

VOLATILITY FINANCIAL CONDITIONS INDEX (VFCI) AND THE BUSINESS CYCLE

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OUTLINE

- Replication of “Business Cycle Anatomy”
- Volatility Financial Conditions Index
- Result 1 - Varying VFCI target frequency
- Result 2 - Varying Unemployment and VFCI target frequency
- Result 3

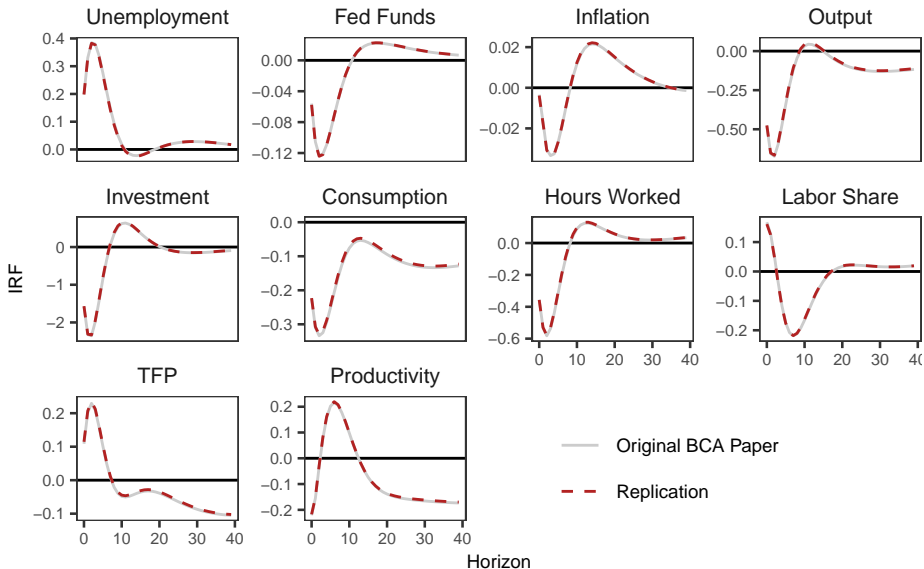
REPLICATION OF “BUSINESS CYCLE ANATOMY”

Introduce (1) Business Cycle frequency, (2) VAR variables, (3) FEV
Maximization identification

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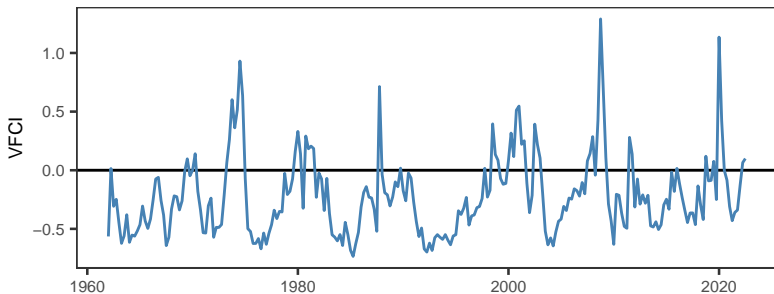
REPLICATION OF “BUSINESS CYCLE ANATOMY”



