



## Meeting of the Federal Open Market Committee December 10, 2002 Presentation Materials -- Text Version

[Presentation Materials \(586 KB PDF\)](#)

Pages 78 to 87 of Transcript

### Appendix 1: Materials 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, and three-month, six-month, and nine-month forward rate agreements

**Horizon:** June 3, 2002 to December 6, 2002

**Description:** Since June, Libor and short-term forward rate agreement rates in the U.S and Euro-area decline.

##### Bottom panel

**Title:** 2-Year Treasury Note and Fed Funds Target Rate

**Series:** 2-Year Treasury note and Fed Funds target rate

**Horizon:** September 2, 2002 to December 6, 2002

**Description:** The 2-Year Treasury yield has changed little after the Fed Funds target rate cut.

#### Page 2

##### Top panel

##### Lehman Brothers Indices Spread to Treasuries

##### Top-left panel

**Title:** Mortgage-Backed Securities

**Series:** U.S. Mortgage-Backed securities option-adjusted spread

**Horizon:** September 2, 2002 to December 6, 2002

**Description:** The U.S. Mortgage-Backed securities option-adjusted spread has narrowed in the past month.

##### Top-right panel

**Title:** U.S. Investment Grade Corporates

**Series:** U.S. Investment Grade option-adjusted spread

**Horizon:** September 2, 2002 to December 6, 2002

**Description:** The U.S. Investment Grade option-adjusted spread has narrowed in the past month.

### **Middle-left panel**

**Title:** U.S. High-Yield Index

**Series:** U.S. High-Yield Option-Adjusted Spread

**Horizon:** September 2, 2002 to December 6, 2002

**Description:** The U.S. High-Yield option-adjusted spread has narrowed in the past month.

Source: Merrill Lynch

### **Middle-right panel**

**Title:** EMBI+ Sovereign Debt Spread

**Series:** EMBI+ sovereign debt spread

**Horizon:** September 2, 2002 to December 6, 2002

**Description:** The EMBI+ sovereign debt spread has narrowed in the past month.

Source: JP Morgan

### **Bottom panel**

**Title:** Percent of Bonds Trading at Distressed Levels Categorized by Option-Adjusted Spread to Comparable Treasuries

**Series:** Percent of Investment Grade debt outstanding categorized by option-adjusted spread to comparable Treasuries on 10/15/2002, 11/15/2002, and 12/6/2002

**Horizon:** October 15, 2002 - December 6, 2002

**Description:** There have been a decreasing percentage of high-yield corporate bonds at distressed levels in recent weeks.

Source: Merrill Lynch

## **Page 3**

### **Top panel**

**Title:** S&P 100 Volatility Index (VIX)

**Series:** S&P 100 volatility index (VIX)

**Horizon:** September 2, 2002 to December 6, 2002

**Description:** Implied equity volatility has been declining seen mid-October.

### **Middle panel**

**Title:** Euro-Area Deposit Rates Futures Implied Volatility

**Series:** Euro-Area Deposit rates futures implied volatility

**Horizon:** September 2, 2002 to December 6, 2002

**Description:** Euro-Area Deposit rates futures implied volatility

### **Bottom panel**

**Title:** Exchange Rate Option-Implied Volatility

**Series:** 1-month and 12-month Dollar-Yen and Euro-Dollar Implied Volatility

**Horizon:** September 2, 2002 to December 6, 2002

**Description:** 1-month Dollar-Yen and Euro-Dollar implied volatility has declined and by more than 12-month implied volatility for the two currency pairs

## **Page 4**

## Commercial Paper Spreads

### Top-left panel

**Title:** 30-Day A2/P2 - A1/P1 Spreads

**Series:** Spread between 30-day A2/P2 and A1/P1 commercial paper rates between 2000-2001, 2001-2002, and 2002-2003

**Horizon:** September through February

**Description:** The spread between 30-day A2/P2 and A1/P1 commercial paper rates widened ahead of year-end.

### Top-right panel

**Title:** 90-Day A2/P2 - A1/P1 Spreads

**Series:** Spread between 90-day A2/P2 and A1/P1 commercial paper rates between 2000-2001, 2001-2002, and 2002-2003

**Horizon:** September through February

**Description:** The spread between 90-day A2/P2 and A1/P1 commercial paper rates widened ahead of year-end.

### Bottom-left panel

**Title:** 90-Day A1/P1 - 3-Month Treasury Bill Spreads

**Series:** Spread between 90-day A1/P1 commercial paper rate and 3-Month Treasury bill yield between 2000-2001, 2001-2002, and 2002-2003

**Horizon:** September through February

**Description:** Spread between 90-day A1/P1 commercial paper rate and 3-Month Treasury bill yield widened ahead of year-end in 2000.

