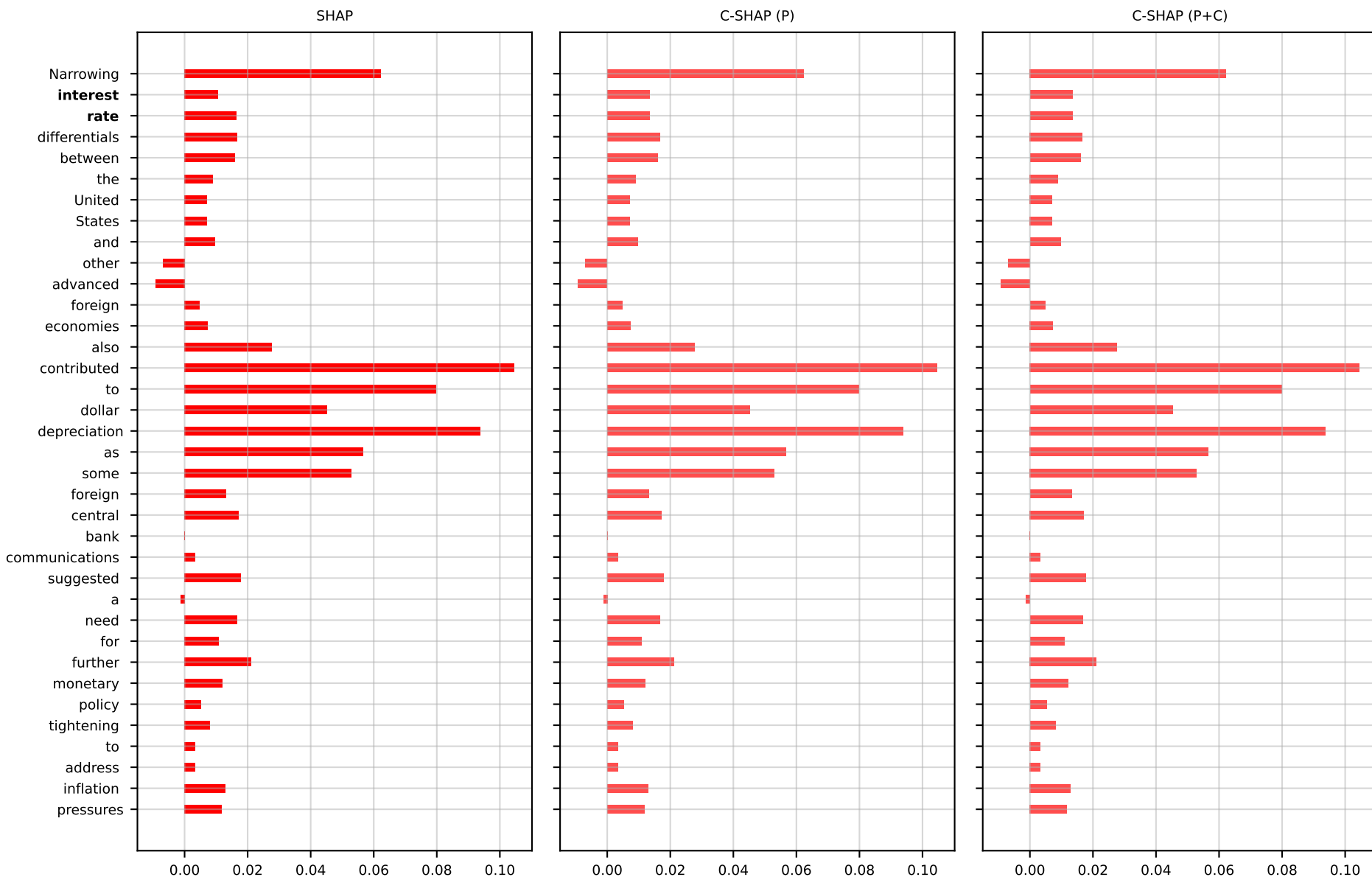
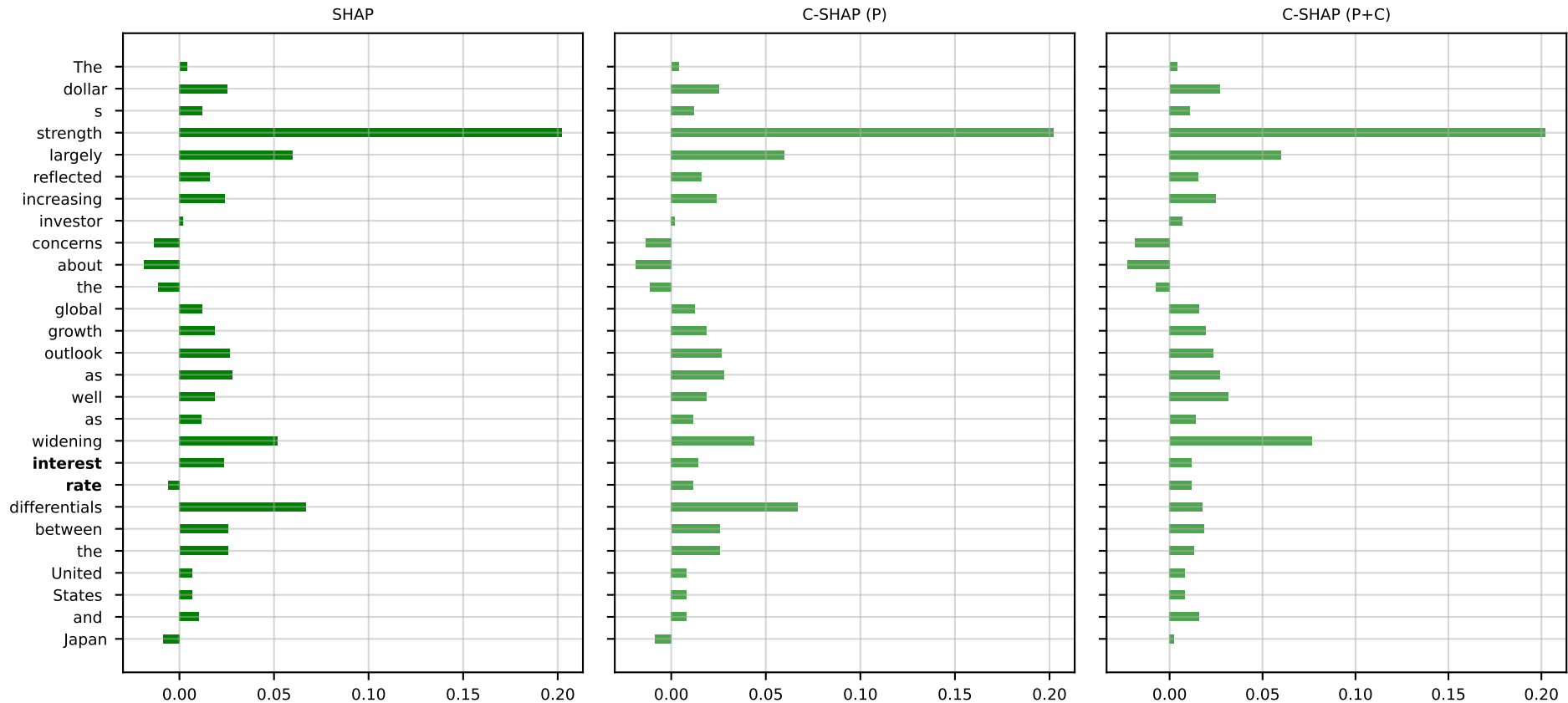


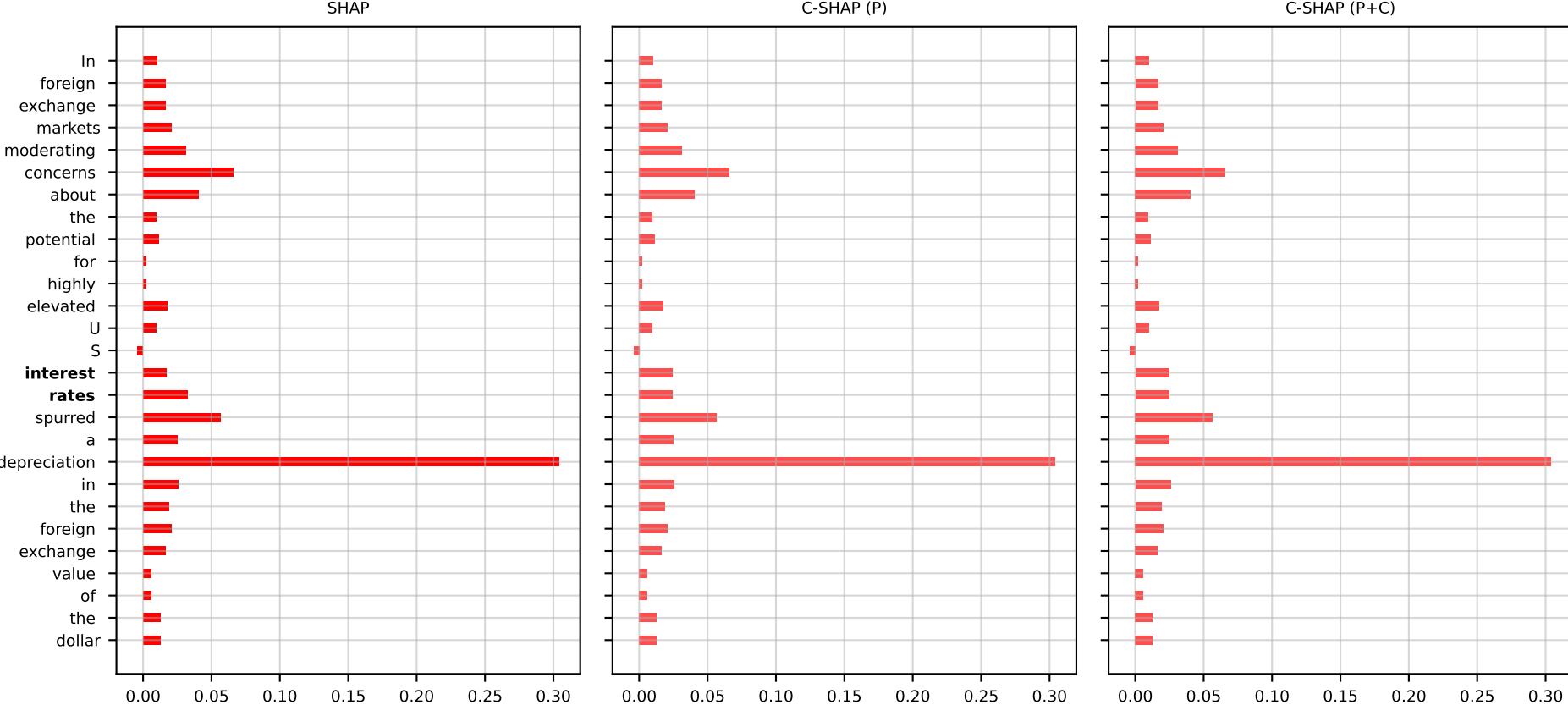
Narrowing interest rate differentials between the United States and other advanced foreign economies also contributed to dollar depreciation, as some foreign central bank communications suggested a need for further monetary policy tightening to address inflation pressures.  
**negative - 0.9228**



The dollar's strength largely reflected increasing investor concerns about the global growth outlook as well as widening interest rate differentials between the United States and Japan.  
**positive - 0.8321**

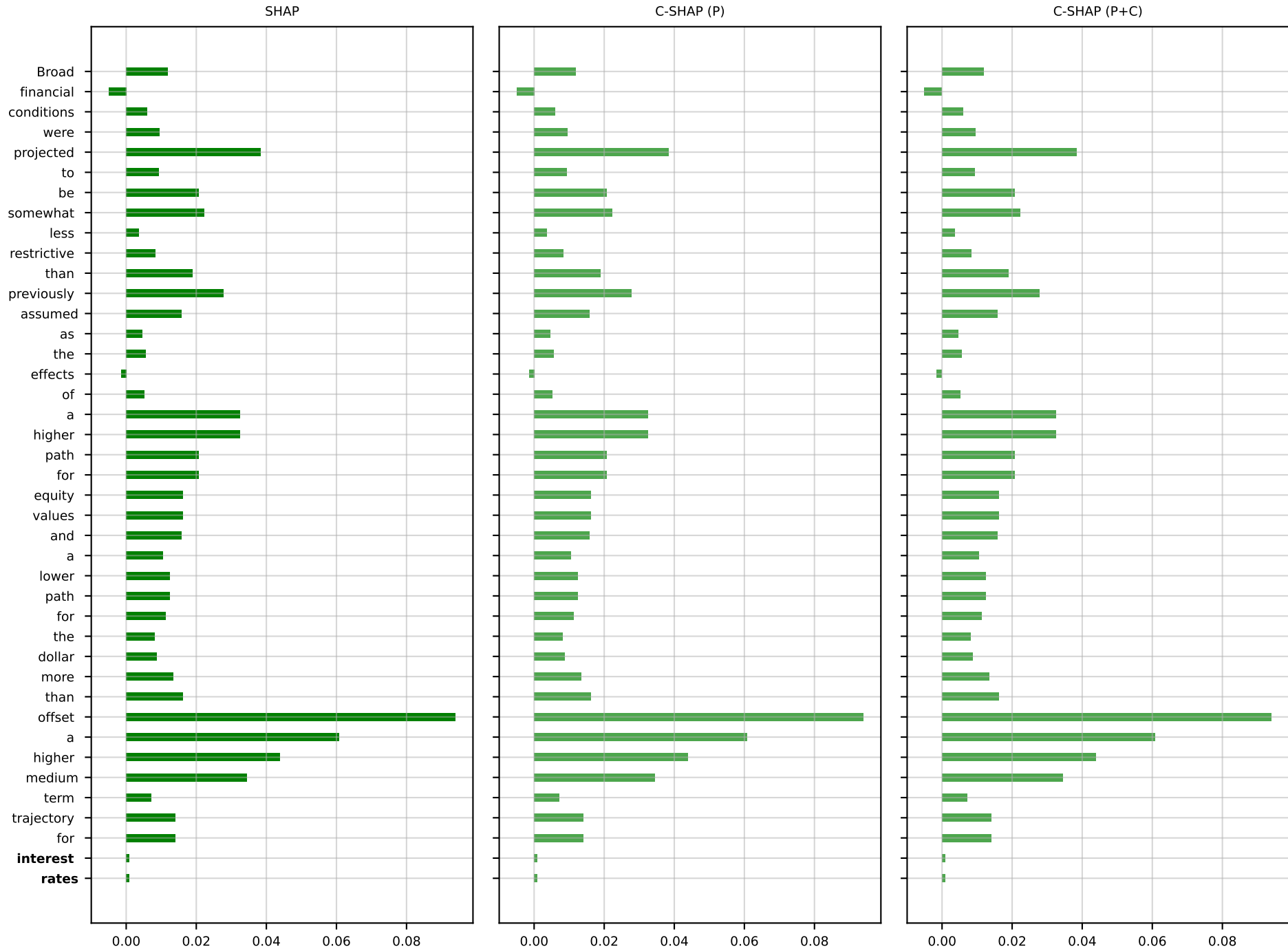


In foreign exchange markets, moderating concerns about the potential for highly elevated U.S. interest rates spurred a depreciation in the foreign exchange value of the dollar.  
**negative - 0.9405**

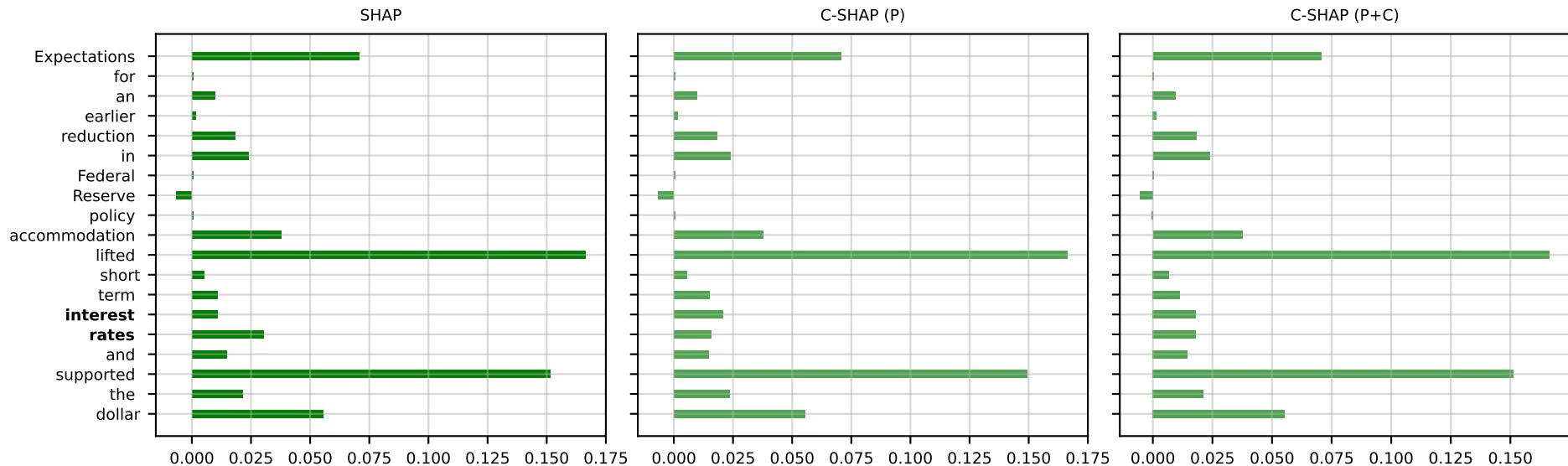


Broad financial conditions were projected to be somewhat less restrictive than previously assumed, as the effects of a higher path for equity values and a lower path for the dollar more than offset a higher medium-term trajectory for interest rates.

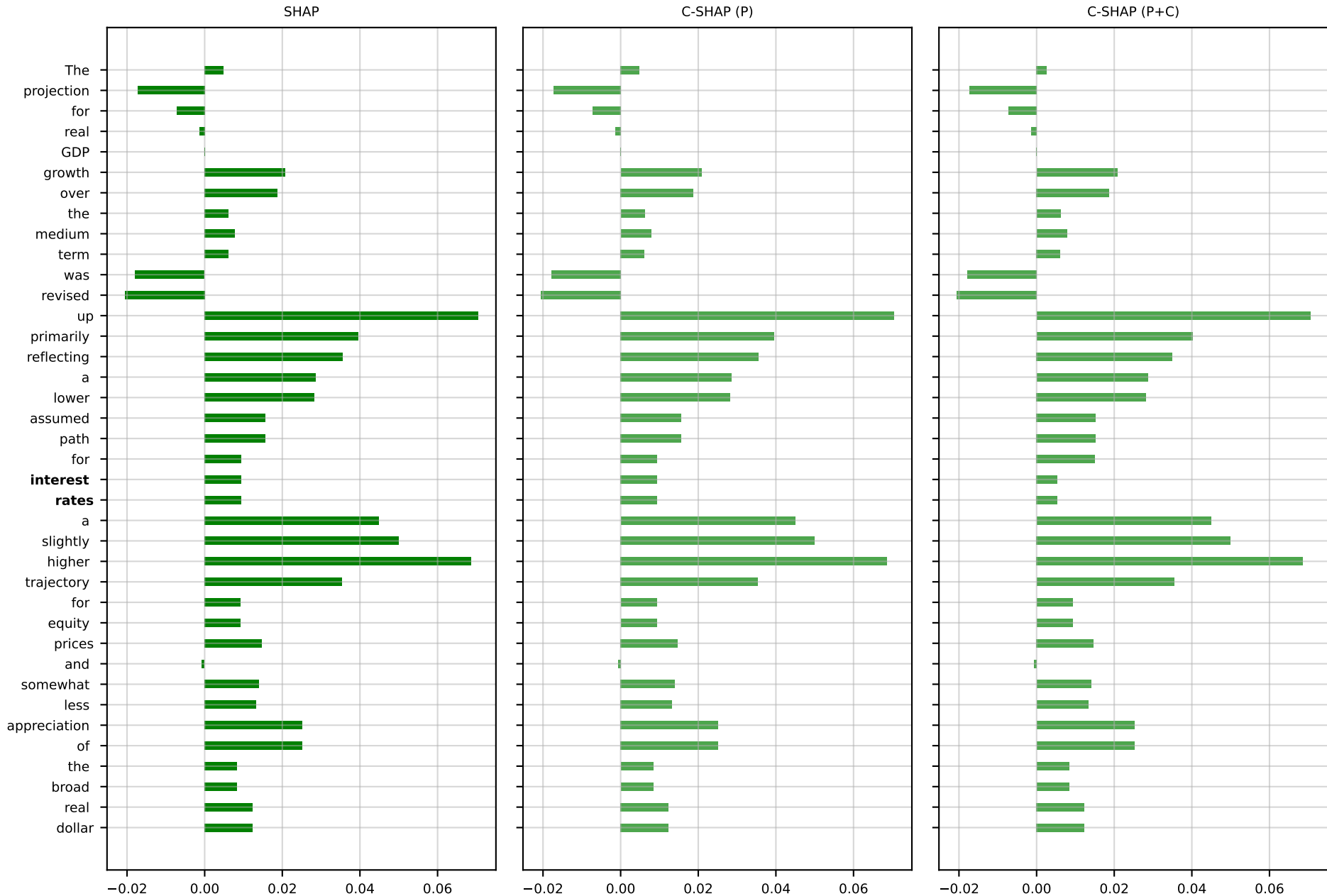
**positive - 0.9402**



Expectations for an earlier reduction in Federal Reserve policy accommodation lifted short-term interest rates and supported the dollar.  
**positive - 0.8461**

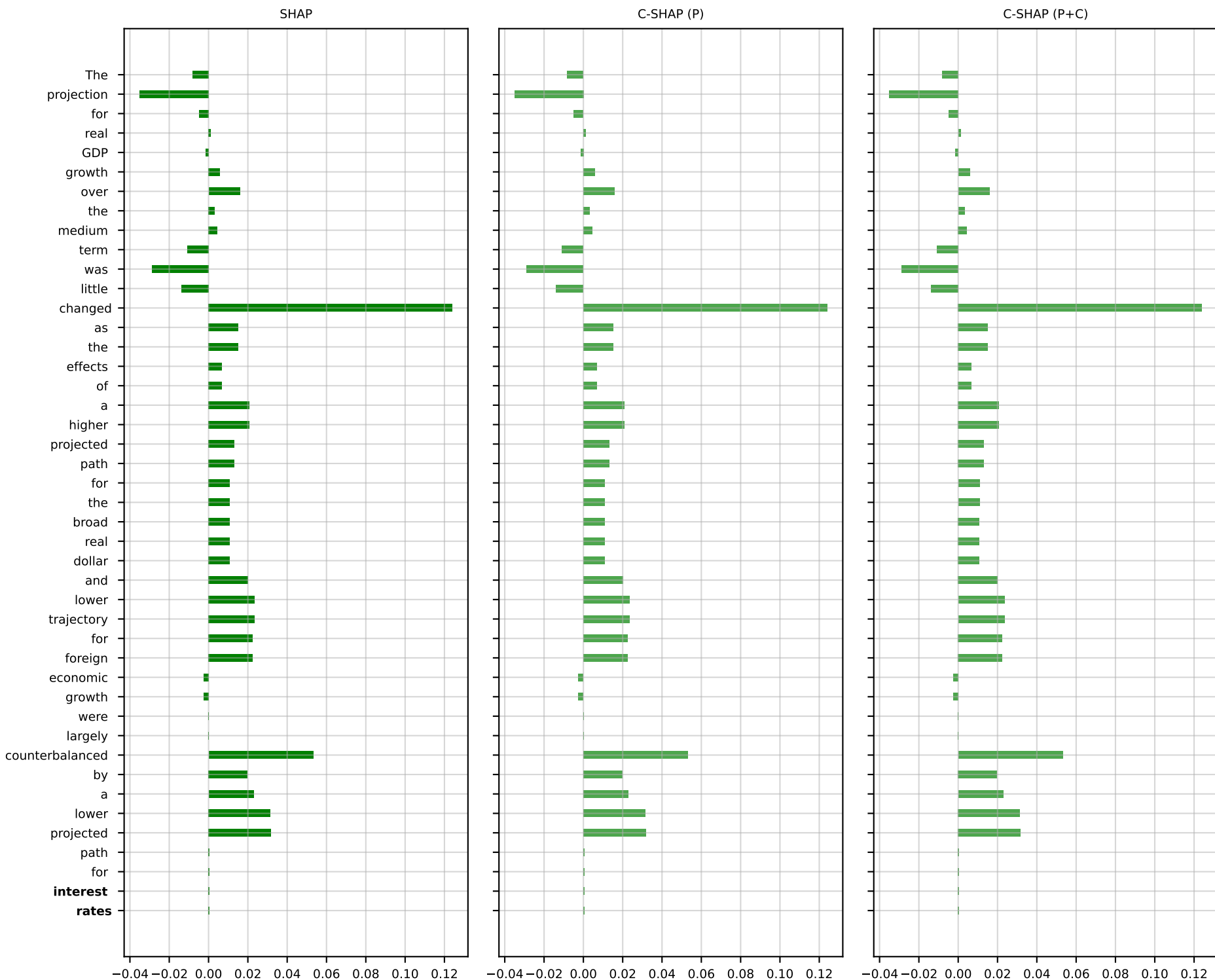


The projection for real GDP growth over the medium term was revised up, primarily reflecting a lower assumed path for interest rates, a slightly higher trajectory for equity prices, and somewhat less appreciation of the broad real dollar.  
**positive - 0.8302**



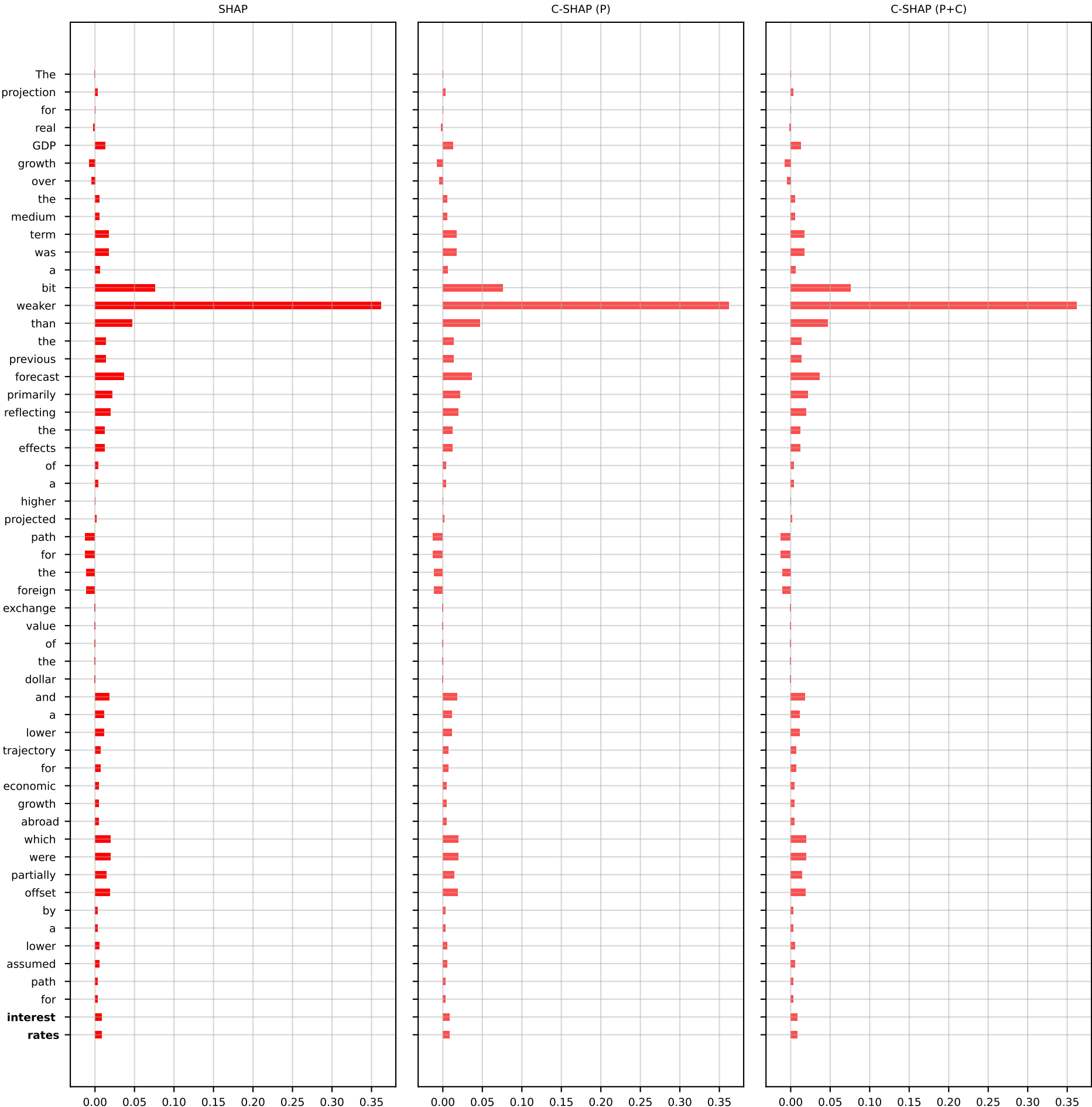
The projection for real GDP growth over the medium term was little changed, as the effects of a higher projected path for the broad real dollar and lower trajectory for foreign economic growth were largely counterbalanced by a lower projected path for interest rates.

positive - 0.7131



The projection for real GDP growth over the medium term was a bit weaker than the previous forecast, primarily reflecting the effects of a higher projected path for the foreign exchange value of the dollar and a lower trajectory for economic growth abroad, which were partially offset by a lower assumed path for interest rates.