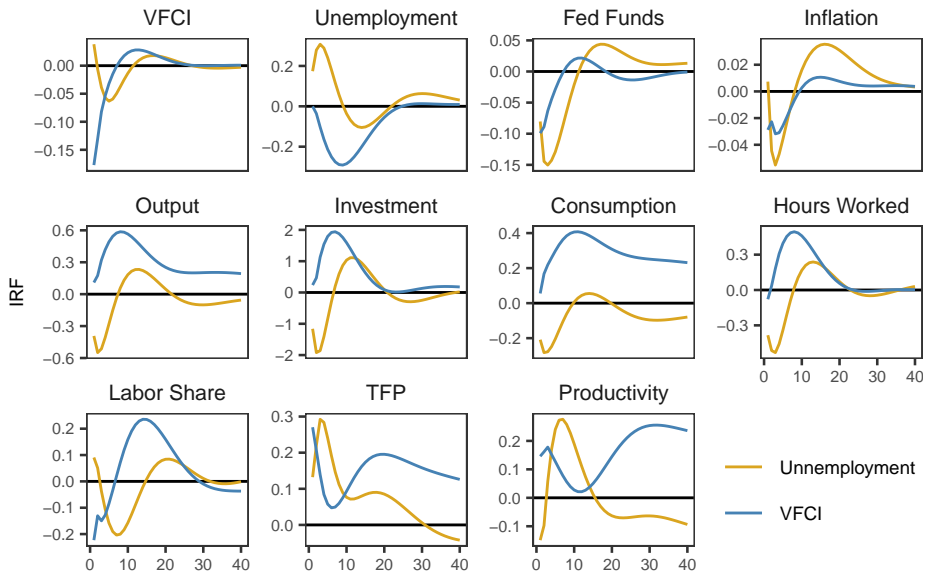
VOLATILITY FINANCIAL CONDITIONS INDEX

Introduce VFICI data series

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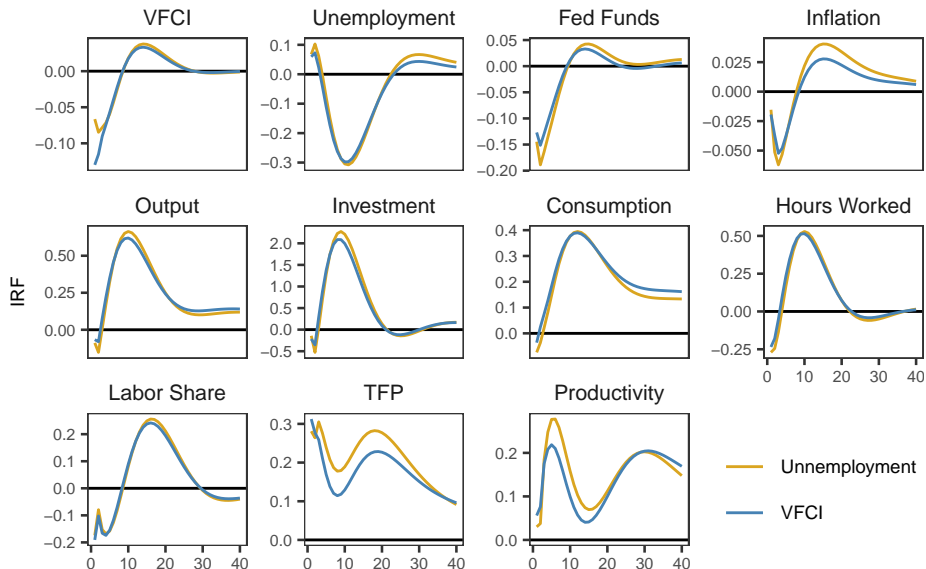
RESULTS 1 - BOTH TARGET BC (6 - 32 Q)



