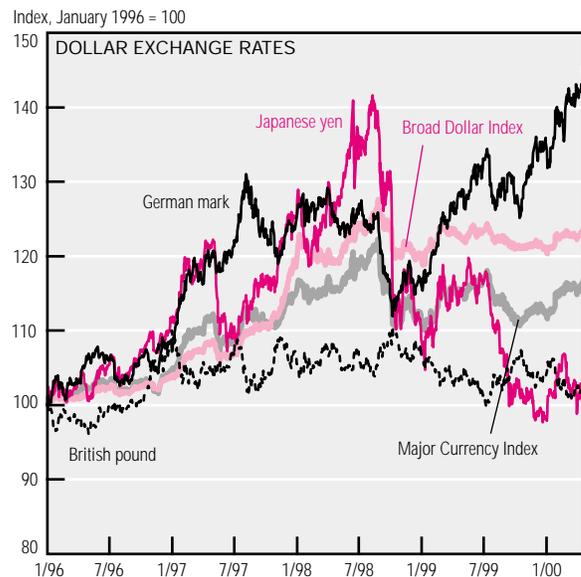
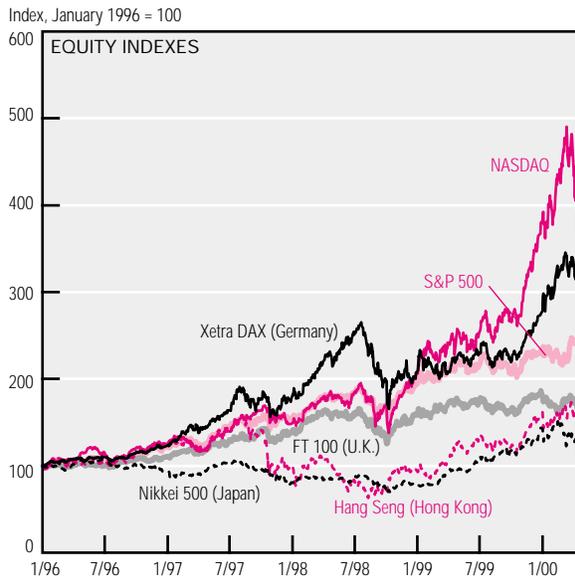


# International Market Volatility

Equity-Index Volatility Measures <sup>a</sup>					
	1996	1997	1998	1999	2000
Nikkei 500	0.57	0.98	0.88	0.92	1.72
FT 100	0.48	0.74	1.01	0.89	0.74
Xetra DAX	0.55	1.16	1.45	1.10	1.42
Hang Seng	0.76	1.53	1.99	1.31	1.79
S&P 500	0.57	0.87	0.94	0.92	1.25
NASDAQ	0.74	0.90	1.24	1.42	2.52

Exchange-Rate Volatility Measures <sup>a</sup>					
	1996	1997	1998	1999	2000
German mark	0.30	0.48	0.42	0.42	0.50
British pound	0.27	0.41	0.34	0.33	0.34
Euro	—	—	—	0.42	0.50
Yen	0.35	0.52	0.83	0.63	0.56
Broad Index	0.10	0.19	0.28	0.18	0.15
Major Currency Index	0.16	0.27	0.34	0.28	0.24



a. Volatility is measured as the average absolute interday percent change.

SOURCES: Board of Governors of the Federal Reserve System; DRI/McGraw-Hill; *Wall Street Journal*; and *Financial Times*.

The day-to-day volatility of U.S. equity markets has increased markedly this year. The average absolute percentage change in the NASDAQ has risen almost 80% so far this year compared with 1999. Moreover, the day-to-day volatilities of both the S&P 500 and the NASDAQ are higher than in any of the past four years. Market volatility is generally associated with uncertainty, which in this case may reflect apprehension about the valuation

of high-tech stocks and concerns about future U.S. monetary policy.

With the exception of London's FT 100, the day-to-day volatility of foreign equity markets has also risen this year. The Japanese Nikkei Index showed the most pronounced increase. Recent volatility in the German (Xetra DAX) and Hong Kong (Hang Seng) indexes—although higher than in 1999—remains below that recorded in 1998.

Equity-market volatility is not reflected in the dollar's foreign exchange rates. The Broad and Major Currency indexes seem calm. The day-to-day volatility of the German mark (and euro) exchange rate has increased this year relative to last year, which may be a sign of uncertainty about the prospect for monetary policy in Europe. Apart from this, the average volatility of foreign exchange markets is not atypical.