

## Meeting of the Federal Open Market Committee December 11, 2001 Presentation Materials -- Text Version

[Presentation Materials \(449 KB PDF\)](#)

### APPENDIX

#### Charts used by Mr. Kos.

##### Page 1

###### Top panel

**Title:** Current Deposit Rates and Rates Implied by Traded Forward Rate Agreements

**Series:** U.S. and Euro-area Libor fixing, 3M forward, and 9M forward rates

**Horizon:** September 3, 2001 through December 7, 2001

**Description:** U.S. and Euro-area forward rates declined modestly until they began to pick back up in early November 2001.

###### Bottom panel

**Title:** Continuation of Top Panel

**Series:** Japan Libor fixing, 3M forward, and 9M forward rates

**Horizon:** September 3, 2001 through December 7, 2001

**Description:** Japan forward rates rose steadily over the period shown.

##### Page 2

###### Top left panel

**Title:** Treasury Coupon Yields

**Series:** Target federal funds rate and yield on benchmark 2-year U.S. Treasury security, 5-year, 10-year, and 30-year U.S. Treasury securities

**Horizon:** September 3, 2001 through December 7, 2001

**Description:** The 2-year Treasury was declining in sync with the target federal funds rate until early November 2001 when the target federal funds rate remained steady and the 2-year sharply increased.

###### Top right panel

**Title:** Treasury Coupon Yields

**Series:** Yields on benchmark 10-year and 30-year U.S. Treasury securities

**Horizon:** September 3, 2001 through December 7, 2001

**Description:** The 10-year and 30-year Treasury yields were declining over the over period shown until early November 2001 when they both sharply increased.

###### Bottom panel

**Title:** 2-Year Treasury Volatility<sup>1</sup> vs. Fed Funds Target Rate

**Series:** Target federal funds rate (RHS) and 2-year Treasury volatility (LHS)

**Horizon:** February 1988 through December 2001

**Description:** Movements in the 2-year Treasury, in general, were in sync with the target federal funds rate over the period until mid 2001 when the target federal funds rate was decreasing and the 2-year Treasury yield was increasing.

1. 60-day moving average of daily basis point changes (absolute values) of the on-the-run 2 year note yield. [Return to text](#)

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### Top panel

**Title:** Outstanding Agency-Guaranteed Mortgage-Backed Securities and Outstanding Publicly Held Marketable Treasury Debt

**Series:** Outstanding publicly held marketable Treasury debt and outstanding agency-guaranteed mortgage-backed securities\*

**Horizon:** May 1997 through October 2001

**Description:** Outstanding publicly held marketable Treasury debt has steadily declined since May 1997 while outstanding agency-guaranteed mortgage-backed securities has steadily increased, bringing the two measures to similar levels in October 2001.

\* Includes only pass-through certificates. [Return to text](#)

Source: Lehman Brothers and Bureau of the Public Debt

### Bottom panel

**Title:** 10-Year Treasury Yield and Duration of the MBS Market

**Series:** 10-year Treasury note yield (LHS) and option-adjusted duration\* (RHS)

**Horizon:** September 4, 2001 through December 7, 2001

**Description:** The 10-year Treasury note yield and option-adjusted duration have reacted closely together over the period shown and both increased dramatically since early November 2001.

\* The price/yield sensitivity of the entire MBS forward trading (TBA) market derived from Goldman Sachs' option-adjusted spread pricing models. [Return to text](#)

Source: Goldman Sachs and Bloomberg

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### Top panel

**Title:** 10-Year Industrial Corporate Debt Spreads to AAA

**Series:** BBB -- AAA spread and A -- AAA spread

**Horizon:** September 4, 2001 through December 7, 2001

**Description:** Over the period shown, the A -- AAA spread remained relatively level while the BBB -- AAA spread widened significantly.

### Bottom left panel

**Title:** Commercial Paper Spreads

**Series:** 30-day A2/P2 -- A1/P1 spreads

**Horizon:** August through February: 1997-1998, 2000-2001, and 2001-2002

**Description:** 30-day commercial paper spreads have widened, reaching levels above those seen in 1997-1998.

## Bottom right panel

**Title:** Commercial Paper Spreads

**Series:** 90-day A2/P2 -- A1/P1 spreads

**Horizon:** August through February: 1997-1998, 2000-2001, and 2001-2002

**Description:** 90-day commercial paper spreads have widened, reaching levels above those seen in 1997-1998.

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### Top panel

**Title:** Yen per Dollar

**Series:** Yen currency performance in yen/dollar

**Horizon:** September 3, 2001 through December 7, 2001

**Description:** The yen continually depreciated against the dollar over the course of the period shown.

### Middle panel

**Title:** 10-Year Japanese Government Bond Yield

**Series:** 10-year Japanese government bond yield

**Horizon:** September 3, 2001 through December 7, 2001

**Description:** The 10-year Japanese government bond yield declined over the third quarter of 2001 until it picked back up in early November 2001 and has since returned similar levels seen in early September 2001.

### Bottom panel

**Title:** Topix and Topix Bank Sub-Index

**Series:** Topix index (LHS) and Topix bank sub-index (RHS)

**Horizon:** September 3, 2001 through December 7, 2001

**Description:** Both indices declined continually over the period shown with significant declines in late 2001 coming after downgrades by S&P and Moody's (both labeled with tripwires).

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