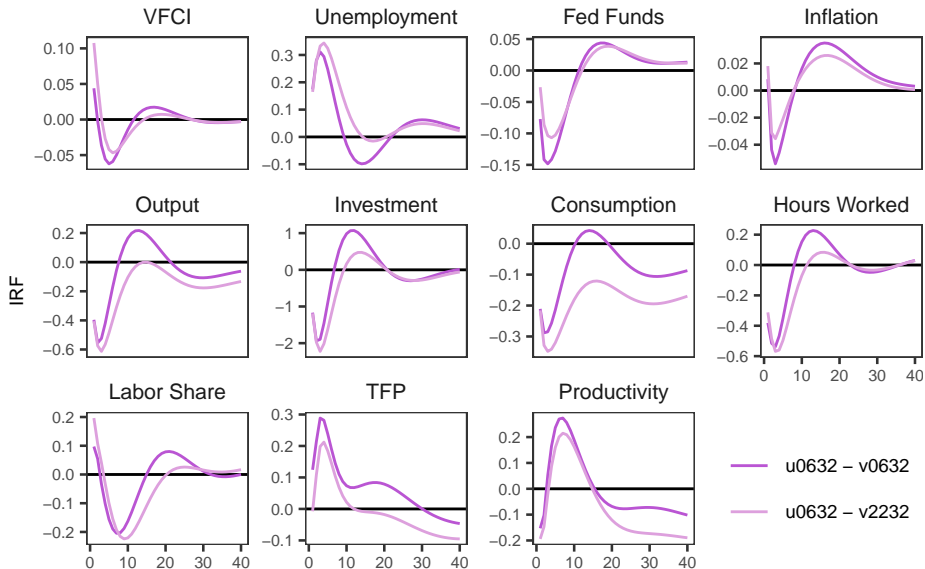
► Differences

► First Differences

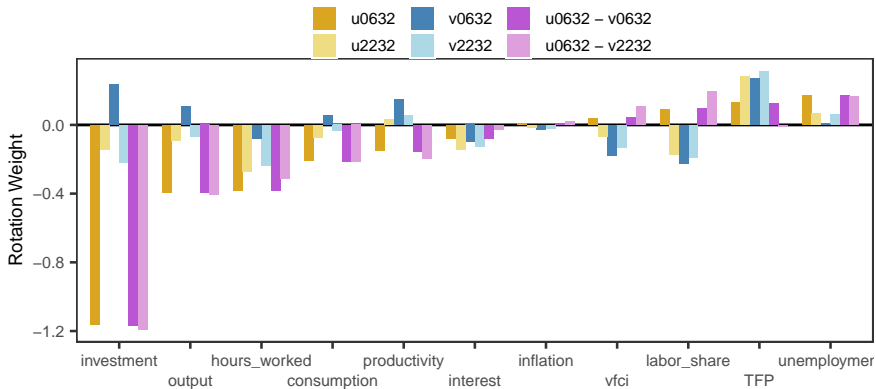
RESULTS 2 - BOTH TARGET 22 - 32 Q



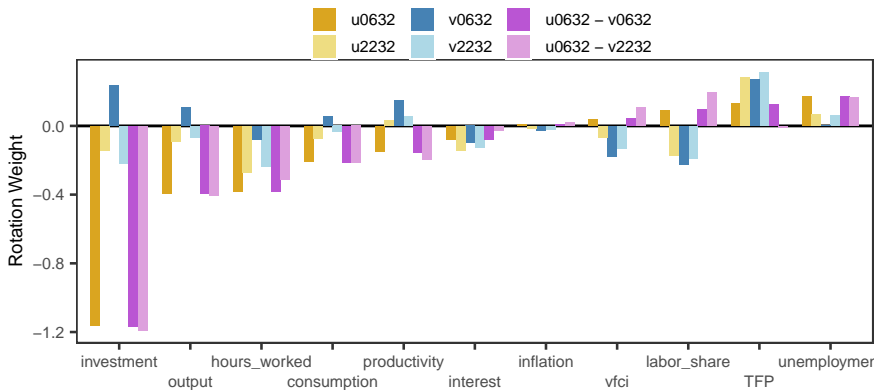
RESULTS 3 - RESIDUAL OF MBC



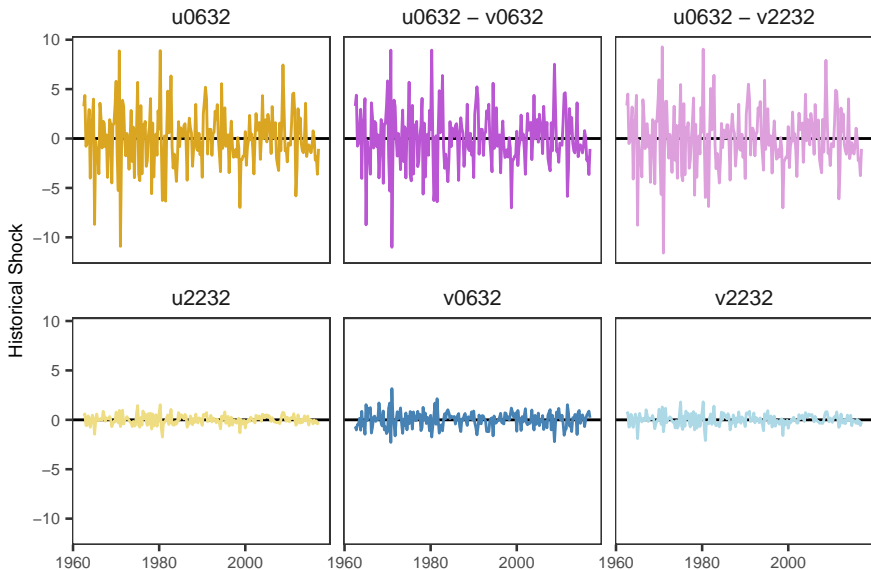
ROTATION WEIGHTS



EMPIRICAL SHOCK WEIGHTS

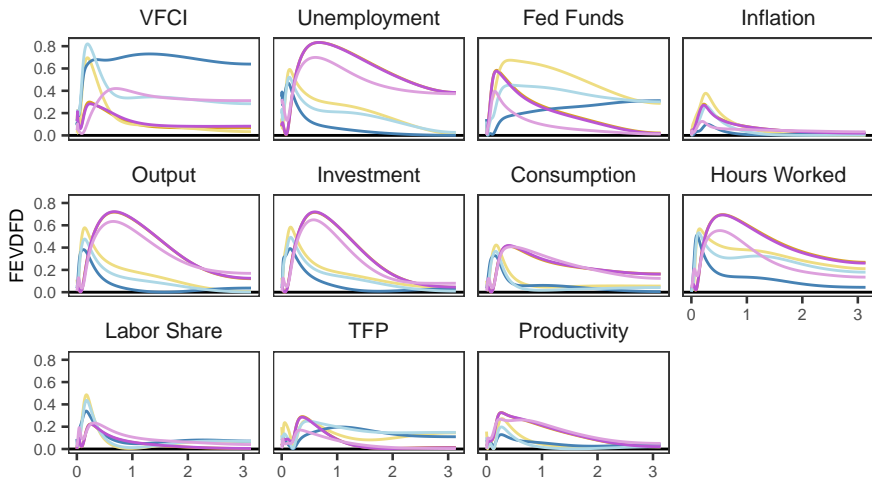


