

Table 3

The effect of funds rate target changes on market interest rates.^a

$$\Delta R_t = b_1 + b_2 \Delta RFF_t + u_t$$

ΔR_t	b_1	b_2	R^2	SER	DW
3-month bill rate	0.016 (1.04)	0.554 (8.10) ^b	0.47	0.13	1.89
6-month bill rate	0.017 (1.44)	0.541 (10.25) ^b	0.59	0.10	1.82
12-month bill rate	0.024 (2.02) ^c	0.500 (9.61) ^b	0.56	0.10	1.94
3-year bond rate	0.018 (2.16) ^c	0.289 (7.87) ^b	0.46	0.07	1.59
5-year bond rate	0.012 (1.66)	0.208 (6.43) ^b	0.36	0.06	1.59
7-year bond rate	0.009 (1.47)	0.185 (6.78) ^b	0.39	0.05	1.89
10-year bond rate	0.012 (2.34) ^c	0.131 (5.85) ^b	0.32	0.04	1.94
20-year bond rate	0.007 (1.73)	0.098 (5.46) ^b	0.29	0.03	2.04

^aIncludes 75 changes in the federal funds rate target from September 1974 through September 1979. Bill and bond rate changes are calculated over the day of the target changes. t -statistics are in parentheses.

^bSignificant at the 1% level, using a two-tailed test.

^cSignificant at the 5% level, using a two-tailed test.