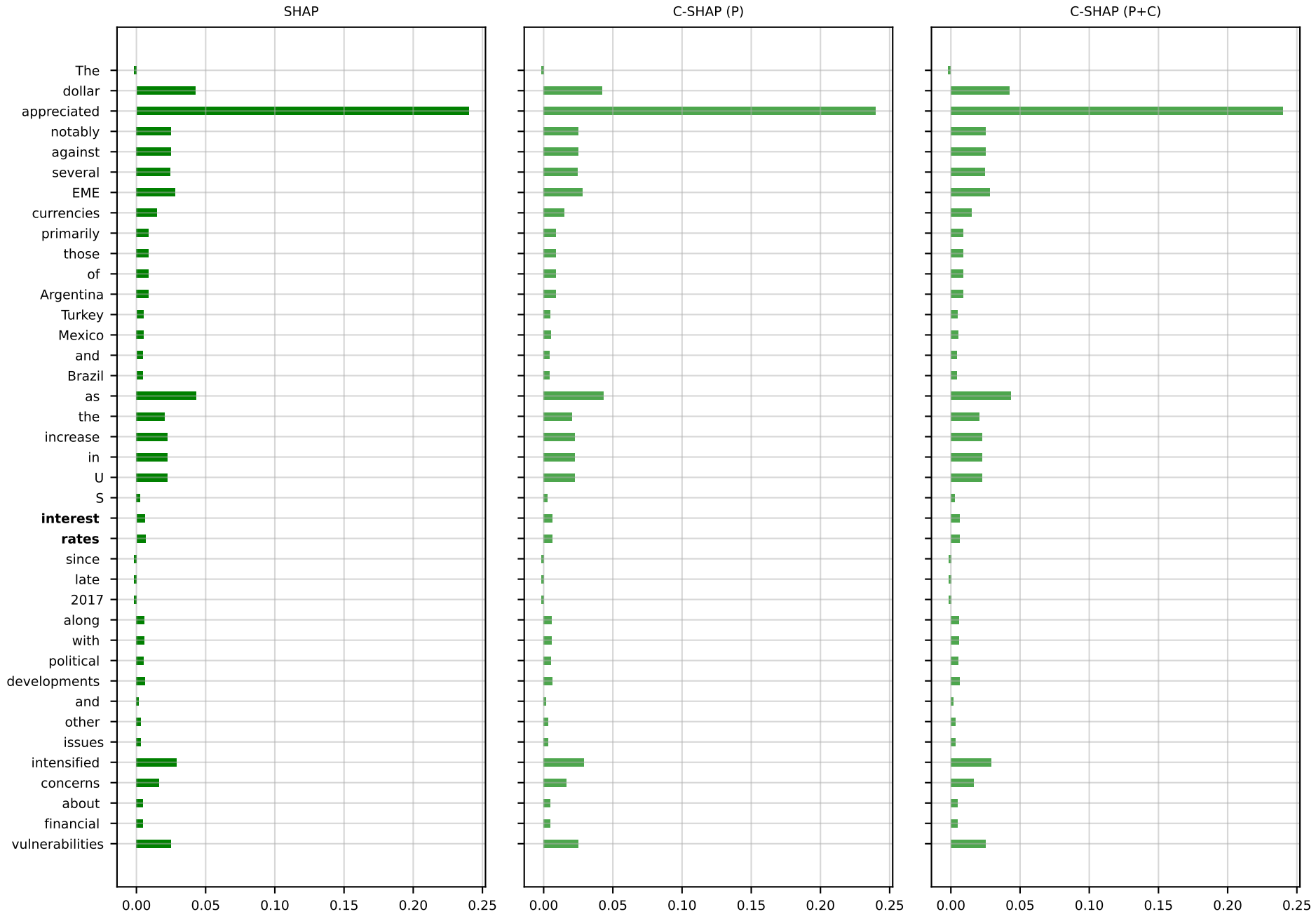
negative - 0.9678





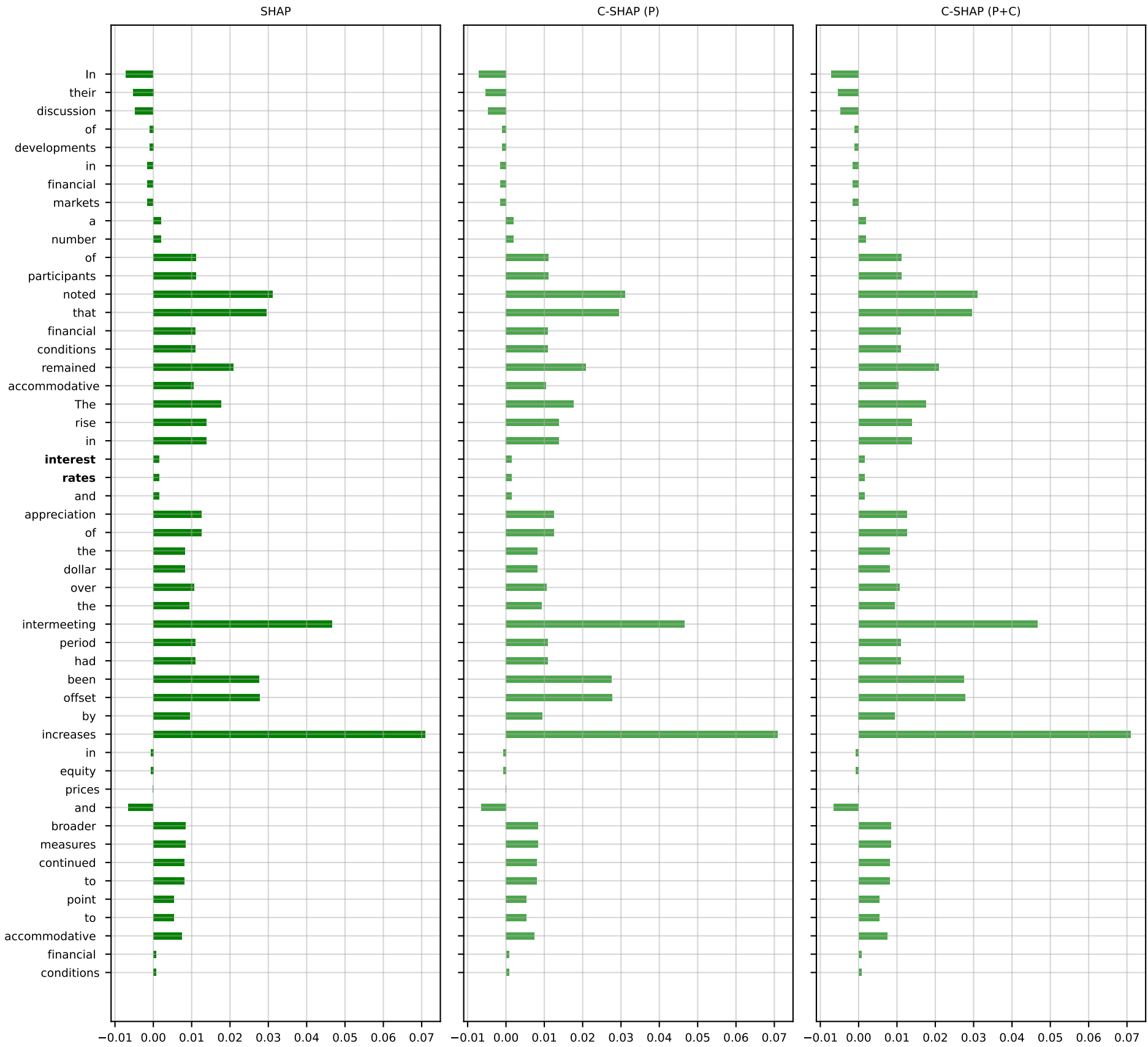
The dollar appreciated notably against several EME currencies (primarily those of Argentina, Turkey, Mexico, and Brazil), as the increase in U.S. interest rates since late 2017, along with political developments and other issues, intensified concerns about financial vulnerabilities.

positive - 0.925



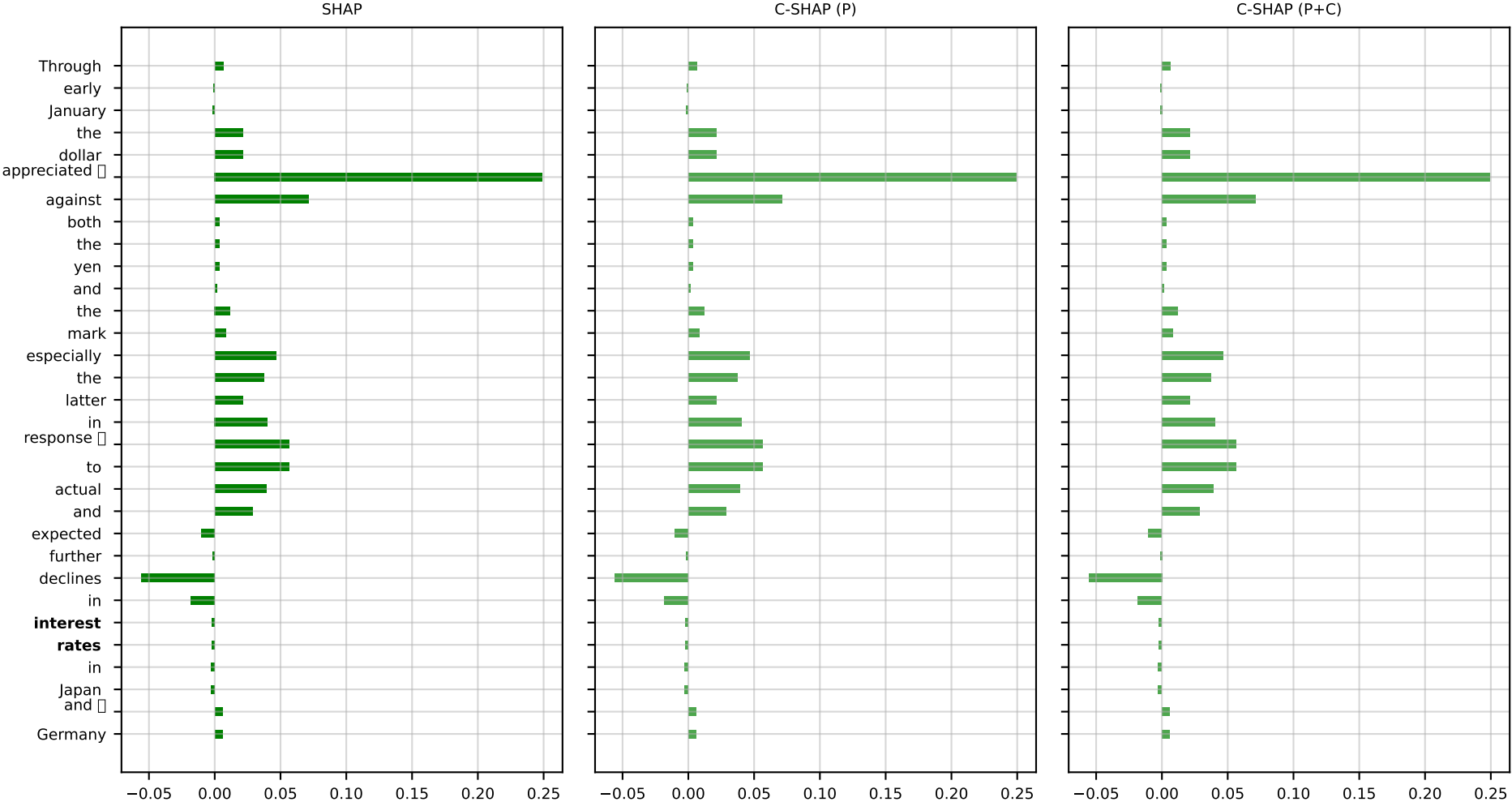
In their discussion of developments in financial markets, a number of participants noted that financial conditions remained accommodative: The rise in interest rates and appreciation of the dollar over the intermeeting period had been offset by increases in equity prices, and broader measures continued to point to accommodative financial conditions.

**positive - 0.7617**

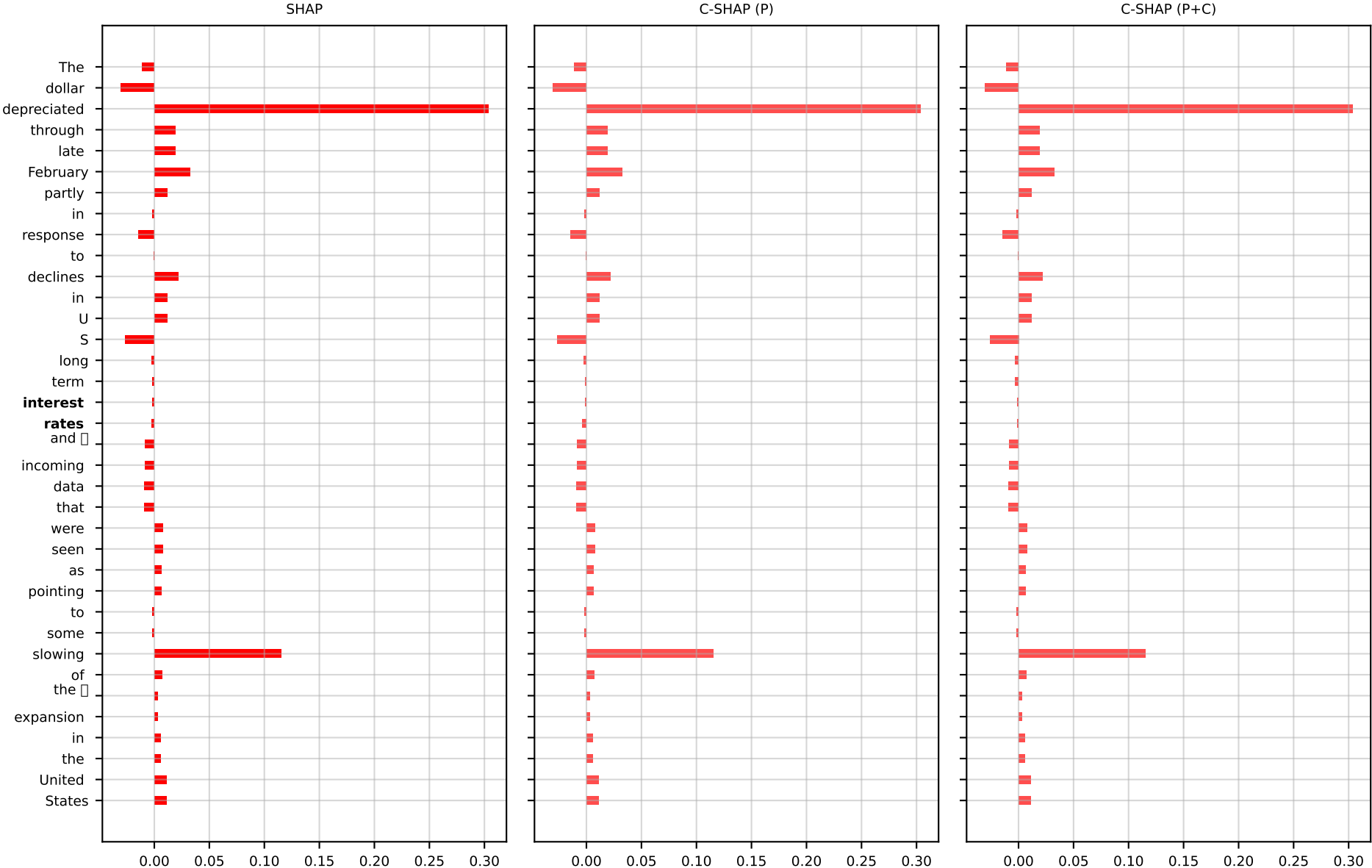


Through early January, the dollar appreciated against both the yen and the mark, especially the latter, in response to actual and expected further declines in interest rates in Japan and Germany.

positive - 0.8635



The dollar depreciated through late February, partly in response to declines in U.S. long-term interest rates and incoming data that were seen as pointing to some slowing of the expansion in the United States.  
**negative - 0.6159**



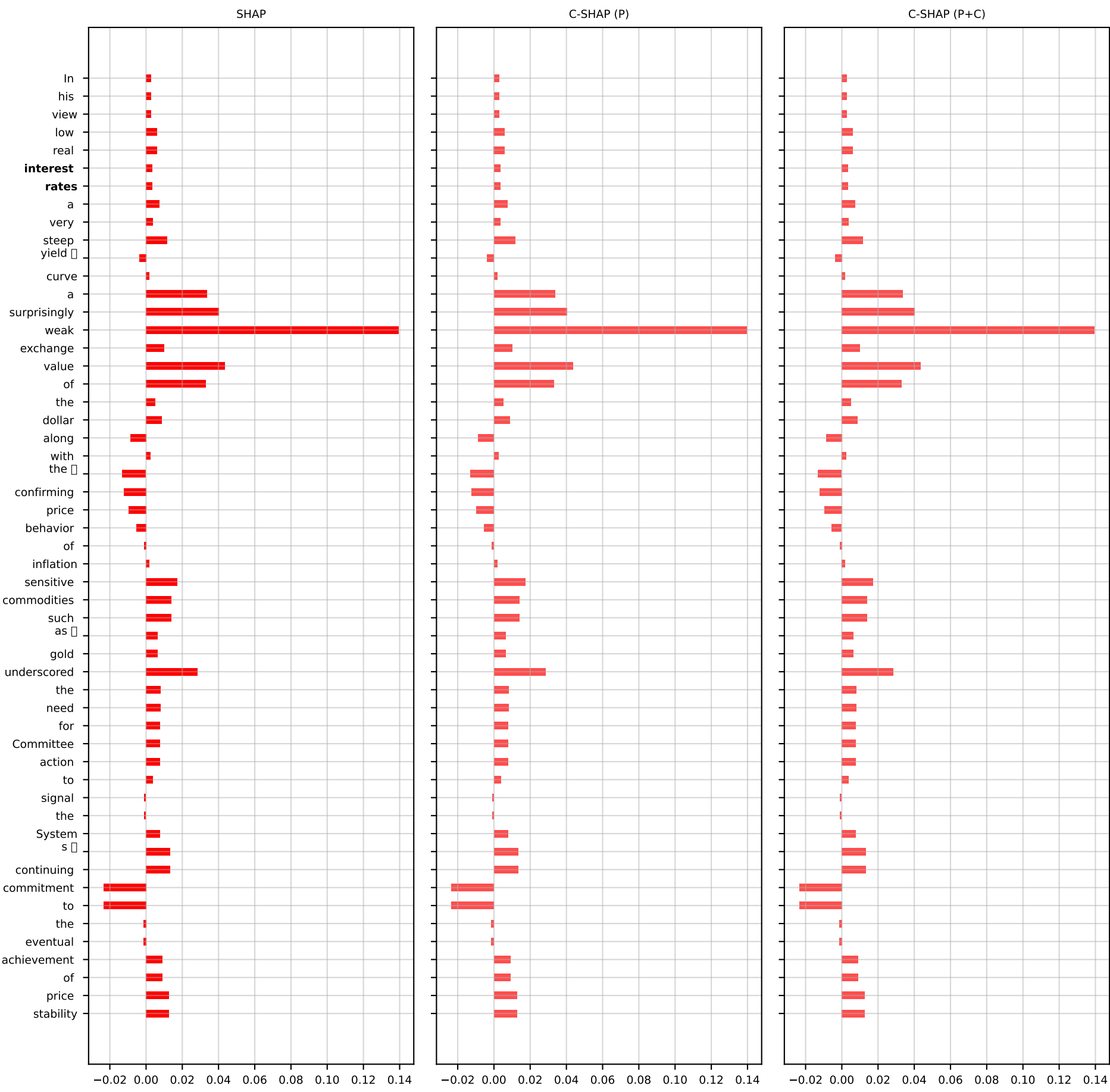
They were persuaded that monetary policy currently was overly accommodative as suggested by various indicators such as recent data on consumer and producer prices, the upswing in commodity prices, the low level of real short-term interest rates, and what in their judgment was a relatively depressed foreign exchange value of the dollar given the comparative strength of the U.S. economy and international interest rate trends.

negative - 0.9554



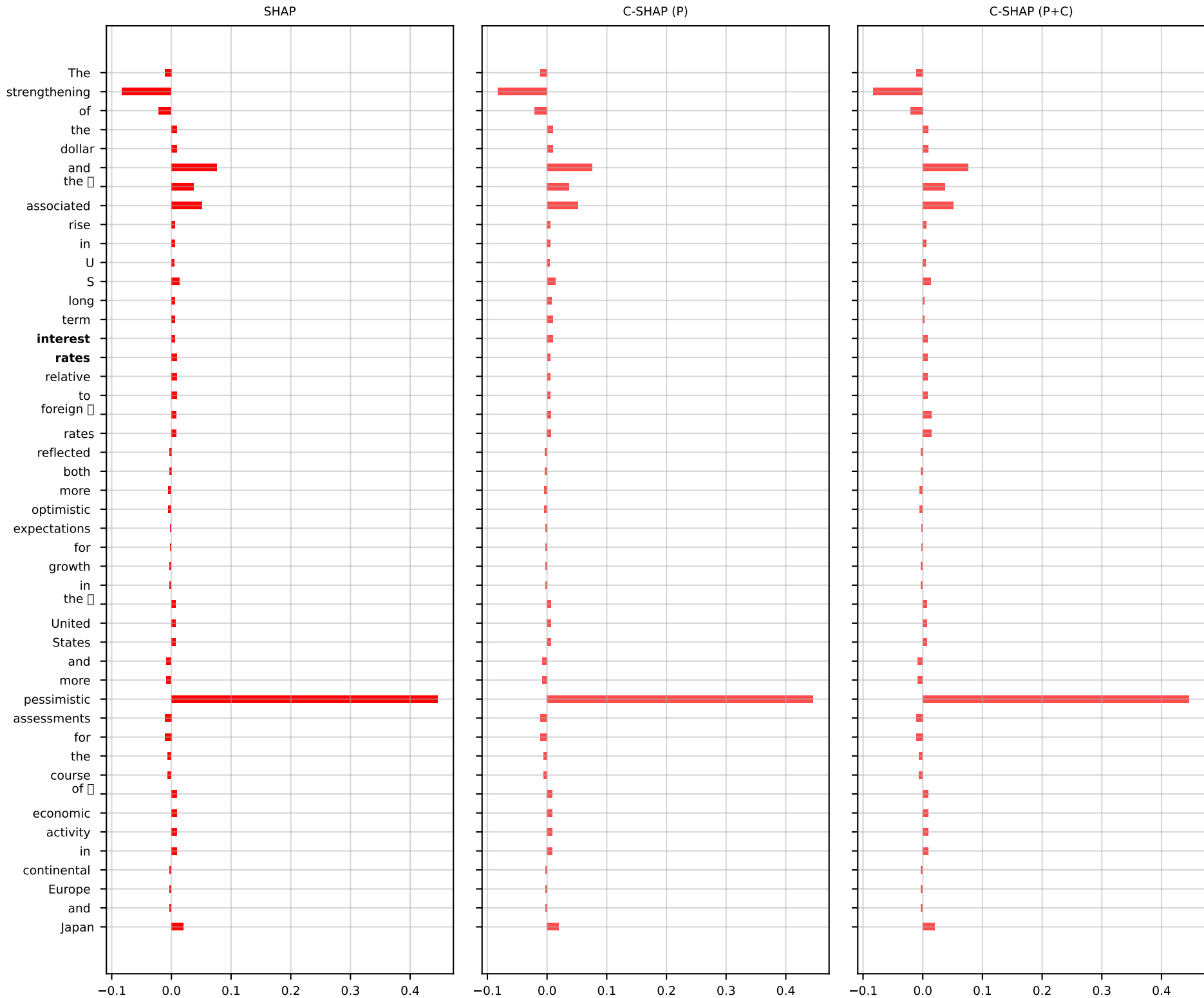
In his view, low real interest rates, a very steep yield curve, a surprisingly weak exchange value of the dollar along with the confirming price behavior of inflation-sensitive commodities such as gold underscored the need for Committee action to signal the System's continuing commitment to the eventual achievement of price stability.

**negative - 0.6737**





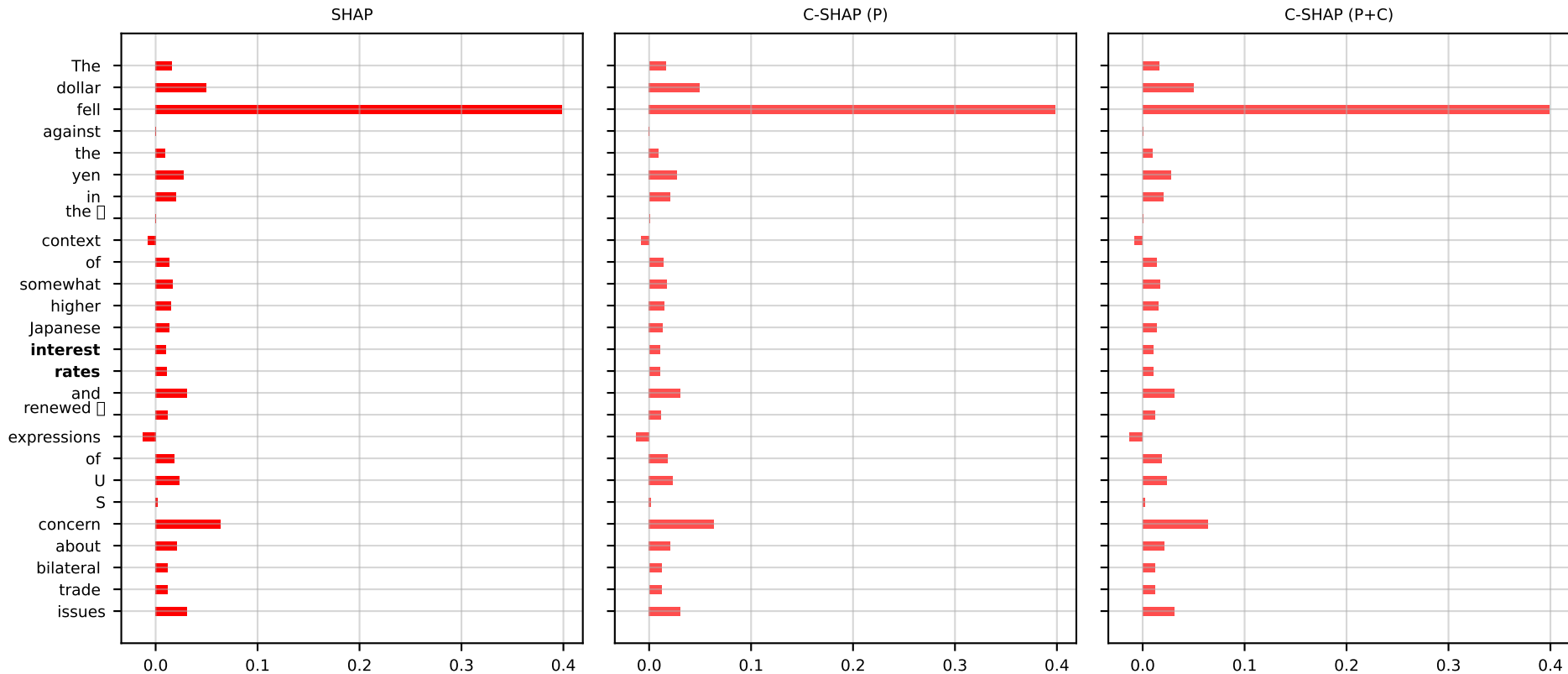
The strengthening of the dollar, and the associated rise in U.S. long-term interest rates relative to foreign rates, reflected both more optimistic expectations for growth in the United States and more pessimistic assessments for the course of economic activity in continental Europe and Japan.



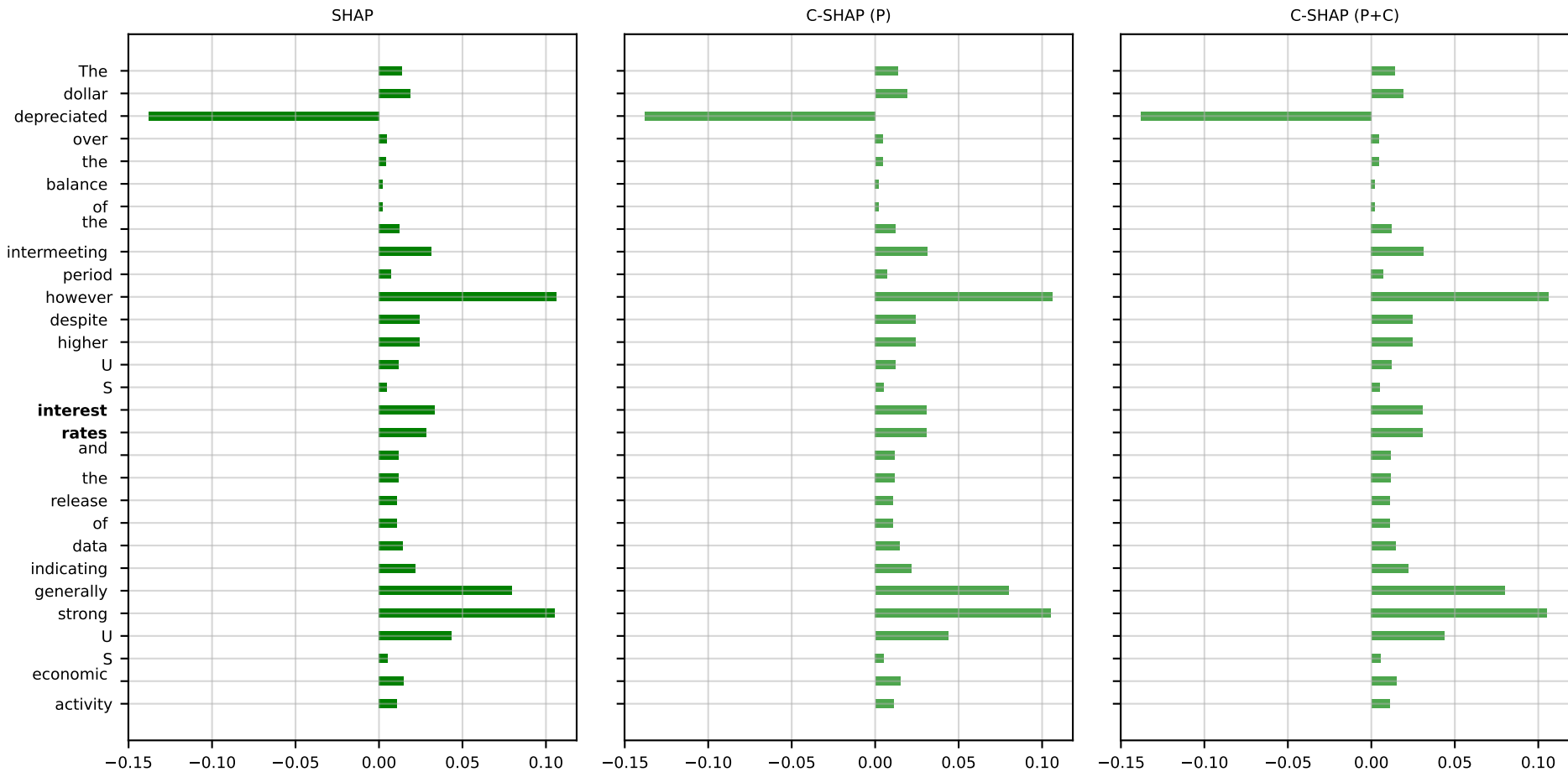




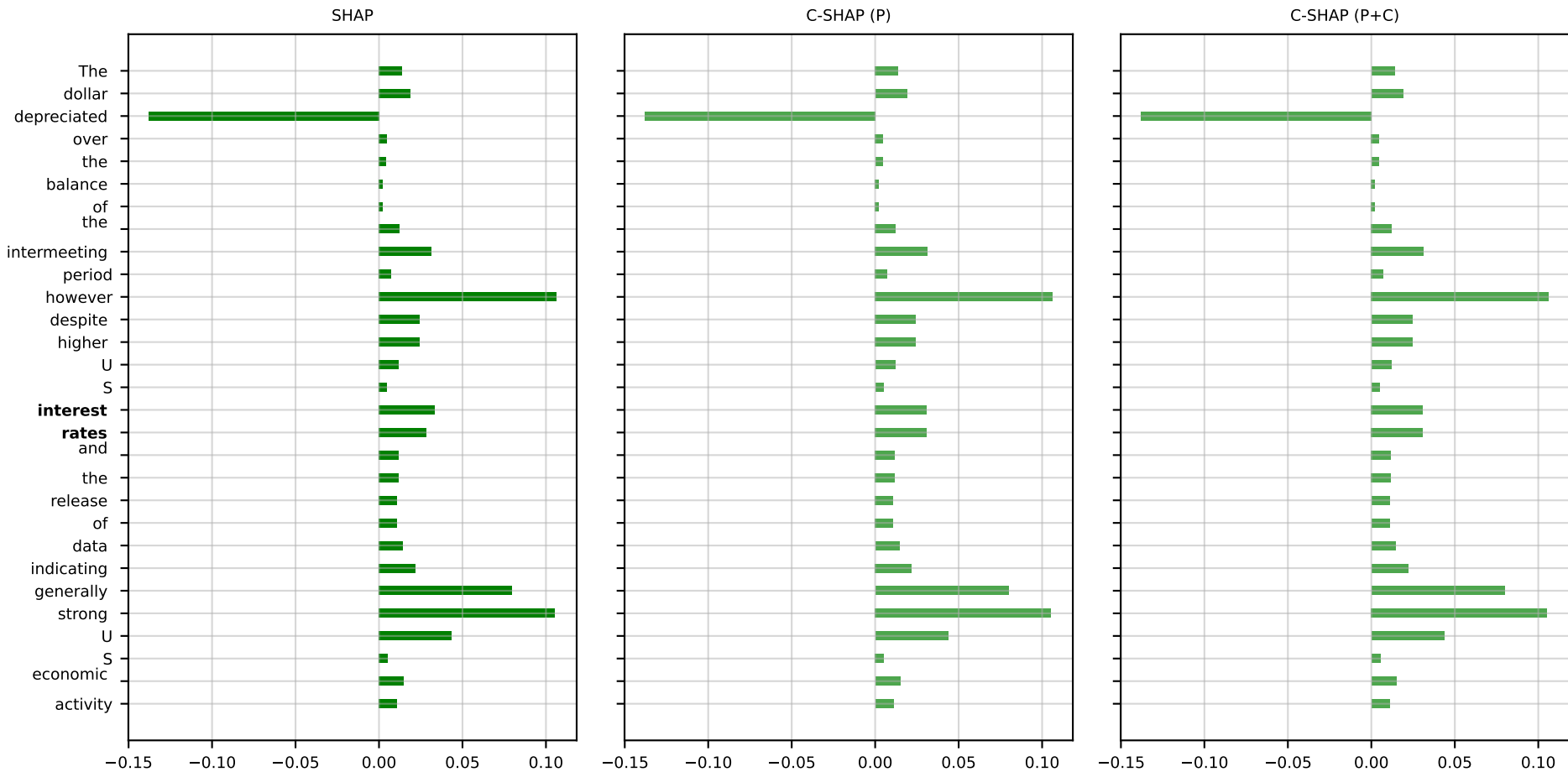
The dollar fell against the yen in the context of somewhat higher Japanese interest rates and renewed expressions of U.S. concern about bilateral trade issues.  
**negative - 0.9432**



The dollar depreciated over the balance of the intermeeting period, however, despite higher U.S. interest rates and the release of data indicating generally strong U.S. economic activity.  
**positive - 0.7624**

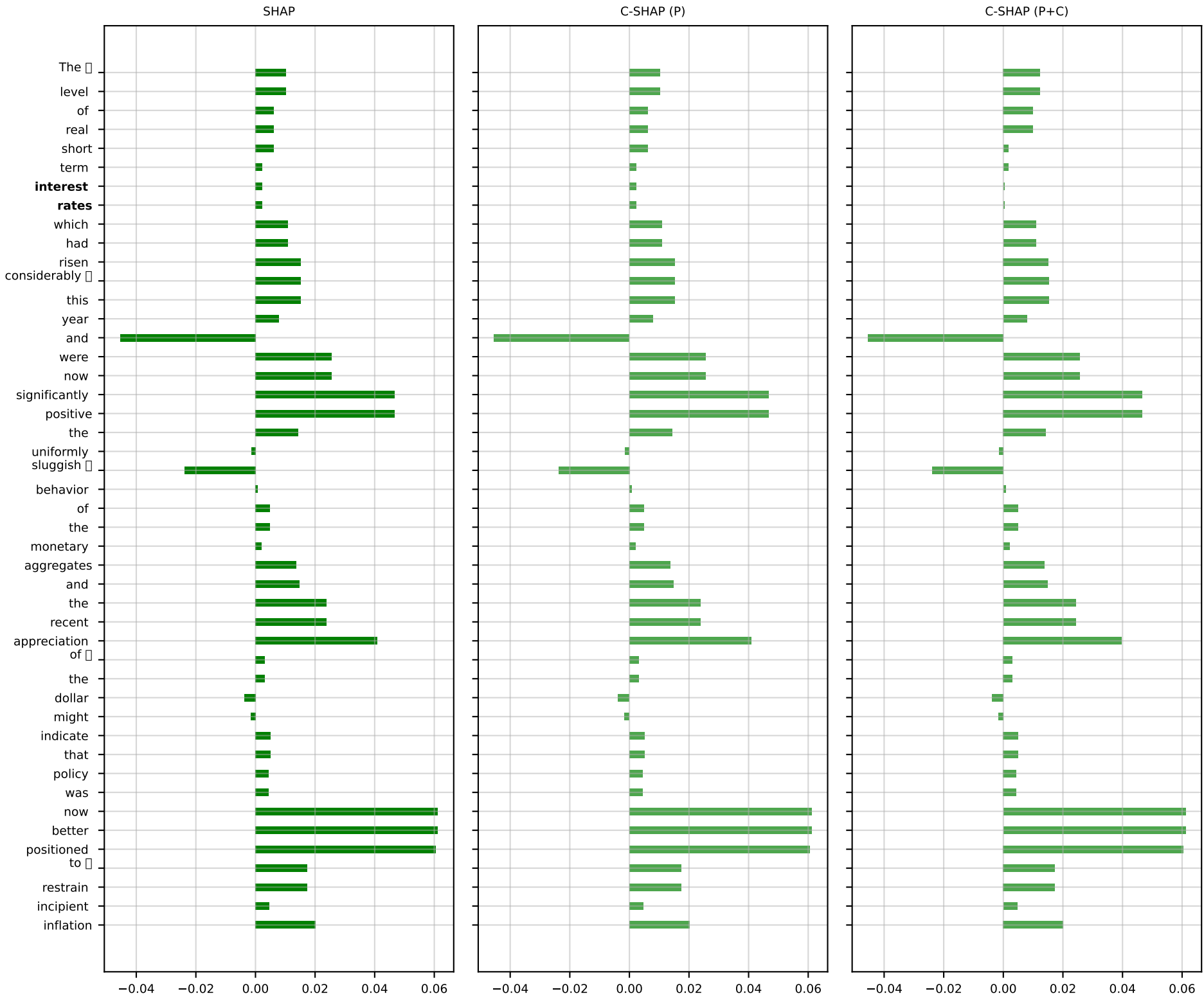


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**positive - 0.7624**



The level of real short-term interest rates, which had risen considerably this year and were now significantly positive, the uniformly sluggish behavior of the monetary aggregates, and the recent appreciation of the dollar might indicate that policy was now better positioned to restrain incipient inflation.

