

Macro Roundup Article

Headline: [Monetary Policy and Financial Conditions](#)

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Author(s)	Michael Bauer and Zoë Arnaut
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Summary: Monetary policy has significant direct effects on financial conditions, as evident from the response to monetary policy surprises. [For example] a surprise monetary tightening leads to significant and persistent tightening in financial conditions. The size of the impact is moderately large: a policy surprise of 0.1 percentage point leads to an increase in the Goldman Sachs FCI by about 0.07 index points on the day of the announcement and further increases over the following two weeks. In addition, monetary policy also has indirect effects: Macroeconomic news affects financial conditions in part by shifting perceptions about the likely course of future policy. Financial market participants appear to be especially attuned to recent inflation data releases, which has led to unusually strong responses in financial conditions.

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Primary Topic: Banking

Topics: Banking, Business Cycle, Financial Markets, GDP, Government/NGO, Monetary Policy

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