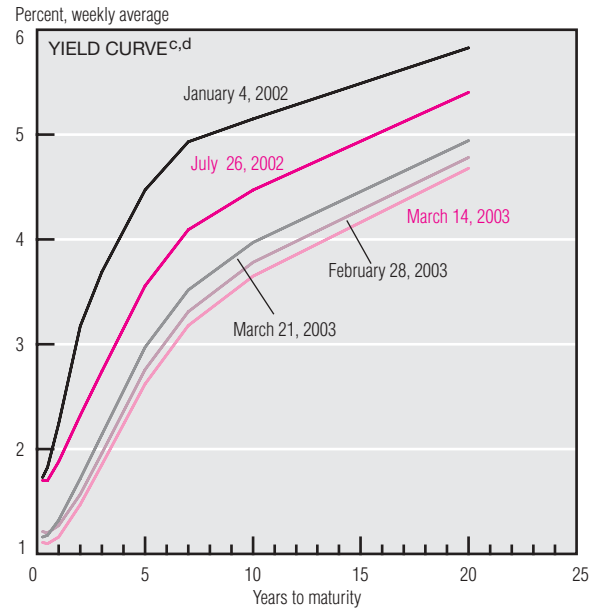
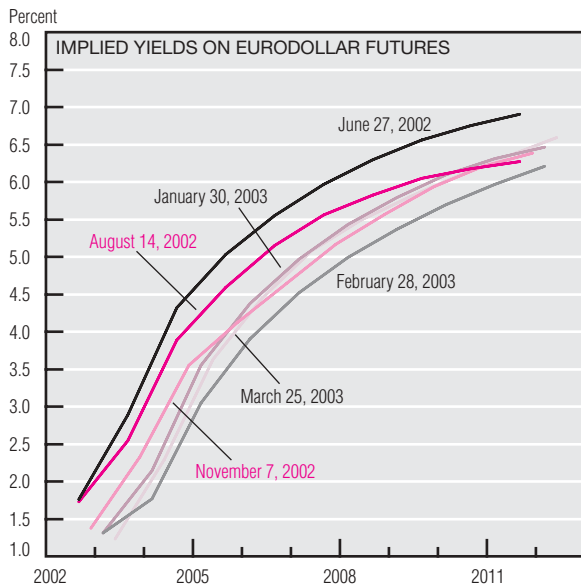
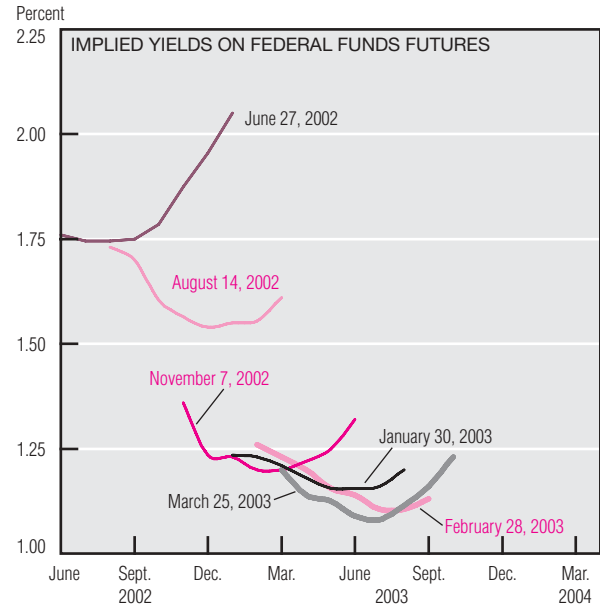
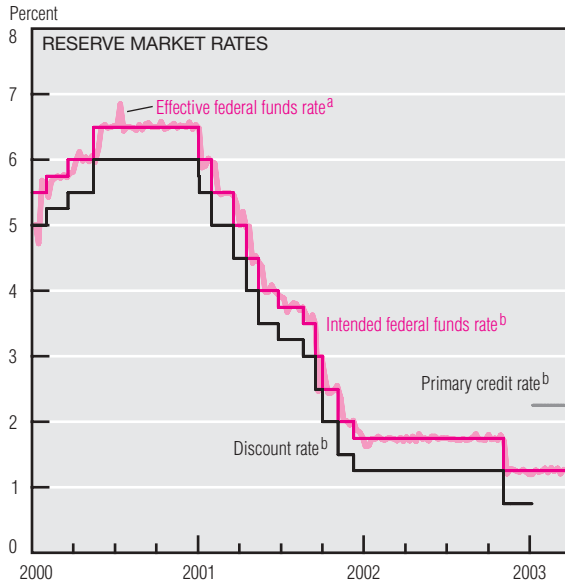


Monetary Policy



- a. Weekly average of daily figures.
b. Daily observations.
c. Average for the week ending on the date shown.
d. All yields are from constant-maturity series.

SOURCES: Board of Governors of the Federal Reserve System, "Selected Interest Rates," *Federal Reserve Statistical Releases*, H.15; and Bloomberg Financial Information Services.

At its March 18 meeting, the Federal Open Market Committee (FOMC) left the federal funds rate target unchanged at 1.25%, noting that "the hesitancy of the economic expansion appears to owe importantly to oil price premiums and other aspects of geopolitical uncertainties." When those uncertainties lift, as most analysts anticipate they will, the FOMC expects that "the accommodative stance of monetary policy, coupled with ongoing growth in productivity, will provide support to economic activity to engender an improving

economic climate over time." The FOMC also decided to refrain from making the risk statement until some of the uncertainties abate.

On January 9, 2003, Federal Reserve Banks began to offer depository institutions two discount window programs: primary credit and secondary credit. The primary credit discount rate, initially set at 100 basis points (bp) above the intended federal funds rate, is intended to eliminate institutions' incentive to borrow with the purpose of exploiting the positive spread of money market rates over the discount

rate. Depository institutions that do not qualify for primary credit may apply for secondary credit, available at a rate initially set at 50 bp above the primary credit discount rate.

After nine months of decline, implied yields on federal funds futures stabilized somewhat, suggesting near-even odds of an additional cut by summer. Implied yields on eurodollar futures, however, suggest that the fed funds rate will begin an upward trajectory sooner than was thought in February.