

**ECO 103, Winter 2015, Required Homework Assignment #5**  
**Due at the start of class on Wednesday, March 25**

Read the following article:

3/9/15. "The biggest threat to stocks now: A Fed rate hike." *CNNMoney*

1. What happened to unemployment during February 2015?
2. Why did stock prices fall apparently in response to this news?
3. What is likely motivating the Federal Reserve to possibly raise interest rates in the near future?

Now read the following older article:

Paul R. La Monica. 9/18/2007. "Interest rates slashed to help economy." *CNNMoney*

4. What type of open market operations did the Fed conduct in September 2007?
5. What happened to stock prices in response to this policy announcement and why?
6. What motivated the Federal Reserve's actions discussed in this article?
7. Was the Fed's policy discussed in the article successful?
8. Given that it appears monetary policy can have large effects on stock prices, should the Federal Reserve try to stabilize stock values?

Locate the Federal Reserve Bank of Cleveland's "Credit Easing" Tool.

9. What is the current size of the Federal Reserve's balance sheet? Also, what is meant by the Fed's "balance sheet?"
10. What are the two biggest components of the Fed's balance sheet?