Two things you need to know to get started on this question:

- money market shocks cause random shifts in the LM curve
- goods market shocks cause random shifts in the AS curve.

Assume money market shocks cause the LM curve to fluctuate between $LM^{low}$ and $LM^{high}$.

If the central bank follows a policy of keeping the money supply constant, the economy fluctuates between points B and C, and output fluctuates between $y_o$ and $y_i$. In contrast, if the central bank adjusts the money supply to keep $i$ constant at $i_0$, output will be completely stabilized.

An unfavorable money market shock causes a movement to B, which has a higher interest rate. The bank responds by increasing the money supply, shifting the LM curve back to its central location at A. A favorable money market shock is counteracted by contracting the money supply. Thus a constant interest rate policy is more stabilizing than a constant money supply policy when short-run fluctuations are driven by shocks to the money market.
Just an outline here....
Goods market shocks shift IS curve left and right.
When bank does nothing to adjust the money supply, output fluctuates between B and C. Under a constant interest rate policy, output fluctuates much more, between E and F. This is because the constant interest rate rule induces the bank to contract the money supply when the economy is in a recession and reease it when it is in a boom!