**positive - 0.819**

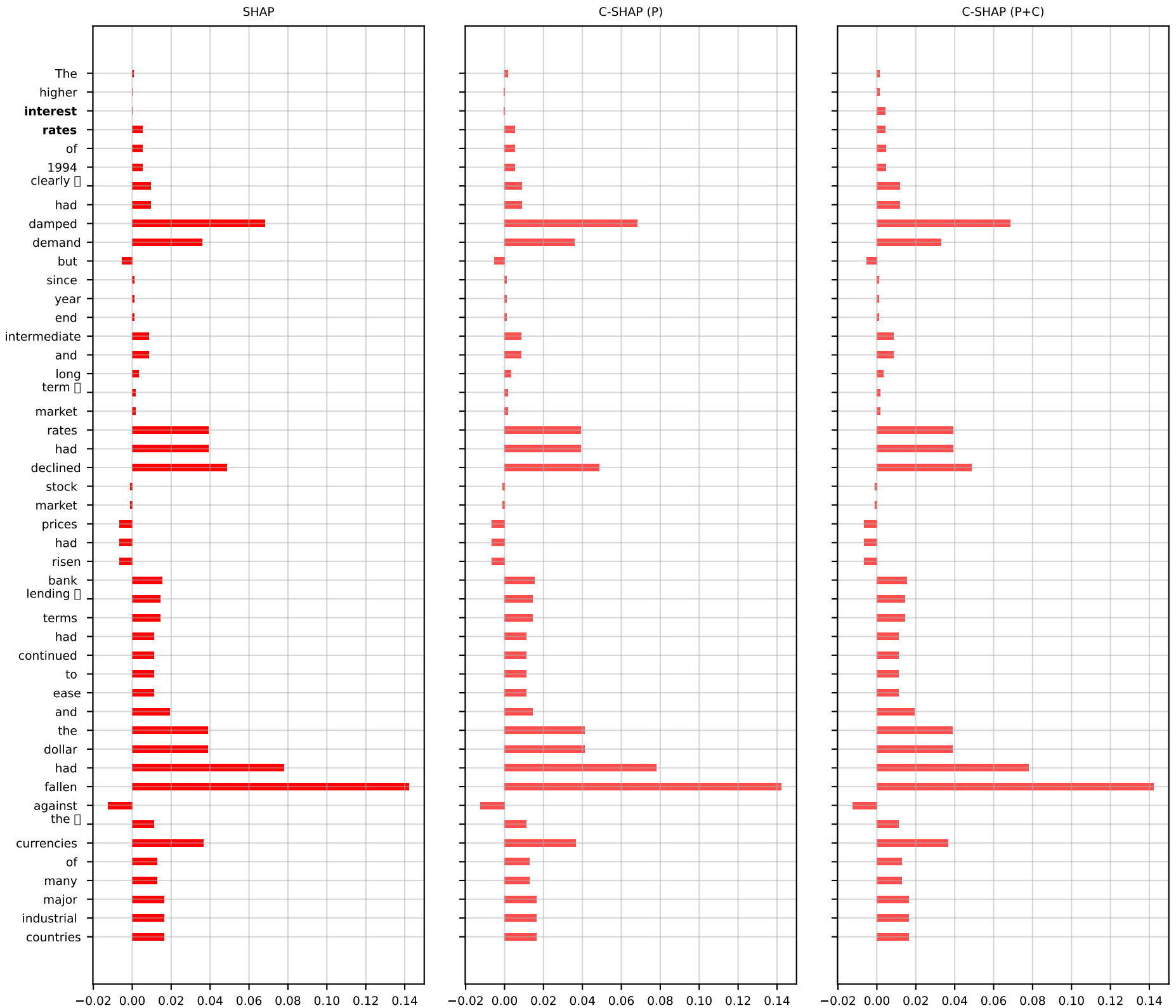


The dollar's weakness appeared to have been related in part to further indications of softening economic activity and related declines in interest rates in the United States and to increasing trade tensions with Japan.  
**negative - 0.9647**



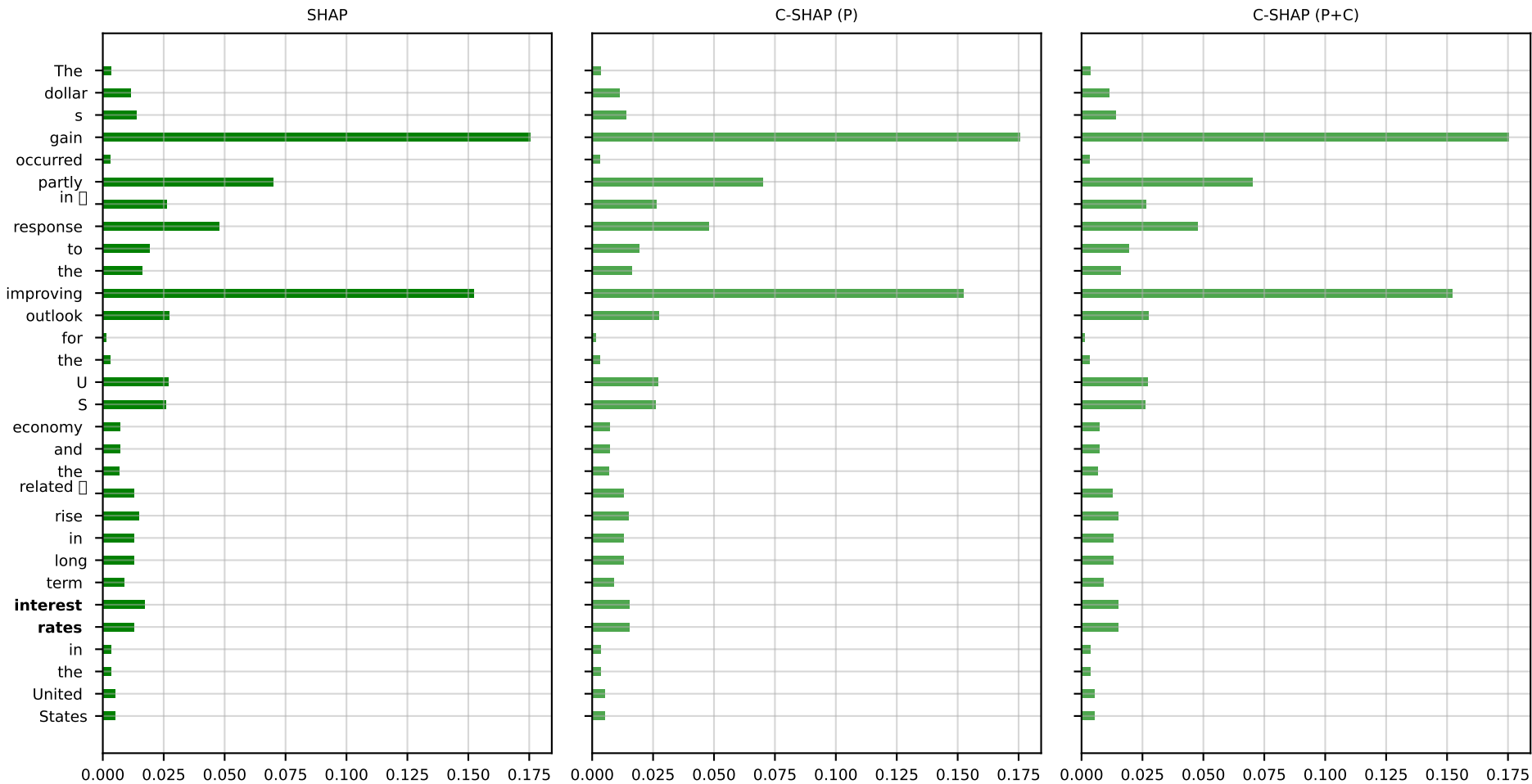
The higher interest rates of 1994 clearly had damped demand but since year end intermediate and long term market rates had declined, stock market prices had risen, bank lending terms had continued to ease and the dollar had fallen against the currencies of many major industrial countries.

negative - 0.9613



The dollar's gain occurred partly in response to the improving outlook for the U.S. economy and the related rise in long-term interest rates in the United States.

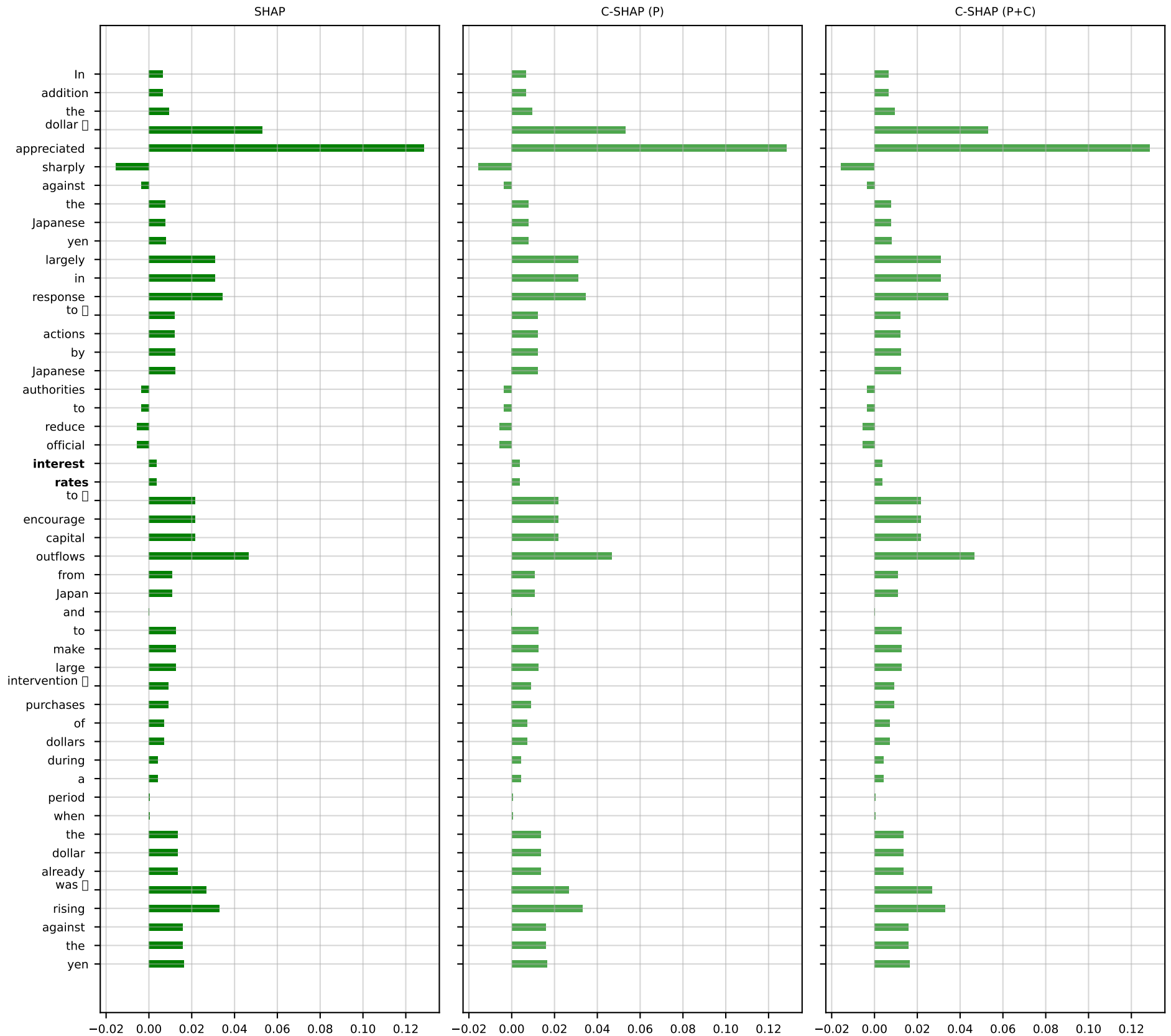
**positive - 0.9485**





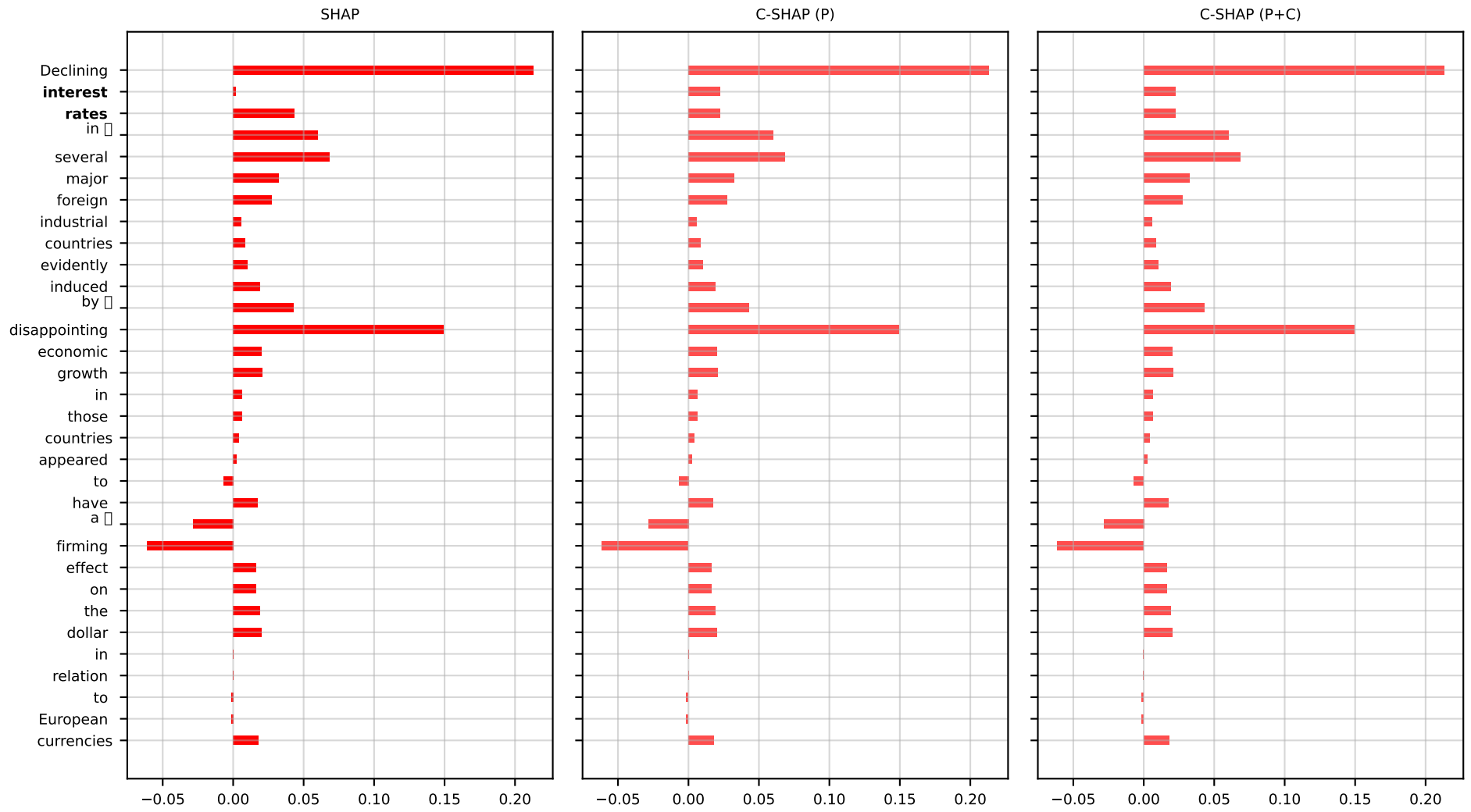
In addition, the dollar appreciated sharply against the Japanese yen, largely in response to actions by Japanese authorities to reduce official interest rates, to encourage capital outflows from Japan, and to make large intervention purchases of dollars during a period when the dollar already was rising against the yen.

positive - 0.9354

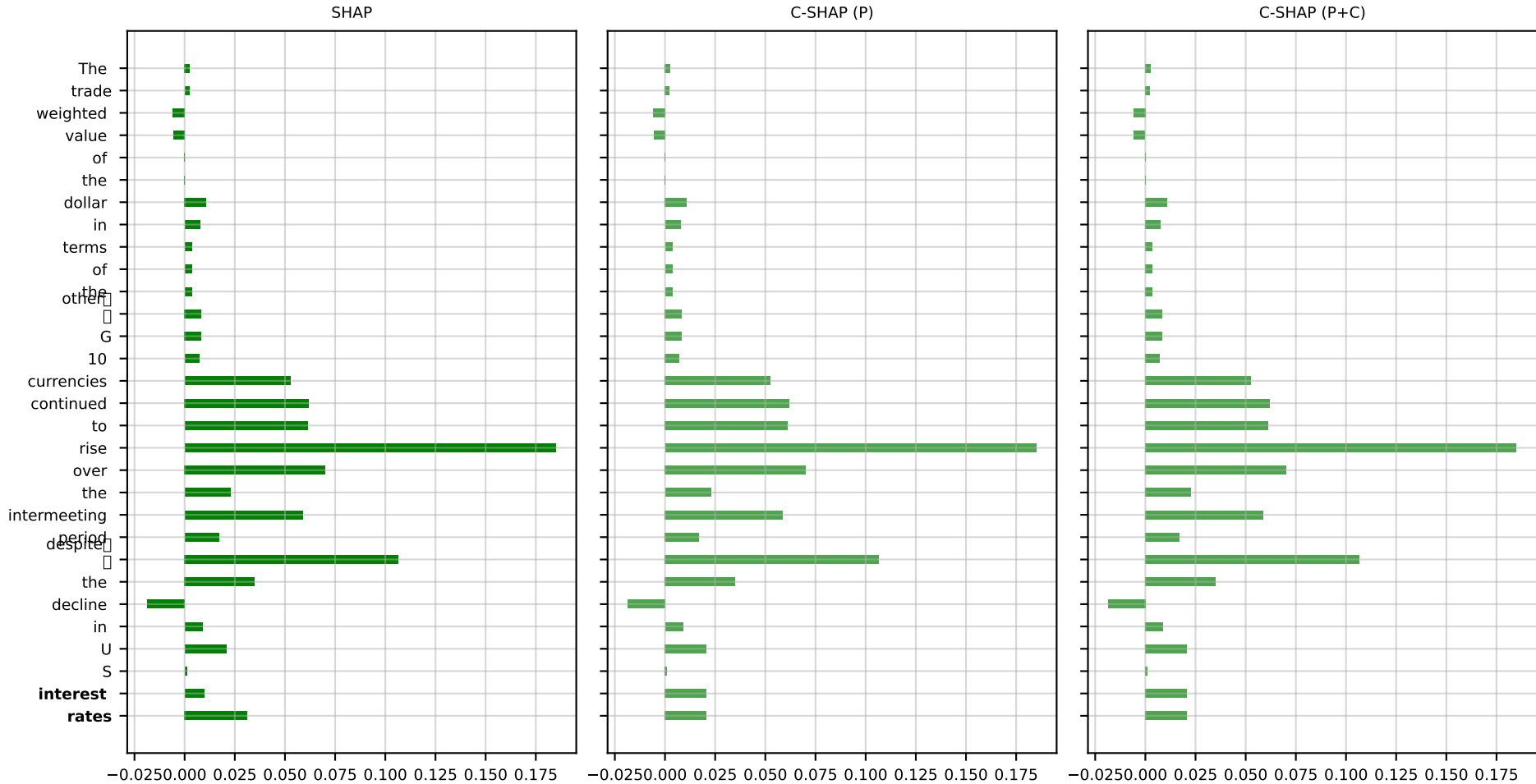


Declining interest rates in several major foreign industrial countries, evidently induced by disappointing economic growth in those countries, appeared to have a firming effect on the dollar in relation to European currencies.

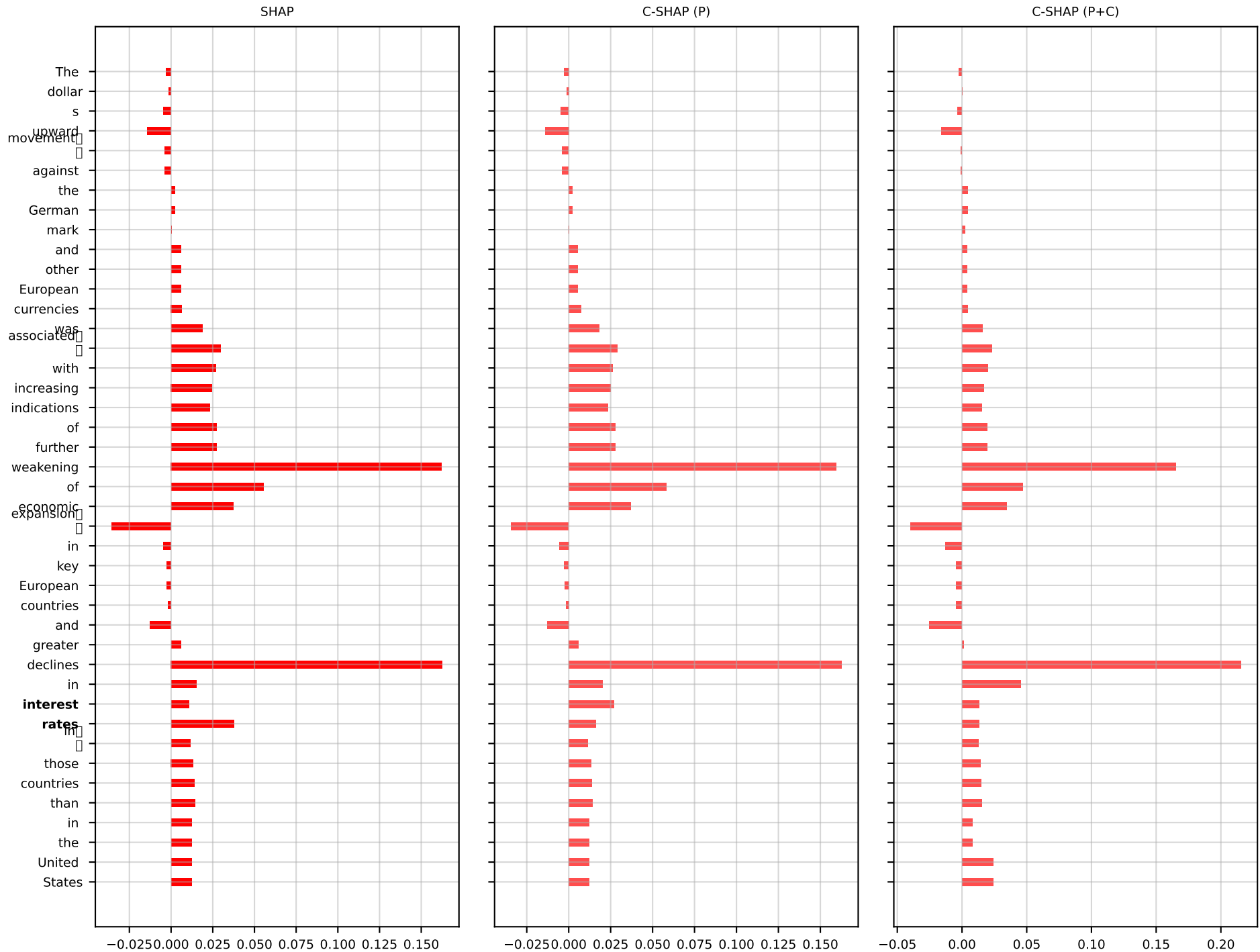
**negative - 0.913**



The trade-weighted value of the dollar in terms of the other G-10 currencies continued to rise over the intermeeting period despite the decline in U.S. interest rates.  
**positive - 0.9549**

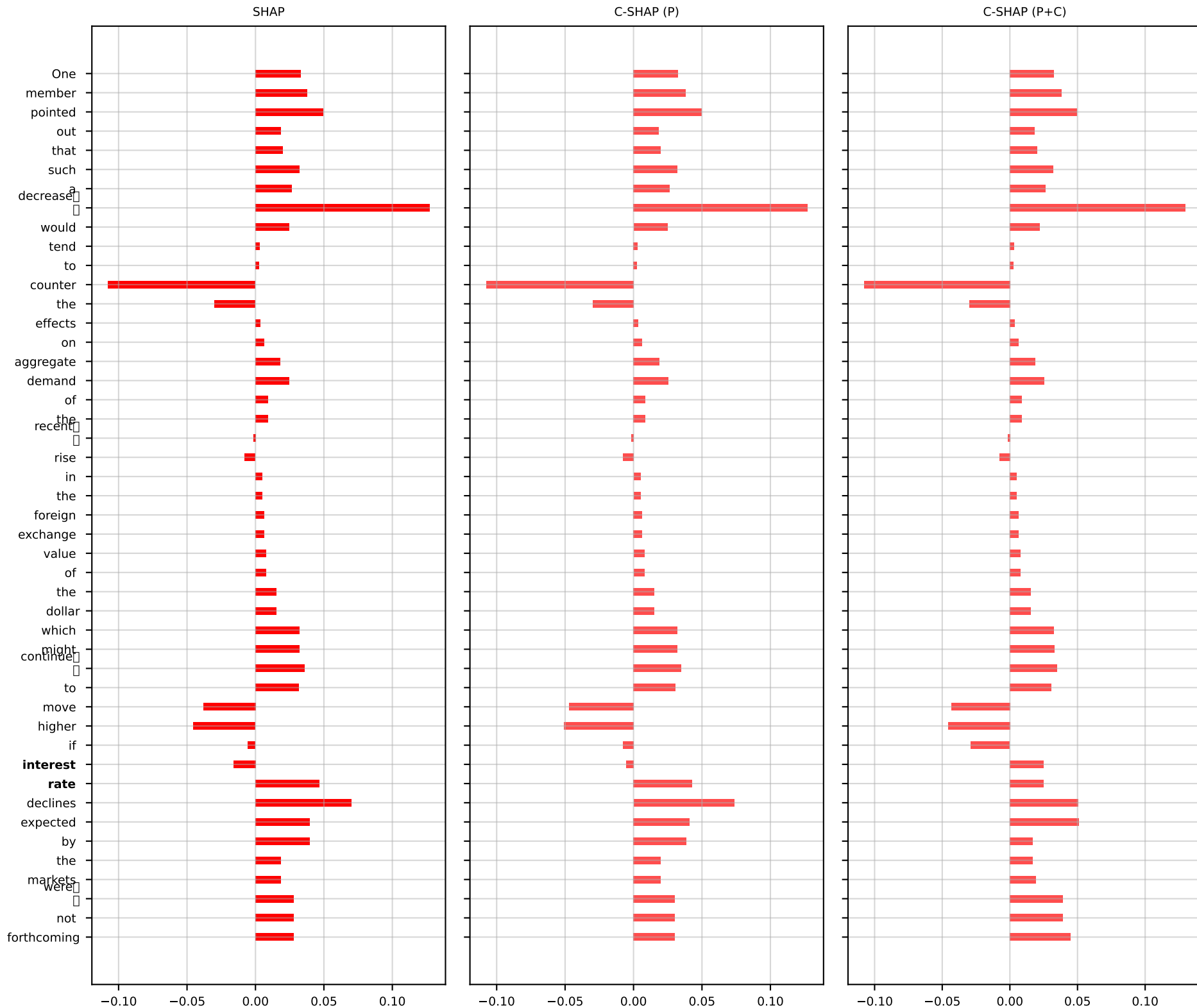


The dollar's upward movement against the German mark and other European currencies was associated with increasing indications of further weakening of economic expansion in key European countries and greater declines in interest rates in those countries than in the United States.  
**negative - 0.8325**



