

Discussion of “Trouble Every Day”

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- 3 Some suggestions

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- Much needed attention to SA monetary policy measurement and transmission
- Heavy machinery brought in to answer big questions

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- Relate policy surprise factors to asset price responses
- Do information cleansing, employ in proxy VAR
- Also effects of external factors: VIX, Fed, ECB, Oil Prices

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- Try falsification test: what happens if you do the analysis with data from the day before MPC meeting?

TABLE 3: Selected MPC episodes

| MPC date | Repo change | Repo level | F1 | F2 | F3 | Event |
|------------|-------------|------------|-------------|-------------|--------------|---|
| 09.10.2008 | 0 | 12 | -0.58 | 3.34 | 0.69 | Lehman Brothers files for bankruptcy |
| 26.03.2015 | 0 | 5.75 | 0.04 | -0.20 | 2.04 | Unchanged repo over uncertainty about US policy normalisation |
| 28.01.2016 | 50 bp | 6.75 | 1.52 | -0.20 | -2.17 | Minister Nene fired |
| 30.03.2017 | 0 | 7 | 0.20 | -0.03 | -2.28 | Commitment to keep low inflation |

Even more suggestions

- Information cleansing: how can F3 not be pure information?

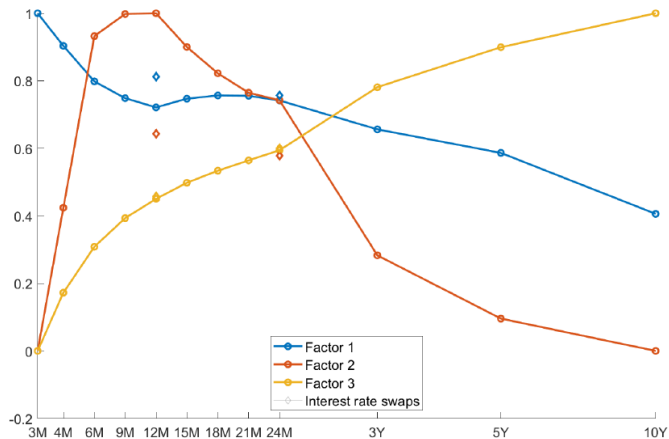
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- Information cleansing: how can F3 not be pure information?
- Relationship to international state: has to be either fluke or SARB responding to int'l developments in ways not well understood by markets
- Proxy-VAR: what is being proxied?

Three instruments, one policy



Conclusion

- Great work in progress
- Very interesting economics
- More thinking and tweaking surely to come
- Eagerly await the working to circulate