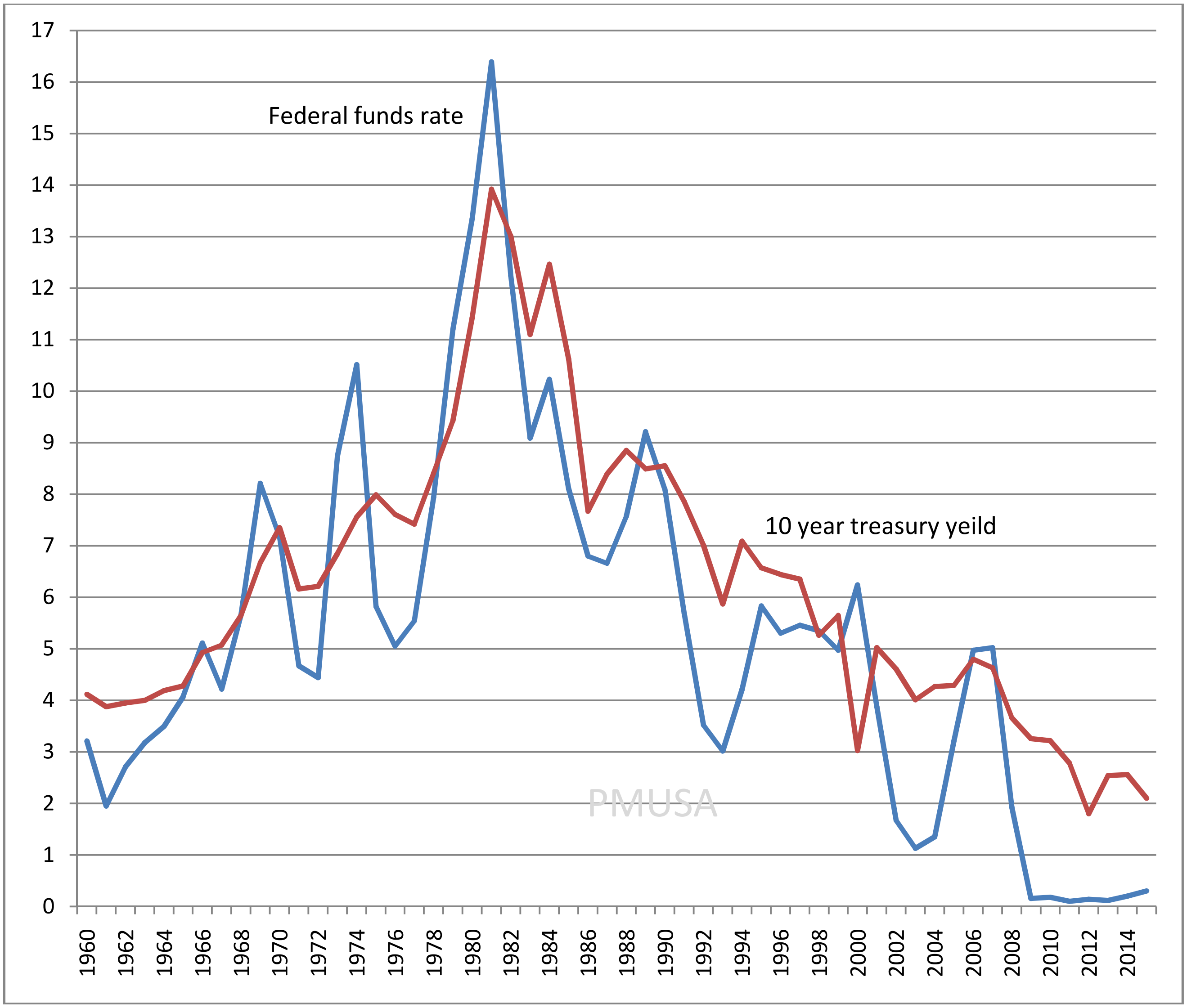
FEDERAL FUNDS RATE & 10 YEAR TREASURY YEILD 1960-2015
(PERCENT)



(Source: U.S Dept of the Treasury, New York Federal Reserve Bank)

The Federal Funds rate is the interest rate commercial banks charge each other for overnight loans. The Federal Open Market Committee (FOMC) of the Federal Reserve Bank sets the rate and manages liquidity in the banking system to ensure the rate stays at or near the established level. The 10 year treasury yield is the interest rate of the 10 year bond issued by the U.S. Treasury. The 10 year is a benchmark rate for many financial credit products, most importantly, mortgage borrowing rates. The trend in rates is obvious, though the trend will be changing in 2016. The Fed's zero rate policy and massive quantitative easing has come to an end…almost. Expectations are for the Fed to continue increasing the Fed Funds rate in 2016 back towards more normal levels above 3 percent. The 10 year rate remains low thanks to safe-haven status for capital in uncertain times. The notable spike in rates in the above chart from 1980-82 resulted from the action of Fed Chairman Paul Volcker's effort to tamp down inflation and inflation expectations after the oil shocks of the 1970's.