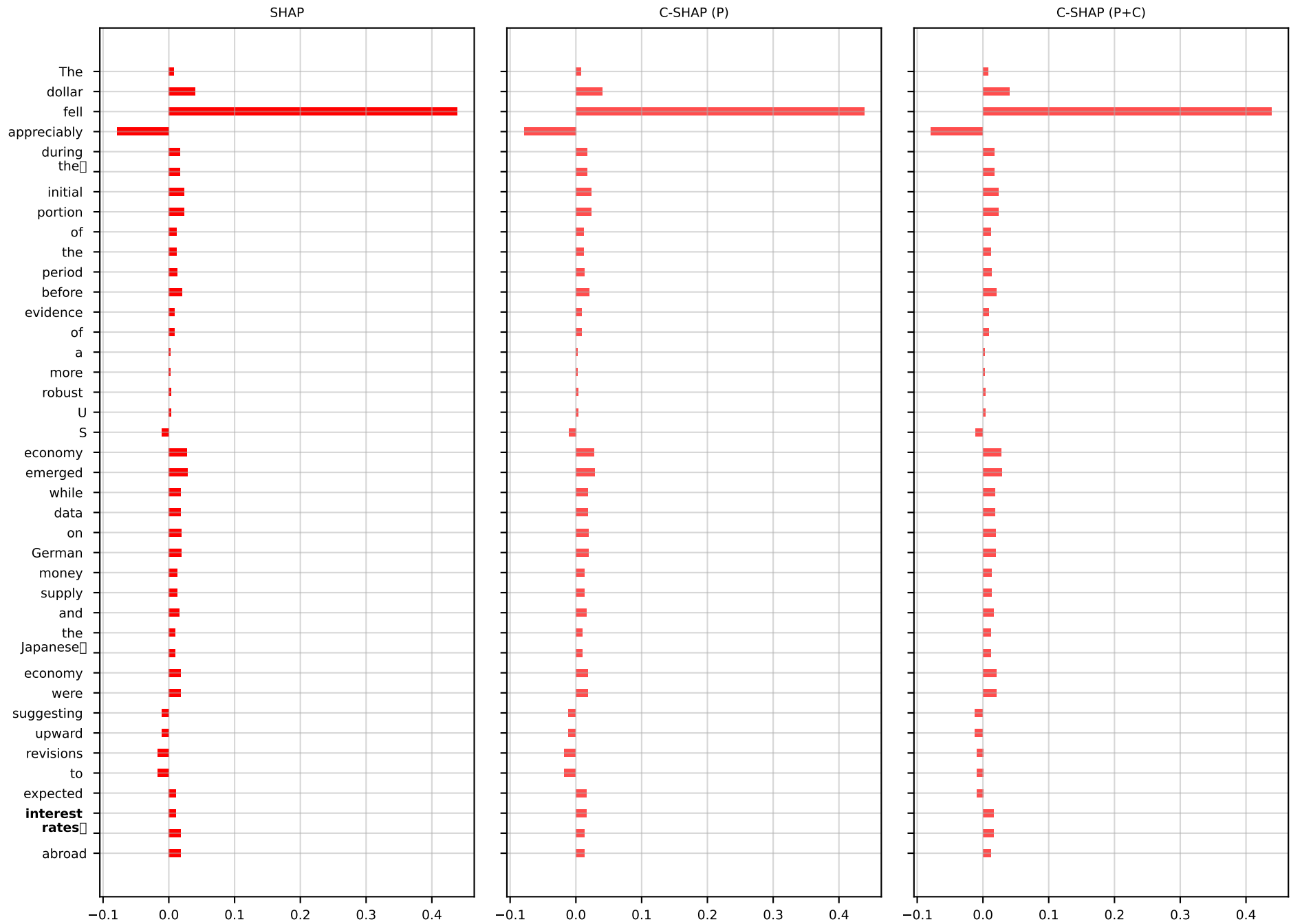
One member pointed out that such a decrease would tend to counter the effects on aggregate demand of the recent rise in the foreign exchange value of the dollar, which might continue to move higher if interest rate declines expected by the markets were not forthcoming.

negative - 0.8708

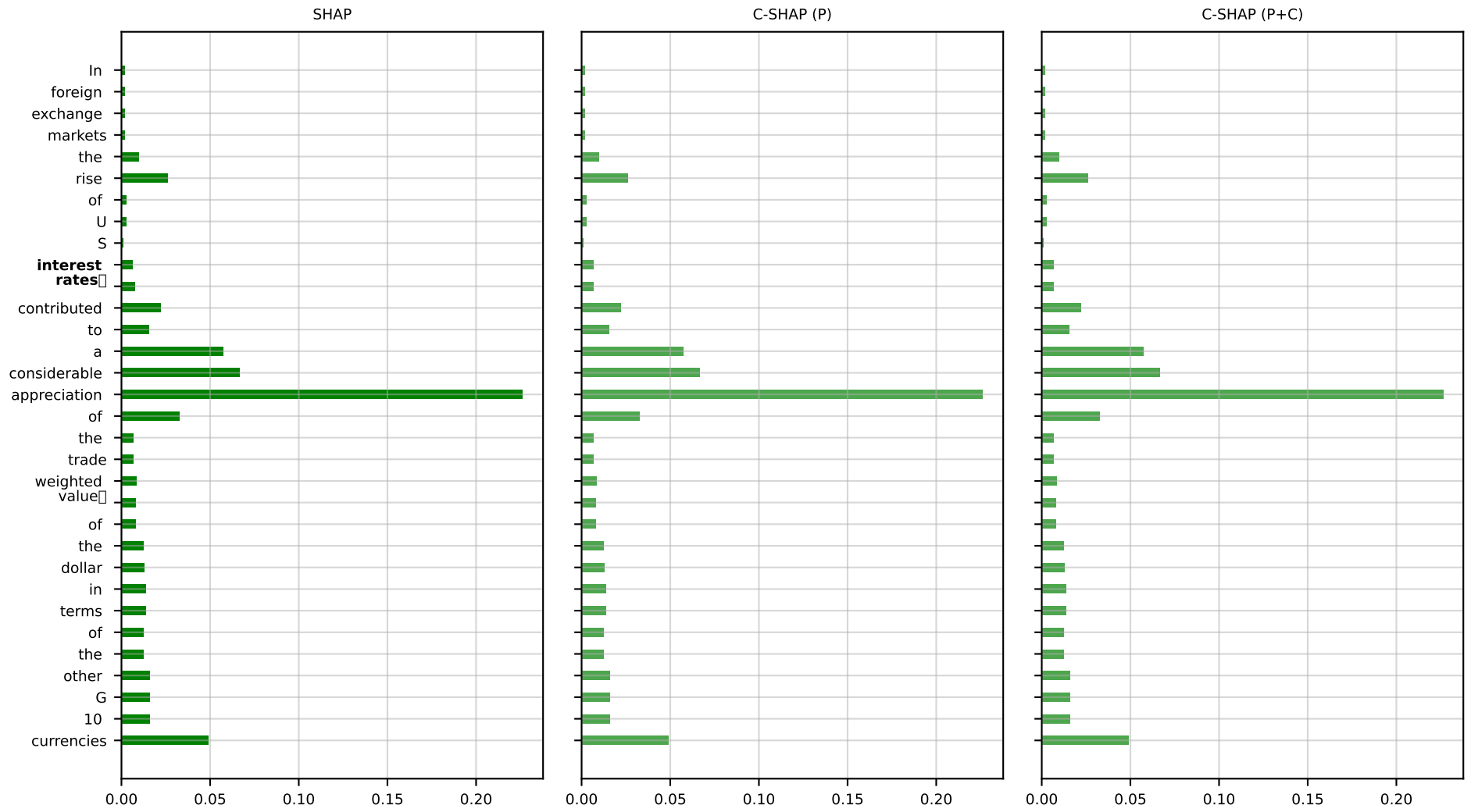


The dollar fell appreciably during the initial portion of the period -- before evidence of a more robust U.S. economy emerged -- while data on German money supply and the Japanese economy were suggesting upward revisions to expected interest rates abroad.

**negative - 0.9656**



In foreign exchange markets, the rise of U.S. interest rates contributed to a considerable appreciation of the trade-weighted value of the dollar in terms of the other G-10 currencies.  
**positive - 0.9397**

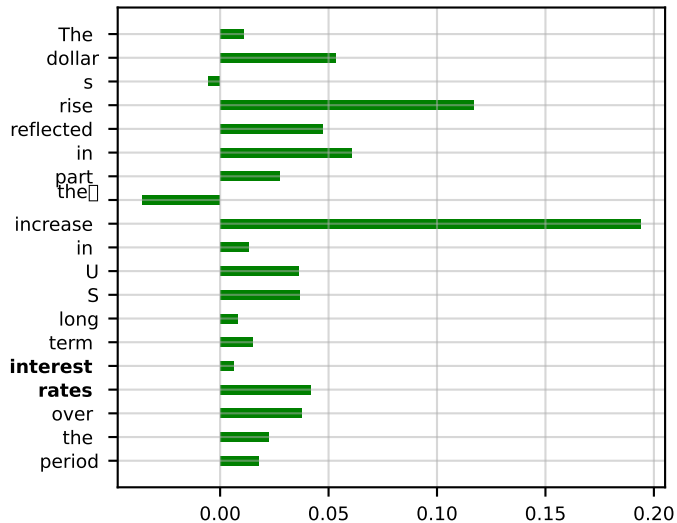




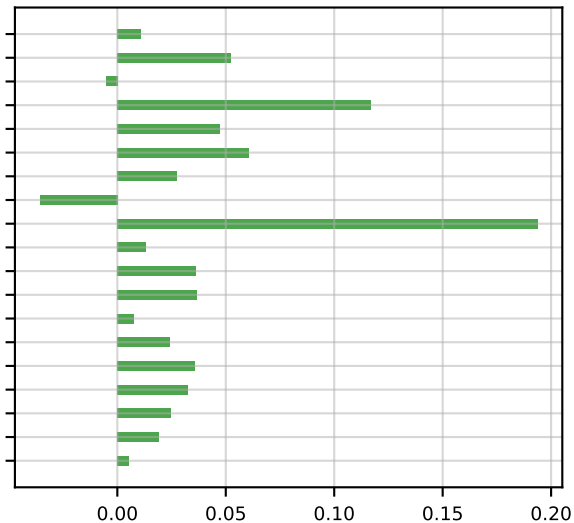


The dollar's rise reflected in part the increase in U.S. long-term interest rates over the period.  
**positive - 0.9148**

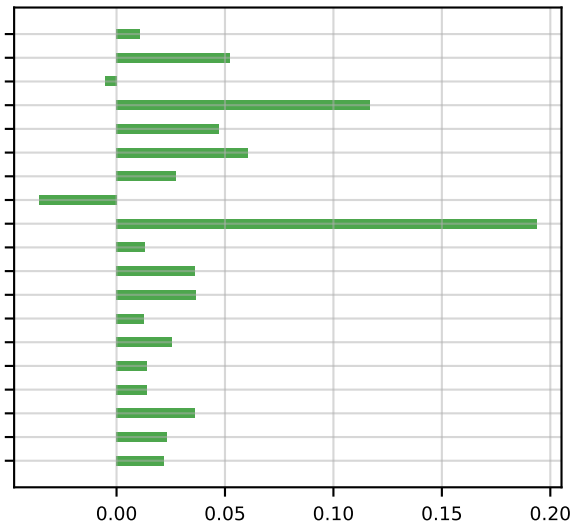
SHAP



C-SHAP (P)

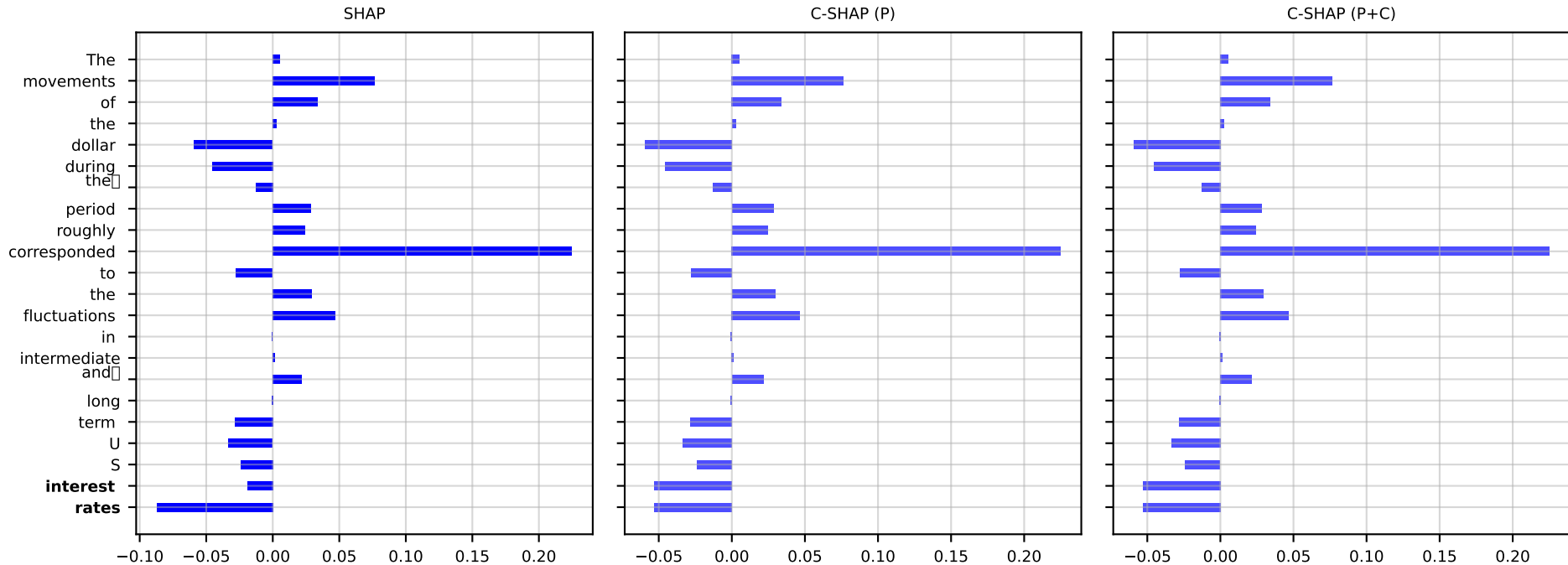


C-SHAP (P+C)

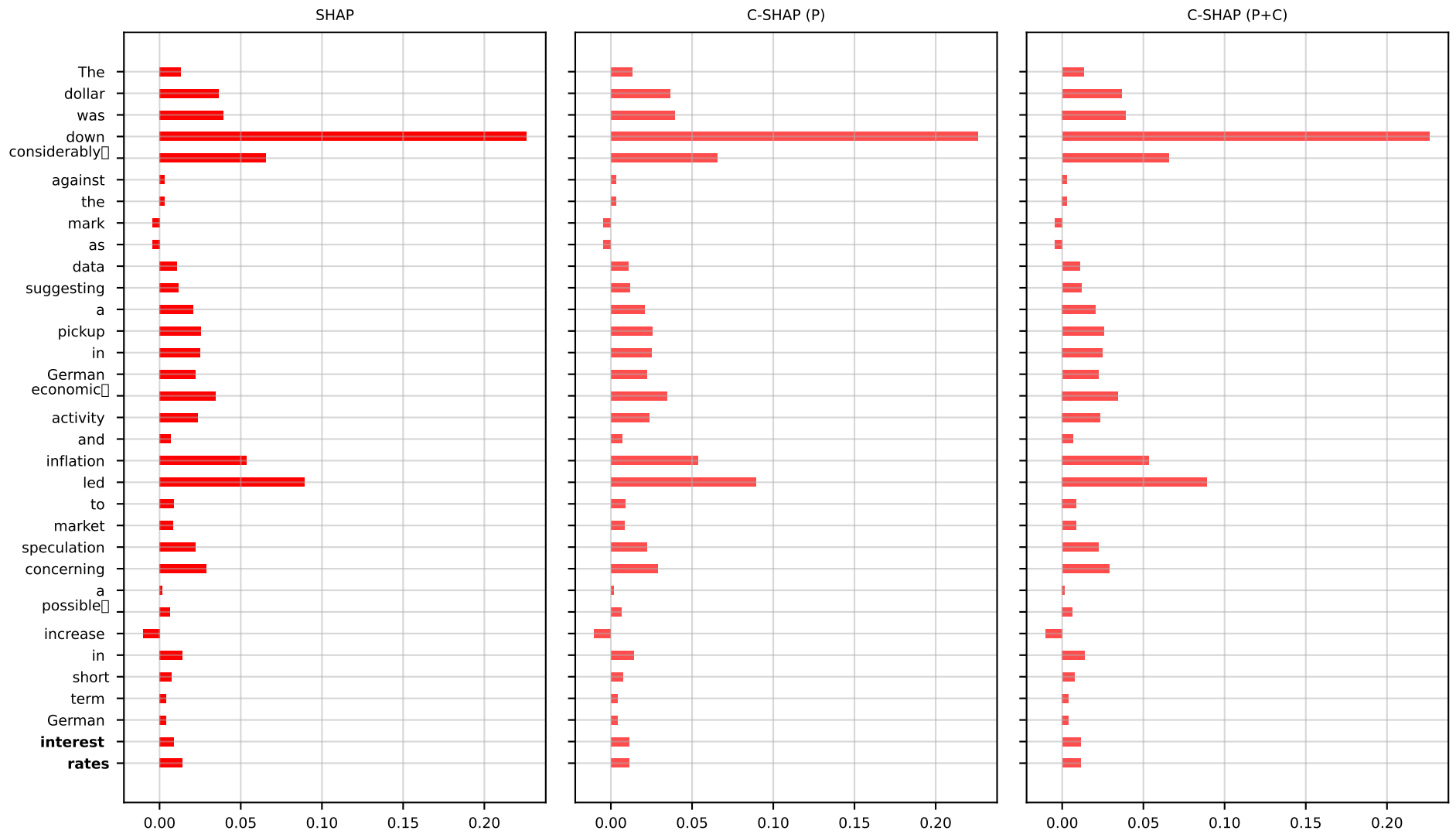




The movements of the dollar during the period roughly corresponded to the fluctuations in intermediate- and long-term U.S. interest rates;  
**neutral - 0.8807**

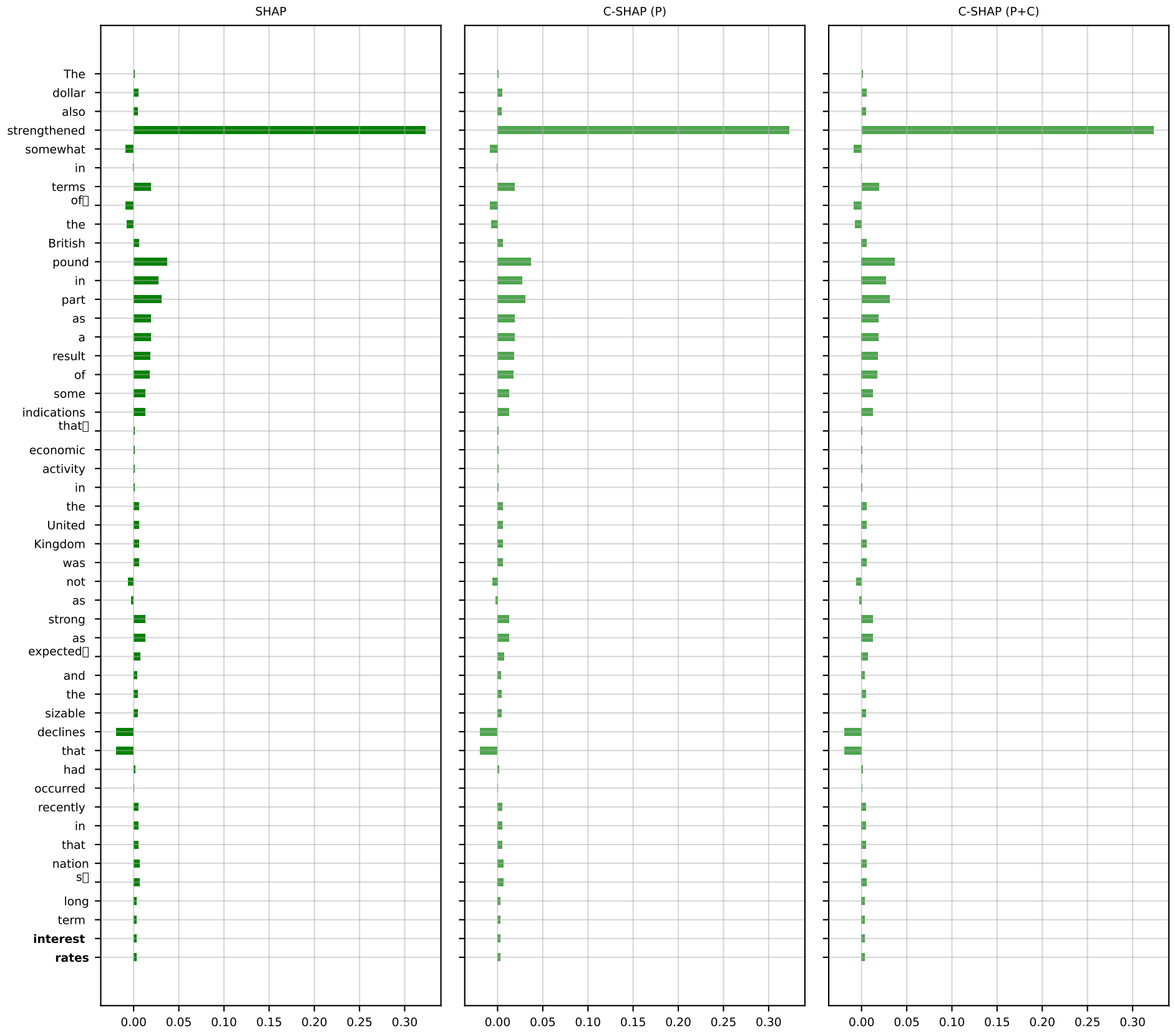


The dollar was down considerably against the mark as data suggesting a pickup in German economic activity and inflation led to market speculation concerning a possible increase in short-term German interest rates.  
**negative - 0.9561**

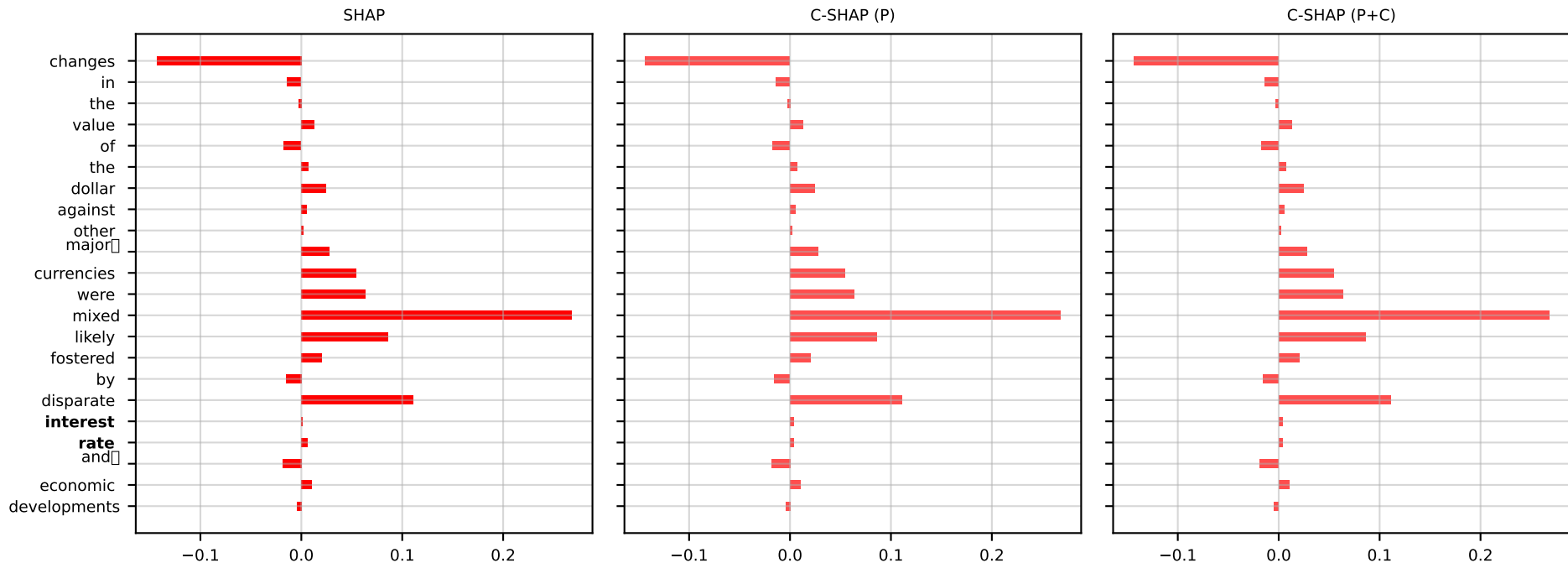


The dollar also strengthened somewhat in terms of the British pound, in part as a result of some indications that economic activity in the United Kingdom was not as strong as expected and the sizable declines that had occurred recently in that nation's long-term interest rates.

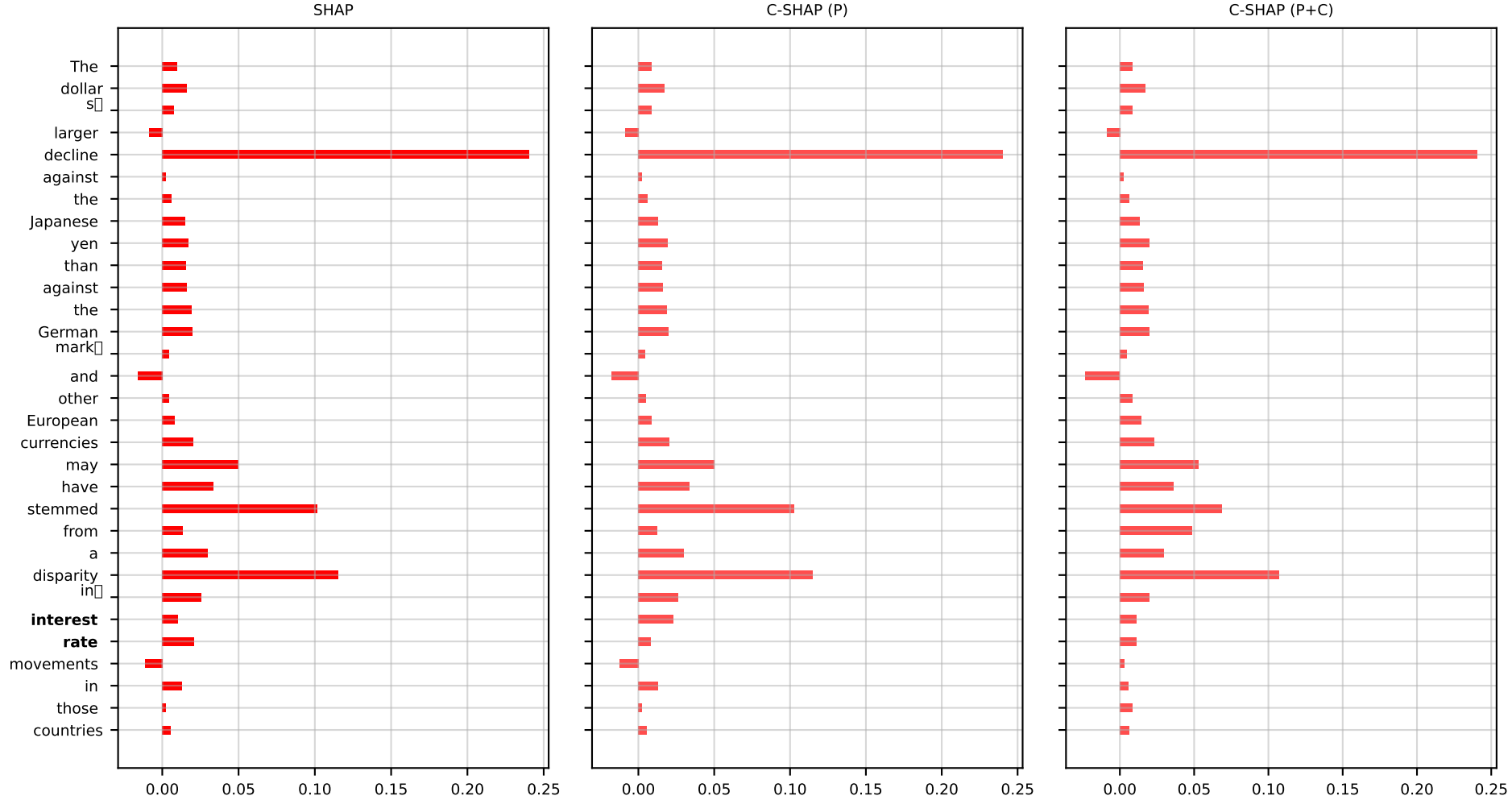
**positive - 0.82**



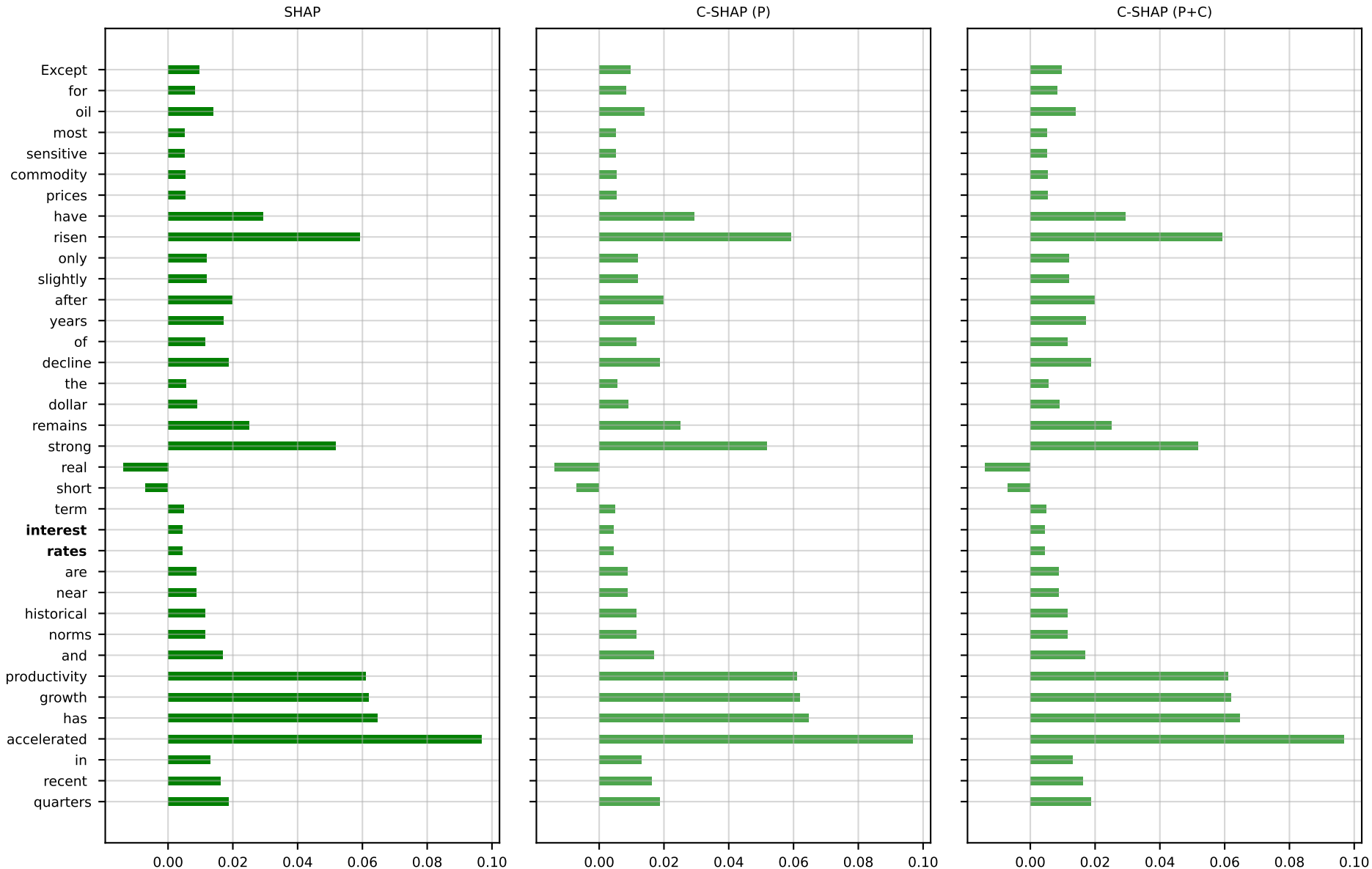
changes in the value of the dollar against other major currencies were mixed, likely fostered by disparate interest rate and economic developments.  
**negative - 0.6537**



