

Interest Rates and the Value of Bank Equity

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How bank stock prices in the United States are affected by changes in the federal funds rate.

Bank Accounting & Finance October–November 2007. © 2007 CCH. All Rights Reserved.

Appendix

The Expected and Unexpected Components of Monetary Policy Actions (October 1988 to December 2005)

This table reports the changes in federal funds rate target, FOMC meetings and the expected and unexpected components of each monetary policy action from October 1988 to December 2005. The method to isolate the unexpected element from the expected change in funds rate target is developed by Kuttner (2001), who uses the changes in 30-day federal funds futures rate to estimate the unexpected changes in funds rate target, with the expected changes defined as the actual changes minus the unexpected changes. The changes in funds rate target in this table are in bps.

Event Date	Event	Actual Change	Expected Change	Unexpected Change	Event Date	Event	Actual Change	Expected Change	Unexpected Change
10/20/88		12.5	12.5	0	03/26/96	Meeting	0	6	-6
11/02/88	Meeting	0	-3	3	05/21/96	Meeting	0	0	0
11/22/88		25	21	4	07/03/96	Meeting	0	4	-4
12/15/88	Meeting	25	23	2	08/20/96	Meeting	0	6	-6
01/05/89		25	27	-2	09/24/96	Meeting	0	10	-10
02/09/89	Meeting	0	0	0	11/13/96	Meeting	0	0	0
02/14/89		25	23	2	12/17/96	Meeting	0	0	0
02/24/89		50	43	7	02/05/97	Meeting	0	2	-2
03/29/89	Meeting	0	1	-1	03/25/97	Meeting	25	22	3
05/17/89	Meeting	0	2	-2	05/20/97	Meeting	0	11	-11
06/06/89		-25	-24	-1	07/02/97	Meeting	0	1	-1
07/07/89	Meeting	-25	-22	-3	08/19/97	Meeting	0	3	-3
07/27/89		-25	-25	0	09/30/97	Meeting	0	0	0
08/23/89	Meeting	0	0	0	11/12/97	Meeting	0	3	-3
10/04/89	Meeting	0	-3	3	12/16/97	Meeting	0	0	0
10/19/89		-25	-28	3	02/04/98	Meeting	0	0	0
11/06/89		-25	-29	4	03/31/98	Meeting	0	0	0
11/15/89	Meeting	0	2	-2	05/19/98	Meeting	0	3	-3
12/20/89	Meeting	-25	-8	-17	07/01/98	Meeting	0	0	0
02/08/90	Meeting	0	1	-1	08/18/98	Meeting	0	-2	2
03/28/90	Meeting	0	0	0	09/29/98	Meeting	-25	-25	0
05/16/90	Meeting	0	0	0	10/15/98		-25	1	-26
07/04/90	Meeting	0	0	0	11/17/98	Meeting	-25	-19	-6

