Readme File

- `VAR_main.m`

  The main .m file: loads data, runs VARs, plots figures. With baseline configuration, it runs and creates Figures 1-2. To create Figures 3-6, set switch_extern=1 (it is more time consuming as it runs separate VARs with bootstrapping with each additional variables). To run robustness exercises, change the monetary policy variables (monpol_vars_cell, and the corresponding names) and the starting and end values of the sample (smpl_min_VAR_vec, smpl_max_VAR_vec): with multiple values the code is going to create figures with each combinations.

- `VAR_data.csv`, `Factors_data.csv`

  The files contain the variables and the instruments used in the paper. Their construction are detailed in the paper.

- `doVAR.m`, `doProxySVAR_single.m`, `doProxySVARbootstrap_single.m`

  The files are based on the external instrument SVAR code of Merterns and Ravn (AER, 2013) modified to

  1. Allow different sample length for the VAR and the instruments,
  2. Allow potentially multiple instruments to explain the same monetary policy indicator,
  3. Calculate real rate, term premia and excess premia responses to identified shocks.

- `doCholSVAR_single.m`, `doCholSVARbootstrap_single.m`

  Calculate impulse responses and bootstrapped confidence bands with standard timing restrictions.

- `weight_vec.m`

  Used to calculate weights for the first order approximation of risk-neutral bond yields of various maturities used in the term premia calculations.

- `plot_figure.m`

  The plot_figure files plot impulse responses with both external instrument and Cholesky identifications on top of each other (`plot_figure.m`),

in separate columns (`plot_figure_sep.m`), and with only the external instrument identification (`plot_figure_nochol.m`).