Note on Tracking Financial Data

One objective of Econ 135 is to help you to become familiar with financial markets. Finding and tracking financial data is the first step. This note is intended to help you find relevant data. Following financial data and financial news should also help you understand monetary theory, because daily market action often provides great examples of how the theory applies in practice.

Here are the financial instruments worth monitoring:

1. **Three-month Treasury Bill Rate**: Keep track of the yield. This is THE benchmark interest rate in the U.S. money market.
   

2. **Ten-year Treasury Note**: Keep track of the yield and (if available consistently) the price. This is the most liquid longer run Treasury security, and therefore widely viewed as representative for the bond market. The yield on the 10-year note is a standard measure of “the” long-term interest rate.
   
   (Aside: The term “note” is used for Treasury securities up to 10 years original maturity—it’s essentially synonymous with “bond” and often appears under bond quotes.)
   

3. **Ten-year Treasury Inflation-Protected Security (TIPS)**. Keep track of the yield and (ideally) the price. The yield on the 10-year TIPS provides a real interest rate measure that’s instructive in comparison to the nominal yield on the regular 10-year note.
   
   (Aside: Some publications use the acronym TIIS for Treasury inflation-indexed security. Some use the term Treasury bond to refer to Treasury bonds and notes. Disregard such semantics—the key tasks are to pick the correct maturity (10 years, exactly or rounded down) and to distinguish regular bonds/notes from inflation-protected/indexed bonds/notes.)
   

4. **The S&P500 stock index**: Keep track of the index number. This is an index that tracks the average value of the 500 largest U.S. stocks.
   

5-6. **The Yen-Dollar and Dollar-Euro exchange rates**. The Yen and the Euro are the most important foreign currencies. Keep track of Yen/Dollar and Dollar/Euro rates.

(7) Fed-Funds Rate: This is most relevant when the FOMC meets and makes changes. Keep track of the Effective Rate, if you can find it, otherwise the Target Rate.

The Fed funds rate is a key overnight interest rate between banks that the Federal Reserve uses to set monetary policy. The market is active throughout the day and not centralized, so different newspapers may give different quotes. Many sources show the Fed’s “Target Rate” that differs from actual market rates. The “Effective Rate” is a measure of the day’s actual market rate.


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Notes

Most of the sources above provide current quotes. For systematic analysis and research, closing quotes would be more useful. The WSJ used to provide both, but unfortunately their site has deteriorated.


You may notice that the list focuses on interest rates and exchange rates. Both are closely related to monetary policy. If you are interested in the stock market, you may track additional securities or indicator on your own—and if you notice developments that seem interesting or puzzling, you are invited to ask me in class (best at the start) or after class.

Let’s hope we see a lot of market action this quarter to serve as current examples of how monetary policy interacts with financial markets!

P.S. Online sources keep changing and are difficult to keep current. If any of the links above doesn’t work, please send me an email.