The dollar's larger decline against the Japanese yen than against the German mark and other European currencies may have stemmed from a disparity in interest rate movements in those countries;  
**negative - 0.9487**



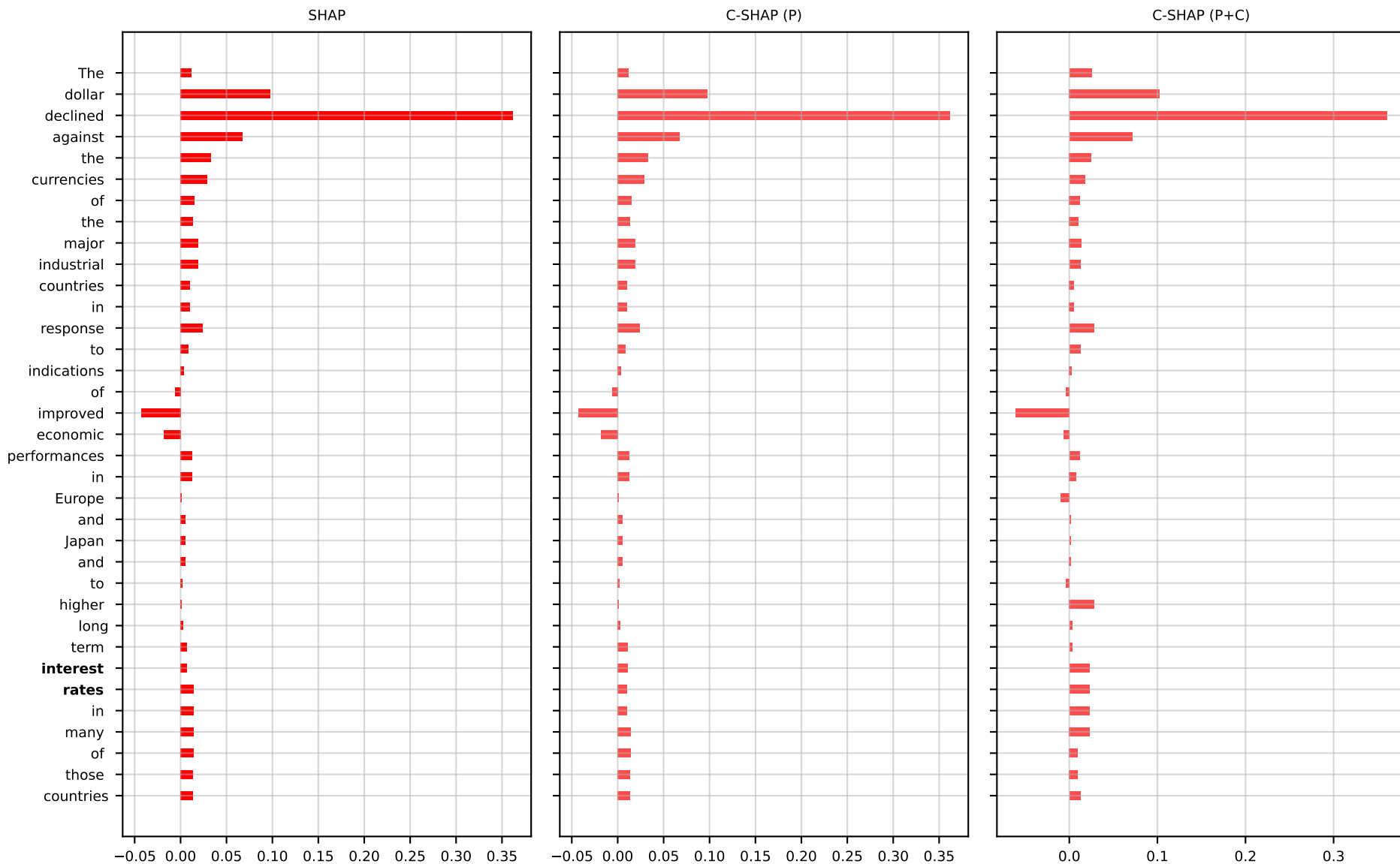
Except for oil, most sensitive commodity prices have risen only slightly after years of decline, the dollar remains strong, real short-term interest rates are near historical norms, and productivity growth has accelerated in recent quarters.  
**positive - 0.9212**



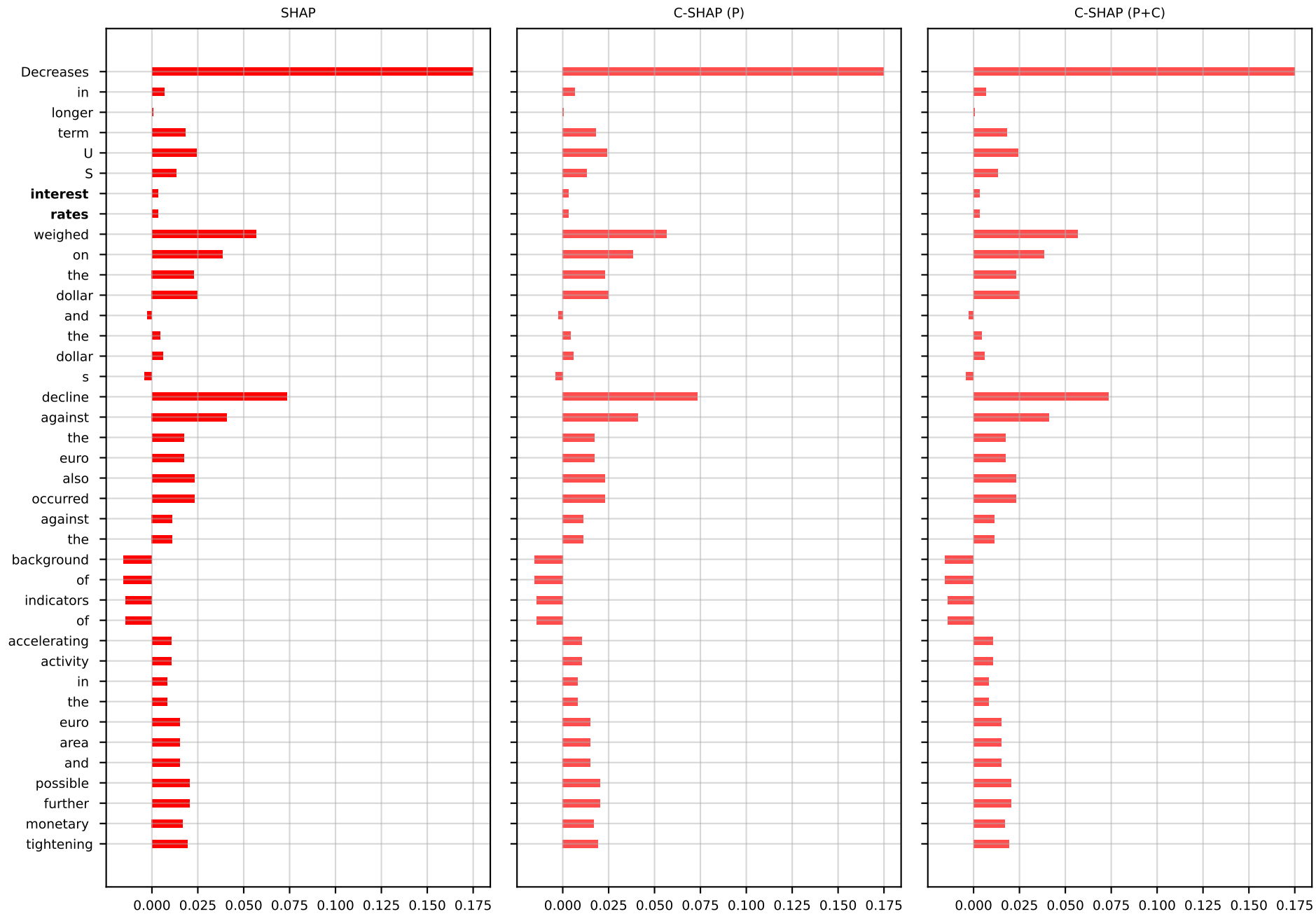


The dollar declined against the currencies of the major industrial countries in response to indications of improved economic performances in Europe and Japan and to higher long-term interest rates in many of those countries.

**negative - 0.9457**

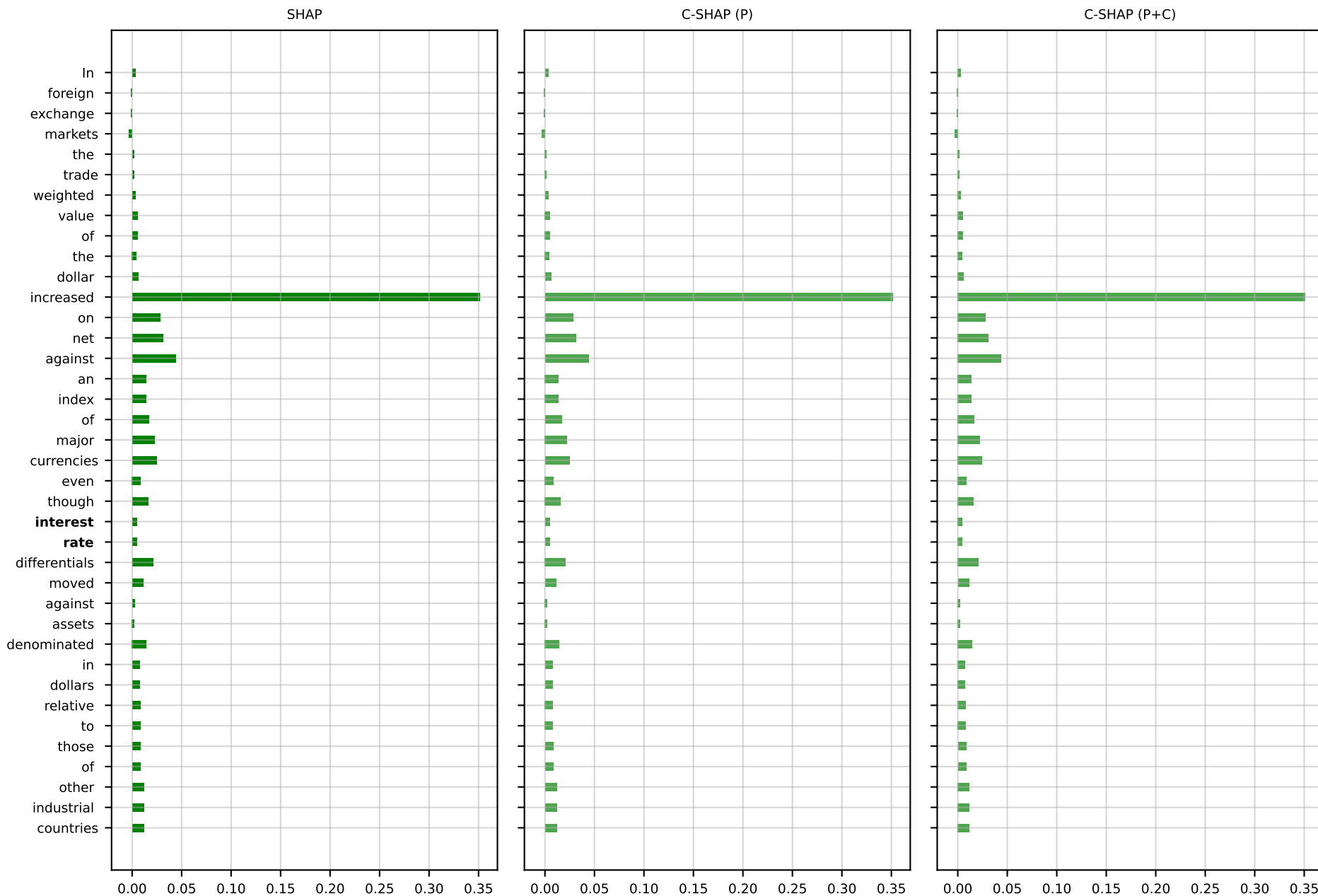


Decreases in longer-term U.S. interest rates weighed on the dollar, and the dollar's decline against the euro also occurred against the background of indicators of accelerating activity in the euro area and possible further monetary tightening.  
**negative - 0.9233**



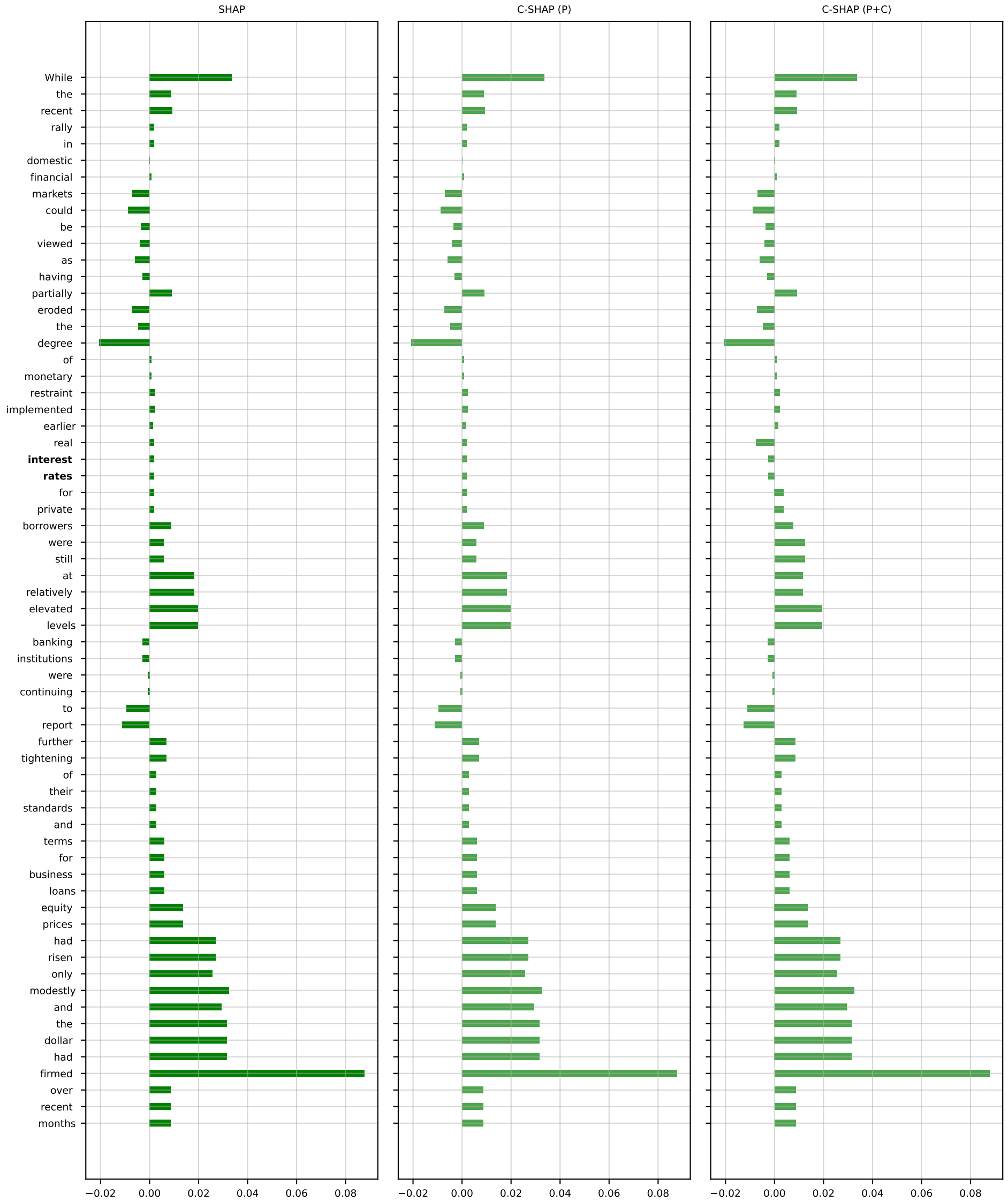
In foreign exchange markets, the trade-weighted value of the dollar increased on net against an index of major currencies, even though interest rate differentials moved against assets denominated in dollars relative to those of other industrial countries.

**positive - 0.9524**

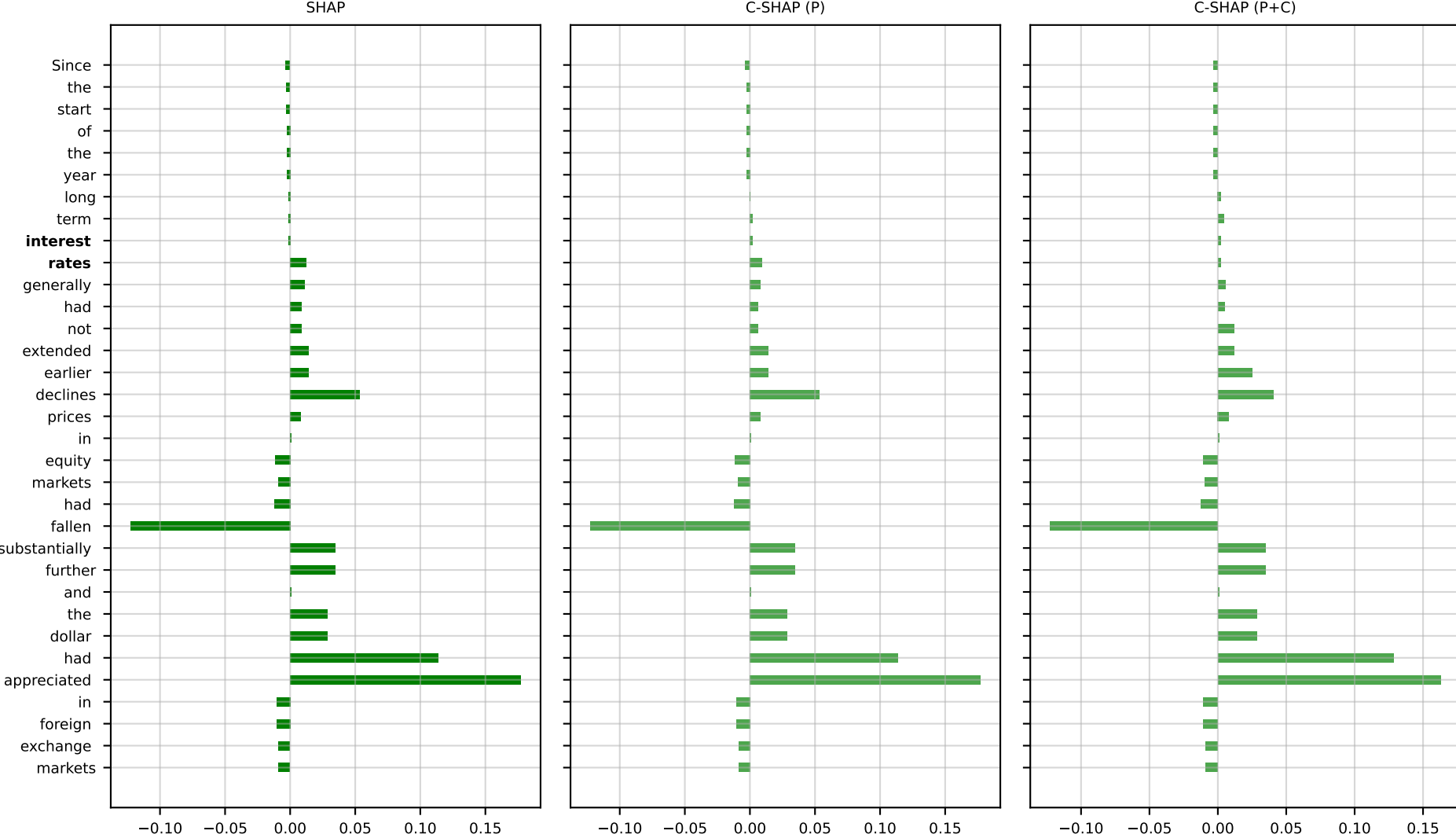


While the recent rally in domestic financial markets could be viewed as having partially eroded the degree of monetary restraint implemented earlier, real interest rates for private borrowers were still at relatively elevated levels, banking institutions were continuing to report further tightening of their standards and terms for business loans, equity prices had risen only modestly, and the dollar had firmed over recent months.

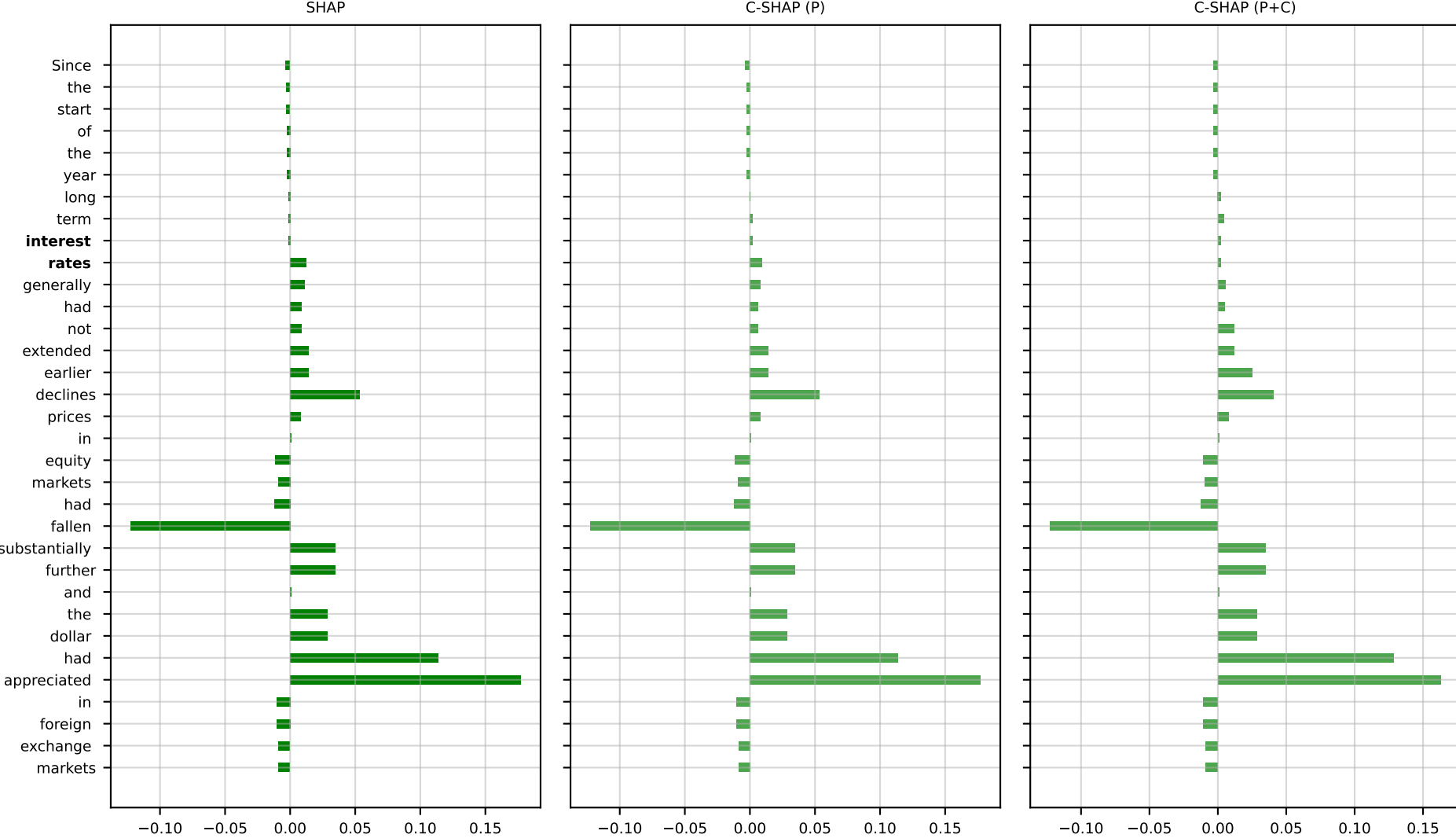
positive - 0.746



Since the start of the year, long-term interest rates generally had not extended earlier declines further, and the dollar had appreciated in foreign exchange markets.  
**positive - 0.5663**

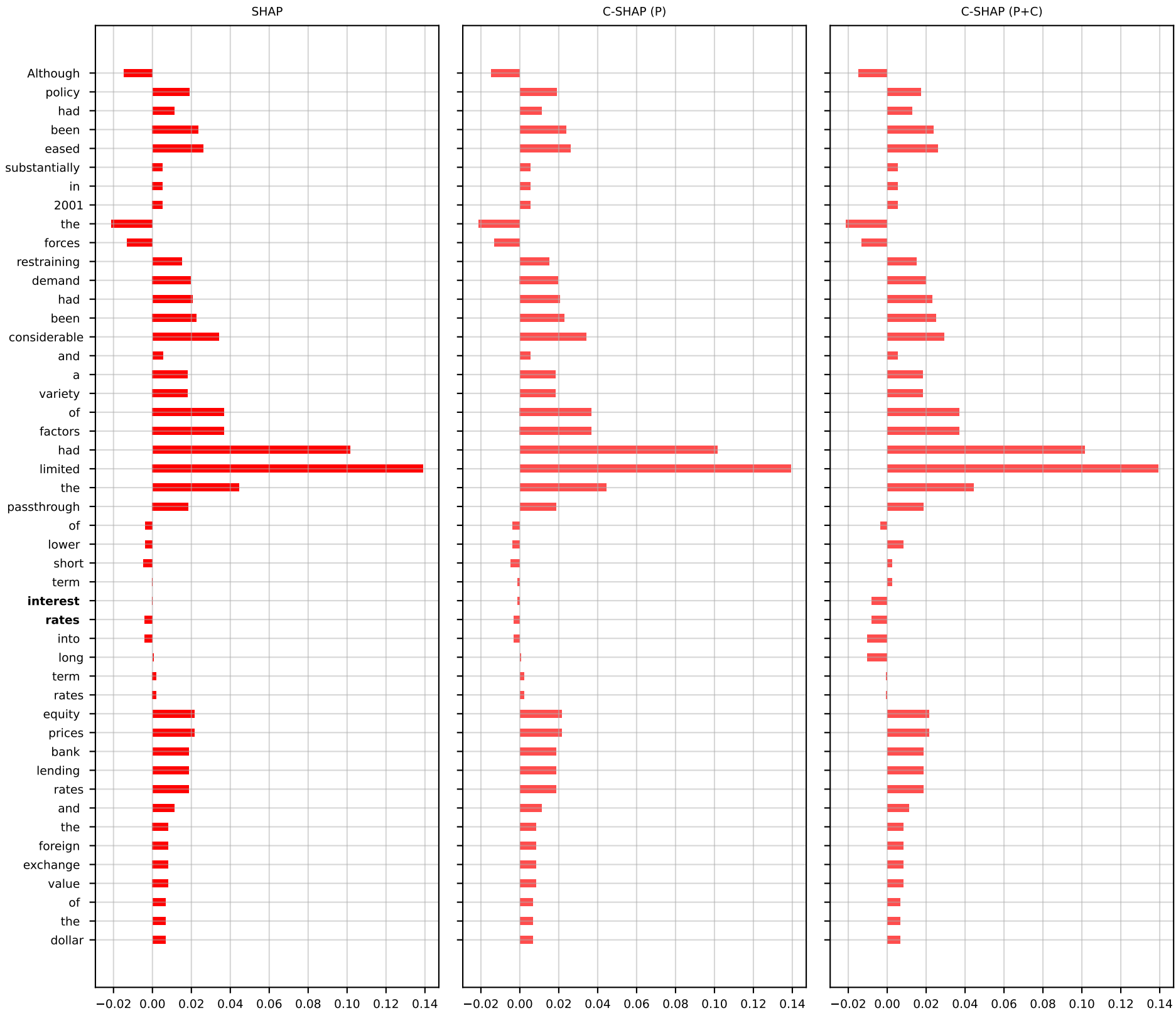


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**positive - 0.5663**



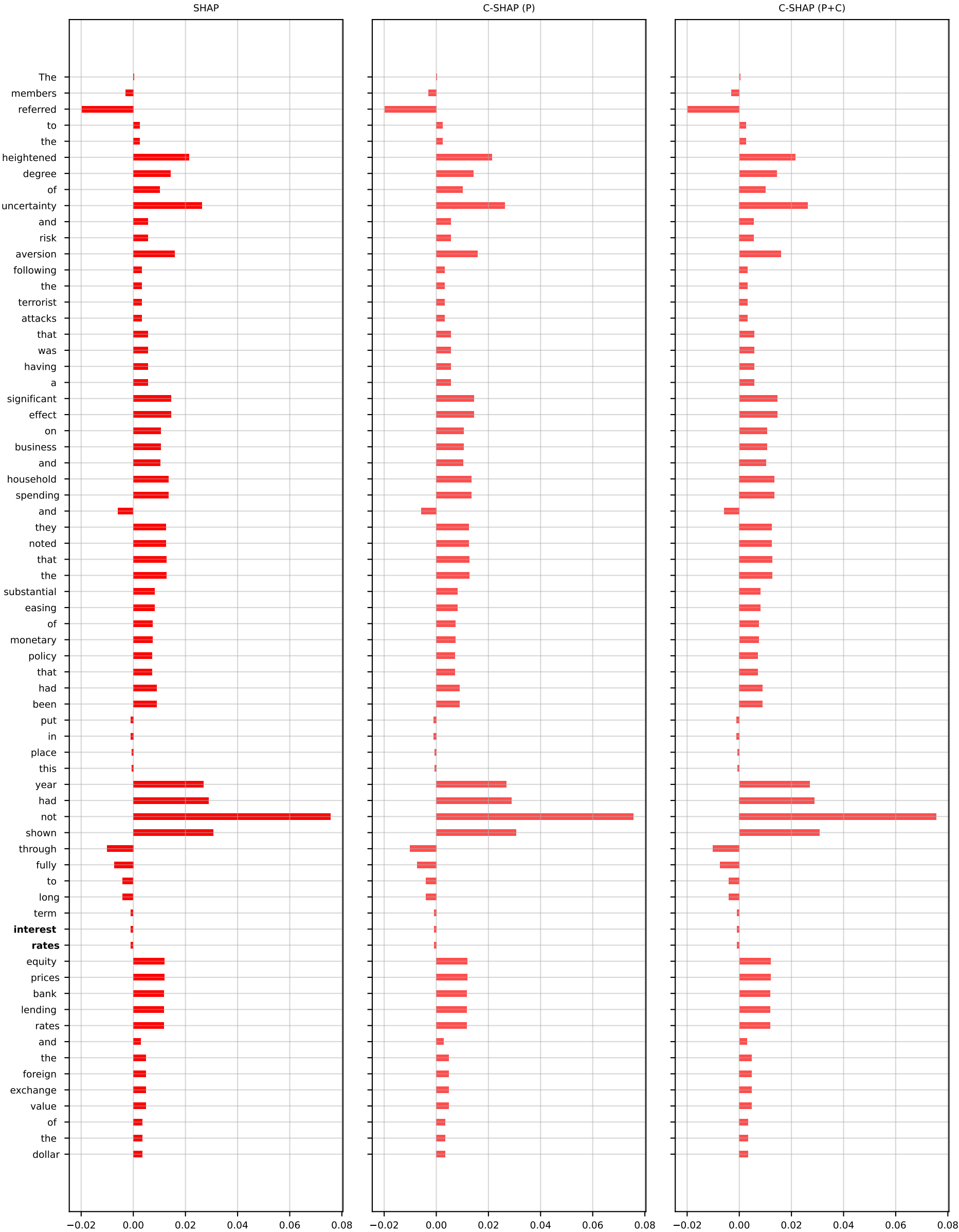
Although policy had been eased substantially in 2001, the forces restraining demand had been considerable and a variety of factors had limited the passthrough of lower short-term interest rates into long-term rates, equity prices, bank lending rates, and the foreign exchange value of the dollar.

