a discussion of

Global spillovers from multi-dimensional US monetary policy

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Spillovers from U.S. Monetary Policy

Methodology:

- Identification of US policy shocks using non-Gaussianity in HF policy surprises (Jarociński , 2021)
- Conventional MP, FG, QE, CB Information
- Panel Smooth local projection (Barnichon and Brownlees, 2019)

Results:

- No effect from conventional MP both domestically and abroad!
- Spillovers mainly from FG and QE
- Transmission mainly through changes to risk appetite
- QE rebalancing between US and AE, not EM
- FG and QE entail trade-offs in output vs prices stabilisation in EM

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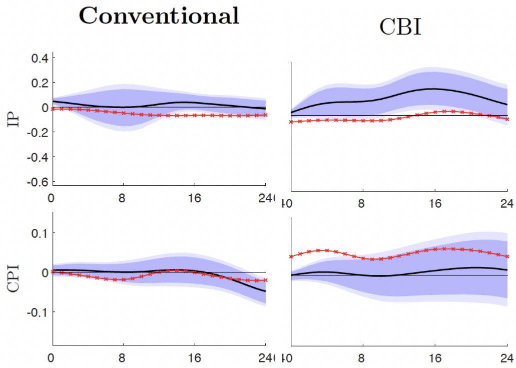
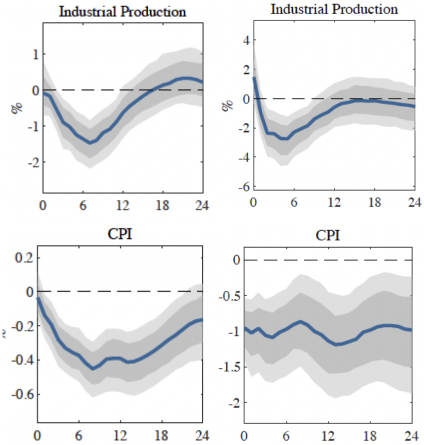
Conventional MP & Info shocks

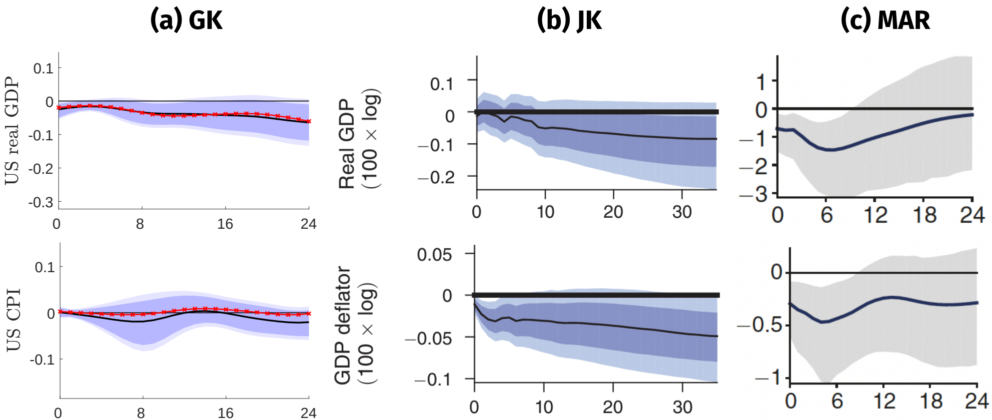
International effects





Comment 1: Conventional MP shocks

Domestic effects



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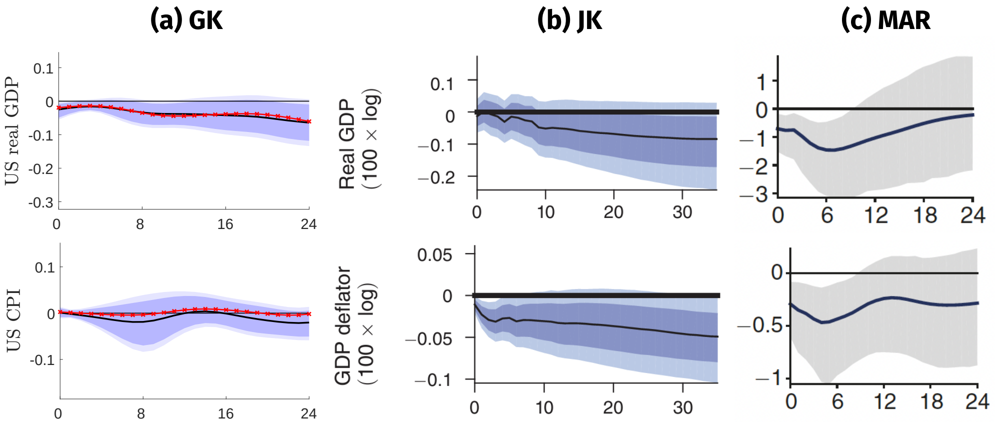
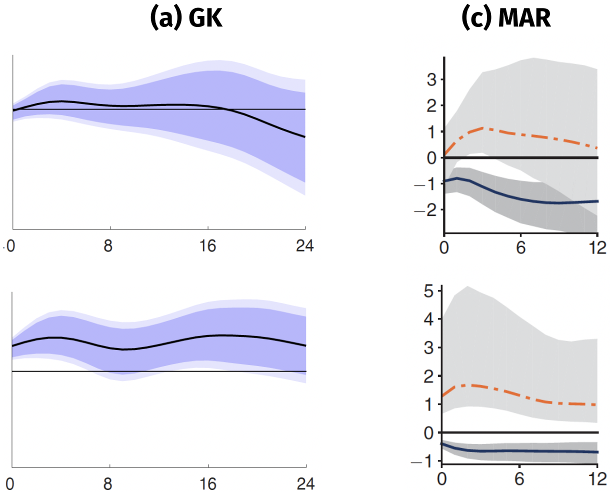