OTHER - HISTORICAL SHOCKS



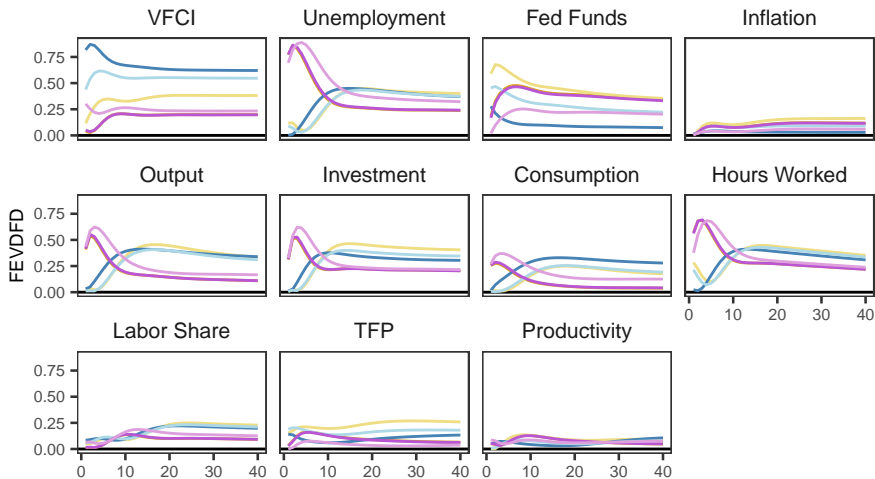
OTHER - FEVDFD

— u0632 — v0632 — u0632 - v0632
— u2232 — v2232 — u0632 - v2232



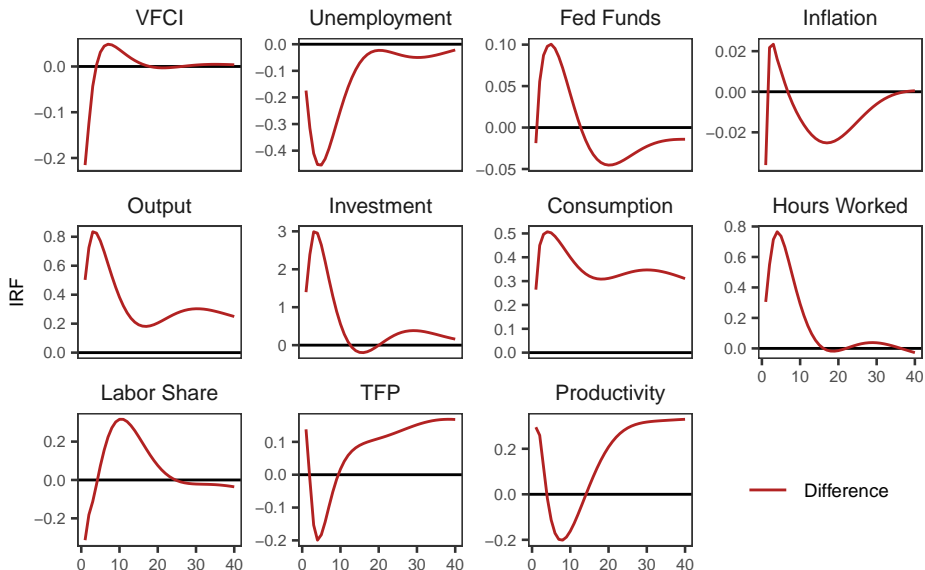
OTHER - FEVD

— u0632 — v0632 — u0632 - v0632
— u2232 — v2232 — u0632 - v2232



APPENDIX

VFCI AND U, 6 - 32 Q, DIFFERENCES



VFCI AND U, 6 - 32 Q, FIRST DIFFERENCES

