	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	6/4/2009 QE *	Price Stability	0.409	BOE
European Central Bank (ECB)	1.00 Refi min bid	5/7/2009	(0.25)	ECB	6/4/2009 Ease Bias	Price Stability	0.668	ECB
US Federal Reserve Bank	0 - 0.25 Fed Funds	12/16/2008	(0.75)	FRB	6/24/2009 QE *	Price Stblty/Full emplmnt	0.191	FRB
Bank of Japan (BOJ)	0.10 O / N Call Rt	10/31/2008	(0.30)	BOJ	5/22/2009 QE *	Price Stability	0.150	BOJ ^
Bank of Canada (BOC)	0.25 O / N Rate	4/21/2009	(0.25)	BOC	6/4/2009 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	6/2/2009 On Hold	Price Stability / ICT		RBA
Reserve Bank of New Zealand	3.00 OCR	3/12/2009	(0.50)	RBNZ	6/11/2009 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: Unched. 04/08/2009 : cut (0.25). 05/05/2009: Unched. Change bias to On Hold? to On Hold.**

**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

## The FOMC: Ranges

**Ranges for FOMC Meetings <sup>1</sup>**  
**Avg Dly Rng <sup>2</sup> Avg 15 Min Range <sup>3</sup>**

30	8.4	7.2
10	9.6	8.1
5	10.7	8.2
2	11.4	8.7

**Ranges for Humphrey-Hawkins Hearings <sup>4</sup>**  
**Avg Dly Rng Avg 30 Min Rng <sup>5</sup>**

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**

<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 BOJ	<a href="#">Mr. Hirohide Yamaguchi</a>	Oct. 27, 2008
Deputy Governor of the BOJ	<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 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 Banka 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

Lucas D. Papademos, Vice-President of the ECB, came from Bank of Greece

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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

**Introductory statement**

**Jean-Claude Trichet, President of the ECB,  
Lucas Papademos, Vice President of the ECB  
Frankfurt am Main, 7 May 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, which was also attended by Commissioner Almunia. On the basis of its regular economic and monetary analyses, the Governing Council decided to reduce the interest rate on the main refinancing operations of the Eurosystem by a further 25 basis points and the rate on the marginal lending facility by 50 basis points, to 1.00% and 1.75% respectively. The interest rate on the deposit facility will remain unchanged at 0.25%. This decision brings the total reduction in the interest rate on the main refinancing operations of the Eurosystem since 8 October 2008 to 325 basis points.

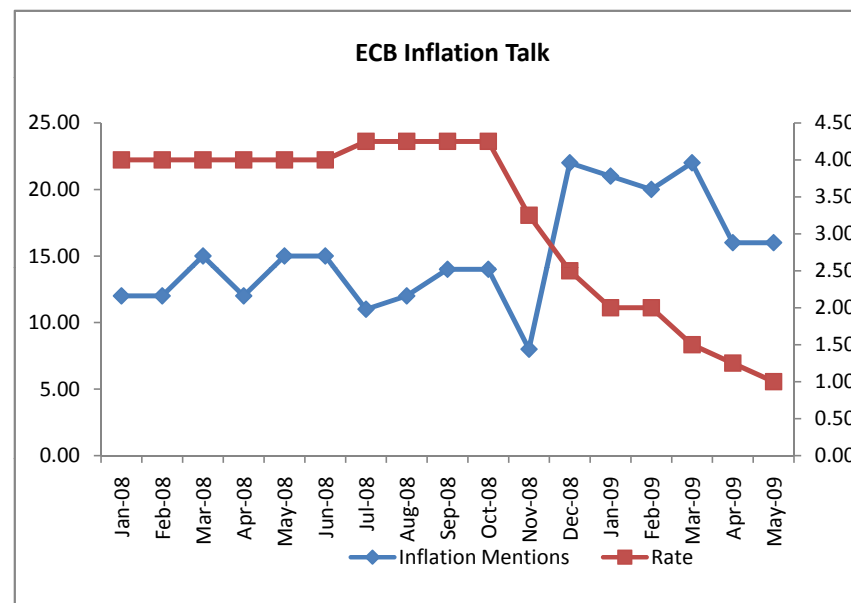
Current key ECB interest rates are appropriate taking into account all available information and analysis. In addition to the reductions in interest rates, the Governing Council decided today to proceed with its enhanced credit support approach. In continuity and consistency with the operations we have undertaken since October 2008, and in recognition of the central role played by the banking system in financing the euro area economy, we will conduct liquidity-providing longer-term refinancing operations with a maturity of 12 months. The operations will be conducted as fixed rate tender procedures with full allotment. The rate for the first of these operations, to be announced on 23 June 2009, will be the rate on the main refinancing operations at that time. Subsequently, the fixed rate may include a premium to the rate on the main refinancing operations, depending on the circumstances at the time.

