

Meeting of the Federal Open Market Committee May 7, 2002 Presentation Materials -- Text Version

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Appendix 1: Materials used by Mr. Kos

Page 1

Top panel

Title: Rates Implied by Eurodollar Futures Curve

Series: Implied Rates on Eurodollar Futures Contracts

Horizon: March 19, 2002 - May 6, 2002

Description: The Eurodollar Futures curve shifted downwards for contracts expiring from June 2002 to September 2004.

Source: Bloomberg

Middle-left panel

Title: 2- Year Treasury Yield

Series: 2- Year Treasury Yield

Horizon: January 2, 2002 - May 6, 2002

Description: Over the time horizon, 2- year treasury yields reached their peak just after the March 19th FOMC meeting, and declined steadily thereafter.

Source: Bloomberg

Middle-right panel

Title: 10- Year Treasury Yield

Series: 10- Year Treasury Yield

Horizon: January 2, 2002 - May 6, 2002

Description: Over the time horizon, 10- year treasury yields reached their peak just after the March 19th FOMC meeting, and declined steadily thereafter.

Source: Bloomberg

Bottom panel

Title: 10- Year Treasury Inflation-Indexed Spread to 10- Year Treasury Nominal Note

Series: 10- Year TIPS break-even spread

Horizon: January 2, 2002 - May 6, 2002

Description: Over the time horizon, 10-year break-even inflation rates steadily increased leading up to the March 19th FOMC meeting, and remained range bound thereafter.

Source: Bloomberg

Page 2

Top panel

Title: Average Treasury Issuance by Instrument ex. TIIS (January - April)

Series: 2001 and 2002 average issuance of bills, 2- year, 5- year, 10- year, and 30- year bonds.

Horizon: January through April; 2001 and 2002

Description: Issuance in each sector was greater in 2002, with the exception of the 30- year which was only issued in 2001.

Bottom panel

Title: US 10- Year Swap Spread to 10- Year Treasury Note

Series: US 10- Year Swap Spread to 10- Year Treasury Note

Horizon: January 1, 1998 to May 6, 2002

Description: Swap spreads trended upwards until mid-2000, at which point they trended downward.

Source: Bloomberg

Page 3

Top-left and top-right panels

Title: Spreads to AA Industrial Corporate Index

Series: A, BBB and BB Industrial Corporate Index spreads to AA Industrial Corporate Index

Horizon: January 2, 2002 to May 6, 2002

Description: Over the time horizon, 'BBB' spreads widened, while 'A' and 'BB' spreads narrowed. Particularly, 'BB' spreads narrowed sharply in early March.

Source: Merrill Lynch

Bottom panel

Title: Telecom and Broad Corporate Index Spreads to Treasury Index

Series: Telecom and Corporate Master Indices spreads to Treasury

Horizon: January 2, 2002 to May 6, 2002

Description: Spreads on the Corporate Master Index were little changed, while spreads on the Telecom Index widened. Telecom spreads widened sharply after Worldcom cut its forecast on April 19, 2002.

Source: Merrill Lynch

Page 4

Top panel

Title: Selected Foreign Currencies Versus U.S. Dollar

Series: Australian Dollar, British pound, Euro, Japanese Yen, Mexican Peso, and Swiss Franc

Horizon: January 2, 2002 to May 6, 2002

Description: Most currencies strengthened against the dollar with the exception of the Mexican Peso.

Source: Bloomberg

Middle panel

Title: Selected Stock Indices Relative to S&P 500

Series: Australian AS30, Bolsa, French CAC, FTSE, German DAX, Hang Seng, Nikkei, Swiss Market Index

Horizon: January 2, 2002 to May 6, 2002

Description: Each index outperformed the S&P 500, with the Bolsa and Nikkei the top performers.

Source: Bloomberg

Bottom-left and bottom-right panels

Title: US vs. Euro Interest Rate Differentials

Series: 3-Month: US Libor - Euribor and 10-Year: US Swap - Euro Swap

Horizon: January 2, 2002 to May 6, 2002

Description: The 3-Month US Libor - Euribor spread widened, while the 10- Year US - Euro Swap spread narrowed.

Source: Bloomberg

Page 5

Top panel

Title: Bank of Japan Current Account Balances

Series: Bank of Japan Current Account Balances (in ¥Trillion)

Horizon: January 31, 2000 to April 30, 2002 (Month-End Balances)

Description: Japanese current account balances were constant through most of 2001 and 2002, and steadily grew after August 2002.

Source: Bloomberg

Middle panel

Title: Japan's Monetary Base

Series: Japan's Monetary Base (in ¥Trillion)

Horizon: January 31, 2000 to April 30, 2002

Description: Japan's monetary base was constant through most of 2001 and 2002, and steadily grew after September 2002.

Source: Bloomberg

Bottom-left panel

Title: Dollar/Yen

Series: Dollar/Yen

Horizon: January 1, 2002 to May 6, 2002

Description: Over the time horizon, the yen weakened against the dollar.

Source: Bloomberg

Bottom-right panel

Title: 10- Year JGB Yield

Series: 10- Year JGB Yield

Horizon: January 1, 2002 to May 6, 2002

Description: Over the time horizon, the 10- year JGB yield steadily increased through February 2002 and then declined through May 2002.

Source: Bloomberg

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