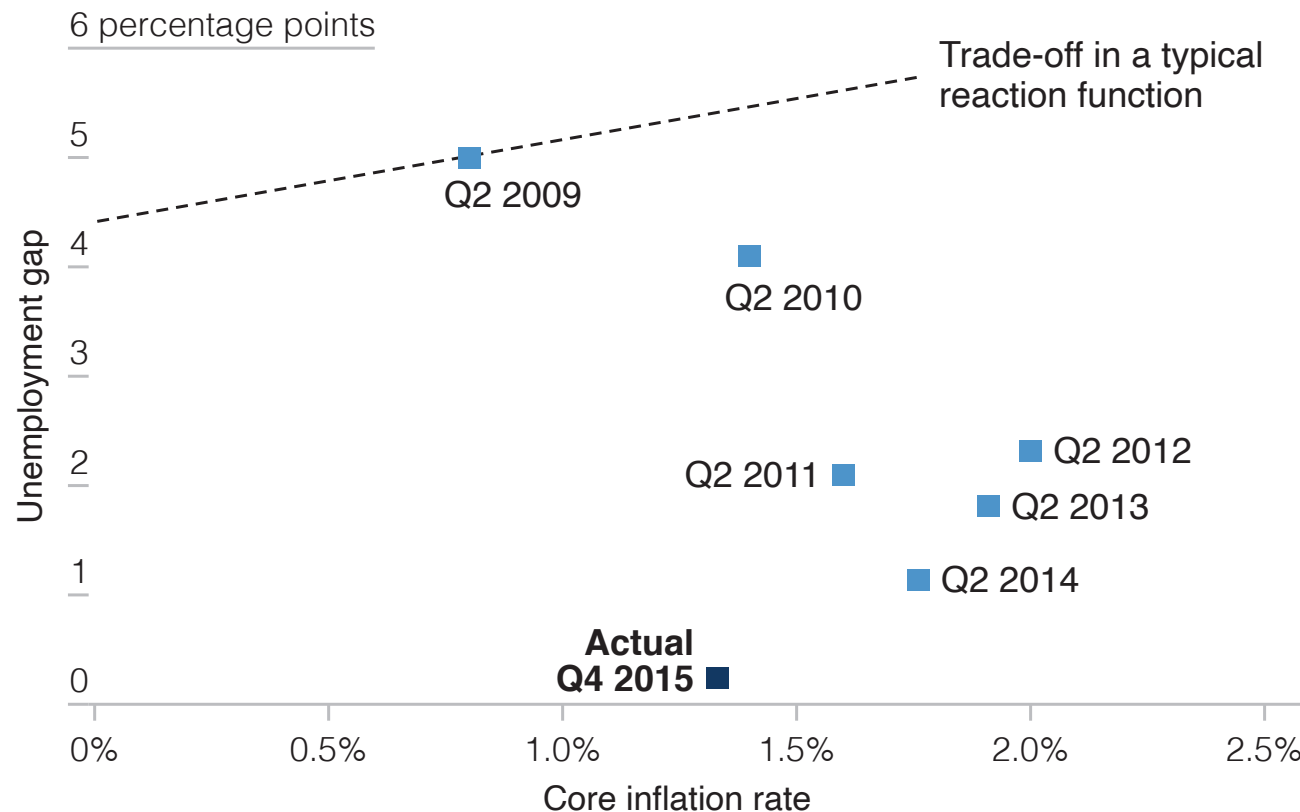


## Market Expectations of Economic Conditions at Time of First Federal Funds Rate Hike



Note: The dashed line shows the set of outcomes for the two economic variables that would leave the timing of the rate hike unchanged under a typical monetary policy reaction function. A line with this slope could be drawn for each point in the chart, and shifts in the line would represent changes in the perceived reaction function.

Sources: Bloomberg Finance L.P.; Federal Reserve Bank of Philadelphia; Donald Kohn and Brian Sack, "Monetary Policy during the Financial Crisis," in Ben S. Bernanke, Timothy F. Geithner, and Henry M. Paulson, Jr., with J. Nellie Liang, eds., *First Responders: Inside the U.S. Strategy for Fighting the 2007–2009 Global Financial Crisis* (New Haven: Yale University Press, 2020)

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