07/13/90		-25	-11	-14	12/22/98	Meeting	0	0	0
08/22/90	Meeting	0	0	0	02/03/99	Meeting	0	0	0
10/03/90	Meeting	0	-2	2	03/30/99	Meeting	0	0	0
10/29/90		-25	6	-31	05/18/99	Meeting	0	5	-5
*11/13/90	Meeting	-25	-21	-4	06/30/99	Meeting	25	29	-4
12/07/90		-25	2	-27	08/24/99	Meeting	25	23	2
*12/18/90	Meeting	-25	-4	-21	10/05/99	Meeting	0	4	-4
01/09/91		-25	-12	-13	11/16/99	Meeting	25	16	9
02/01/91		-50	-25	-25	12/21/99	Meeting	0	-2	2
02/07/91	Meeting	0	0	0	02/02/00	Meeting	25	30	-5
03/08/91		-25	-9	-16	03/21/00	Meeting	25	28	-3
03/27/91	Meeting	0	0	0	05/16/00	Meeting	50	45	5
04/30/91		-25	-8	-17	06/28/00	Meeting	0	2	-2
05/15/91	Meeting	0	-2	2	08/22/00	Meeting	0	2	-2
07/04/91	Meeting	0	0	0	10/03/00	Meeting	0	0	0
08/06/91		-25	-10	-15	11/15/00	Meeting	0	0	0
08/21/91	Meeting	0	-12	12	12/19/00	Meeting	0	-5	5
09/13/91		-25	-20	-5	01/03/01		-50	-12	-38
10/02/91	Meeting	0	1	-1	01/31/01	Meeting	-50	-50	0
10/31/91		-25	-20	-5	03/20/01	Meeting	-50	-56	6
11/06/91	Meeting	-25	-13	-13	04/18/01		-50	-7	-43
12/06/91		-50	-16	-34	05/15/01	Meeting	-50	-42	-8
12/18/91	Meeting	0	-5	5	06/27/01	Meeting	-25	-30	5
12/20/91		-50	-22	-28	08/21/01	Meeting	-25	-27	2
02/06/92	Meeting	0	1	-1	09/17/01		-50	-18	-32
04/01/92	Meeting	0	-1	1	10/02/01	Meeting	-50	-43	-7
04/09/92		-25	-1	-24	11/06/01	Meeting	-50	-40	-10
05/20/92	Meeting	0	3	-3	12/11/01	Meeting	-25	-25	0
07/02/92	Meeting	-50	-14	-36	01/30/02	Meeting	0	-2	2
08/19/92	Meeting	0	-3	3	03/19/02	Meeting	0	3	-3
09/04/92		-25	-3	-22	05/07/02	Meeting	0	0	0
10/07/92	Meeting	0	-5	5	06/26/02	Meeting	0	0	0
11/18/92	Meeting	0	10	-10	08/13/02	Meeting	0	-3	3
12/23/92	Meeting	0	-4	4	09/24/02	Meeting	0	-3	3
02/04/93	Meeting	0	1	-1	11/06/02	Meeting	-50	-31	-19
03/24/93	Meeting	0	4	-4	12/10/02	Meeting	0	0	0
05/19/93	Meeting	0	3	-3	01/29/03	Meeting	0	-1	1
07/08/93	Meeting	0	-3	3	03/18/03	Meeting	0	-5	5
08/18/93	Meeting	0	0	0	05/06/03	Meeting	0	-4	4
09/24/93	Meeting	0	0	0	06/25/03	Meeting	-25	-40	15
11/17/93	Meeting	0	-2	2	08/12/03	Meeting	0	0	0
12/22/93	Meeting	0	0	0	09/16/03	Meeting	0	0	0
02/04/94	Meeting	25	13	12	10/28/03	Meeting	0	0	0
03/22/94	Meeting	25	28	-3	12/09/03	Meeting	0	0	0
04/18/94		25	15	10	01/28/04	Meeting	0	0	0
05/17/94	Meeting	50	37	13	03/16/04	Meeting	0	0	0
07/06/94	Meeting	0	5	-5	05/04/04	Meeting	0	1	-1
08/16/94	Meeting	50	36	14	06/30/04	Meeting	25	26	-1
09/27/94	Meeting	0	20	-20	08/10/04	Meeting	25	23	2
11/15/94	Meeting	75	61	14	09/21/04	Meeting	25	23	2

12/20/94	Meeting	0	17	-17	11/10/04	Meeting	25	25	0
02/01/95	Meeting	50	45	5	12/14/04	Meeting	25	25	0
03/28/95	Meeting	0	-10	10	02/02/05	Meeting	25	25	0
05/23/95	Meeting	0	0	0	03/22/05	Meeting	25	25	0
07/06/95	Meeting	-25	-24	-1	05/03/05	Meeting	25	25	0
08/22/95	Meeting	0	0	0	06/30/05	Meeting	25	25	0
09/26/95	Meeting	0	0	0	08/09/05	Meeting	25	25	0
11/15/95	Meeting	0	-6	6	09/20/05	Meeting	25	24	1
12/19/95	Meeting	-25	-15	-10	11/01/05	Meeting	25	25	0
01/31/96	Meeting	-25	-18	-7	12/13/05	Meeting	25	25	0

Note:

1. For the events before February 1994, the event dates are the dates when the changes in fed funds rate target were actually implemented by the Open Market desk, which were generally the day after the regular FOMC meeting. Since February 1994, the Federal Reserve has taken the policy of announcing the changes in the fed funds rate target immediately after the FOMC meeting. Accordingly, the event dates since February 1994 are the dates of the FOMC meeting. For the changes that happened between meetings, the event dates are the actual time of change. There are two minor deviations from the above pattern: One is on 11/13/1990, when the Desk allowed a 25-bp drift downward in advance of the FOMC's decision; the other is on 12/18/1990, when the Board of Governors made an unusual late-afternoon announcement of a cut in the discount rate from which the market inferred a 25-bp cut in the target rate.
2. Data source: The actual changes in funds rate target are compiled from Lobo (2002) and the Web site of the Federal Reserve Bank of New York (<http://www.ny.frb.org/markets/statistics/dlyrates/Fedrate.html>, accessed on February 1, 2006); the 30-day fed funds futures data used to isolate the unexpected component of changes in funds rate target are from Datastream.