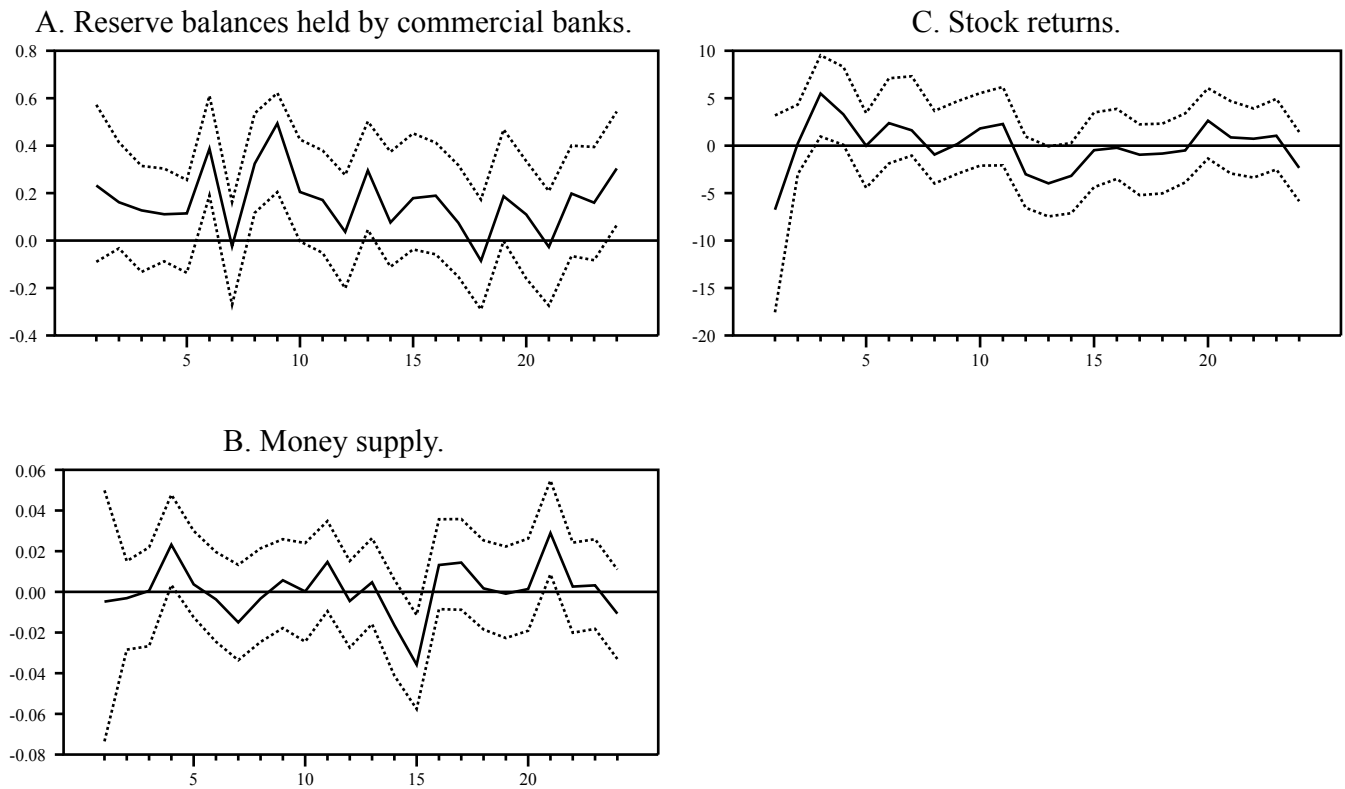


Figure 5. Transmission of the Fed's balance sheet shock into the stock market.  
(Reserve channel)



Note: Panel A shows the effects of an increase in the Fed's total assets on reserve balances held by commercial banks. Panels B and C show the responses of money supply and stock returns to an increase in total reserves, respectively. Dotted lines show