### Bottom-right panel

**Title:** 90-Day A2/P2 - 3-Month Treasury Bill Spreads

**Series:** Spread between 90-day A2/P2 commercial paper rate and 3-Month Treasury bill yield between 2000-2001, 2001-2002, and 2002-2003

**Horizon:** September through February

**Description:** Spread between 90-day A2/P2 commercial paper rate and 3-Month Treasury bill yield widened ahead of year-end.

Source: Bloomberg

## Page 5

### Top panel

**Title:** European Equity Indices

**Series:** French CAC, UK FTSE, Spanish IBEX, and German DAX indices

**Horizon:** September 2, 2002 to December 6, 2002

**Description:** The French CAC, UK FTSE, Spanish IBEX, and German DAX indices have increased from mid-October levels.

### Middle panel

**Title:** European Corporate Bond Spreads to 10-Year German Bund

**Series:** Index of A and BBB-rated Euro corporate spreads to 10-Year German Bunds

**Horizon:** September 2, 2002 to December 6, 2002

**Description:** Since September BBB-rated European corporate bond spreads to 10-Year German Bunds have narrowed slightly while A-rated European corporate bond spreads to 10-Year German Bunds are little changed.

Source: JP Morgan

**Bottom panel**

**Title:** Monthly Euro-Denominated Investment Grade Corporate Issuance  
**Series:** Monthly Euro-denominated investment grade corporate issuance  
**Horizon:** January 2001 - November 2002  
**Description:** Monthly Euro-denominated investment grade corporate issuance has recovered from October but is still below levels seen in 2001.

Source: Morgan Stanley

**Page 6**

**Top panel**

**Title:** Dollar-Yen Exchange Rate  
**Series:** Dollar-Yen exchange rate  
**Horizon:** September 2, 2002 to December 6, 2002  
**Description:** The Japanese Yen has weakened since September.

**Middle panel**

**Title:** Japanese Yield Curve  
**Series:** Japanese sovereign debt yield curve  
**Horizon:** January 2, 2002 - December 9, 2002  
**Description:** The Japanese yield curve has shifted lower since January 2002.

**Bottom panel**

**Title:** Nikkei Index  
**Series:** Nikkei index  
**Horizon:** September 2, 2002 to December 6, 2002  
**Description:** The Nikkei has declined since September but is up from levels seen in mid-October and mid-November.

**Appendix 2: Materials used by Mr. Madigan**

Material for Monetary Policy Briefing  
December 10, 2002

**Exhibit 1**

**Top panel**  
**Market Reaction to the November 6 Monetary Policy Announcement**

	(1)	(2)	(3)	(4)	(5) Change
--	-----	-----	-----	-----	---------------

	Wednesday 2:00 PM	Wednesday 2:30 PM	Wednesday 4:00 PM	Early Change (2)-(1)	through 4:00 PM (3)-(1)
<b>Expected fed funds rates<sup>1</sup></b>	<i>Percent</i>			<i>Basis points</i>	
1. December	1.36	1.23	1.22	-13	-14
2. January	1.30	1.20	1.21	-10	-10
3. February	1.25	1.19 <sup>2</sup>	1.18	-6	-8
<b>Treasuries</b>	<i>Percent</i>			<i>Basis points</i>	
4. Two-year	1.80	1.75	1.84	-5	4
5. Five-year	2.98	2.93	2.99	-5	1
6. Ten-year	4.03	4.00	4.03	-3	1
<b>Equities</b>	<i>Index</i>			<i>Percent</i>	
7. Wilshire	8619	8647	8706	¼	1

1. Monthly average. Estimated based on federal funds and Eurodollar futures quotes with an allowance for term premiums.

[Return to table](#)

2. Quote from 2:35 p.m. (Quote for 2:30 p.m. not available.) [Return to table](#)

▲ [Return to top](#)

---

[Home](#) | [Monetary policy](#) | [FOMC](#) | [FOMC transcripts](#)

[Accessibility](#) | [Contact Us](#)

**Last update: October 24, 2008**