**negative - 0.8642**



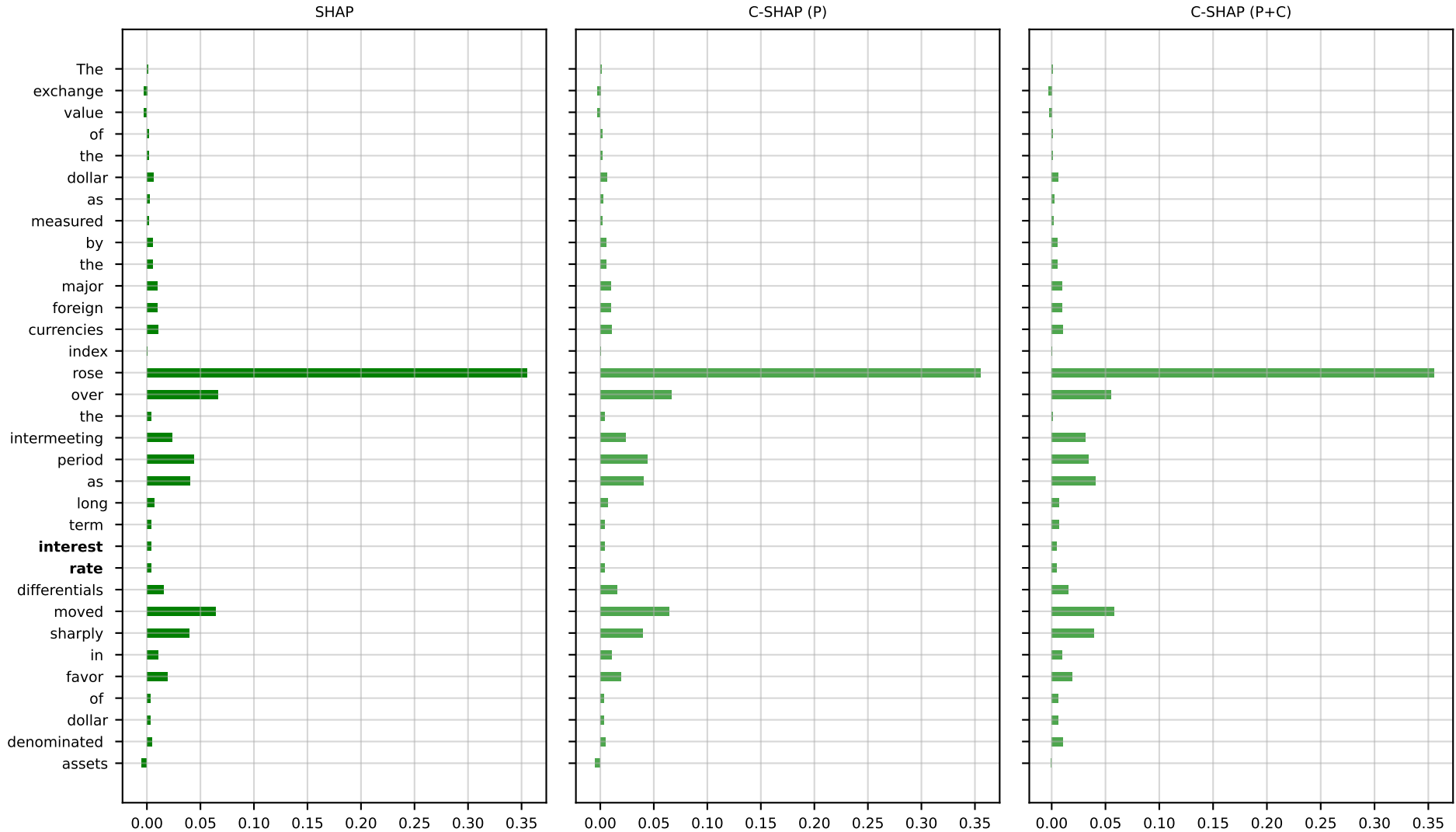
The members referred to the heightened degree of uncertainty and risk aversion following the terrorist attacks that was having a significant effect on business and household spending, and they noted that the substantial easing of monetary policy that had been put in place this year had not shown through fully to long-term interest rates, equity prices, bank lending rates, and the foreign exchange value of the dollar.

negative - 0.6968

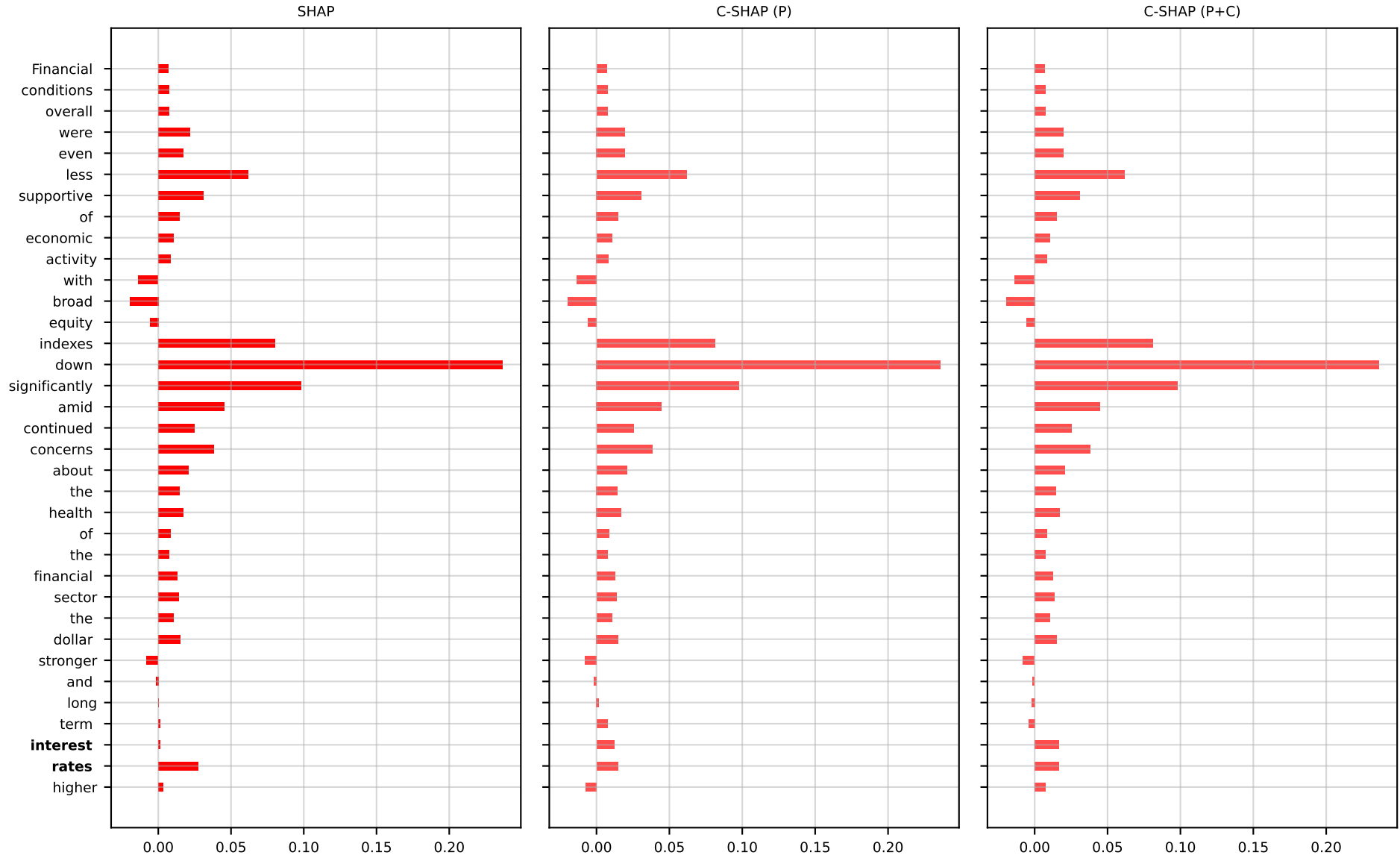




The exchange value of the dollar, as measured by the major foreign currencies index, rose over the intermeeting period as long-term interest rate differentials moved sharply in favor of dollar-denominated assets.  
**positive - 0.9523**

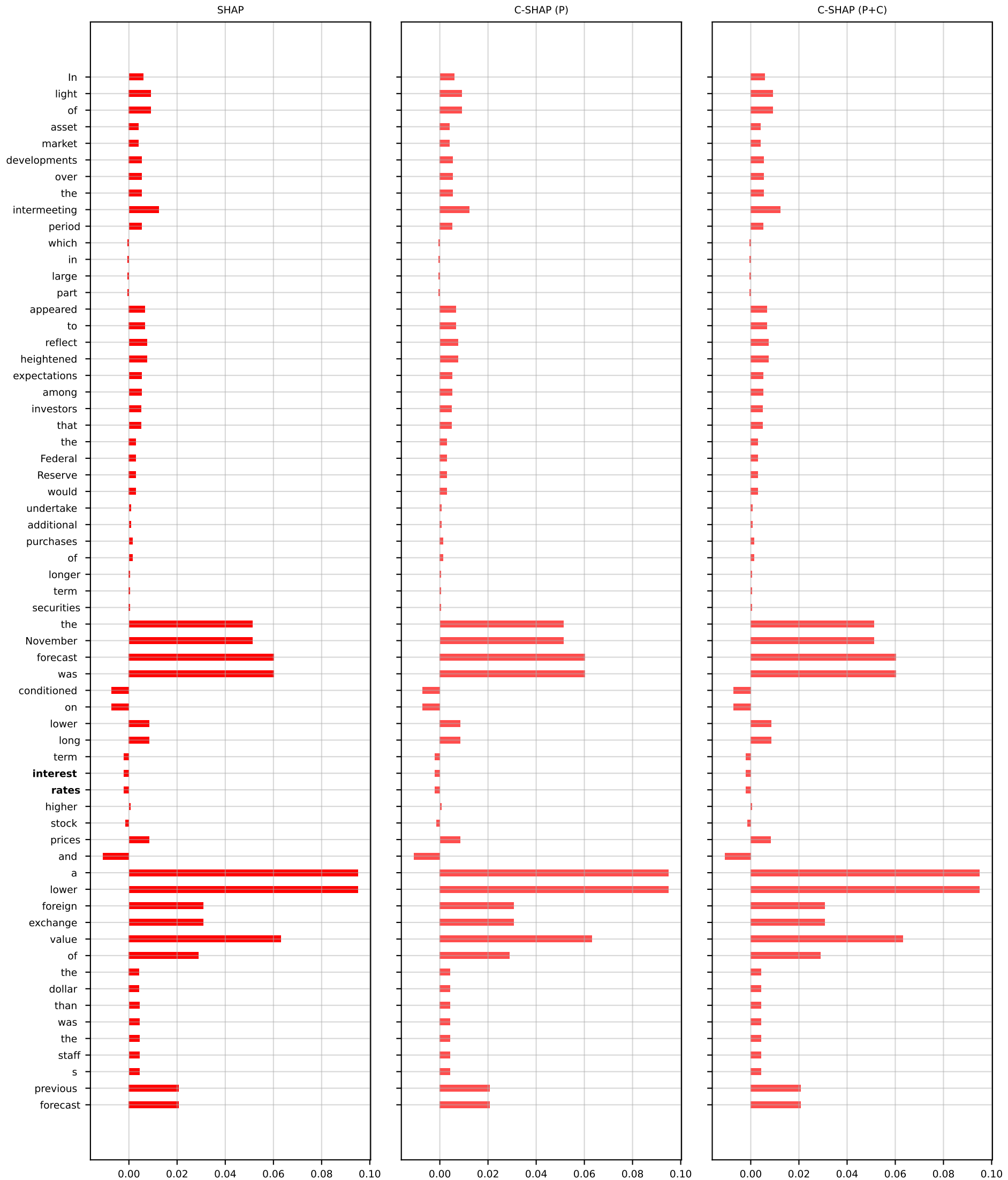


Financial conditions overall were even less supportive of economic activity with broad equity indexes down significantly amid continued concerns about the health of the financial sector, the dollar stronger, and long-term interest rates higher.  
**negative - 0.9728**



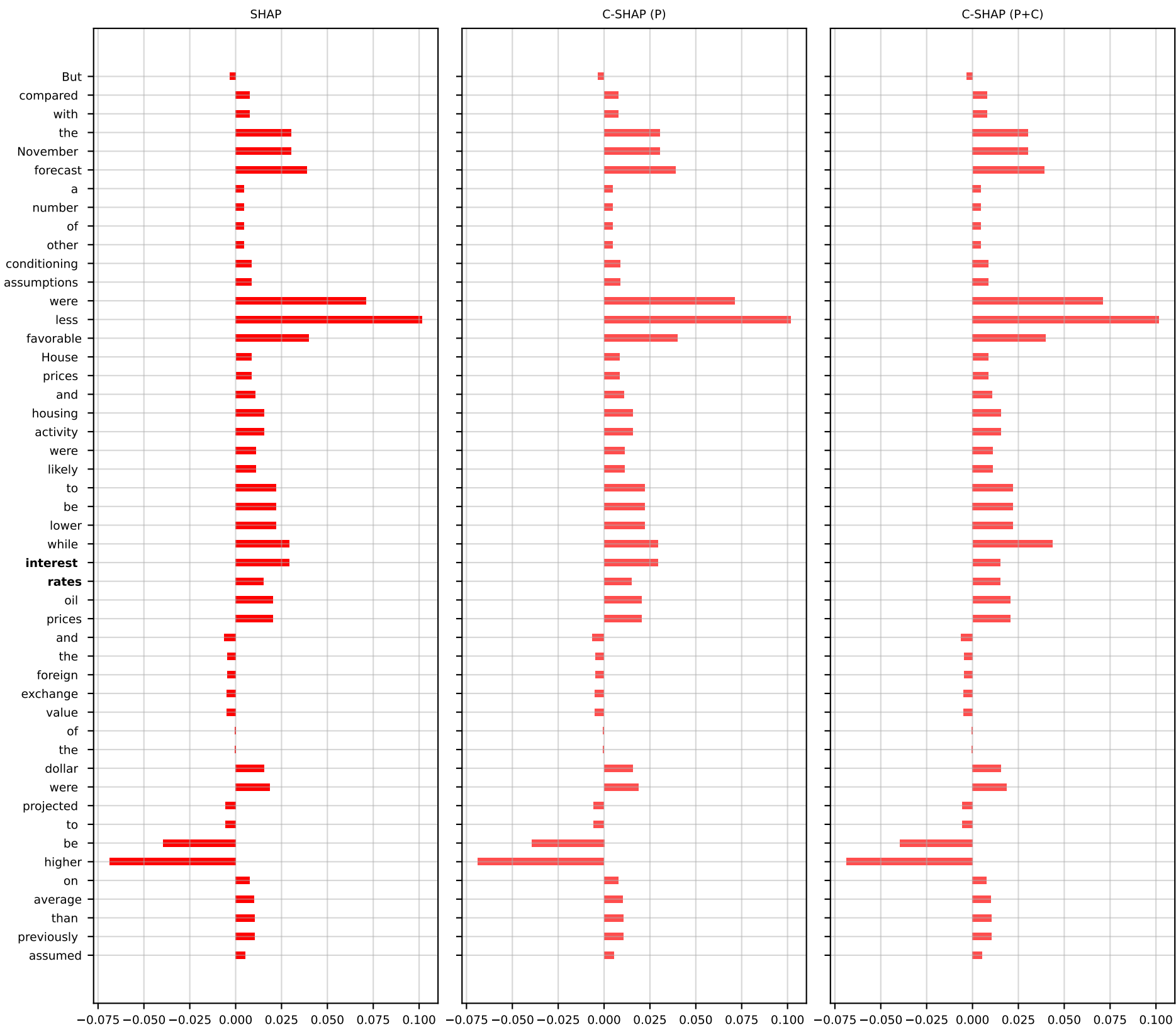
In light of asset market developments over the intermeeting period, which in large part appeared to reflect heightened expectations among investors that the Federal Reserve would undertake additional purchases of longer-term securities, the November forecast was conditioned on lower long-term interest rates, higher stock prices, and a lower foreign exchange value of the dollar than was the staff's previous forecast.

negative - 0.9437

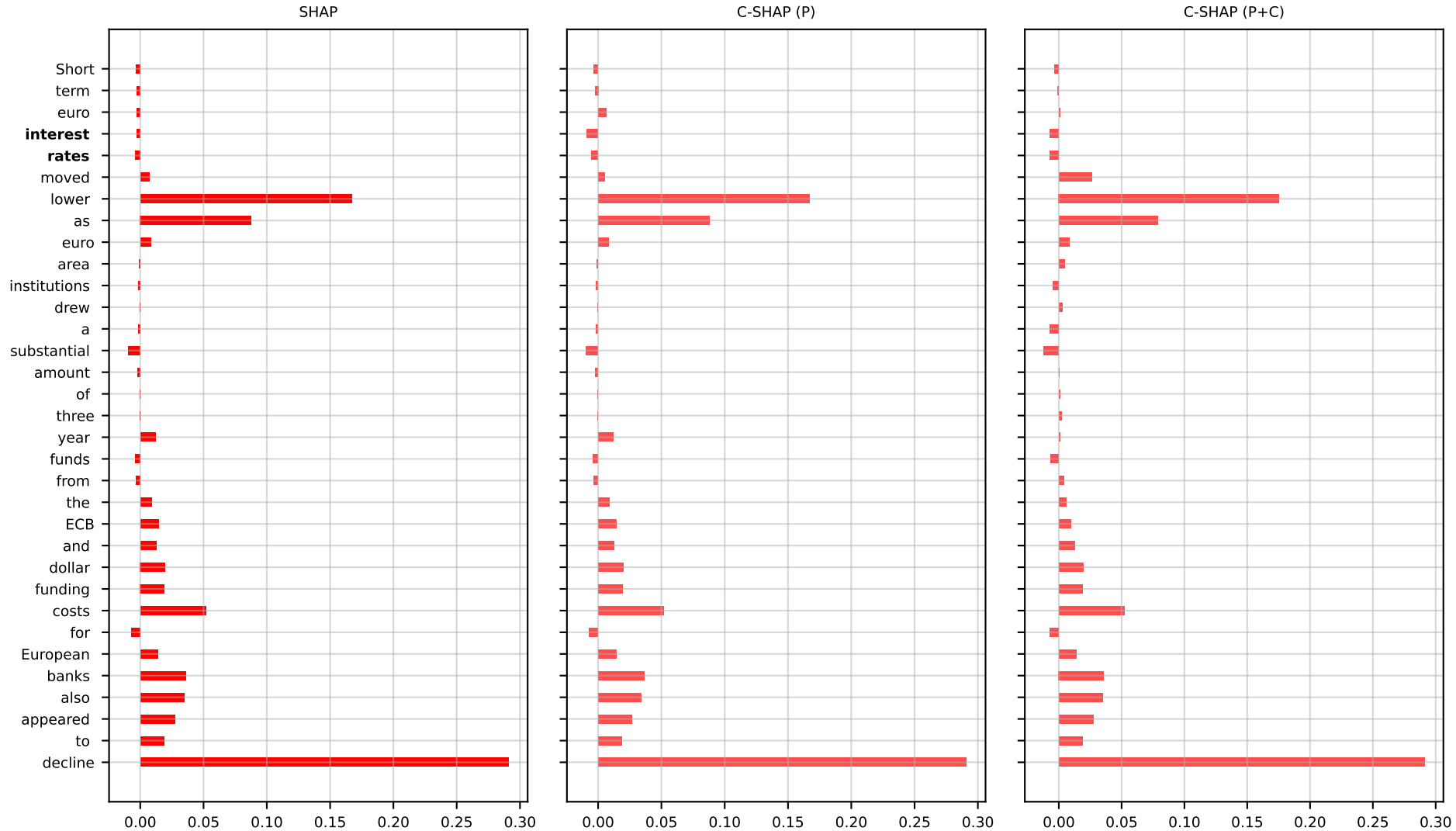


But, compared with the November forecast, a number of other conditioning assumptions were less favorable: House prices and housing activity were likely to be lower, while interest rates, oil prices, and the foreign exchange value of the dollar were projected to be higher, on average, than previously assumed.

negative - 0.7574

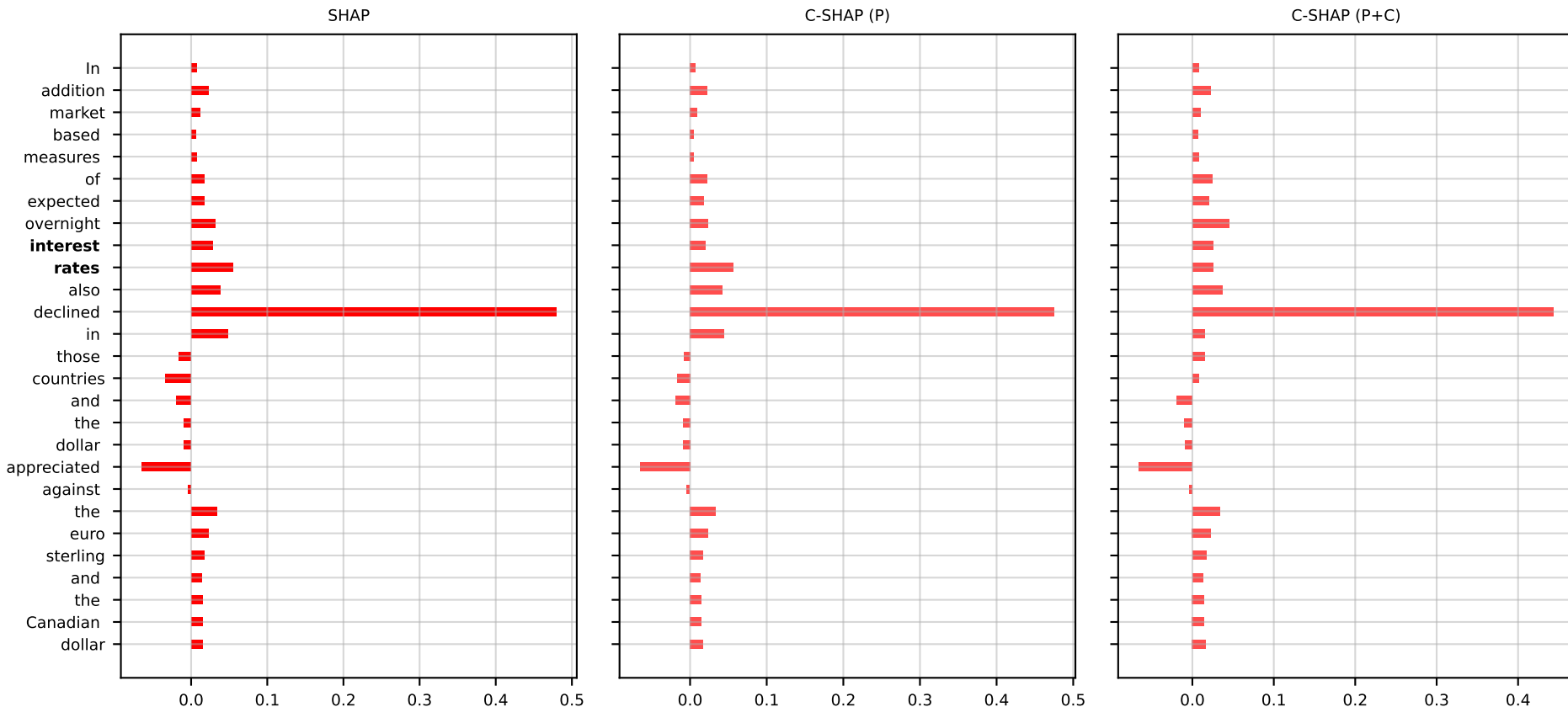


Short-term euro interest rates moved lower as euro-area institutions drew a substantial amount of three-year funds from the ECB, and dollar funding costs for European banks also appeared to decline.  
**negative - 0.9285**



In addition, market-based measures of expected overnight interest rates also declined in those countries, and the dollar appreciated against the euro, sterling, and the Canadian dollar.

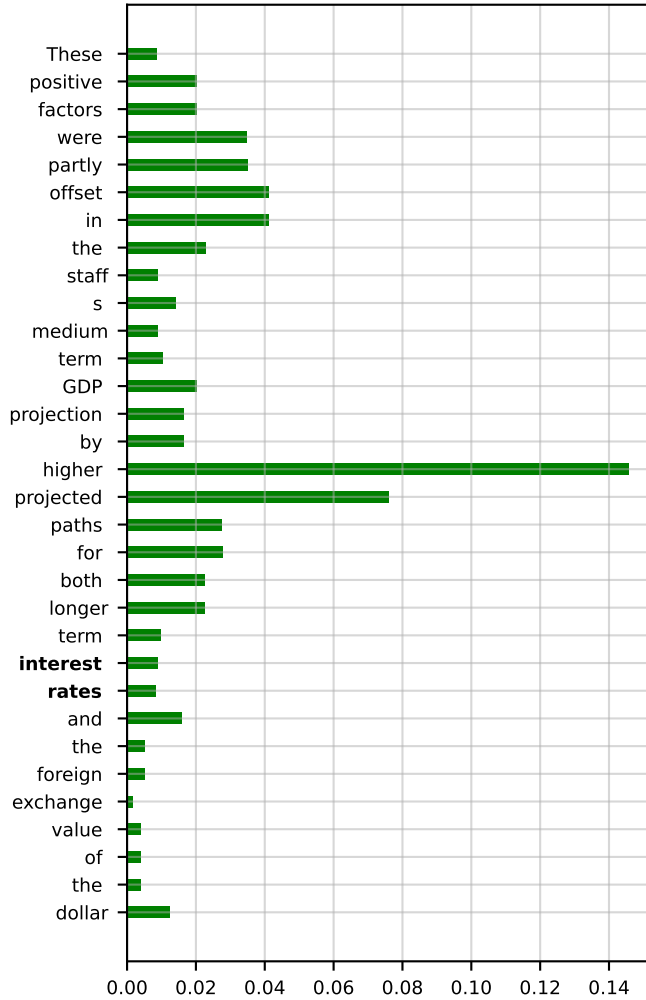
**negative - 0.926**



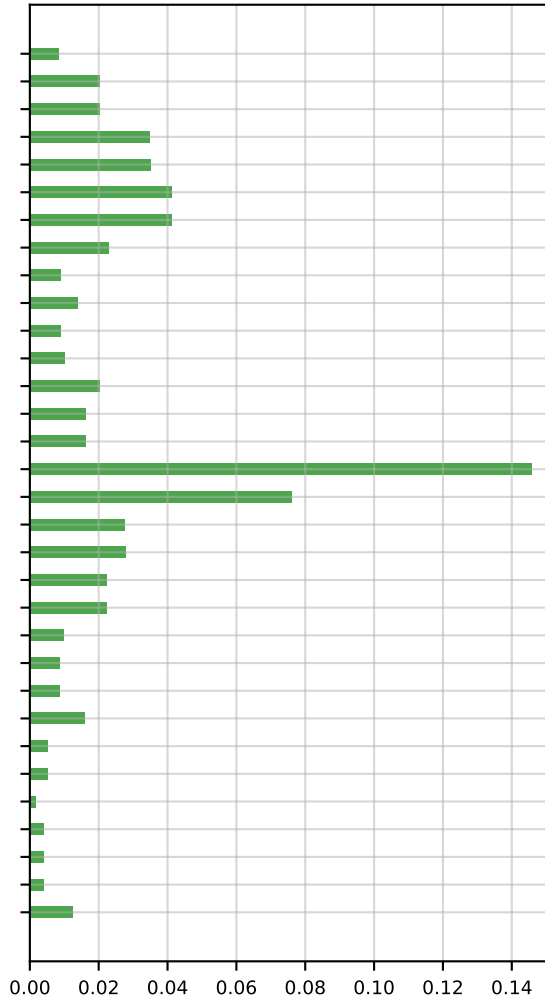
These positive factors were partly offset in the staff's medium-term GDP projection by higher projected paths for both longer-term interest rates and the foreign exchange value of the dollar.

**positive - 0.9527**

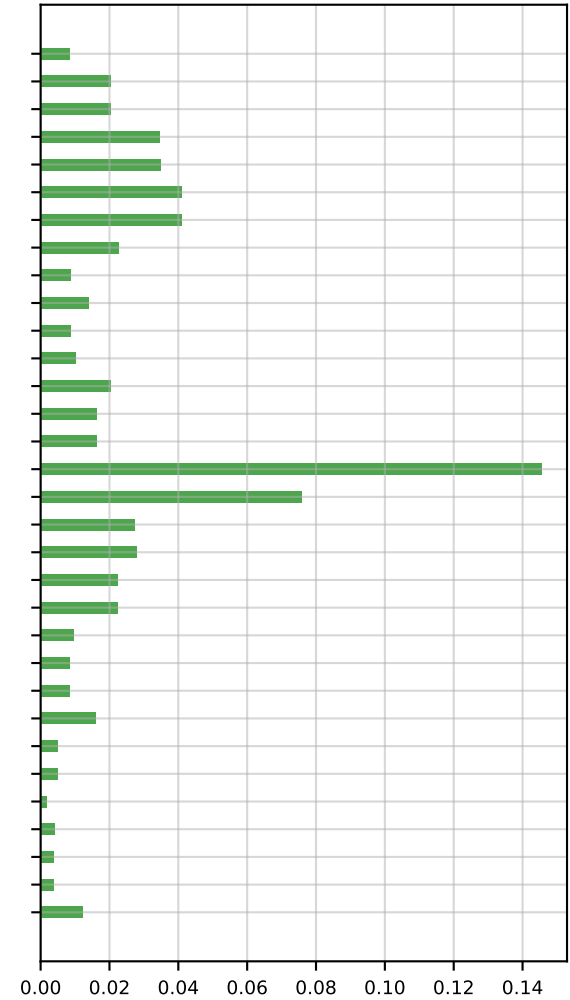
SHAP



C-SHAP (P)

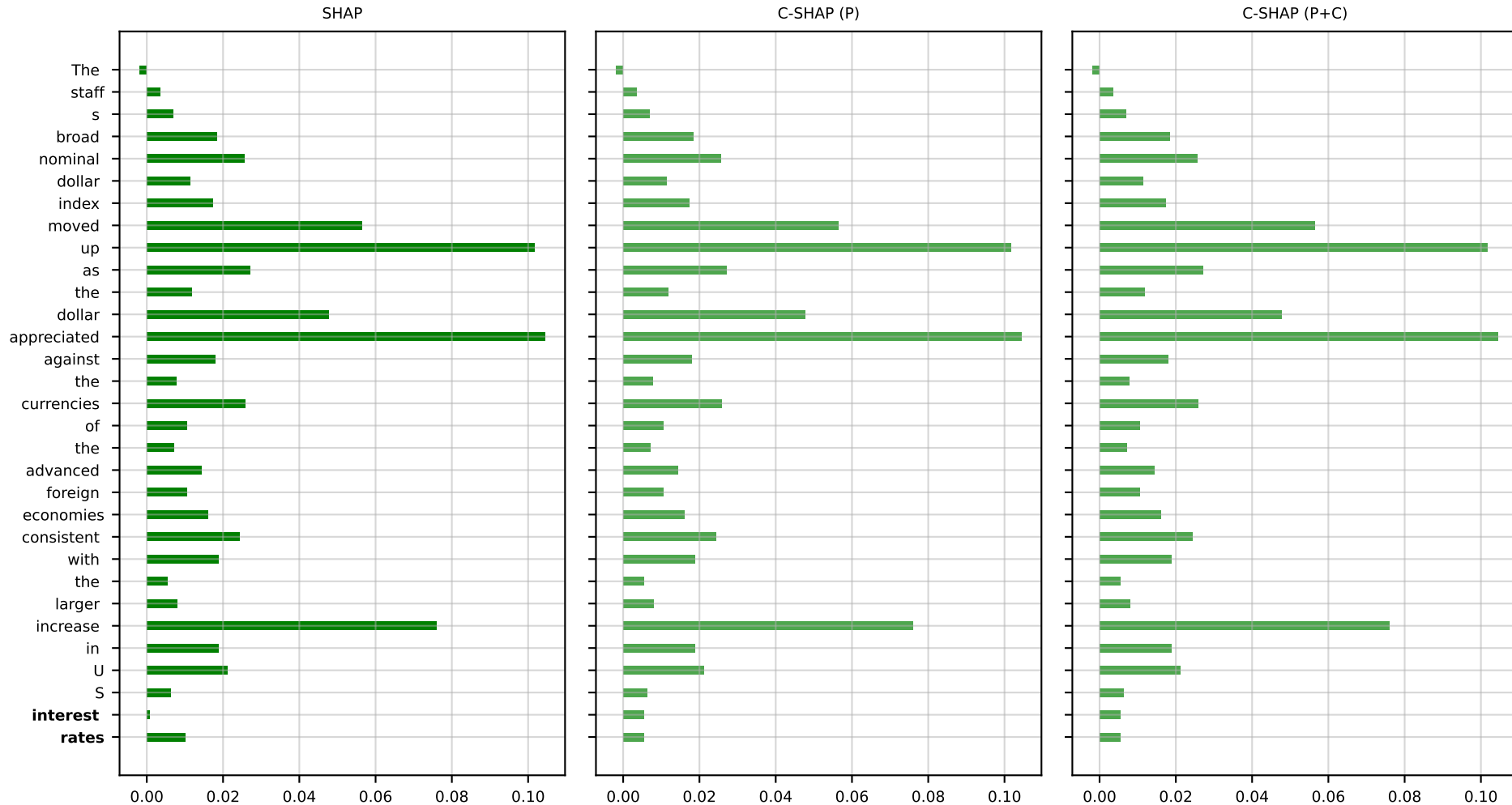


C-SHAP (P+C)



The staff's broad nominal dollar index moved up as the dollar appreciated against the currencies of the advanced foreign economies, consistent with the larger increase in U.S. interest rates.

