CHAIRMAN GREENSPAN. With respect to your yield curves on page 2, implicit there are three observations from which you could presumably get what you're trying to get at, namely, some form of weighted interest rate differential for the three observations. These do move the exchange rate. What happens if you take this back in time? Is there any explanatory power in this relationship?

MR. KOS. I didn't look at it that closely. I suspect that if one looks at the relationship over a long enough period, probably not a whole lot. That's a suspicion.

CHAIRMAN GREENSPAN. I thought we found approximately zero.

MS. JOHNSON. This is a longstanding paradox in international economics. When you run uncovered interest parity and embody the forward rate as the expected future spot rate, you actually get the coefficient with the wrong sign in those regressions if the time series is long enough. And you never get it to confirm interest rate differentials related to exchange rates only in the positive direction and with the magnitude that you expected. There are all sorts of reasons for that. My short one is that you're running two endogenous variables on each other and, therefore, the regression doesn't make any sense, and so the results don't make any sense.