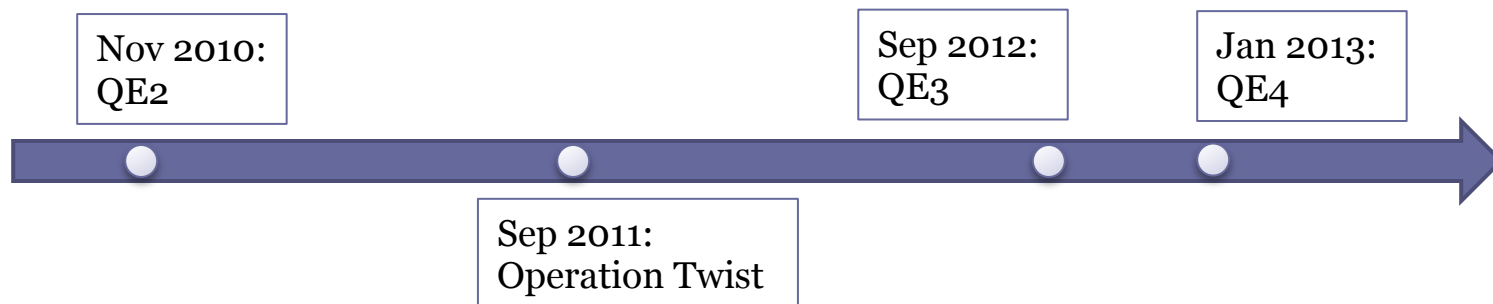


Predicting POMO

Predict Permanent Open Market
Operations @ Federal Reserve

Open Market Operations

- Purchase and sale of securities in the open market by a central bank
- Key tool used in the implementation of monetary policy
 - Help improve conditions in the credit markets
 - Adds liquidity to the banking system, thereby stimulating economic activity
 - Impact Fed funds rate





Effects on the Treasury

- Lower yields when Fed buys
- Coupon remittance – overall cost of borrowing
- Rollover risks
- Supply/demand of different types of US Treasuries

Data - Results

- POMO transactions (8/25/2005 – today)
 - <http://www.newyorkfed.org/markets/pomo/display/index.cfm?fuseaction=showSearchForm>
- Operating policies
 - http://www.newyorkfed.org/markets/op_policies.html
- FOMC meeting minutes
 - <http://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

Data - Potential Deciding Factors

- Fed's balance sheet
 - http://www.federalreserve.gov/monetarypolicy/bst_fedsbalancesheet.htm
- Real GDP
 - <http://research.stlouisfed.org/fred2/series/GDPC1>
- PCE Inflation
 - <http://research.stlouisfed.org/fred2/categories/21>
- Unemployment
 - <http://research.stlouisfed.org/fred2/series/UNRATE>
- Treasury yields
 - <http://research.stlouisfed.org/fred2/series/DGS10/>
- Other economic data
 - <http://research.stlouisfed.org/fred2/>