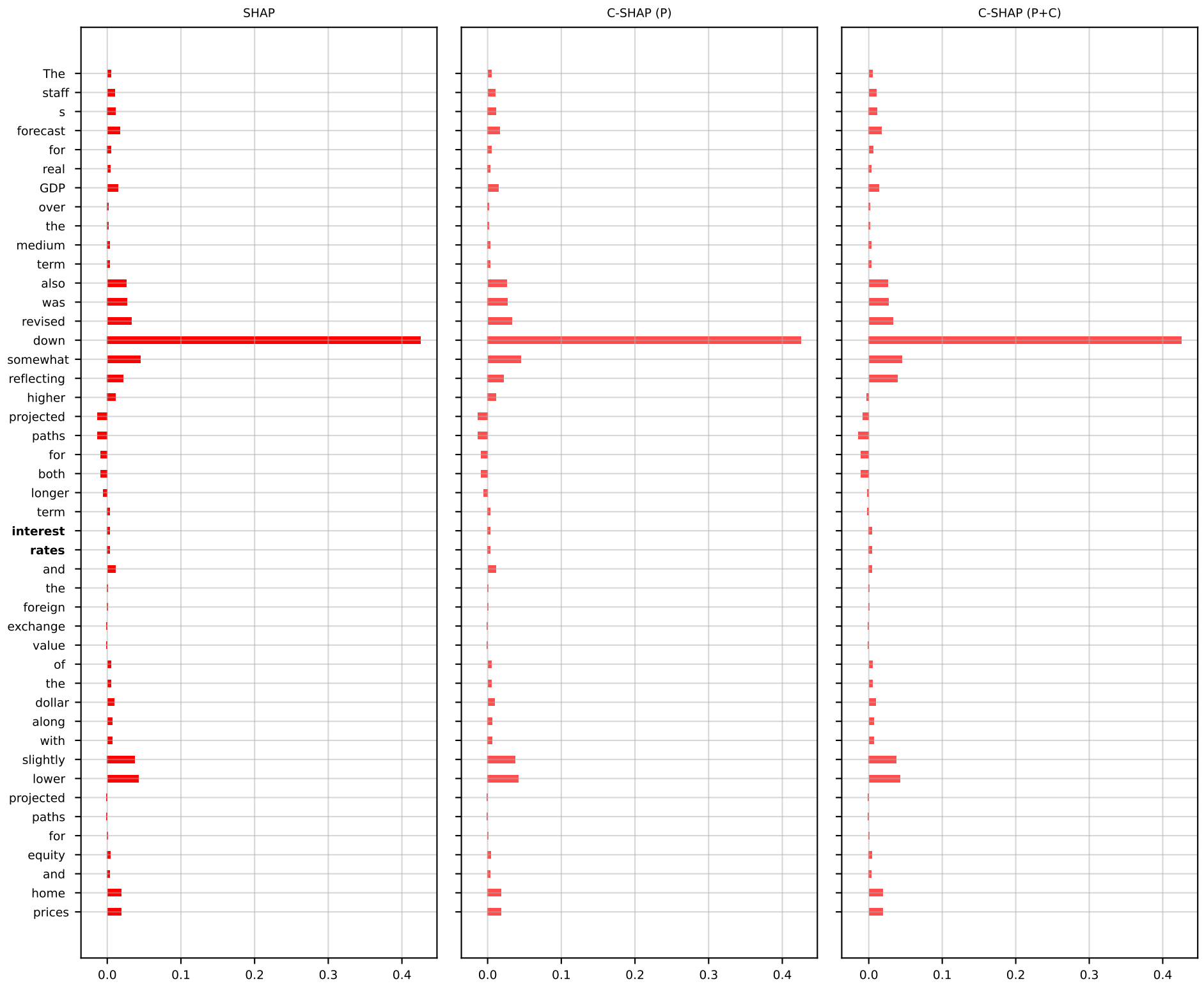
**positive - 0.95**





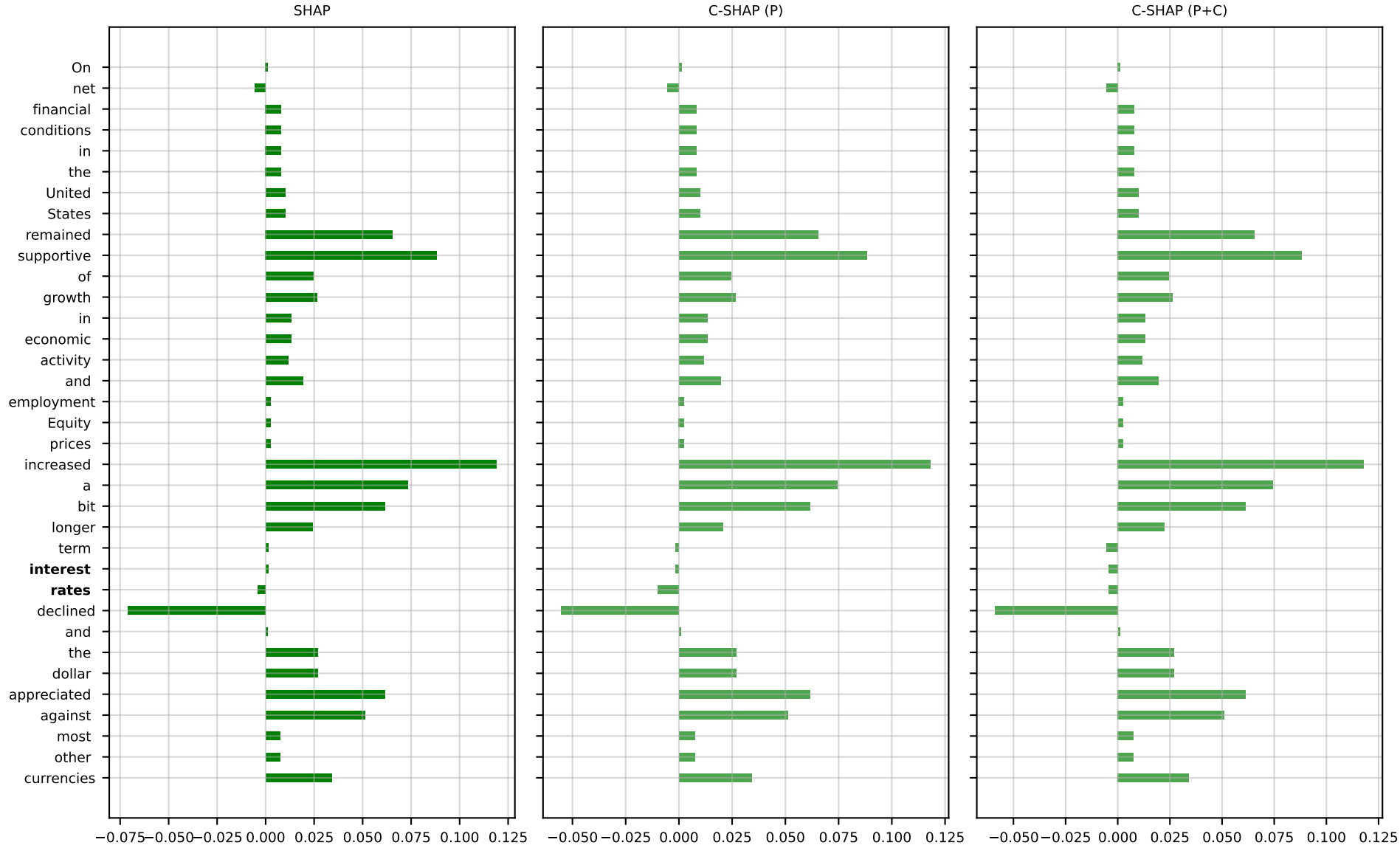
The staff's forecast for real GDP over the medium term also was revised down somewhat, reflecting higher projected paths for both longer-term interest rates and the foreign exchange value of the dollar, along with slightly lower projected paths for equity and home prices.

negative - 0.963



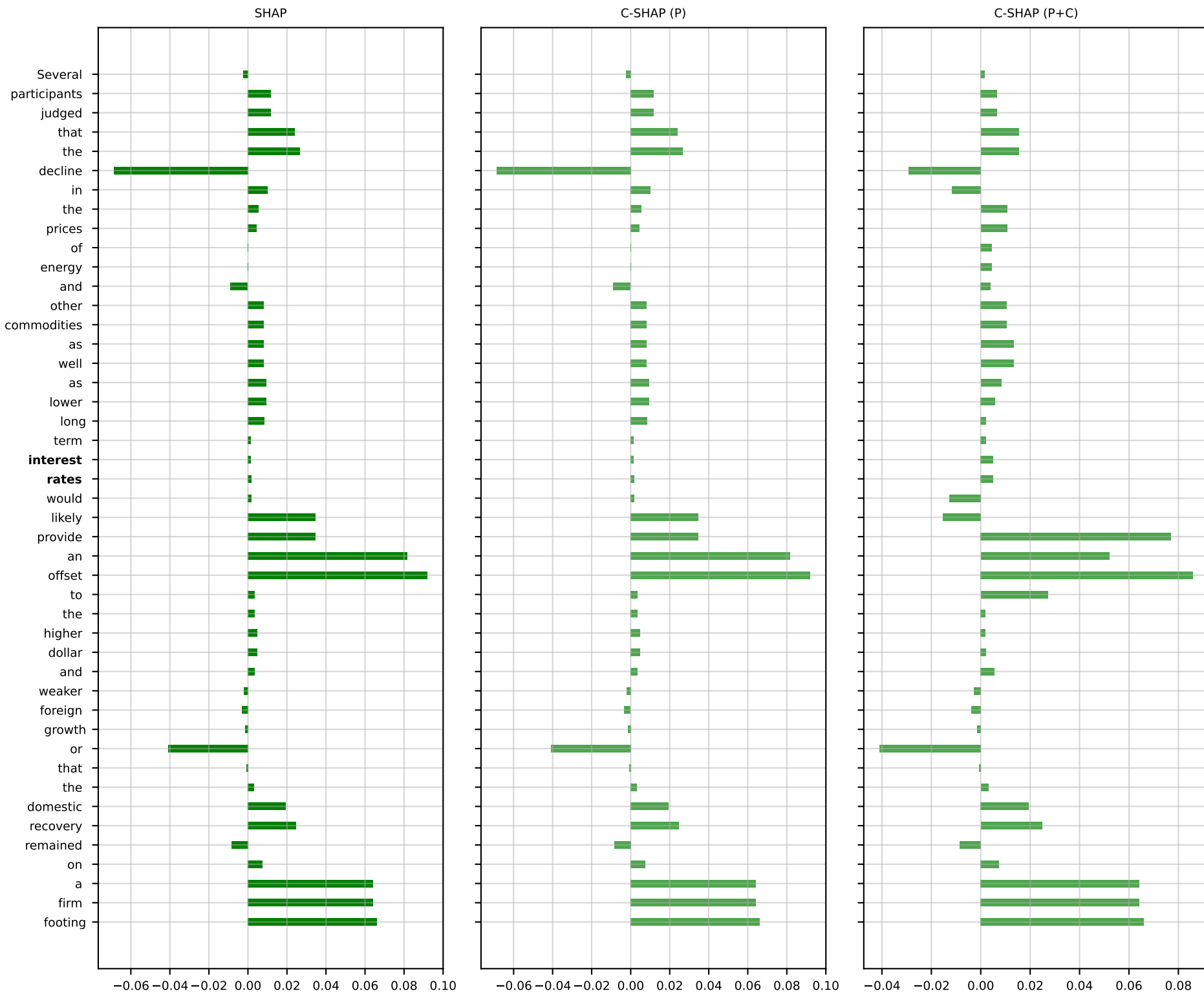


On net, financial conditions in the United States remained supportive of growth in economic activity and employment: Equity prices increased a bit, longer-term interest rates declined, and the dollar appreciated against most other currencies.  
**positive - 0.9532**



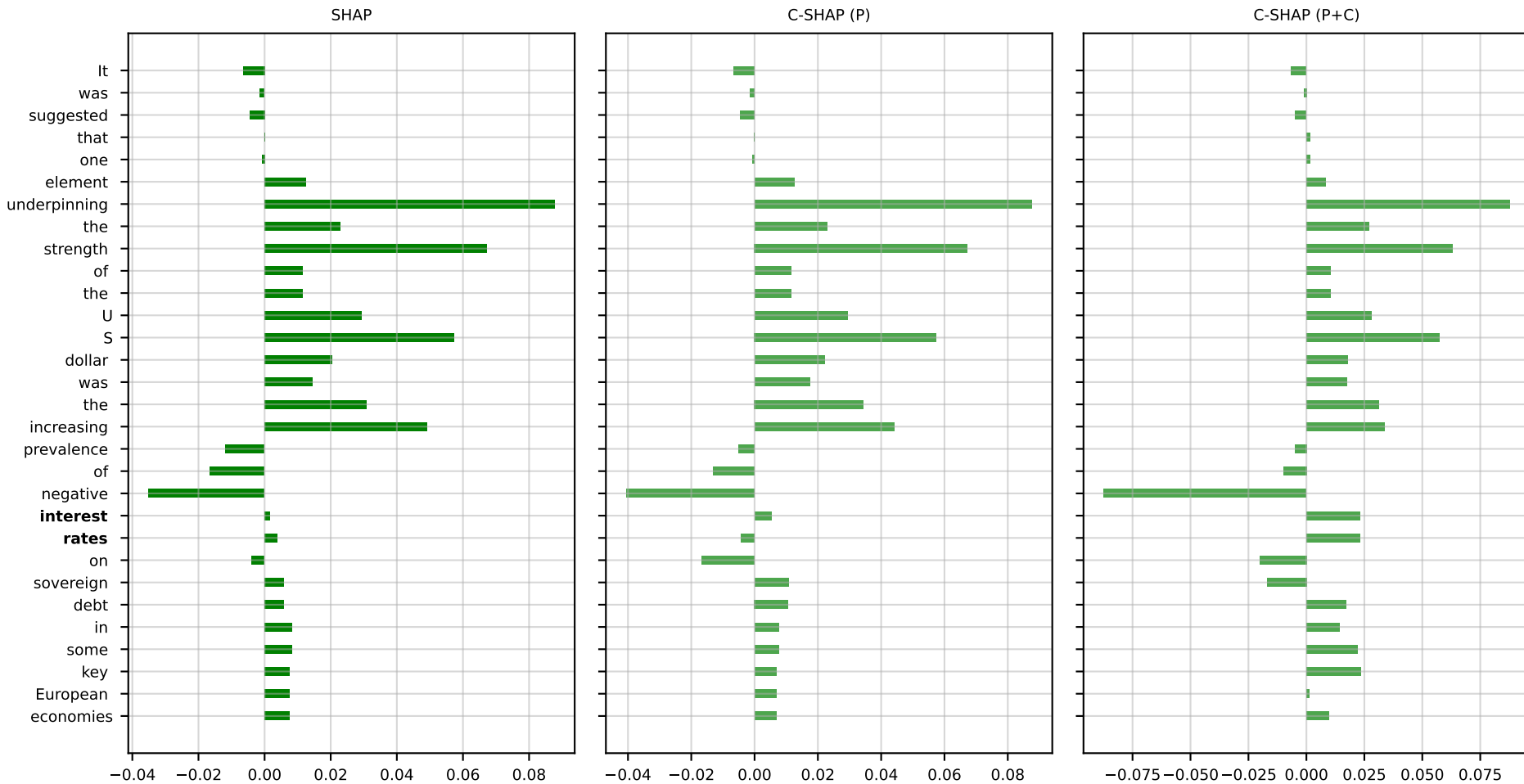
Several participants judged that the decline in the prices of energy and other commodities as well as lower long-term interest rates would likely provide an offset to the higher dollar and weaker foreign growth, or that the domestic recovery remained on a firm footing.

positive - 0.7342



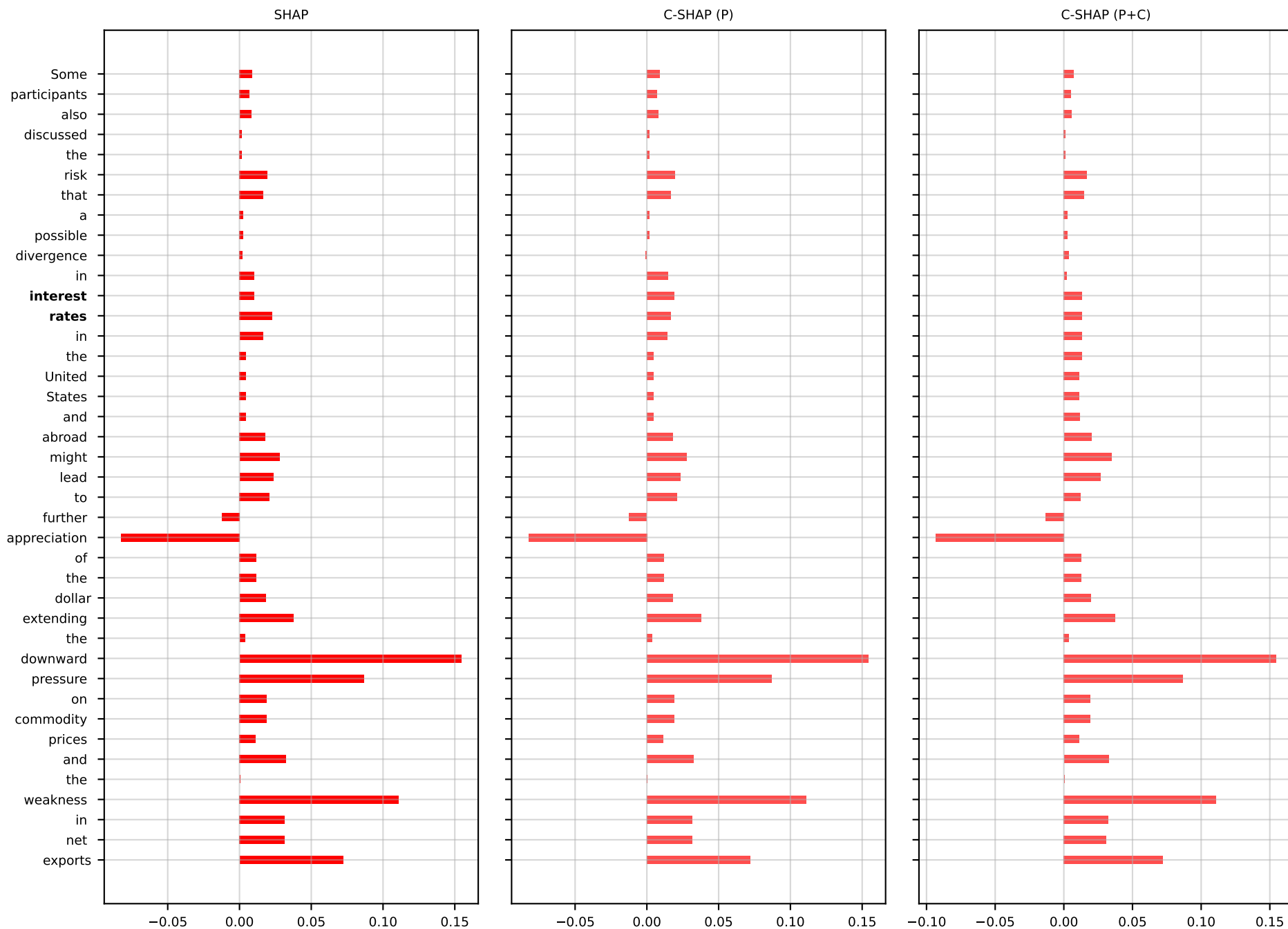
It was suggested that one element underpinning the strength of the U.S. dollar was the increasing prevalence of negative interest rates on sovereign debt in some key European economies.

**positive - 0.5403**



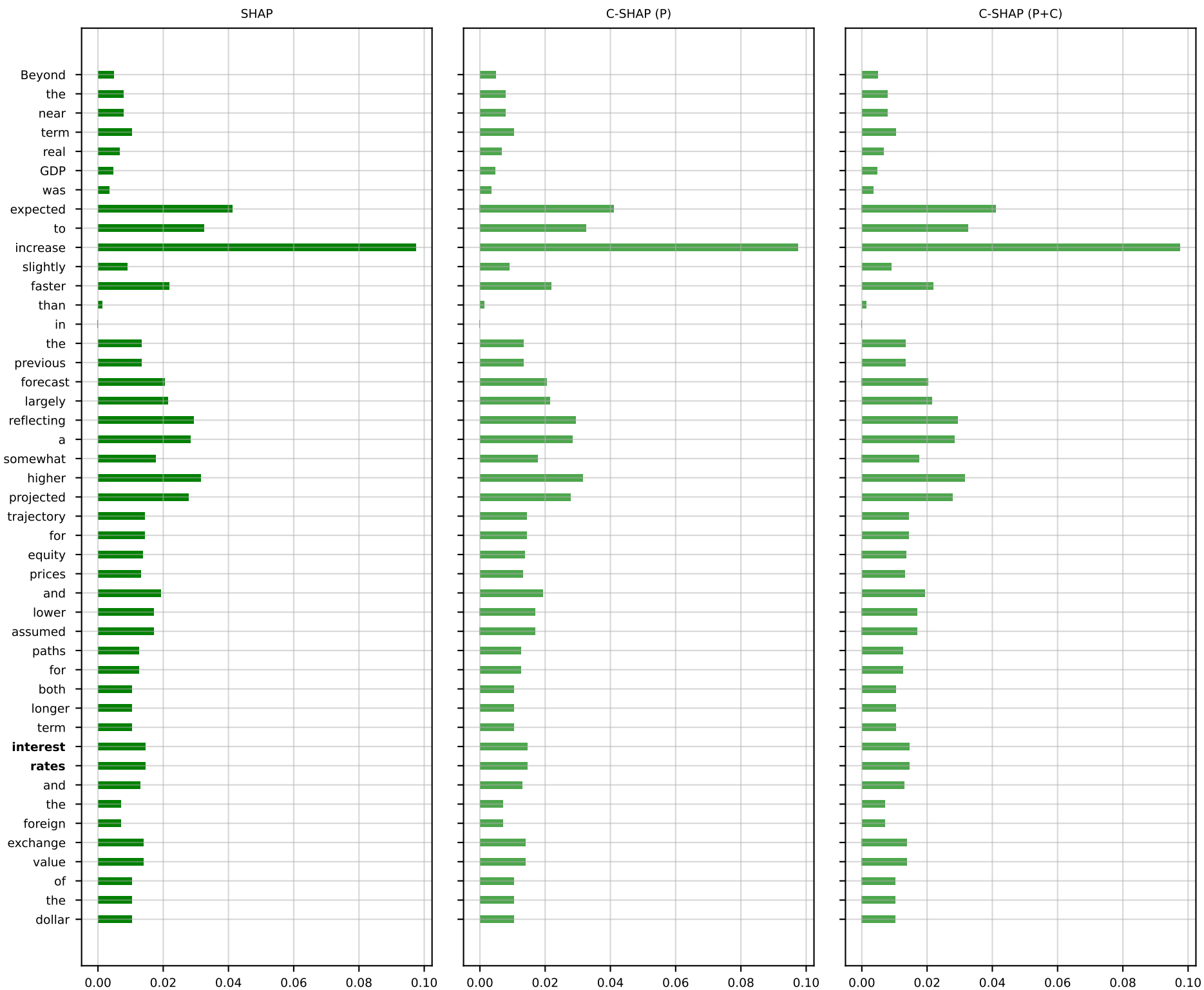
Some participants also discussed the risk that a possible divergence in interest rates in the United States and abroad might lead to further appreciation of the dollar, extending the downward pressure on commodity prices and the weakness in net exports.

**negative - 0.9593**



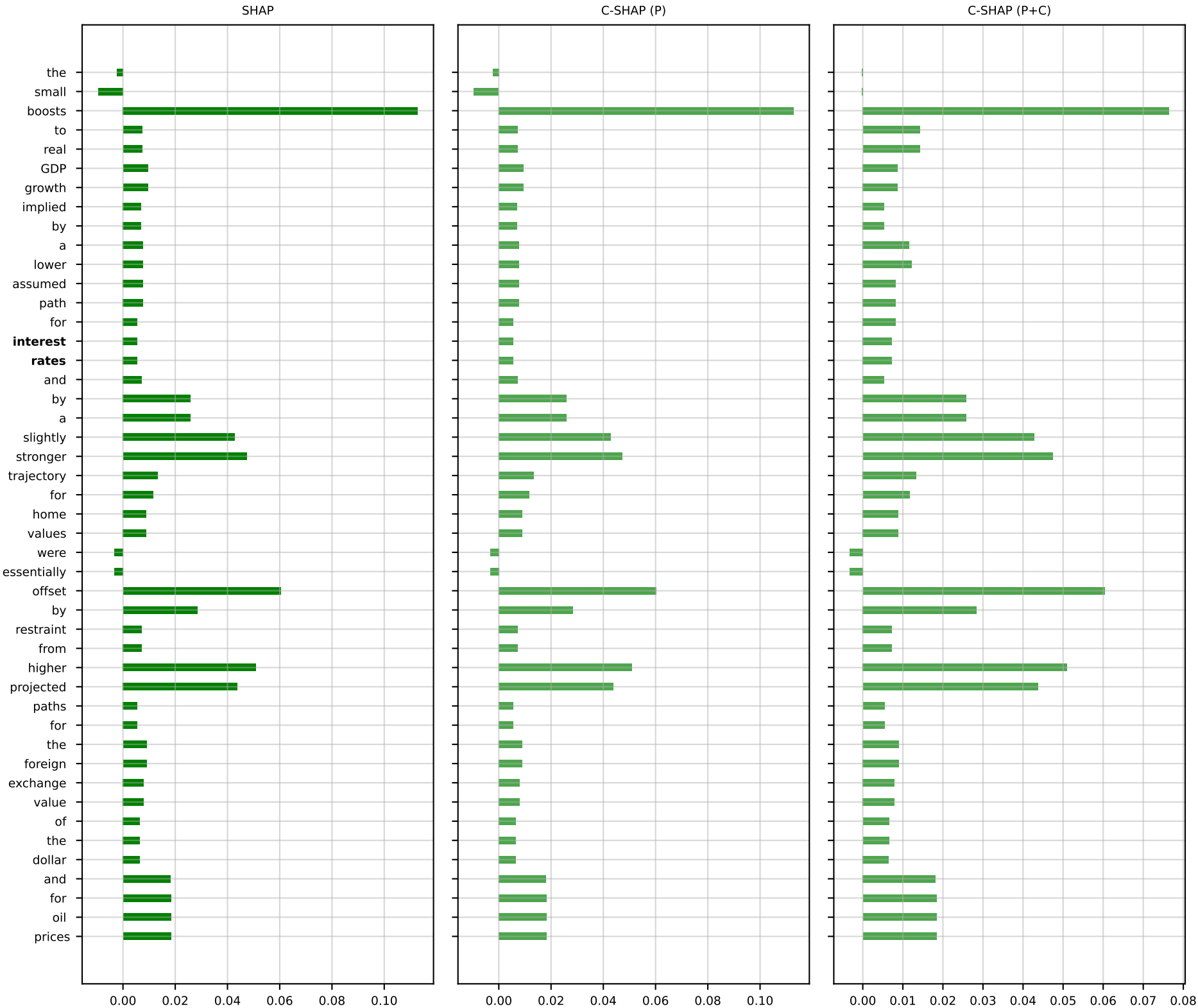
Beyond the near term, real GDP was expected to increase slightly faster than in the previous forecast, largely reflecting a somewhat higher projected trajectory for equity prices and lower assumed paths for both longer-term interest rates and the foreign exchange value of the dollar.

**positive - 0.9506**



the small boosts to real GDP growth implied by a lower assumed path for interest rates and by a slightly stronger trajectory for home values were essentially offset by restraint from higher projected paths for the foreign exchange value of the dollar and for oil prices.