- Very short term surprises vs FF4

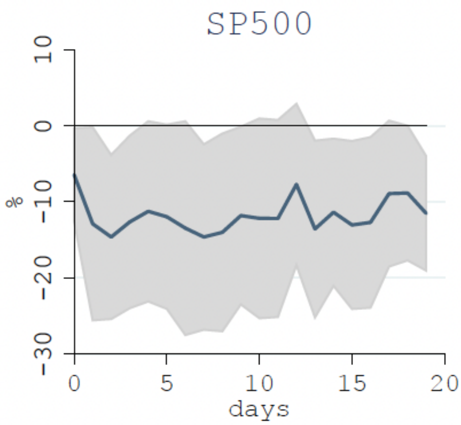
Comment 1: CB Information

Domestic effects

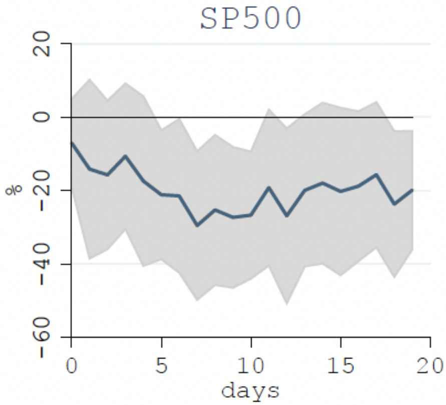


Comment 2: Do market know in real time?

(a) MP shock



(b) Info



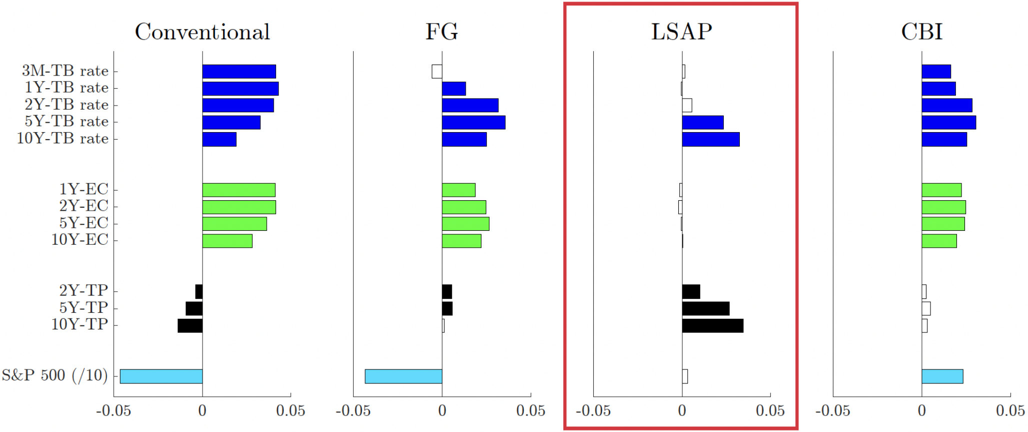
Comment 3: Which role for the ZLB?

	VD: waves of periodicity			FVR: horizon
Time span	$2-18$ months	$18-96$ months	2+ months	24 months
1983:1–2008:12	10.4	22.0	16.1	15.5
1990:1–2012:6	6.3	15.5	8.0	8.1
1987:1–2008:12	7.3	15.4	11.3	10.6
1983:1–2012:6	10.0	24.6	12.7	12.8
1979:7–2012:6	17.2	19.3	17.4	17.5
1979:7–2019:6*	15.7	18.2	15.3	15.1

Figure: *Forni et al, 2023*

- Differences in transmission? (e.g. Mavroeidis 2021)
- Lack of identification?

