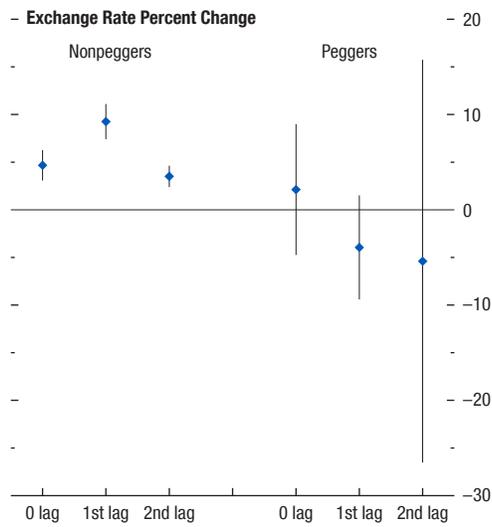


**Figure 3.2.4. The Exchange Rate Response to Federal Funds Rate Surprises**



Source: IMF staff calculations.

Note: Current, first, and second month impact coefficient of a 10 basis point federal funds rate surprise change on the change in the exchange rate (local currency per U.S. dollar) of advanced economies divided, at times, into peggers and nonpeggers. Exchange rate log differences are regressed on country-fixed effects and three lags of federal funds rate changes instrumented by surprises. Regressions are run separately for peggers and nonpeggers. Standard errors are robust, and confidence bands are shown at the 5 percent level.