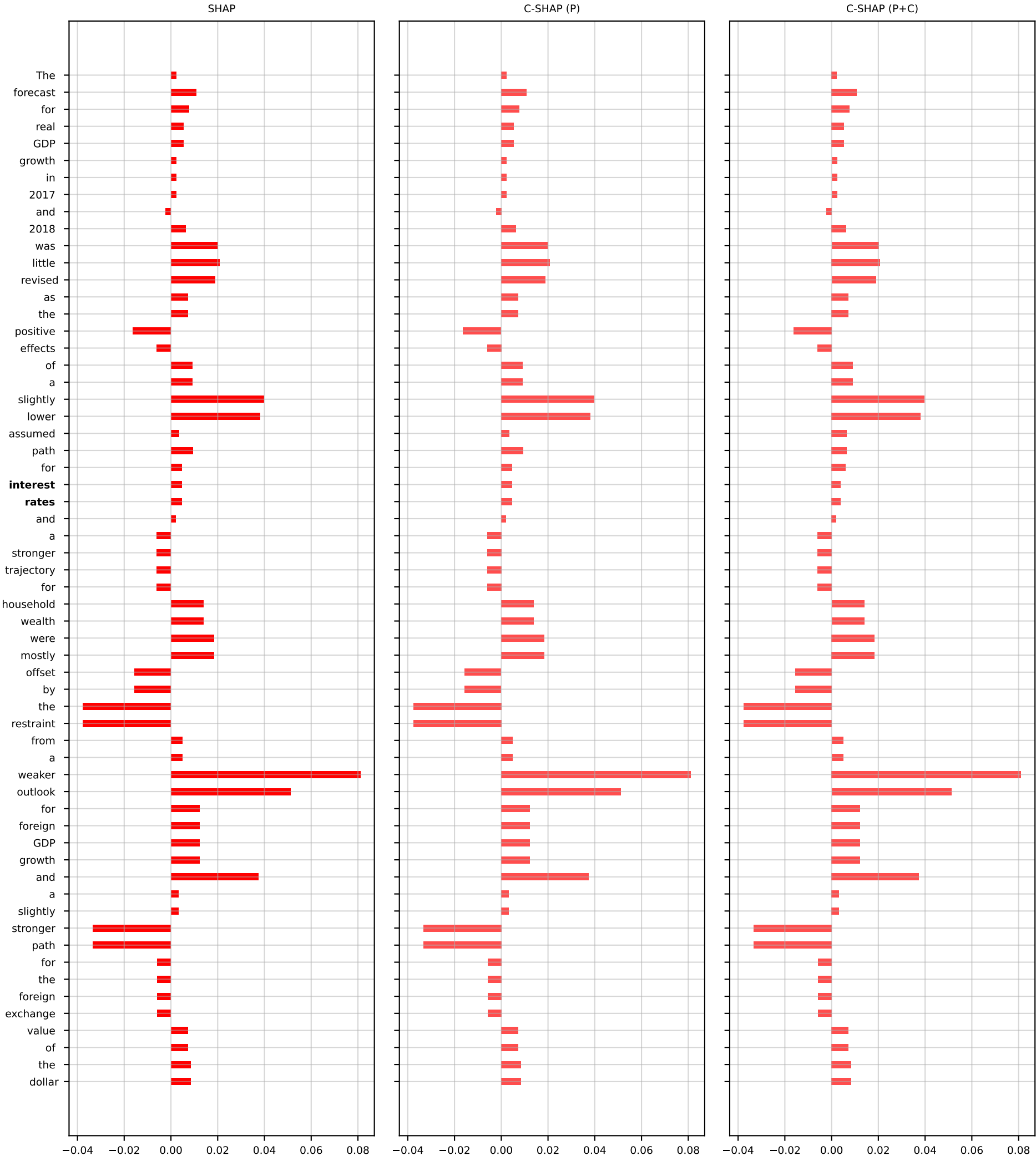
positive - 0.9195



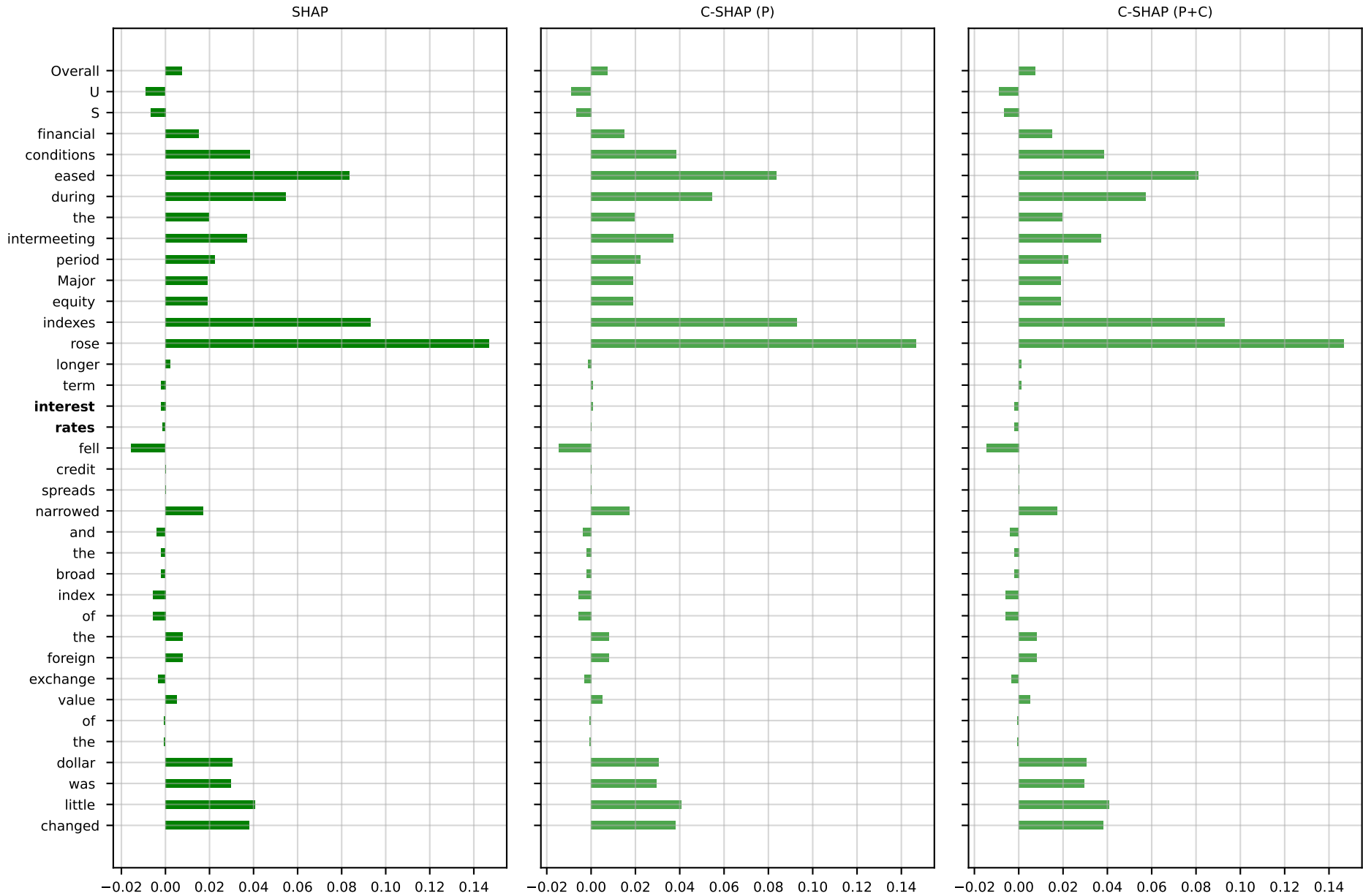


The forecast for real GDP growth in 2017 and 2018 was little revised, as the positive effects of a slightly lower assumed path for interest rates and a stronger trajectory for household wealth were mostly offset by the restraint from a weaker outlook for foreign GDP growth and a slightly stronger path for the foreign exchange value of the dollar.

**negative - 0.4757**



Overall, U.S. financial conditions eased during the intermeeting period: Major equity indexes rose, longer-term interest rates fell, credit spreads narrowed, and the broad index of the foreign exchange value of the dollar was little changed.  
**positive - 0.9129**

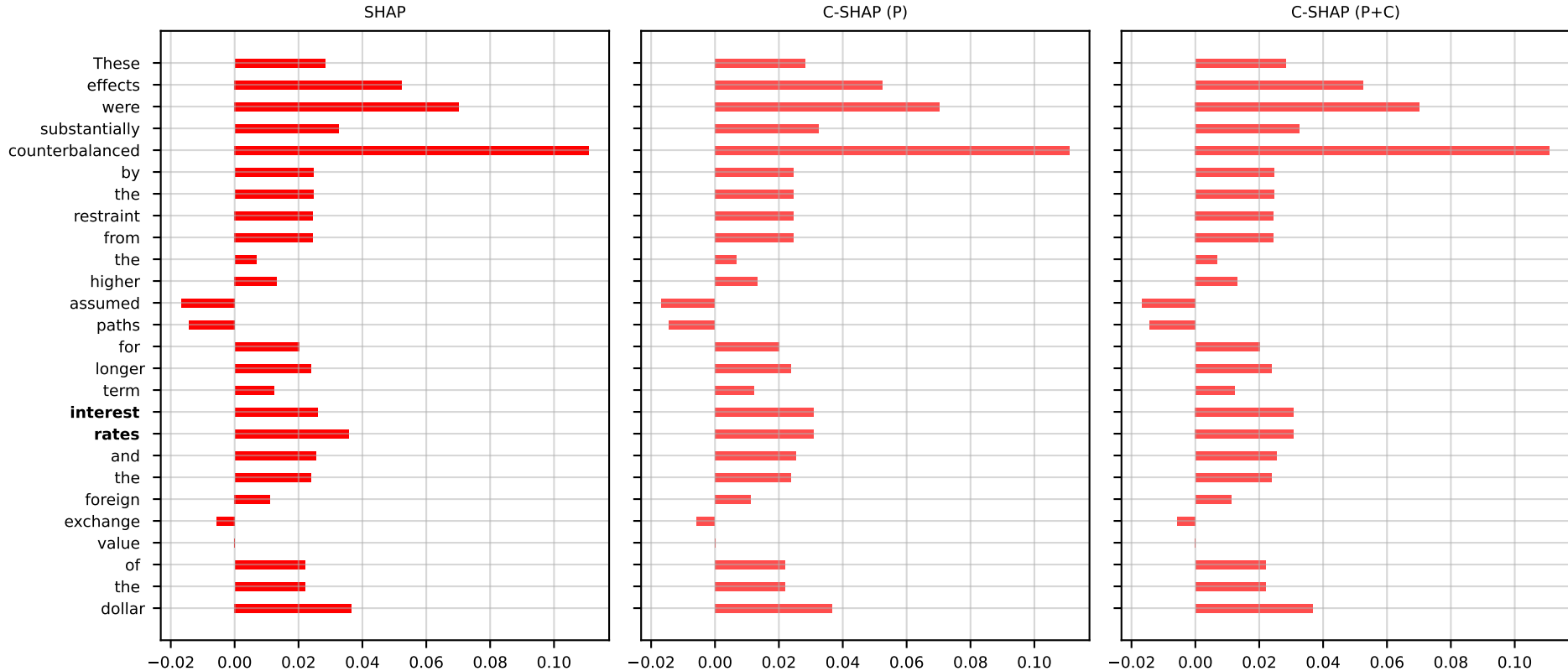


Participants discussed possible policy implications of the risks surrounding the outlook for inflation, including the possibility that achieving the Committee's inflation objective sooner than previously anticipated could cause a revision in market expectations of the path for policy rates and a sharp rise in longer-term interest rates, or the possibility that a further appreciation of the dollar stemming from developments abroad could renew disinflationary pressures and postpone the need for policy firming.

**negative - 0.8399**

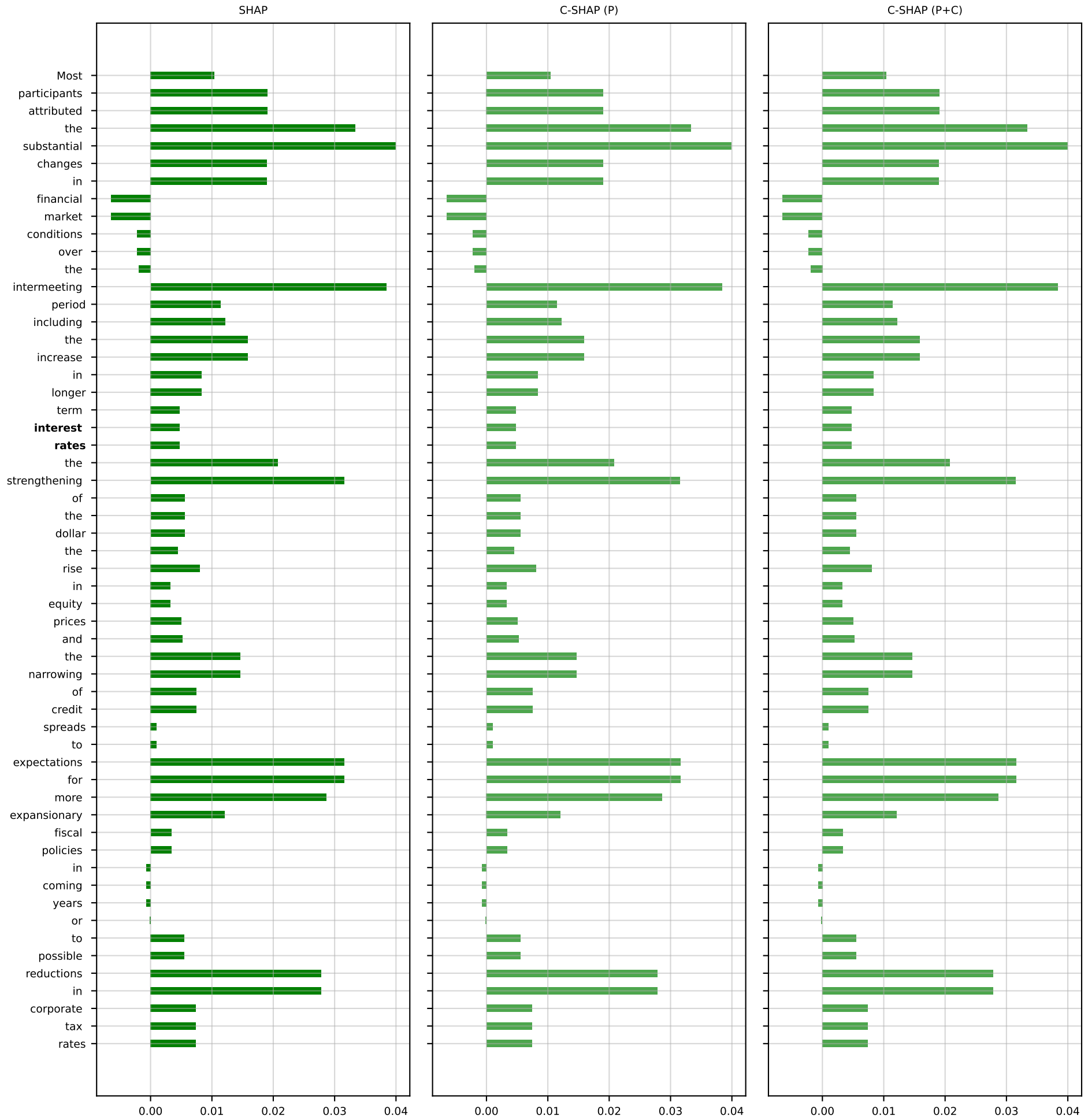


These effects were substantially counterbalanced by the restraint from the higher assumed paths for longer-term interest rates and the foreign exchange value of the dollar.  
**negative - 0.7783**

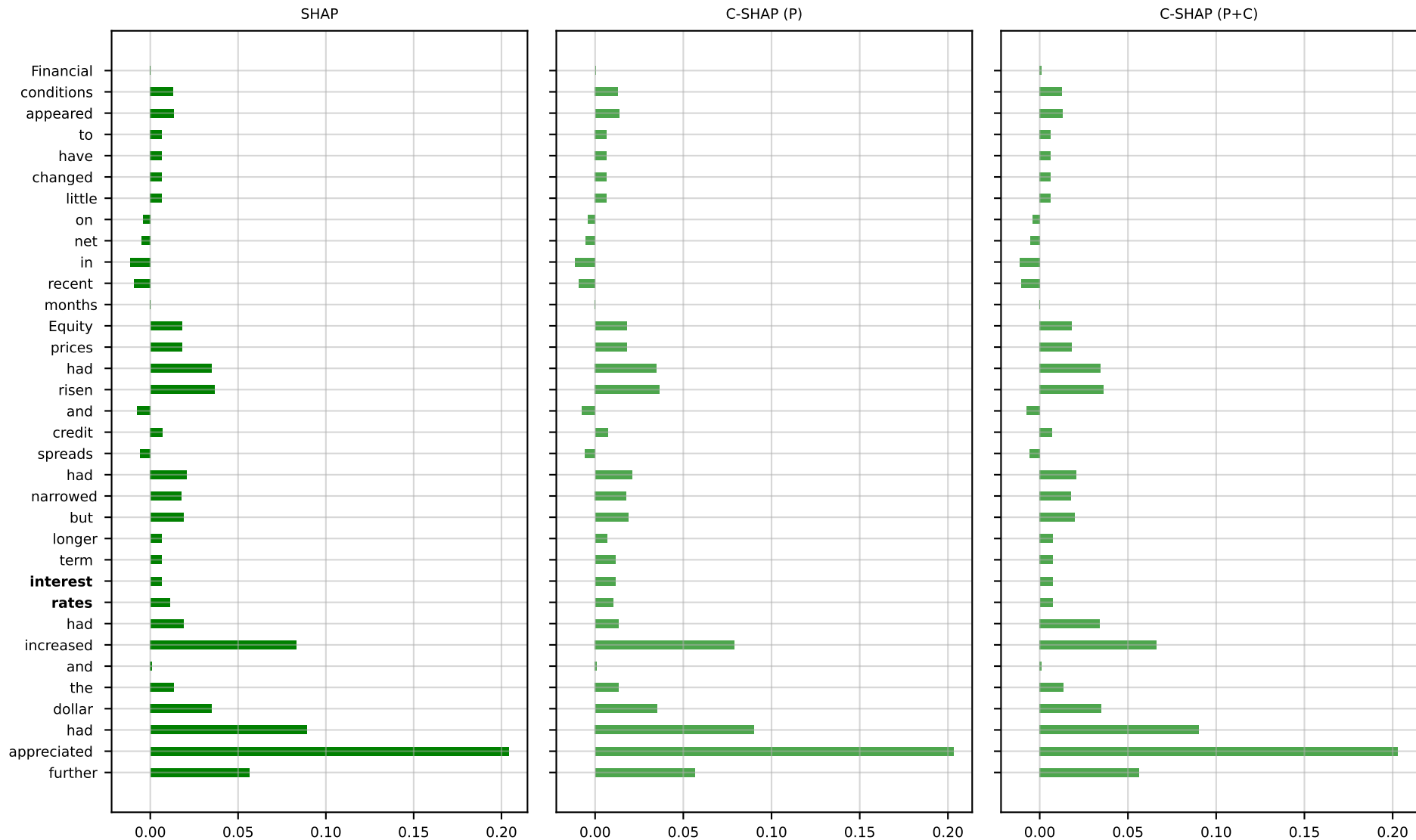


Most participants attributed the substantial changes in financial market conditions over the intermeeting period--including the increase in longer-term interest rates, the strengthening of the dollar, the rise in equity prices, and the narrowing of credit spreads--to expectations for more expansionary fiscal policies in coming years or to possible reductions in corporate tax rates.

positive - 0.85

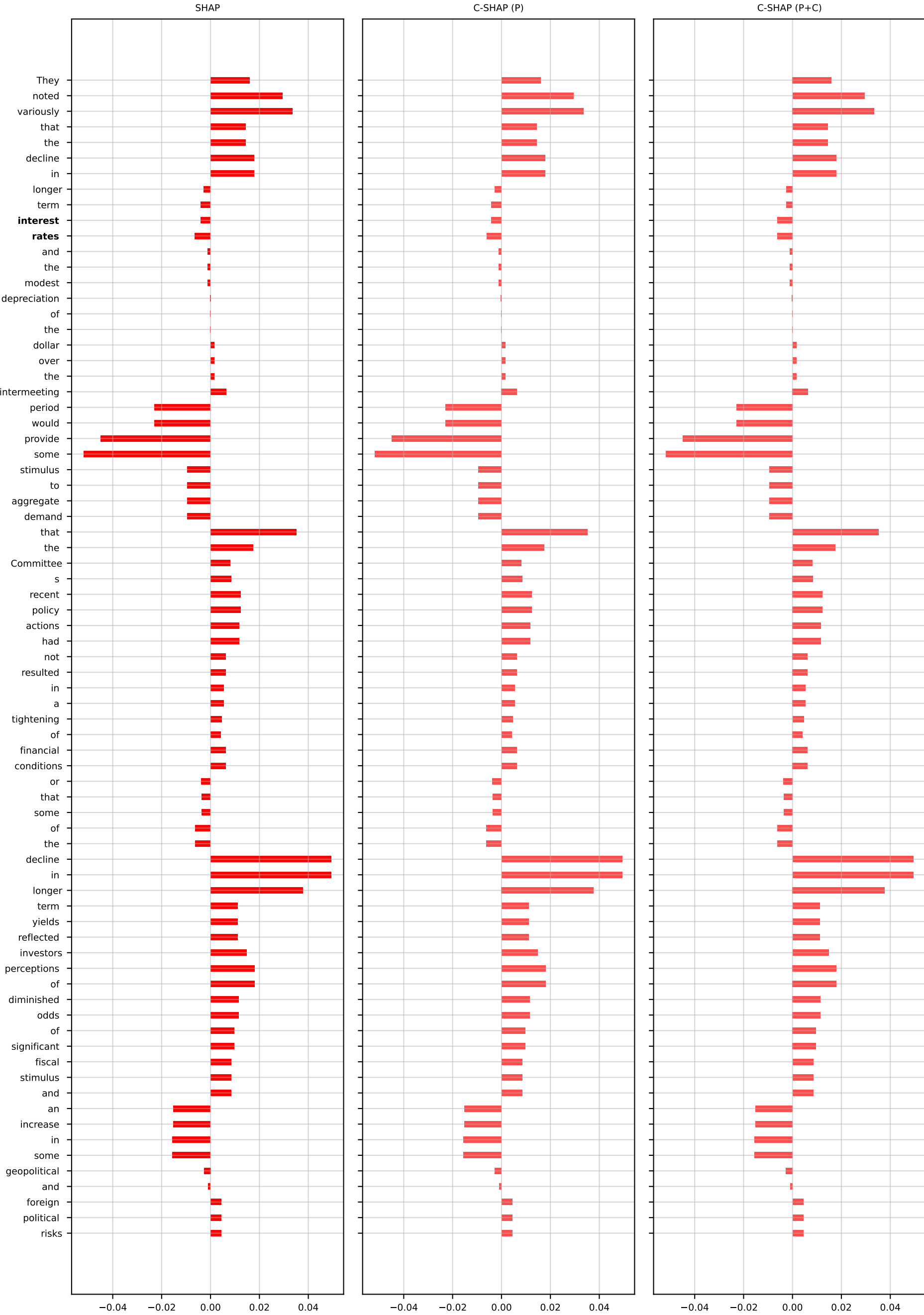


Financial conditions appeared to have changed little, on net, in recent months: Equity prices had risen and credit spreads had narrowed, but longer-term interest rates had increased and the dollar had appreciated further.  
**positive - 0.9236**



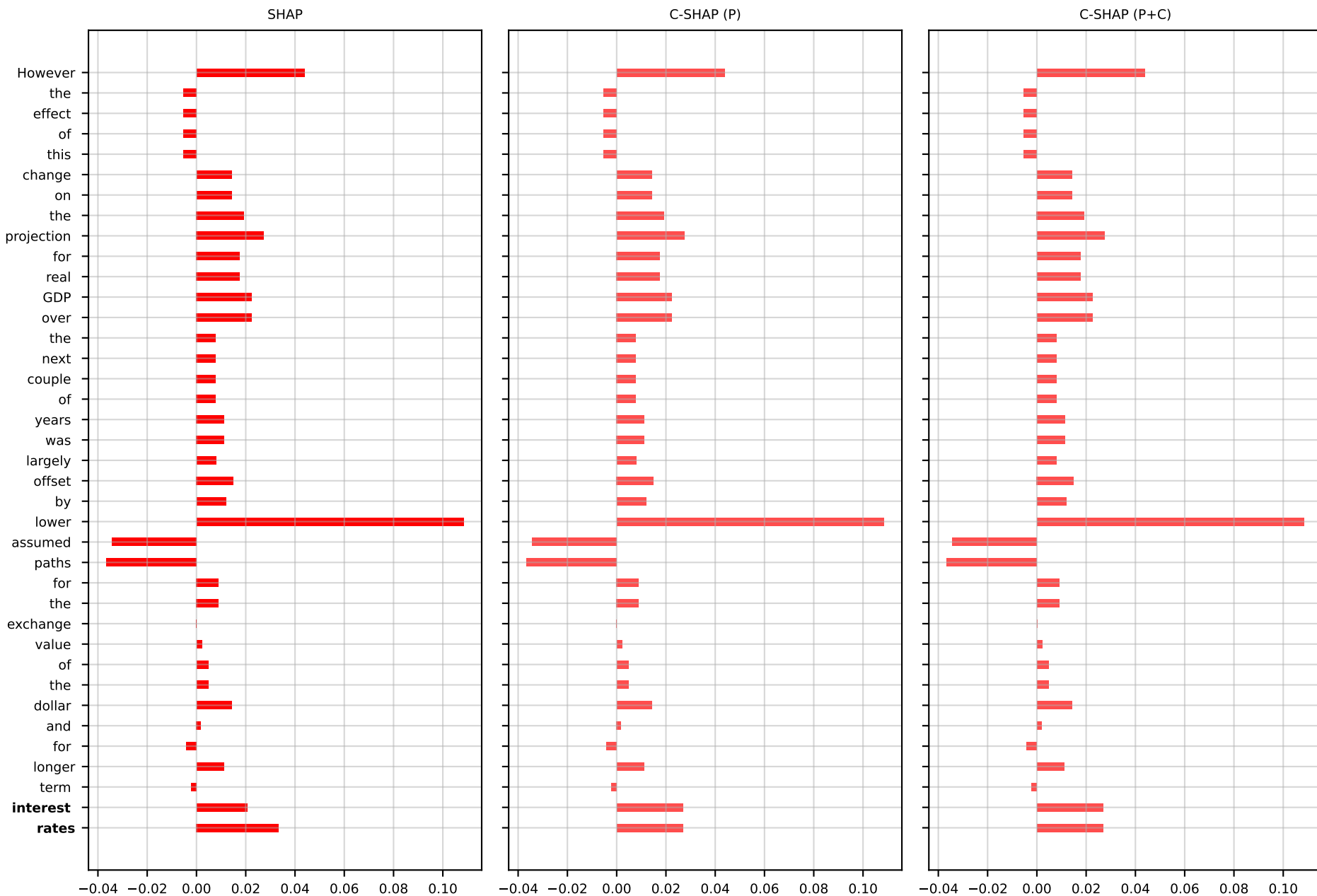
They noted variously that the decline in longer-term interest rates and the modest depreciation of the dollar over the intermeeting period would provide some stimulus to aggregate demand, that the Committee's recent policy actions had not resulted in a tightening of financial conditions, or that some of the decline in longer-term yields reflected investors' perceptions of diminished odds of significant fiscal stimulus and an increase in some geopolitical and foreign political risks.

negative - 0.5581



However, the effect of this change on the projection for real GDP over the next couple of years was largely offset by lower assumed paths for the exchange value of the dollar and for longer-term interest rates.

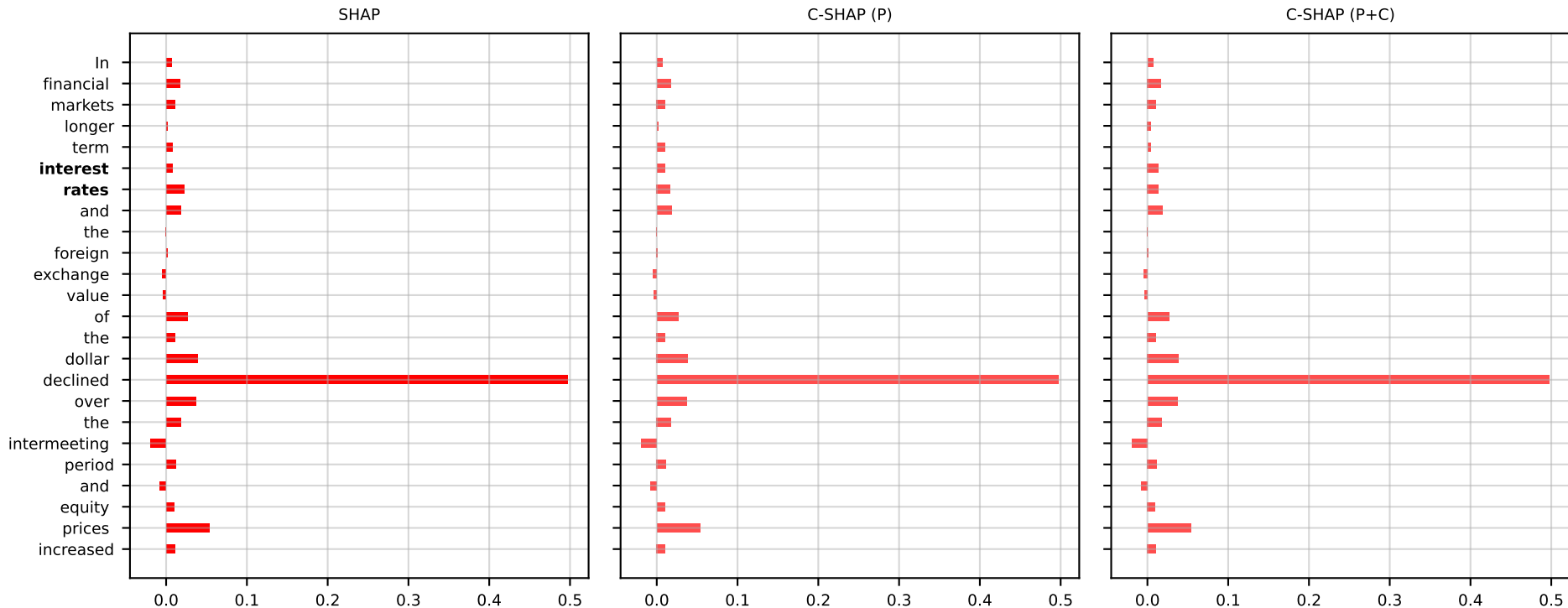
**negative - 0.5453**





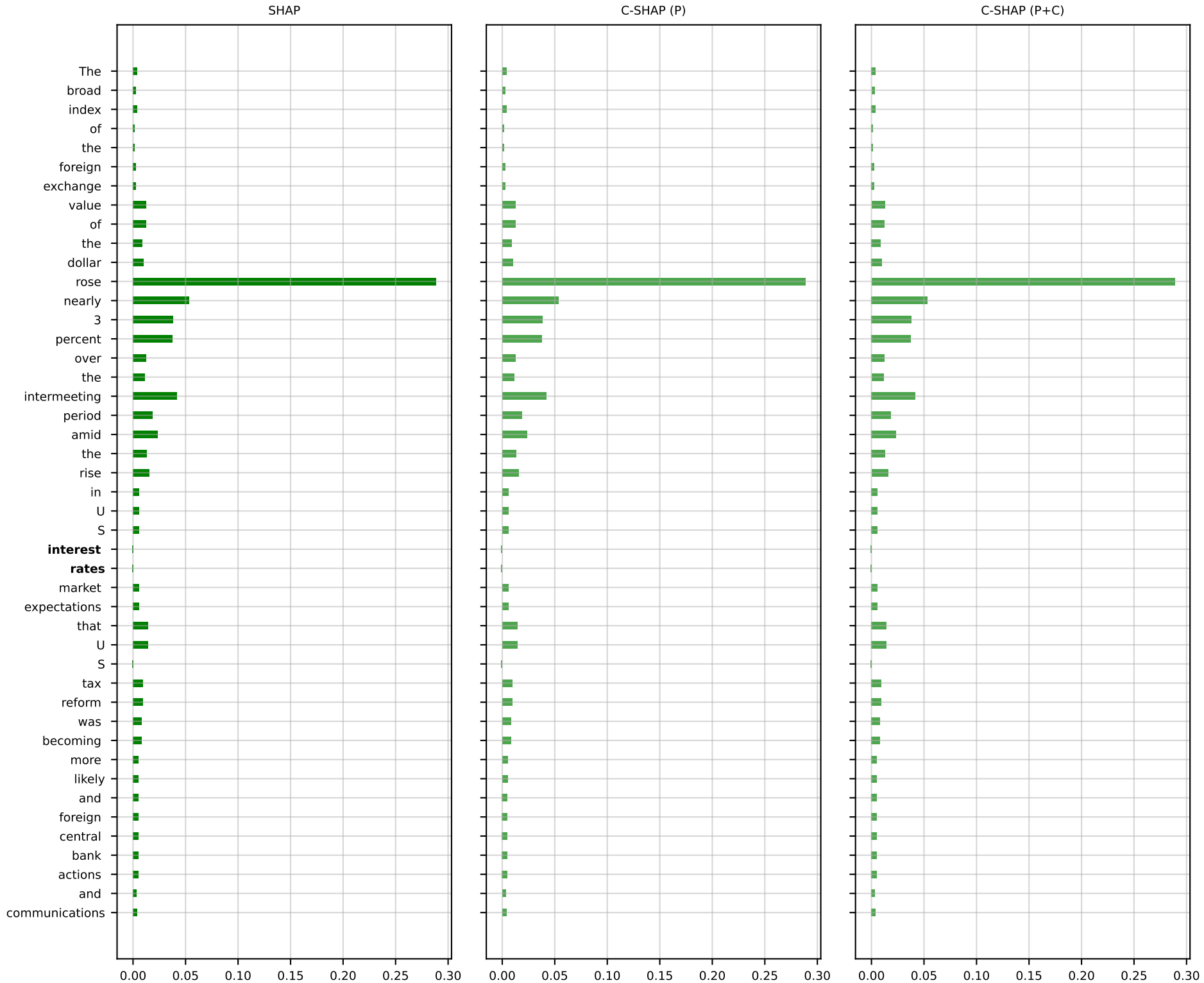
In financial markets, longer-term interest rates and the foreign exchange value of the dollar declined over the intermeeting period, and equity prices increased.

negative - 0.925



The broad index of the foreign exchange value of the dollar rose nearly 3 percent over the intermeeting period amid the rise in U.S. interest rates, market expectations that U.S. tax reform was becoming more likely, and foreign central bank actions and communications.

**positive - 0.9514**



With regard to financial markets, some participants observed that financial conditions remained accommodative, citing a range of indicators including low interest rates, narrow credit spreads, high equity values, a lower dollar, and some evidence of easier terms for lending to risky borrowers.

**positive - 0.6521**

