

Ms Yellen paved the way for that language to be discarded as soon as the Fed's March meeting. If it is, she explained, the

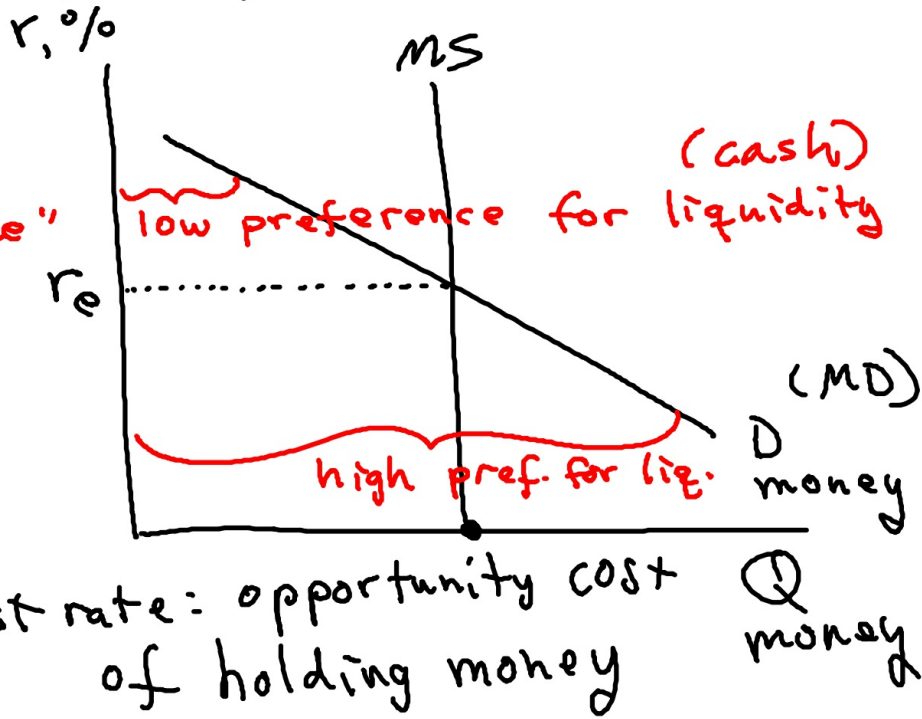
“modification should be understood as reflecting the committee’s judgment that conditions have improved to the point where it will soon be the case that a change in the target range could be warranted at any meeting.”

Fed “guidance”: words they say containing signals to market participants

# Money Market - module 28

short-term, nominal

"liquidity preference model of interest rate"



interest rate: opportunity cost of holding money

Shifters of money demand:

- changes in aggregate price level ( $P$  in AD/AS)

$$P \uparrow \text{ MD} \rightarrow$$

$$P \downarrow \text{ MD} \leftarrow$$

- changes in real GDP ( $r\text{GDP}$  in AD/AS)

$$r\text{GDP} \uparrow \text{ MD} \rightarrow$$

$$r\text{GDP} \downarrow \text{ MD} \leftarrow$$

- changes in technology

MD ← Internet-enabled transactions

- changes in institutions.

← MD →  
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