Comment 4: QE or Risk premia?



Comment 4: QE or Risk premia?

	Stock-yield cov > 0	**Stock-yield cov < 0**
$\mathbf{Var}(y^{Short/Mid}) > \mathbf{Var}(y^{Long})$	(1,1) Economic Growth	(1,2) Conventional Monetary Policy (via short-rate expectations)
$\mathbf{Var}(y^{Short/Mid}) < \mathbf{Var}(y^{Long})$	(2,1) Risk Premia (risk on/off)	(2,2) Unconventional Monetary Policy (via long rates/risk premia)

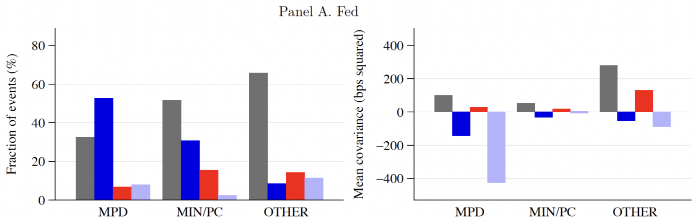


Figure: *Cieslak and Schrimpf, 2019*

- Risk premium shocks: shifts in the risk aversion/risk appetite
- Risk premium shocks move stocks and bond yields in the same direction (flight-to-safety)

Comment 5: Are large events uncorrelated?

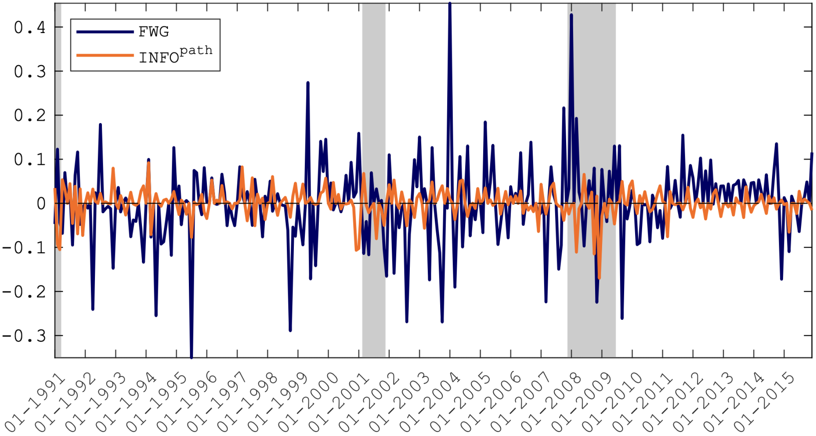
When it rains it pours

	Repo Change			short term	medium term	term premium	country risk
Dec-03	Continuous inflation target	-0.5	Unexpected	**57.63**	**-13.82**	5.27	1.76
Aug-04	Pressure to weaken the rand	-0.5	Unexpected	**-60.82**	5.21	**-20.19**	-2.10
Apr-05	Focus switch to output gap	-0.5	Unexpected	**-55.68**	-6.63	0.73	-1.12
Jun-08	Global economy uncertainty	0.5	Unexpected	**-42.87**	-1.21	5.19	-3.16
Oct-08	Lehman Brothers bankruptcy	0	Expected	-7.93	**33.76**	-5.36	**32.39**
Mar-09	Growth concerns	-1	Expected	-15.26	9.69	14.00	-28.48
May-09	No press conference	-1	Expected	-9.24	-9.67	**26.06**	-14.48
Aug-09	Global recession	-0.5	Unexpected	**-47.73**	4.52	2.91	2.13
Sep-11	European Debt crisis	0	Expected	3.74	-9.99	6.15	**31.93**
Jul-12	ECB's 'Whatever it takes'	-0.5	Unexpected	**-44.88**	0.14	**-10.74**	-0.93
Sep-13	US Fed delays tapering	0	Expected	1.87	8.28	-3.70	**-27.03**
Jan-14	Bank reaffirms the inflation targeting	0.5	Unexpected	**44.53**	**16.93**	-4.74	**10.85**
Jan-16	Dismissal of Finance Minister Nene	0.5	Expected	**30.17**	-2.25	**-17.71**	-6.60
Mar-16	State Capture project	0.25	Unexpected	**16.49**	-0.20	**-16.81**	**-16.82**
Mar-17	Political uncertainty	0	Expected	4.16	-1.39	**-20.87**	-0.15

Table: *Pirozhkova et al (2023)*

Comment 5: Are large events uncorrelated?

In a recession both information effects and surprise actions can be large



Conclusions

- Great paper!
- ... very timely!
- Advances the debate on important questions that are not yet settled
- (We need robust patterns!)