# Discussion of “Safe Assets in Emerging Market Economies”

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# An important paper

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- Just the right questions

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- Convenience yield

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- Why?
- Just because
- Modeled the right way at the get go

# Operationalizing convenience yield

$$E \sum_{t=1}^{\infty} \beta^t u(c_t + \nu(\theta_t^i, \text{GDP}_t^i))$$

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- Why does CY go up with policy rates?
  - Perhaps because of scarcity of safe assets
  - Or perhaps because monetary tightening itself increases risk and its pricing (Bekaert and Hoerova)

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- Also need to think about safe USTs that gain in value when the debt ceiling is about to bind

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- Think about which securities are eligible collateral for discount window operations
- Carries over to non-banks too, as banks will be happy to accept these as collateral in repos
- Time variance in discount window collateral, useful identification

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- What is happening to the safe/safe spread?
- That completes the analysis

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- What is safety?
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- How does the safety/convenience premium change over time?
- All are partially answered
- Continuing this analysis is important both for macroprudential and for monetary policy purposes