The Governing Council has decided in principle that the Eurosystem will purchase euro-denominated covered bonds issued in the euro area. The detailed modalities will be announced after the Governing Council meeting of 4 June 2009. [...] [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
May-2009	16.00	1.00



\*Most comments about inflation in Dec 08 where 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: 04 Jun 2009

Current Inflation 2.9%  
Next due: 19 May 2009

Inflation Target 2.0%  
Next due: 12 Aug 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
3 & 4 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 Maintains Bank Rate at 0.5% and Increases Size of Asset Purchase Programme by £50 Billion to £125 Billion

7 May 2009

The Bank of England's Monetary Policy Committee today voted to maintain the official Bank Rate paid on commercial bank reserves at 0.5%. The Committee also voted to continue with its programme of asset purchases financed by the issuance of central bank reserves and to increase its size by £50 billion to a total of £125 billion.

The world economy remains in deep recession. Output has continued to contract and international trade has fallen precipitously. The global banking and financial system remains fragile despite further significant intervention by the authorities. In the United Kingdom, GDP fell sharply in the first quarter of 2009. But surveys at home and abroad show promising signs that the pace of decline has begun to moderate.

CPI inflation was 2.9% in March, significantly higher than the 2% inflation target. Past falls in sterling have continued to put upwards pressure on inflation. But the degree of spare capacity in the economy has increased and the loosening in the labour market has contributed to a sharp easing in pay pressures. CPI inflation is likely to drop below the 2% target later this year, driven in part by diminishing contributions from food and energy prices. The substantial margin of spare capacity in the economy should continue to bear down on inflation thereafter.

<cont>

The Committee noted that the outlook for economic activity was dominated by two countervailing forces. The process of adjustment in train in the UK economy, as private saving rises and banks restructure their balance sheets, combined with weak global demand, will continue to act as a significant drag on economic activity. But pushing in the opposite direction, there is considerable economic stimulus stemming from the easing in monetary and fiscal policy, at home and abroad, the substantial depreciation in sterling, past falls in commodity prices, and actions by authorities internationally to improve the availability of credit. That stimulus should in due course lead to a recovery in economic growth, bringing inflation back towards the 2% target. But the timing and strength of that recovery is highly uncertain.

In the light of that outlook and in order to keep CPI inflation on track to meet the 2% inflation target over the medium term, the Committee judged that maintaining Bank Rate at 0.5% was appropriate. The Committee also agreed to continue with its programme of purchases of government and corporate debt financed by the issuance of central bank reserves and to increase its size by £50 billion to a total of £125 billion. The Committee expected that it would take another three months to complete that programme, and it will keep the scale of the programme under review.

The Committee's latest inflation and output projections will appear in the Inflation Report to be published on Wednesday 13 May. The minutes of the meeting will be published at 9.30am on Wednesday 20 May.

[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	23	91	144
Paul Tucker	13	10	60	83
Charles Bean	8	22	74	104
Kate Barker	11	20	65	96
Sir John Gieve	6	10	21	37
David Blanchflower	1	19	15	35
Tim Besley	10	8	14	32
Andrew Sentance	8	8	15	31
Spener Dale	0	6	4	10
Paul Fisher	0	1	1	2
<b>Totals</b>	<b>87</b>	<b>126</b>	<b>359</b>	<b>572</b>

572 Sum Check

## VOTING BY THE MONETARY POLICY COMMITTEE - 2009

	Voted to Increase	Voted to Reduce	Voted to Maintain	Meetings Attended
Mervyn King, Governor	0	3	1	4
Paul Tucker, Deputy Governor	0	3	1	4
Charles Bean, Deputy Governor (01 July)	0	3	1	4
Kate Barker	0	3	1	4
Sir John Gieve, Deputy Governor	0	2	0	2
David Blanchflower	0	2	1	3
Tim Besley	0	2	1	3
Andrew Sentance	0	2	1	3
Spencer Dale	0	2	1	3
Paul Fisher	0	1	1	2

RET

## 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 Geive, 01 March 2009?

\*Fisher, currently head of BoE's FX division.

--David Miles to take over from Blanchflower from June 1, 2009.

--GEIVE retires 01 Mch 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.

**Jim's Notes:**

The US Dollar Index is physically settled on the third Wednesday of the expiration month against six component currencies (euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc) in their respective percentage weights in the Index. Settlement rates may be quoted to three decimal places. [ICE]

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.