

Table 4. Ten Largest Observations of the Path Factor

Date	Z ₁ (Target Factor)	Z ₂ (Path Factor)	Statement	Financial Market Commentary
Jan. 28, 2004	-1.1	42.7	✓	Statement drops commitment to keep policy unchanged for “a considerable period,” bringing forward expectations of future tightenings
Jul. 6, 1995	-8.7	-38.4	✓	First easing after long (seventeen-month) series of tightenings raises expectations of further easings; statement notes that inflationary pressures have receded
Aug. 13, 2002	8.1	-37.2	✓	Statement announces balance of risks has shifted from neutral to economic weakness
May 18, 1999	0.5	32.8	✓	Statement announces change in policy bias going forward from neutral to tightening
May 6, 2003	5.2	-27.0	✓	Statement announces balance of risks now dominated by risk of “an unwelcome substantial fall in inflation”
Dec. 20, 1994	-15.1	26.6		Surprise that FOMC not tightening considering recent comments by Blinder on “overshooting”; some fear Fed may have to tighten more in 1995 as a result
Oct. 5, 1999	-2.7	25.8	✓	Statement announces change in policy bias going forward from neutral to tightening
Oct. 28, 2003	3.9	-24.4	✓	Statement leaves the “considerable period” commitment unchanged, pushing back expectations of future tightenings
Jan. 3, 2001	-32.3	22.8	✓	Large surprise intermeeting ease reportedly causes financial markets to mark down probability of a recession; Fed is perceived as being “ahead of the curve” and as needing to ease less down the road as a result
Oct. 15, 1998	-24.0	-22.6	✓	First intermeeting move since 1994 and statement pointing to “unsettled conditions in financial markets... restraining aggregate demand” increases expectations of further easings